



Nampak Zimbabwe Limited

TRADING UPDATE FOR THE THIRD QUARTER AND NINE MONTHS ENDED 30 JUNE 2019

TRADING ENVIRONMENT

The Fiscal and Monetary Policy Measures implemented in the first half of 2019 by the Authorities have significantly altered the operating economic landscape in Zimbabwe. The exchange rate has depreciated by over 350 percent since the introduction of the interbank rate of RTGS\$ 2,5: 1 USD in February 2019 and annualised inflation is now estimated to be in excess of 175 percent.

The continuing scarcity of foreign exchange coupled with rising inflation presents a major challenge to the Group. Near-crippling power shortages are having a severe impact on production schedules, necessitating increased use of generators and adaptation of working hours at the plants, partly to night shifts, to utilise electricity when it is available. This has resulted in increased operating costs. The Group remains engaged with the appropriate authorities and institutions to try and manage these challenges to the Group's best advantage.

PERFORMANCE

The introduction of SI 142 compounded the difficulties of sourcing foreign currency which is vital to import various raw materials, particularly paper for conversion to tobacco boxes. Sales for the Group finished the three month period above prior year, mainly due to inflationary pressures which boosted prices, especially by the conversion of export earnings at new inter-bank rates. Volumes were down across all sectors of the business except for tobacco packaging which was bolstered during the year by export sales to Malawi. Trading profit for the nine months was ahead of prior year, again as a result of inflation. Gross margins have been largely maintained. Demand remains strong across the product portfolios, but continues to be hampered by the lack of raw materials.

Net working capital decreased due to inflationary growth in inventories, trade and other receivables, and a hedging of the foreign creditors as a consequence of an arrangement reached with the Reserve Bank of Zimbabwe in terms of which amounts due to the majority shareholder's procurement company have been placed in the Non-Transitory Foreign Currency Account.

PRINTING AND CONVERTING SEGMENT

Hunyani Paper and Packaging

Hunyani revenue increased by 116% in comparison to the prior year with trading income significantly up. Overall volumes were on par with the prior year. The Corrugated Products Division benefitted from higher local and export tobacco box orders but continued to face competition in commercial packaging. The Cartons, Labels and Sacks Division volumes declined significantly in the cartons segment due to raw material constraints.

PLASTICS AND METALS SEGMENT

CarnaudMetalbox

CarnaudMetalbox revenue increased by 78% to the prior year with significant upturn in profitability. Volumes declined by 18% compared to the prior year as raw materials supply was constrained by the illiquidity in the market.

Mega Pak

Mega Pak revenue was up 69% on last year with a significant improvement in trading income. Volumes declined by 26% due to dampened demand from the beverage and cordials sectors and raw materials supply challenges.

CAPITAL EXPENDITURE

Capital projects of \$2,1 million, the majority of which were carried forward from the prior financial year, were spent largely on replacement machinery and were entirely internally funded. Capital expenditure programmes remain curtailed following the suspension of all credit extensions and capital injection by our majority shareholder, Nampak Limited of South Africa.

DIRECTORATE

Mrs Chido Chetsanga and Mr Kenneth John Langley were appointed to the Board on 31 July 2019 as non-executive independent directors. Both are Chartered Accountants and have wide experience in the accounting and business sectors.

OUTLOOK

The economy is facing strong headwinds. It is unlikely that any meaningful relief will be forthcoming to the manufacturing sector until the critical constraints of foreign exchange and power supply are eased.

By Order of the Board

A K Nicholson
Group Company Secretary

68 Birmingham Road
Southerton, Harare

14 August 2019

DIRECTORS: K. C. Katsande (Chairman), J. P. Van Gend* (Group Managing Director), F. Dzingirai* (Group Finance Director), Mrs. C. Chetsanga, P. Gowero (M. M. Valela, Alt), A. H. Howie, K. J. Langley, R. G. Morris, Q. Swart
* Executive Directors

