Summarised consolidated financial results

For the six months ended 31 March 2019

Nampak
packaging excellence

Salient features — continuing operations

Revenue of

R8.5bn

down by 4%

Trading profit

R1.0bn

down by 18%

Earnings per share

127.1c

reduced by 2%

HEPS

119.7c

down by 9%

Cash transferred

R1.8bn

improved by 44%

BEE rating improvement

from **Level 6** to **Level 4**

further improvements expected

Loan covenants met

financial position remains strong

“The first half of 2019 has been tough for a number of key businesses at Nampak. Significant currency volatility and concomitant adverse macro-economic conditions particularly in Angola have significantly held back performance. Pedestrian growth in other African countries, most notably South Africa, has depressed consumer demand and volume growth. The significant exception to this trend is Nigeria, where beverage can volumes have grown significantly, continuing a trend that has prevailed after the floating of the Nigerian naira.

In South Africa, Bevcan has successfully navigated the growing beverage can market amid increased competition by delivering on increased line speeds, greater efficiencies and good overhead cost control. The Paper business continues to grow across Africa driven by revitalised demand as a result of active marketing campaigns. The turnaround in the SA Plastics business has picked up pace and the business has successfully defended market share in a very competitive environment.”

Nampak CEO, André de Ruyter

Commentary

Overview

Nampak continues to navigate various macro-economic pressures and increased competition in South Africa to maintain and where possible grow its base business. The Metals business, being the key contributor, has strong market positions in South Africa, Angola and Nigeria. South African beverage can market volumes continued to grow at higher than the GDP growth-rate and Bevcan SA has cemented its place as a reliable supplier to customers with its technical competence and support. A number of innovations are being pursued to grow beverage can pack share by introducing the can as a substitute pack format for beverages packed in other substrates. The high recycle rates achieved by Bevcan SA afford a unique opportunity to grow the addressable market by positioning beverage cans against plastic, particularly for water. Pleasingly, beverage can volumes in Nigeria are at a record high, demonstrating this business’s resilience. In Angola, however, volumes were negatively impacted due to the impact of the local currency devaluation on local consumption, which reduced profits from this country. This is being mitigated by swift cost containment measures, including a 20% reduction in headcount. Demand in Angola should recover over the next 12 to 18 months once wage inflation has an effect. This is in line with previous trends experienced in the Nigerian market post the significant devaluation of the Naira. Volumes in Zimbabwe have continued to grow, and these operations are self-sustaining across the various substrates, with no new facilities being made available from outside Zimbabwe to fund operations.

Nampak has continued to optimise its portfolio in Nigeria. Nigeria Cartons’ major customer had communicated its intention of rationalising its global supplier base and with the potential threat of its existing contract not being renewed at the end of its remaining two-year term, a decision was made to dispose of the business. Considering these risks, the disposal of 100% of the business for an enterprise value of €26 million protected shareholder value and was considered a pleasing outcome. The proceeds will be used to reduce US dollar denominated debt.

Negotiations on the disposal of the Glass division are ongoing and all parties remain fully committed to the conclusion of this transaction. The bidder, a South African majority black owned business, has secured funding for 100% of the anticipated divestiture value. The process has, however, taken longer than anticipated due to the complexities of a transaction of this nature. The transaction if concluded, will be subject to competition authorities’ approval.

Broad-based black economic empowerment is fundamental to ensuring that Nampak is a responsible corporate citizen and is strategically positioned in its South African market to deal with increased competition. This has been a development area for Nampak for some time and pleasingly, a recently completed group initiative has resulted in the Group B-BBEE rating improving from Level 6 to Level 4, with a firm plan to deliver a Level 2 rating in the short term without the requirement for a further equity transaction.

Group performance for continuing operations

R million	H1 2019	H1 2018	% change
Revenue	**8 454**	8 845	(4)
Trading profit	**959**	1 164	(18)
Net abnormal losses	**(57)**	(121)	53
Operating profit	**902**	1 043	(14)
Profit before tax	**749**	957	(22)
Profit for the period	**795**	871	(9)
Earnings per share (cents)	**127.1**	129.4	(2)
Headline earnings per share (cents)	**119.7**	132.0	(9)

Revenue

Revenue was 4% lower largely due to a decline in volumes in Angola from softer demand as the Kwanza devalued by 49% since 31 March 2018 and to a lesser extent the entry of two competitors in this country for Bevcan SA. This was mitigated by a strong double digit growth in volumes by both Bevcan Nigeria and the general metals packaging business, 3% revenue growth by DivFood, robust volume growth by the Paper and Plastics operations in Zimbabwe and high single-digit growth in the Paper business in Nigeria.

Trading profit

Trading profit was negatively impacted by lower volumes in Angola, cost and other pressures at DivFood and the Plastics businesses in both SA and the UK, partially offset by improved trading profit in Zimbabwe. Overall trading margin reduced to 11.3% for continuing operations from 13.2% in the prior period primarily as a consequence of the decline in the Metals division's margins to 13.1% from 15.8%, partially offset by an improvement in the Paper division's margin to 15.3% from 12.9%. The overall Plastics margins remained in line with the prior period.

Abnormal items

Net abnormal losses reduced by 53% to R57 million attributable to significantly higher capital profits from the sale of assets. The 81% reduction of net impairment losses on plant and equipment to R5 million also compared favourably to R27 million in the prior period. Net devaluation losses were similar to the prior period and related primarily to Zimbabwe in the current period, with losses in the prior period due to Angola and Nigeria.

Profit before tax

Net finance costs increased to R151 million from R89 million primarily due to the inclusion of IAC Angola tax of R70 million on the capital profits on the US dollar-linked Kwanza bonds that is required to be classified as a finance cost with no such cost in the comparative period. Excluding this tax, net interest paid has decreased by 8% to R82 million due to lower interest costs attributable to debt repayments. Finance income also fell 31% to R66 million as interest costs hedging and associated with cash transfers from Angola and the new requirement to cash fund all letters of credit for imported goods in a *cativo* account on which no interest was paid by the Government for the period 1 October 2018 to 28 February 2019, after which a floating interest rate averaging 5% for the period was earned compared to interest of 7% previously earned on US dollar-linked Kwanza bonds.

The resulting profit before tax was lower by 22% due to lower operating profit and the inclusion of the Angola investment income tax in net finance costs.

Profit for the period

Profit for the period has decreased by 9% partly assisted by an income tax credit in the period compared to an expense in the prior period. The taxation credit primarily results from the recognition of the future tax deductibility of the unrealised foreign exchange losses in Angola. In addition, the tax rate was also positively impacted by the foreign tax rate differential on the rates that apply to different countries. The tax rate reduction was partially offset by the loss after interest in Angola not providing a tax shield post the tax holiday which ended on 30 April 2019, due to the losses that arose from the additional interest charge not being carried forward for tax purposes. The increase in withholding and other foreign taxes paid is mainly due to the withholding tax on the additional interest levied on Angola. This was partially offset by the loss after interest in Angola not providing a tax shield post the tax holiday which ended on 30 April 2019. Certain foreign exchange translation losses in Zimbabwe do not provide a tax shield and accordingly increased the effective tax rate.

Earnings

Basic earnings of R820 million and basic earnings per share of 127.1c both declined by 2%. Headline earnings per share of 119.7c, was down 9% due to net gains versus net losses in the prior period primarily caused by a significantly higher net profit on the disposal of assets.

Financial position

The Group's covenants were well managed and were within the covenant limits with net debt: EBITDA of 2.7 times, below the 3 times threshold and the interest cover of 7.0 times providing significant headroom above the 4 times requirement. It should be noted that all cash balances held in Zimbabwe and 50% of the US dollar-linked Kwanza bonds held in Angola are excluded from cash balances, but 45 days working capital in Angola is included for the purposes of the covenants. Accordingly, policy developments announced in February 2019 in Zimbabwe do not impact debt covenants but did impact the Group's gearing.

Nampak's historic maturing debt profile was refinanced in September 2018 through the securing of a R12.5 billion long-term committed revolving credit facility and term loans ("RCF"). 45% of these facilities have been utilised to date with the balance of 55% providing a platform for future growth and the settlement of other US dollar facilities on maturity.

Gearing is closely managed and as at 31 March 2019 Nampak had a net gearing ratio of 52%, compared to 37% at September 2018. Net gearing remains within the target range of 40% to 60%. The net gearing ratio has been adversely impacted by the currency devaluation in Zimbabwe. This has resulted in a charge of R1.2 billion against equity, through other comprehensive income, inclusive of a devaluation of R738 million in the cash balances held in Zimbabwe. The combination of the aforementioned has increased gearing by 12%.

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 R1.7 billion from R2.6 billion at the end of September 2018. R1.8 billion was transferred during the period representing a cash transfer rate of 68% of the opening cash balance, an improvement of 44% from the prior period's R1.25 billion cash transfer. R1.1 billion and R0.7 billion was transferred from Angola and Nigeria respectively. There is currently no restriction on the transfer of cash from Nigeria. Kwanza availability is at times constrained 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-linked Kwanza bonds either mature or can be converted to cash ahead of maturity dates.

Of the Rand equivalent of R1.5 billion cash balance in Angola, 49% remains hedged and protected against further devaluations through US dollar-linked Kwanza bonds. The new Angolan requirements for letters of credit supporting future imports to be cash backed in country have led to higher in-country cash balances and a reduction in the cash levels hedged by US dollar-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 Rand value cash balances in Zimbabwe more than halved to R466 million compared to R1.2 billion at the end of September 2018 due to the introduction of the RTGS dollar with an exchange rate of 2.5 to the US dollar, which led to a 60% devaluation in the currency against the US dollar. The Group has adopted the RTGS currency as its functional currency compared to the US dollar used in the prior year.

A "sovereign" hedge of USD57 million was arranged in Zimbabwe in November 2018 in terms of which an amount of USD57 million owing on a trade account by Nampak Zimbabwe ("NZL") to Nampak International ("NIL", a direct subsidiary of Nampak Limited) will be settled in quarterly payments over a three-year period from a US dollar denominated non-resident account established for the benefit of NIL. This represents approximately two thirds of the amount owing by NZL to NIL. Despite the aforementioned the Group has made the election under IAS21: *The Effects of Changes in Foreign Exchange Rates* to include all its US dollar loans to its Zimbabwe operations as part of its net foreign investment.

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 period. Raw materials are being funded by dollars provided by customers as well as export sales. No increased facilities or unfunded goods have been made available by Nampak entities to Nampak Zimbabwe during the period.

				Limited liquidity	
31 March 2019	Angola	Nigeria	Sub-total	Zimbabwe	Total
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**[3]	**2 155**
Hedged cash (Rm)	**717**	**—**[2]	**717**	**—**[4]	**717**
% cash hedged	**49**	**—**[2]	**42**	**—**[4]	**33**
Cash transferred (Rm)	**1 105**	**663**	**1 768**	**27**	**1 795**
Cash transfer rate (%)[1]	**48**	**221**	**68**	**2**	**47**

				Limited liquidity	
30 September 2018	Angola	Nigeria	Sub-total	Zimbabwe	Total
Cash on hand (Rm)	2 307	300	2 607	1 190	3 797
Hedged cash (Rm)	2 166	—[2]	2 166	—[4]	2 166
% cash hedged	94	—[2]	83	—[4]	57
Cash transferred (Rm)	1 807	1 574	3 381	87	3 468
Cash transfer rate (%)[1]	83	190	112	13	94

				Limited liquidity	
31 March 2018	Angola	Nigeria	Sub-total	Zimbabwe	Total
Cash on hand — 30 Sep 2017 (Rm)	2 188	828	3 016	654	3 670
Cash on hand (Rm)	2 748	410	3 158	816	3 974
Hedged cash (Rm)	2 622	—[2]	2 622	—[4]	2 622
% cash hedged	95	—[2]	83	—[4]	66
Cash transferred (Rm)	275	952	1 227	23	1 250
Cash transfer rate (%)[1]	13	115	41	4	34

1 *Cash transfer rate is the amount of cash transferred compared to cash on hand at the end of the previous reported 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 *Net of a devaluation adjustment amounting to R738 million due to the introduction of the RTGS dollar.*

4 *USD57 million hedge secured (representing approximately 67% of 30 September 2018 balance) before new Monetary Policy announcement was made on 20 February 2019. This amount has now been transferred to a non-resident account.*

Foreign exchange rate movements

Nampak has sizeable operations outside of South Africa and is exposed to various foreign currency movements.

The Nigerian naira remained fairly stable while the Angola kwanza, devalued by 8.4% for the period. The Zimbabwean RTGS dollar devalued by >100% in February 2019 and as a result Nampak experienced foreign exchange losses upon adoption of the RTGS dollar for reporting purposes from the US dollar used in previous periods. The Group has made an election under IAS 21 to include its US dollar loans to Zimbabwe operations as part of its net foreign investment.

US dollar functional currency operations in the Rest of Africa have benefitted from an on average 10.7% weakening in the average exchange rate for the period. US dollar denominated debt has been adversely affected by 2.5% weakening since September 2018 and a 22% weakening since March 2018.

	Average rates				Closing rates			
Currency	**31 Mar 2019**	31 Mar 2018	% △	30 Sep 2018	**31 Mar 2019**	30 Sep 2018	% △	31 Mar 2018
ZAR/GBP	**18.32**	17.35	5.6	17.61	**18.90**	18.43	2.6	16.62
ZAR/EUR	**16.11**	15.36	4.9	15.58	**16.27**	16.41	(0.9)	14.57
ZAR/USD	**14.15**	12.78	10.7	13.11	**14.50**	14.14	2.5	11.86
NGN/USD	**362.50**	359.75	0.8	360.61	**360.23**	362.79	(0.7)	360.00
AOA/USD	**315.40**	189.76	66	222.09	**326.11**	300.72	8.4	218.64
ZWL/USD	**2.54**	1.00	>100	1.00	**3.01**	1.00	>100	1.00

Divisional performance

	Revenue		Trading profit		Trading margin (%)	
R million	**H1 2019**	H1 2018	**H1 2019**	H1 2018	**H1 2019**	H1 2018
Metals	**5 543**	5 849	**725**	925	**13.1**	15.8
Plastics	**2 297**	2 393	**114**	121	**5.0**	5.1
Paper	**614**	603	**94**	78	**15.3**	12.9
Corporate services	**—**	—	**26**	40	**—**	—
Continuing operations	**8 454**	8 845	**959**	1 164	**11.3**	13.2
Discontinued operation:						
Glass	**764**	720	**89**	(55)	**11.6**	(7.6)
Group total	**9 218**	9 565	**1 048**	1 109	**11.4**	11.6

Continuing operations

Metals

Revenue and trading profit fell mainly as a result of lower volumes in Bevcan Angola, cost and other pressures at DivFood and Bevcan Nigeria to a lesser extent. Bevcan SA offset some of these pressures and maintained its trading margin due to improved efficiencies and tight cost management.

The South African beverage can market continues to grow and advanced 2% for the six month period to the end of March 2019 relative to March 2018. Bevcan SA volumes declined by 9% as expected, as customers began allocating volumes to the new entrant, which commenced delivering to customers in late 2018. Bevcan SA also rebased its cost structure by removing an old tin plate line located in Epping, Western Cape, which was largely used for peak demand and thereby lowered its name plate capacity by 11%. Savings from this restructuring began flowing in the second half of 2018 and the full benefit of lower operating costs has begun being experienced for 2019 and will be sustained at an annual level of R60 million per annum going forward.

DivFood experienced mixed demand for the period. Food can volumes grew marginally driven by market share gains. Fruit, fish and meat can volumes were stable. Aerosols and paint can volumes in the diversified business declined on the previous year driven by poor consumer demand. Margins were negatively impacted due to product mix and a very competitive marketplace impacting on pricing. As a consequence, the business made a marginal trading loss for the period.

The Rest of Africa produced varying results — in Nigeria volumes grew ahead of expectations, while the devaluation of the Kwanza led to significantly softer demand for the period in Angola.

Bevcan Nigeria achieved 17% volume growth for the half year period and record annual sales volumes since 2016, driven by the malt and beer categories, as well as growth in the underlying market for beverage cans. Nampak's market share has now increased from 45% to an estimated 50% of the total beverage can market in Nigeria. The beverage can line is now approaching full utilisation and the second line is being considered if demand continues to be buoyant. This plant is running extremely well and is approaching 3 million incident-free hours — a major milestone at such high utilisation rates, while costs remain firmly under control. General metals packaging volumes in Nigeria also improved in line with positive consumer demand trends. Revenue grew 19% assisted by a weakened Rand against the US dollar, although margins were under pressure due to higher cost of sales for both diversified and beverage cans. Nampak remains bullish about this market and recent market studies have further reinforced the opportunities in growing the can pack share for beverages and food cans demand. The R100 million project to install a food can line in Nigeria is progressing satisfactorily, and it is anticipated that commercial production will commence in the first quarter of 2020.

Bevcan Angola volumes decreased by 37% and revenue by 33% as result of the lower demand, driven by lower wages relative to producer price index inflation in Angola. The devaluation of the Kwanza in excess of 49% in Angola since 31 March 2018 heavily impacted consumer demand. Demand is expected to be constrained until wage inflation is reflected in new salaries and wages where after demand is expected to recover. Management has responded promptly to these changes and have adjusted the cost base to reflect current demand. In order to manage overhead costs and actively manage and alleviate the impact on margins in the second half of the financial year, 20% of the staff component were retrenched in April 2019.

Plans to convert the steel line to an aluminium line in Angola are progressing, which reflects expected future demand forecasts.

Plastics

Revenue reduced due to lower demand in Plastics SA and Plastics UK. Zimbabwean operations mitigated this and grew both revenue and margins, and stabilised overall trading margins for the Plastics division at 5.0%.

Plastics SA was characterised by lower volumes for rigids partly being offset by volume growth in the cartons business. Rigid volumes were down following lost customer allocations for bottles and crates as well as overall softer market conditions in South Africa. Operational inefficiencies as a result of lower volumes, disruptions from load shedding, the impact of restructuring within our plants and stock write-offs led to lost margin and revenue declined 10% for rigids. Cartons revenue remained stable for the period and various initiatives and product launches are being investigated with customers requesting alternatives to traditional packaging for staples such as milk and juice. This is expected to drive volume growth in the near future.

Plastics in the Rest of Africa largely comprises of Zimbabwean operations, viz. Megapak and CMB. Robust volume demand continued at these operations bolstered by increasing exports to neighbouring countries and revenue grew 10% and margins in multiples of revenue growth. The impact of the new currency dispensation implemented on 20 February 2019 on margins and volume is being closely monitored to ensure that costs and inventories are tightly controlled.

Plastics UK volumes continue to be impacted by reduced demand resulting from backward integration by a key customer. An overall weaker dairy market and the start-up costs of new projects led to a loss for the first half.

Paper

Demand at Hunyani in Zimbabwe remains strong supported by regional exports and revenue was relatively stable for the period. Trading profit improved and significantly contributed to raising the trading margin of the Paper division to 15.3% from 12.9%. While liquidity is an ongoing challenge, robust trading is expected to continue as long as US dollar funding for raw materials by our customers can be sourced from the market. Availability of foreign currency to source raw materials is dependent on exports for producers as well as tobacco sales for customers.

Carton volumes in Nigeria in the half year have remained strong and revenue grew 9% and trading profit by double digits. Customer inventory levels and possible legislation changes may dampen volumes in the second half of the year. As previously mentioned, negotiations for the disposal of this business were concluded on 2 April 2019 with the signing of an agreement with AR Packaging Group subject to normal conditions precedent. In the absence of this agreement, there was a high risk of a supply agreement with a key customer being terminated in two years' time, and consequently the sale of the business for an enterprise value of €26 million is a satisfactory value unlock.

Volumes in Zambia and Malawi have improved, driven by growing consumer demand. Revenue grew by double digits. Bullpak in Kenya has put in a commendable performance in spite of softer market conditions.

Discontinuing operation

Glass

Sales volumes for Glass have remained relatively flat, constrained by production output. Revenue is up 6% due to acceptable price increases and a better mix of higher volumes of flavoured alcoholic beverages. Beer bottle demand remains extremely strong while demand for spirits and wine bottles has been muted. While cost containment initiatives and operational improvements have delivered positive results, the improved trading margin of 11.6% is fundamentally due to the reduction in depreciation for this business as it has been classified as a discontinuing operation and accordingly on consolidation depreciation ceases. A further R137 million relating to property, plant and equipment was impaired for this asset, for the period.

Electricity supply from Ekurhuleni had started to improve after the plant experienced ongoing fluctuations and supply disruptions throughout 2018. The recent load shedding experienced in the past four months 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 on energy costs for the period. The rotary uninterruptible power supply system has been instrumental in mitigating any impact of these issues to date, which has, however, increased energy costs as more diesel has been consumed.

As previously mentioned the Glass business is in the advanced stages of being disposed and negotiations are ongoing with the preferred bidder.

Trading performance by region is as follows:

	Revenue		**Trading profit**		**Trading margin (%)**	
R million	**H1 2019**	H1 2018	**H1 2019**	H1 2018	**H1 2019**	H1 2018
South Africa	**5 092**	5 208	**432**	527	**8.5**	10.1
Rest of Africa	**2 790**	2 973	**573**	608	**20.5**	20.5
Europe	**572**	664	**(72)**	(11)	**(12.6)**	(1.7)
Corporate services	**—**	—	**26**	40	**—**	—
Continuing operations	**8 454**	8 845	**959**	1 164	**11.3**	13.2
Discontinued operation:						
South Africa (Glass)	**764**	720	**89**	(55)	**11.6**	(7.6)
Group total	**9 218**	9 565	**1 048**	1 109	**11.4**	11.6

Outlook

The outlook in key markets and businesses remains largely driven by macro-economic factors.

South Africa has recently released its election results which were in line with expectations. Pedestrian economic growth rates are expected for 2019. The entry of a third manufacturer in the beverage can market in the second half of the 2019 calendar year is expected to put pressure on Bevcan SA's volumes, but management has implemented mitigating initiatives to deal with resulting lower volumes. During the prior year the steel Bevcan Epping line was taken out of production and disposed of in the current period, withdrawing an approximate 600 million can capacity from the market in anticipation of the new entrants into the South African market. Continued growth of the beverage can market also serves as a mitigating factor as supply from the additional entrants will be naturally absorbed. DivFood may be impacted by lower allocations by a key customer in the second half.

Robust demand for beverage cans and the general metal packaging businesses in Nigeria are expected to continue in the second half in light of the emerging recovery of that economy.

Lower consumer demand is expected to continue in Angola until such a time that spending power is restored when wage inflation converges to producer price inflation. This transitionary adjustment period is expected to last between 12 to 18 months based on our experience in Nigeria. As a result, demand in the short to medium term is expected to remain soft.

Demand in Zimbabwe remains robust for most of Nampak's businesses and customers will continue to be supplied to the extent they are able to pay for raw materials and through foreign currency they secure and from US dollars derived from Nampak's sales. Since April 2018, no further credit extension by any Nampak entity has been provided to Nampak's businesses in Zimbabwe.

Overall, growing consumer consumption shifts towards more environmentally friendly and sustainable packaging is expected to drive volume growth of the Paper business.

Nampak will continue to assess its business and consolidate its footprint where considered appropriate to serve territories collectively and sharpen its focus on key contributors in order to improve Group profitability.

Directors

Following the retirement of Mr RC Andersen and Prof. PM Madi with effect 6 February 2019, two new directors, CD Raphiri and SP Ridley have been appointed to the board of the company as independent non-executive directors with effect from 1 March 2019. Ms MMF Seleoane, Group human resources director, also resigned during the period, effective 28 February 2019.

Dividend

The board has decided not to resume dividends to shareholders until the sustainability of cash transfers from Zimbabwe is assured and the disposal of the Glass business is finalised. The board is evaluating the various options available with a view to enhancing shareholder value.

Shareholders are advised that the financial information contained in this announcement has not been audited, reviewed or reported upon by Nampak's external auditors.

On behalf of the board

PM Surgey
Chairman

AM de Ruyter
Chief executive officer

GR Fullerton
Chief financial officer

Bryanston
30 May 2019

Condensed Group statement of comprehensive income

R million	Notes	**Unaudited 6 months ended 31 Mar 2019**	Restated* Unaudited 6 months ended 31 Mar 2018	Change %	Audited Year ended 30 Sep 2018
Continuing operations					
Revenue		**8 454.4**	8 845.3	(4)	17 309.8
Operating profit	4	**901.7**	1 043.5	(14)	1 522.9
Finance costs	5	**(217.6)**	(184.3)		(465.2)
Finance income	5	**66.2**	95.5		244.3
Share of net (loss)/profit from associates and joint venture		**(0.9)**	2.3		5.8
Profit before tax		**749.4**	957.0	(22)	1 307.8
Income tax benefit/(expense)	6	**46.0**	(86.0)		(139.5)
Profit for the period from continuing operations		**795.4**	871.0	(9)	1 168.3
Discontinued operation					
Loss for the period from discontinued operation	7	**(105.0)**	(107.1)		(599.2)
Profit for the period		**690.4**	763.9	(10)	569.1
Other comprehensive (expense)/income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	8	**(1 090.4)**	(664.5)		217.4
(Loss)/gain on cash flow hedges		**(7.2)**	88.0		51.7
Items that will not be reclassified to profit or loss					
Net actuarial gain from retirement benefit obligations		**—**	—		34.4
Other comprehensive (expense)/income for the period, net of tax		**(1 097.6)**	(576.5)	(>100)	303.5
Total comprehensive (expense)/income for the period		**(407.2)**	187.4	(>100)	872.6
Profit/(loss) attributable to:					
Owners of Nampak Limited		**714.6**	725.7	(2)	489.2
Non-controlling interests in subsidiaries		**(24.2)**	38.2		79.9
Total		**690.4**	763.9	(10)	569.1
Total comprehensive income/(expense) attributable to:					
Owners of Nampak Limited		**204.9**	205.6	—	769.9
Non-controlling interests in subsidiaries		**(612.1)**	(18.2)		102.7
Total		**(407.2)**	187.4	(>100)	872.6
Earnings/(loss) per share					
Basic (cents per share)					
Continuing operations		**127.1**	129.4	(2)	169.2
Discontinued operation		**(16.3)**	(16.6)		(93.2)
Total		**110.8**	112.8	(2)	76.0
Diluted (cents per share)					
Continuing operations		**126.6**	129.0	(2)	168.4
Discontinued operation		**(16.2)**	(16.6)		(92.7)
Total		**110.4**	112.4	(2)	75.7

* *Refer note 2.*

Condensed Group statement of financial position

R million	Notes	**Unaudited 31 Mar 2019**	Restated* Unaudited 31 Mar 2018	Audited 30 Sep 2018
ASSETS				
Non-current assets				
Property, plant, equipment and investment property		**7 738.0**	7 650.6	8 177.0
Goodwill and other intangible assets		**3 754.6**	3 143.5	3 708.0
Joint venture, associates and other investments		**25.3**	22.8	35.3
Deferred tax assets		**651.7**	25.6	173.5
Liquid bonds and other loan receivables	10	**746.6**	1 832.0	1 787.9
		12 916.2	12 674.5	13 881.7
Current assets				
Inventories		**3 261.2**	3 010.3	3 205.6
Trade and other current receivables		**2 980.6**	2 417.7	3 071.0
Tax assets		**21.7**	19.9	14.1
Liquid bonds and other loan receivables	10	**11.9**	882.8	450.6
Bank balances and deposits		**1 966.2**	1 844.2	2 844.8
		8 241.6	8 174.9	9 586.1
Assets classified as held for sale	7	**2 685.6**	2 589.4	2 446.3
Total assets		**23 843.4**	23 438.8	25 914.1
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital		**35.5**	35.5	35.5
Capital reserves		**(61.1)**	(65.3)	(70.3)
Other reserves		**(309.7)**	(604.5)	200.0
Retained earnings		**10 620.6**	10 215.1	9 975.1
Shareholders' equity		**10 285.3**	9 580.8	10 140.3
Non-controlling interests		**(160.1)**	351.3	472.2
Total equity		**10 125.2**	9 932.1	10 612.5
Non-current liabilities				
Loans and other borrowings		**7 683.0**	3 225.1	8 023.1
Retirement benefit obligation		**1 473.2**	1 465.2	1 478.4
Deferred tax liabilities		**130.2**	283.1	168.1
Other non-current liabilities		**93.6**	57.3	98.6
		9 380.0	5 030.7	9 768.2
Current liabilities				
Trade payables, provisions and other current liabilities		**3 339.2**	3 125.1	4 195.3
Tax liabilities		**118.8**	33.9	45.5
Loans, other borrowings and bank overdrafts		**287.9**	5 165.6	990.0
		3 745.9	8 324.6	5 230.8
Liabilities directly associated with assets classified as held for sale	7	**592.3**	151.4	302.6
Total equity and liabilities		**23 843.4**	23 438.8	25 914.1

* *Refer note 2.*

Condensed Group statement of changes in equity

R million	Notes	**Unaudited 6 months ended 31 Mar 2019**	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
Opening balance		**10 612.5**	9 681.1	9 681.1
Adjustment to opening equity — adoption of new standard	2	**(89.2)**	—	—
Net shares issued during the period		**—**	5.6	6.5
Share-based payment expense		**9.1**	9.1	4.0
Share grants exercised		**—**	(5.7)	(6.5)
Treasury shares disposed		**—**	54.6	54.9
Total comprehensive (expense)/income for the period		**(407.2)**	187.4	872.6
Dividends paid		**—**	—	(0.1)
Closing balance		**10 125.2**	9 932.1	10 612.5
Comprising:				
Share capital		**35.5**	35.5	35.5
Capital reserves		**(61.1)**	(65.3)	(70.3)
Share premium		**268.9**	268.0	268.9
Treasury shares		**(515.7)**	(515.8)	(515.8)
Share-based payments reserve		**185.7**	182.5	176.6
Other reserves		**(309.7)**	(604.5)	200.0
Foreign currency translation reserve		**1 067.1**	766.9	1 569.6
Financial instruments hedging reserve		**49.2**	92.7	56.4
Recognised actuarial losses		**(1 412.7)**	(1 447.1)	(1 412.7)
Share of non-distributable reserves in associate		**3.7**	—	3.7
Other		**(17.0)**	(17.0)	(17.0)
Retained earnings		**10 620.6**	10 215.1	9 975.1
Shareholders' equity		**10 285.3**	9 580.8	10 140.3
Non-controlling interests		**(160.1)**	351.3	472.2
Total equity		**10 125.2**	9 932.1	10 612.5

Condensed Group statement of cash flows

R million	Notes	**Unaudited 6 months ended 31 Mar 2019**	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
Cash generated from operations before working capital changes	11.1	**1 101.3**	1 435.4	2 127.0
Working capital changes	11.1	**(924.5)**	(859.7)	(676.9)
Cash generated from operations	11.1	**176.8**	575.7	1 450.1
Net interest paid		**(228.6)**	(221.8)	(458.1)
Income tax paid		**(68.9)**	(78.2)	(170.8)
Cash flows from operations		**(120.7)**	275.7	821.2
Dividends paid		**—**	—	(0.1)
Net cash (utilised)/generated from operating activities		**(120.7)**	275.7	821.1
Capital expenditure		**(359.7)**	(206.0)	(536.4)
Replacement		**(301.4)**	(139.3)	(359.8)
Expansion		**(58.3)**	(66.7)	(176.6)
Post-retirement medical aid buy-out		**—**	—	(1.8)
Decrease/(increase) in liquid bonds for hedging purposes		**1 461.5**	(994.4)	(6.9)
Other investing activities		**146.4**	14.6	47.8
Net cash generated/(utilised) before financing activities		**1 127.5**	(910.1)	323.8
Net cash (repaid in)/raised from financing activities		**(235.3)**	118.4	1 659.7
Net increase/(decrease) in cash and cash equivalents		**892.2**	(791.7)	1 983.5
Net cash and cash equivalents/(overdraft) at beginning of period		**1 836.8**	(168.8)	(168.8)
Translation of cash in foreign subsidiaries		**(754.8)**	(222.5)	22.1
Net cash and cash equivalents/(overdraft) at end of period	11.2	**1 974.2**	(1 183.0)	1 836.8

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

The accounting policies adopted and methods of computation used are consistent with those applied for the Group's 2018 annual financial statements.

New and revised International Financial Reporting Standards in issue and effective for the current financial year

The Group adopted all amendments or improvements to standards or interpretations that became effective during the current financial year including the following:

IFRS 9: Financial Instruments

The standard became effective in the current reporting period requiring the Group to change its accounting policies and make adjustments to retained earnings as a result of adopting the standard.

The impact of the adoption of this standard and the new accounting policy is disclosed below.

IFRS 9: Financial Instruments replaces IAS 39: Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

The Group has applied IFRS 9 retrospectively, with the initial application date of 1 October 2018 with no adjustments to comparative information for the period beginning 1 October 2017.

The effect of adopting IFRS 9 resulted in a R89.2 million gross decrease in opening equity balances.

The change did not have a material impact on the Group's operating, investing and financing cash flows.

(a) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through "other comprehensive income". The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Group's business model was made as of the date of initial application, 1 October 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 October 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets. Liquid bonds, trade receivables and other loan receivables previously classified as loans and receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These are now classified and measured as debt instruments at amortised cost.

There are no changes in classification and measurement for the Group's financial liabilities.

In summary, upon the adoption of IFRS 9, the Group had the following required or elected reclassifications:

R million	IAS 39 measurement	Fair value through profit or loss	IFRS 9 measurement
Liquid bonds and other loans receivables*	1 787.9	—	1 720.8
Trade receivables*	2 578.5	—	2 558.4

* *The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.*

(b) Impairment

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets.

Upon the adoption of IFRS 9, the Group recognised additional impairment on of R89.2 million, predominately relating to the expected credit loss on Angolan kwanza bonds. This resulted in a gross decrease in equity of R89.2 million as at 1 October 2018.

Set out below is the reconciliation of the closing impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

R million	Impairment provision under IAS 39 as at 30 Sep 2018	Remeasurement	Expected credit loss under IFRS 9 as at 1 Oct 2018
Loans and receivables (IAS 39)/financial assets at amortised cost (IFRS 9)	47.4	89.2	136.6

* *The change in carrying amount is a result of additional impairment allowance. See the discussion on impairment below.*

IFRS 15: Revenue From Contracts With Customers

On 1 October 2018 the Group implemented IFRS 15: Revenue from Contracts with Customers which replaced IAS 18: Revenue. Revenue comprises the consideration received or receivable on contracts entered into with customers in the ordinary course of the entity's activities. Revenue is shown net of taxes, cash discounts, settlement discounts and rebates given to customers. Revenue is recognised as the amount of the transaction prices allocated to each performance obligation and this is determined at the amount that depicts the consideration to which the entity expects to be entitled in exchange for transferring the goods and services promised to the customer.

Revenue is recognised on the sale of goods when control is transferred to the customer. Revenue from providing services is recognised when the service has been performed.

The Group aligned its measurement and recognition principles of revenue with that of IFRS 15 upon adoption. There is no material impact on the measurement and recognition of revenue.

New and revised International Financial Reporting Standards in issue but not yet effective for the current financial year

At the date of authorisation of these financial statements, the following standard was in issue but not yet effective for the current year and has not been early adopted:

IFRS 16: Leases

The standard is effective for years commencing on or after 1 January 2019. The standard will be adopted by the Group for the financial reporting period commencing 1 October 2019.

IFRS 16 requires the 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 Leases 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 Group has assessed the majority of its significant lease agreements, in particular those relating to property rentals, and the preliminary assessment indicates that material adjustments to non-current assets, non-current liabilities and EBITDA are to be expected as a result of the new standard. The current estimate of the impact of adopting IFRS 16 on the March 2019 reported numbers is as follows:

- increase in net assets: R379.0 million;
- increase in EBITDA: R103.0 million;
- decrease in profit for the period: R12.0 million.

Management continues to assess the implications of the remaining individually insignificant lease agreements in which the Group is the lessee which may cause the final impact to differ from the estimates provided above.

The Group is still to make a decision on the transition method to be applied or the application of exceptions related to short term and low value asset leases.

Change in accounting estimate

During the year, the Group reassessed the residual values of its property, plant and equipment as required by IAS 16: Property, Plant and Equipment in light of a recent disposal of production equipment. The residual values of the assets were increased as the adjusted residual values reflect more appropriately the pattern of the consumption of the future economic benefits embodied in the assets concerned. In accordance with IAS 16: Property, Plant and Equipment, this reassessment represents a change in an accounting estimate and is therefore applied prospectively in terms of IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors. The impact of the change in applying increased residual values for the half-year ended 31 March 2019 is a decrease in the depreciation expense of R55.0 million, inclusive of R11.0 million relating to the half year ended 31 March 2019 and a decrease in the depreciation expense of R22.0 million expected annually in the future.

Reclassification of prior year intragroup finance costs

The comparatives to the Group statement of comprehensive income (March 2018) have been restated for intragroup finance costs incurred by Nampak Glass of R86.0 million which was included in finance income and has been more appropriately deducted from finance costs.

Reclassification of prior year intragroup receivable balances

The comparatives to the Group statement of financial position (March 2018) have been restated for intragroup royalties receivable of R209.1 million that were presented with trade and other current receivables and have been reclassified to trade and other payables where the matching intragroup royalties payable were presented.

3. Critical judgements

3.1 Change of functional currency — Nampak Zimbabwe Limited

With effect 1 October 2018, the functional currencies of all the entities in the Nampak Zimbabwe Limited Group were changed from US dollar to Real Time Gross Settlement (RTGS) dollar in terms of IAS 21: The Effects of Changes in Foreign Exchange Rates. This change was brought about by a review of the indicators set out in this standard and the conclusion reached was that the RTGS dollar represents the economic effects of the underlying transactions. events and conditions pertaining to these entities more appropriately.

3.2 Net investment in a foreign operation

Management continually reviews the recoverability of amounts receivable by Nampak International Limited (NIL) in terms of intragroup loans to its operations. NIL is the main holding company for the African operations and is based in the Isle of Man. Where NIL has decided that it will not seek repayment of loans in the foreseeable future, the outstanding balance is considered to be and is recognised as being part of NIL's net investment in these operations in accordance with the application of IAS 21: The Effects of Changes in Foreign Exchange Rates (paragraph 15). Consequently, any exchange differences on translation of such loans are recognised in profit or loss in the separate financial statements of the operation concerned, while on consolidation such exchange differences are recognised in other comprehensive income.

At 31 March 2019, the directors have determined that the amounts receivable by NIL from Nampak Zimbabwe Limited are not expected to be settled in the foreseeable future and are therefore recognised as part of the net investment in this entity.

3.3 Classification of disposal Groups held for sale

The classification of the Nampak Glass division and the Megapak Crates and Drums businesses as disposal Groups held for sale involves determining whether the criteria for such recognition as indicated in IFRS 5: Non-current Assets Held for Sale and Discontinued Operations continue to be met.

These criteria include: the directors are committed to a plan to sell the disposal groups in question, the disposal group is available for sale, an active programme to locate a buyer has been initiated, the sale is highly probable within 12 months of classification as held for sale, the disposal group is being marketed for sale at a sales price that is reasonable in relation to its fair value and actions required to complete the plan indicate that is unlikely that the plan will be significantly changed or withdrawn.

After an assessment of the transactions in terms of the above criteria, the directors have determined that despite the delay in concluding these transactions due to matters outside management's control, the classification and disclosure of the above disposal groups as held for sale continues to be appropriate as they remain committed to concluding these transactions. Negotiations for the disposal of Glass are at an advanced stage with both parties committed to the transaction.

3.4 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.

Deferred tax assets recognised in the period relate mainly to foreign exchange losses incurred in Nampak Bevcan Angola Limitada. These assets are expected to be recovered against profits of this entity in the foreseeable future.

3.5 Impairment of assets

The market capitalisation and net asset value of the Nampak Limited Group at 30 September 2018 was R10.6 billion. The Nampak Limited Group market capitalisation declined to R7.2 billion at 20 May 2019. The directors are in the process of assessing the potential cause of this decline and whether this is of a temporary or permanent nature to establish whether any Group assets should be impaired in terms of IAS 39: Impairment of Assets. At 31 March 2019, no permanent diminution of net asset value was indicated.

4. Included in operating profit for continuing operations are:

R million	**Unaudited 6 months ended 31 Mar 2019**	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
Depreciation	**209.5**	284.1	545.9
Amortisation	**13.4**	10.8	23.1
Net translation loss/(profit) recognised on financial instruments	**132.0**	245.0	(76.7)
Net loss arising from Angolan, Nigerian and Zimbabwean exchange rate movements	**94.0**	96.5	126.6
Net loss/(profit) arising from normal operating activities	**38.0**	148.5	(203.3)
Reconciliation of operating profit to trading profit [1]			
Operating profit	**901.7**	1 043.5	1 522.9
Net abnormal losses [2]	**57.0**	120.7	447.1
Cash transfer and liquid bond disposal losses	**48.4**	—	73.0
Net impairment (reversals)/losses on plant, equipment and loan receivables	**(43.4)**	26.6	7.0
Retrenchment and restructuring costs	**23.3**	8.3	95.6
Net devaluation loss arising from Angolan, Nigerian and Zimbabwean exchange rate movements	**94.0**	96.5	126.6
Onerous contract and related losses	**—**	—	99.7
Remediation and related activities pertaining to sale and leaseback properties	**—**	—	63.9
Gain on acquisition of investment	**—**	—	(6.0)
Net profit on disposal of property	**(65.3)**	(11.3)	(12.4)
Other	**—**	0.6	(0.3)
Trading profit	**958.7**	1 164.2	1 970.0

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

[2] *Abnormal losses/(gains) 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.*

5. Net finance costs

R million	**Unaudited 6 months ended 31 Mar 2019**	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
Finance costs as reported	**(217.6)**	(184.3)	(465.2)
Angolan capital enforcement tax	**69.8**	—	64.8
Finance costs excluding Angolan capital enforcement tax	**(147.8)**	(184.3)	(400.4)
Finance income as reported	**66.2**	95.5	244.3
Net finance costs excluding Angolan capital enforcement tax	**(81.6)**	(88.8)	(156.1)

6. Tax rate reconciliation

%	**Unaudited 6 months ended 31 Mar 2019**	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
Statutory tax rate	**28.0**	28.0	28.0
Foreign tax rate differential	**(15.2)**	(7.8)	(8.6)
Withholding and other foreign taxes paid	**0.2**	2.3	4.3
Disallowed expenses and other	**1.0**	(2.0)	(3.7)
Tax rate before adjustments	**14.0**	20.5	20.0
Withholding tax on Angolan interest	**6.0**	—	—
Tax rate before unusual items	**20.0**	20.5	20.0
Losses not protected — Angola	**12.5**	—	—
Zimbabwe exchange losses	**6.4**	—	—
Recognition of deferred tax asset on current and past unrealised exchange losses	**(45.0)**	(11.5)	(9.3)
Effective tax rate	**(6.1)**	9.0	10.7

7. Discontinued operation and disposal groups held for sale

7.1 Discontinued operation — Nampak Glass division

On 16 February 2018, the Nampak Limited board took a decision to dispose of the Nampak Glass division ("Nampak Glass"). 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 as at that date. Exploratory discussions were held with a number of strategic players resulting in the Group entering into an exclusivity arrangement with the preferred bidder. The process is on track with a view to concluding a sale and purchase agreement by June 2019. The transaction, if concluded, will be subject to conditions precedent that are customary for a transaction of this nature. Nampak Glass is the only operation in the Glass operating segment.

An impairment loss of R136.8 million (March 2018: Nil; September 2018: R665.0 million) was recognised for the period on these assets in consideration of their fair value less expected realisation costs at this date.

R million	**Unaudited 6 months ended 31 Mar 2019**	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
Results of the discontinued operation			
Revenue	**764.4**	720.2	1 456.5
Operating expenses other than depreciation, amortisation and impairment expenses	**(675.5)**	(651.0)	(1 313.7)
EBITDA [1]	**88.9**	69.2	142.8
Depreciation and amortisation [2]	**—**	(124.8)	(124.8)
Impairment of plant, goodwill, other intangible assets and assets classified as held for sale	**(136.8)**	(7.0)	(677.3)
Net finance costs	**(98.1)**	(86.1)	(173.4)
Loss before tax	**(146.0)**	(148.7)	(832.7)
Attributable income tax benefit	**41.0**	41.6	233.5
Loss for the period from discontinued operation	**(105.0)**	(107.1)	(599.2)

[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.*

R million	**Unaudited 6 months ended 31 Mar 2019**	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
Cash flows of the discontinued operation			
Net cash flows from operating activities	**89.5**	70.7	89.2
Net cash flows from investing activities	**(57.7)**	(44.4)	(91.7)
Net cash flows	**31.8**	26.3	(2.5)
The major classes of assets and liabilities of the discontinued operation at the end of the period are as follows:			
Property, plant and equipment	**999.5**	1 749.1	1 125.6
Intangible assets	**2.5**	4.9	2.5
Inventories	**714.8**	587.2	631.1
Trade and other current receivables	**306.2**	248.2	310.4
Assets classified as held for sale	**2 023.0**	2 589.4	2 069.6
Trade and other current payables	**188.3**	151.4	202.5
Liabilities directly associated with assets classified as held for sale	**188.3**	151.4	202.5

7.2 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 and Discontinued Operations 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. Discussions have been held with a number of packaging industry players in terms of a formal corporate finance disposal process that is in progress. It is expected that the sale agreements on these disposals will be concluded by no later than the end of the 2019 financial year.

The Crates and Drums businesses 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.

The major classes of assets and liabilities of the disposal groups at the end of the period are as follows:

R million	**Unaudited 6 months ended 31 Mar 2019**	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
Property, plant and equipment	**121.4**	—	133.9
Inventories	**70.6**	—	75.2
Trade and other current receivables	**68.4**	—	167.6
Assets classified as held for sale	**260.4**	—	376.7
Trade and other current payables	**98.2**	—	100.1
Liabilities directly associated with assets classified as held for sale	**98.2**	—	100.1

7.3 Disposal groups held for sale — Nampak Cartons Nigeria and Nampak Properties Nigeria

On 5 February 2019, the board took a decision to dispose of its entire interests in Nampak Cartons Nigeria Limited ("Nampak Cartons") and Nampak Properties Nigeria Limited ("Nampak Properties"). 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 is subject to normal conditions precedent that are appropriate in a transaction of this nature and consequently completion has not yet taken place.

The Nampak Cartons and Nampak Properties businesses 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.

The major classes of assets and liabilities of the disposal groups at the end of the period are as follows:

R million	**Unaudited 6 months ended 31 Mar 2019**	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
Property, plant and equipment	**120.5**	—	—
Inventories	**85.1**	—	—
Trade and other current receivables	**132.2**	—	—
Cash and cash equivalents	**64.4**	—	—
Assets classified as held for sale	**402.2**	—	—
Deferred tax	**1.6**	—	—
Trade and other current payables	**304.2**	—	—
Liabilities directly associated with assets classified as held for sale	**305.8**	—	—

8. Exchange (loss)/gain on translation of foreign operations

R million	**Unaudited 6 months ended 31 Mar 2019**	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
Translation of net assets of foreign operations excluding Nampak Zimbabwe Limited	**119.2**	(536.8)	170.9
Translation of net assets of Nampak Zimbabwe Limited	**(1 209.6)**	(127.7)	46.5
Total	**(1 090.4)**	(664.5)	217.4

9. Determination of headline earnings and headline earnings per share

R million	**Unaudited 6 months ended 31 Mar 2019**	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
Continuing operations			
Profit attributable to equity holders of the company for the period	819.6	832.8	1 088.4
Less: preference dividend	—	—	(0.1)
Basic earnings	819.6	832.8	1 088.3
Adjusted for:			
Net impairment losses on plant and equipment	4.8	26.6	7.0
Gain on acquisition of investment	—	—	(6.0)
Net profit on disposal of property, plant, equipment and intangible assets	(71.6)	(9.9)	(9.4)
Tax effects and non-controlling interests	18.7	(0.6)	5.7
Headline earnings for the period	771.5	848.9	1 085.6
Headline earnings per ordinary share (cents)	119.7	132.0	168.7
Diluted headline earnings per share (cents)	119.1	131.5	168.0
Continuing and discontinued operations			
Profit attributable to equity holders of the company for the period	714.6	725.7	489.2
Less: preference dividend	—	—	(0.1)
Basic earnings	714.6	725.7	489.1
Adjusted for:			
Net impairment losses on plant and equipment	141.6	33.6	684.3
Gain on acquisition of investment	—	—	(6.0)
Net profit on disposal of property, plant, equipment and intangible assets	(71.6)	(9.9)	(9.4)
Tax effects and non-controlling interests	(19.6)	(2.6)	(183.9)
Headline earnings for the period	765.0	746.8	974.1
Headline earnings per ordinary share (cents)	118.7	116.1	151.4
Fully diluted headline earnings per share (cents)	118.1	115.7	150.7

10. Liquid bonds and other loan receivables

R million	**Unaudited 6 months ended 31 Mar 2019**	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
Liquid bonds[1]	**697.7**	2 621.9	2 165.8
Equipment sales receivables[2]	**39.2**	54.4	46.0
Other loan receivables	**21.6**	38.5	26.7
Total liquid bonds and other loan receivables	**758.5**	2 714.8	2 238.5
Less: Amounts receivable within one year reflected as current	**11.9**	882.8	450.6
Liquid bonds	**—**	871.3	435.3
Equipment sales receivables	**9.9**	6.9	9.0
Other loans receivables	**2.0**	4.6	6.3
Non-current liquid bonds and other loan receivables	**746.6**	1 832.0	1 787.9

[1] *Liquid bonds relate to US dollar indexed Angolan kwanza bonds. As at 31 March 2019 the Angolan kwanza equivalent of US$49.4 million (March 2018: US$221.2 million; September 2018: US$ 153.1 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] *Equipment sales receivables are repayable from 2019 to 2025. Interest rates earned are between 7.0% and 13.4%.*

11. Condensed Group statement of cash flows analysis

11.1 Reconciliation of profit before tax to cash generated from operations (continuing and discontinued operations)

R million	**Unaudited 6 months ended 31 Mar 2019**	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
Profit before tax	**603.4**	808.3	475.1
Continuing operations	**749.4**	957.0	1 307.8
Discontinued operation	**(146.0)**	(148.7)	(832.7)
Adjustment for:			
Depreciation and amortisation	**222.9**	419.7	693.8
Net profit on disposal of property, plant, equipment and intangible assets	**(71.6)**	(9.9)	(9.4)
Financial instruments fair value adjustment	**7.9**	39.7	(45.7)
Net defined benefit plan expense	**50.8**	33.6	86.1
Impairment losses	**141.6**	35.6	723.4
Reversal of impairment losses	**(48.2)**	(2.0)	(39.1)
Share of loss/(profit) in associates and joint venture	**0.9**	(2.3)	(5.8)
Share-based payment expense	**12.6**	12.6	5.5
Net finance costs	**249.5**	174.9	394.3
Gain on acquisition of investment	**—**	—	(6.0)
Retirement benefits, contributions and settlements	**(68.5)**	(74.8)	(145.2)
Cash generated from operations before working capital changes	**1 101.3**	1 435.4	2 127.0
Net working capital changes	**(924.5)**	(859.7)	(676.9)
(Increase)/decrease in inventories	**(260.5)**	206.6	106.7
Increase in trade and other current receivables	**(403.7)**	(78.4)	(637.2)
Decrease in trade and other current payables	**(260.3)**	(987.9)	(146.4)
Cash generated from operations	**176.8**	575.7	1 450.1

11.2 Net cash and cash equivalents/(overdraft)

R million	**Unaudited 6 months ended 31 Mar 2019**	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
Bank balances and deposits*	**1 966.2**	1 844.2	2 844.8
Bank overdrafts	**(56.4)**	(3 027.2)	(1 008.0)
Bank balances classified as held for sale	**64.4**	—	—
Total	**1 974.2**	(1 183.0)	1 836.8

* *Included in bank balances and deposits are balances relating to Nampak Zimbabwe Limited of R467.0 million (March 2018: R819.0 million; September 2018: R1.2 billion) which is regarded as having limited transferability.*

12. 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 2019	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
At fair value — level 2			
Financial assets			
Derivative financial assets[1]	**139.0**	84.8	81.7
Financial liabilities			
Derivative financial liabilities[1]	**22.6**	19.3	22.6
At amortised cost			
Financial assets	**5 891.7**	6 959.6	8 307.4
Non-current liquid bonds and other loan receivables	**746.6**	1 832.0	1 787.9
Trade and other current receivables[2]	**3 102.6**	2 400.6	3 224.1
Current liquid bonds and other loan receivables	**11.9**	882.8	450.6
Bank balances and deposits	**2 030.6**	1 844.2	2 844.8
Financial liabilities	**11 460.5**	11 445.7	13 089.6
Non-current loans and other borrowings	**7 683.0**	3 225.1	8 023.1
Trade and other current payables[3]	**3 489.6**	3 055.0	4 076.5
Current loans, other borrowings and bank overdrafts	**287.9**	5 165.6	990.0

[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) and prepayments. Includes trade and other current receivables presented as part of assets classified as held for sale.*

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

13. Capital expenditure, commitments and contingent liabilities

R million	Unaudited 6 months ended 31 Mar 2019	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
Capital expenditure	**359.7**	206.0	536.4
Expansion	**58.3**	66.7	176.6
Replacement	**301.4**	139.3	359.8
Capital commitments	**625.6**	318.9	478.6
Contracted	**153.3**	83.2	128.1
Approved not contracted	**472.3**	235.7	350.5
Lease commitments (including sale and leaseback transaction)	**2 984.6**	3 212.4	3 071.8
Land and buildings	**2 964.0**	3 179.9	3 031.9
Other	**20.6**	32.5	39.9
Contingent liabilities — customer claims and guarantees	**6.5**	5.0	11.4

14. Share statistics

	Unaudited 6 months ended 31 Mar 2019	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
Ordinary shares in issue (000)	**689 812**	689 767	689 812
Ordinary shares in issue — net of treasury shares (000)	**644 729**	644 671	644 723
Weighted average number of ordinary shares on which basic earnings and headline earnings per share are based (000)	**644 727**	643 367	643 374
Weighted average number of ordinary shares on which diluted basic earnings and diluted headline earnings per share are based (000)	**647 650**	645 501	646 297

15. Key ratios and exchange rates

15.1 Key ratios

		Unaudited 6 months ended 31 Mar 2019	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
EBITDA[1] — continuing operations	R million	**1 081.2**	1 365.0	2 098.9
Net gearing	%	**52**	39	37
Current ratio	times	**2.5**	1.3	2.2
Current ratio (including non-current portion of liquid bonds[2])	times	**2.7**	1.5	2.5
Acid test ratio	times	**1.8**	0.9	1.6
Acid test ratio (including non-current portion of liquid bonds[2])	times	**1.9**	1.1	1.9
Net debt: EBITDA (debt covenants)	times	**2.7**	2.3	2.3
EBITDA: Interest cover (debt covenants)	times	**7.0**	7.6	8.0
Return on equity — continuing operations	%	**16.5**	17.2	11.2
Return on net assets — continuing operations	%	**13.9**	17.1	14.3
Net worth per ordinary share[3]	cents	**1 595**	1 486	1 573
Tangible net worth per ordinary share[3]	cents	**1 013**	999	998

[1] *EBITDA is calculated before net impairments.*

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

[3] *Calculated on ordinary shares in issue, net of treasury shares.*

15.2 Exchange rates

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

	Unaudited 6 months ended 31 Mar 2019	Unaudited 6 months ended 31 Mar 2018	Audited Year ended 30 Sep 2018
Rand/UK pound			
Average	**18.32**	17.35	17.61
Closing	**18.90**	16.62	18.43
Rand/Euro			
Average	**16.11**	15.36	15.58
Closing	**16.27**	14.57	16.41
Rand/US dollar			
Average	**14.15**	12.78	13.11
Closing	**14.50**	11.86	14.14
Naira/US dollar			
Average	**362.50**	359.75	360.61
Closing	**360.23**	360.00	362.79
Kwanza/US dollar			
Average	**315.40**	189.76	222.09
Closing	**326.11**	218.64	300.72
RTGS dollar/US dollar			
Average	**2.54**	1.00	1.00
Closing	**3.01**	1.00	1.00

16. Related party transactions

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

17. Events after the reporting date

The are no events after the reporting date to note.

Administration

Nampak Limited

(Registration number 1968/008070/06)
(Incorporated in the Republic of South Africa)
Share code: NPK
ISIN: ZAE 000071676
("Nampak" or the "Group")

Independent non-executive directors

PM Surgey (appointed Chairman with effect from 10 October 2018), E Ikazoboh, RJ Khoza, J John, NV Lila, IN Mkhari, CD Raphiri (appointed with effect from 1 March 2019), SP Ridley (appointed with effect from 1 March 2019)

Executive directors

AM de Ruyter (Chief executive officer), GR Fullerton (Chief financial officer)

Company Secretary

IH van Lochem

Registered office

Nampak House, Hampton Office Park, 20 Georgian Crescent East, Bryanston, Sandton, 2191, South Africa
(PO Box 69983, Sandton, 2021, South Africa)
Telephone +27 11 719 6300

Share registrar

Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196, South Africa
(PO Box 61051, Marshalltown, 2107, South Africa)
Telephone +27 11 370 5000

Sponsor

UBS South Africa (Pty) Limited

Website

www.nampak.com

Disclaimer

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.

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