



Nampak Zimbabwe Limited

TRADING UPDATE FOR THE FIRST QUARTER OCTOBER TO DECEMBER 2019 AND PROFIT WARNING

TRADING ENVIRONMENT

The three month period from 1 October 2019 to 31 December 2019 remained characterized by the continuing problems of scarce foreign exchange, rising inflation as well as power and fuel shortages. Since October 2019 the exchange rate depreciated by a further twelve percent with the inter-bank rate at 31 December 2019 at ZWL\$17 to the US dollar. Year on year inflation is now estimated, without the use of official statistics that are no longer released, to be in excess of 520%

PROFIT WARNING

Statutory Instrument 134 of 2019: The Revised Listing Requirements of the Zimbabwe Stock Exchange stipulated, under Section 32 thereof, that a profit warning must be issued if the results for the next reporting period would differ by at least 20% from the previous reporting base. While the Group's business remains positive, the effects of inflation and currency depreciation since the introduction of the Zimbabwe dollar, as well as the requirement for results to be adjusted for hyper-inflation impacted the forthcoming results for the financial year ended 30 September 2019 and these will reflect a difference in excess of 20%.

Shareholders are therefore advised to exercise due caution in the trading of their shares.

PERFORMANCE

Difficulties of sourcing sufficient foreign currency, which is vital to import raw materials, remains the paramount concern. This applies particularly to paper for conversion into corrugated boxes for the commercial and tobacco sectors.

Revenue for the three months under review was 809% ahead of prior year, as a result of inflation which boosted prices, although gross margins have come under pressure in order to remain competitive. Even though volumes were down across all sectors of the business, demand remains good across the product portfolios. Difficulty has been experienced with delivery to some customers due to foreign currency availability constraints.

Net working capital decreased due to the funding of legacy debts (Blocked Funds) transferred to the Reserve Bank of Zimbabwe and increased foreign trade payables, which continue to accumulate as a result of the lack of liquidity in the foreign exchange environment.

PRINTING AND CONVERTING SEGMENT

Hunyani Paper and Packaging

Volumes at Hunyani for the first quarter were down on the prior year period by almost 38%. The major contributor to this was the tobacco sector, which is 47% down. This is a result of late orders being received for the 2018 tobacco growing season, which boosted the early sales in the 2019 financial year comparative period. Volumes in the commercial segment were 14% below the prior year period due to imported raw material sourcing challenges and reduced consumer spending.

PLASTICS AND METALS SEGMENT

Mega Pak

The first quarter volumes declined by 31% compared to the prior year period due to consumer demand contraction in the beer beverage sector while there was some recovery in the cordials sectors. The sourcing of raw material remains challenging.

CarnaudMetalbox

Volumes for the first quarter declined by 35% compared to the prior year period. HPDE sales volume were affected by the migration to cheaper alternatives in the dairy sector, while Metals was impacted by the shortage of tinplate. The decrease was off-set by improved volumes as demand for scud containers and closures increased.

CAPITAL EXPENDITURE

Capital spend of \$1,2 million relates mainly to projects carried forward from the prior financial year. Capital expenditure programmes remain curtailed due to the lack of foreign exchange required to fund projects.

DIRECTORATE

There have been no further changes to the Directorate since those announced in the previous Trading update of 13 December 2019.

DELAY IN PUBLICATION OF YEAR END RESULTS

The publication of the Audited Financial Statements for the year ended 30 September 2019 was delayed due to the requirement for compliance with International Accounting Standard (IAS29) regarding financial reporting in hyperinflationary economies. An extension of time for publication has been granted by the Zimbabwe Stock Exchange until 29 February 2020, by which time the Audited Results will have been published in the press. The Annual General Meeting is now scheduled for Thursday 26 March 2020.

OUTLOOK

The economic situation facing the Group and country remains serious and, more recently, includes the possible impact of the persistence of the drought on the agricultural sector. We continue to hope that the much-needed macro-economic and political reforms can be accelerated in order to attract foreign direct investment support.

By Order of the Board

J. P. Van Gend
Group Managing Director

13 February 2020

68 Birmingham Road
Southerton, Harare

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