Nampak Zimbabwe Limited

TRADING UPDATE FOR THE SECOND QUARTER ENDED 31 MARCH 2021

TRADING ENVIRONMENT

The three month period from 1 January 2021 to 31 March 2021 was marked by an increase in volumes for the Group despite the reintroduction of Covid -19 restrictions at the beginning of the year, which were lifted during April. The quarter showed positive growth following the benefit from the previous periods of easing lockdowns. Foreign currency, although still inadequate for the Group's operations as a whole, was more available through the auction system introduced last year. The Group managed to source additional amounts needed from customers. This continued to have the effect of imbalances within the supply chain resulting in some orders being delayed. Overall results were subject to the effects of hyperinflation, as well as lower margins due to increased competition.

PERFORMANCE

Revenue in hyperinflationary terms for the second quarter was 19% ahead of prior year. This was due to a slight increase in sales volumes, despite pressure on the availability of raw materials. Nevertheless, the Group remained profitable in the period under review.

Net working capital is positive. The Group had a cash holding of ZWL$434 million at the end of the second quarter. This will be applied to stockholding and settlement of trade payables.

PRINTING AND CONVERTING SEGMENT

Hunyani Paper and Packaging

Sales volumes at Hunyani Corrugated Division for the second quarter were up on the prior year by 21%. Volumes in the commercial sector grew by 33% on prior year led by improved demand and customer recovery. The tobacco sector was 2% ahead of prior year owing to some early season requirements that came through in the second quarter.

The Cartons, Labels and Sacks Division sales volumes for the second quarter were up on prior year by 8%, due to sales of SO bags to the millers and cartons to Nestle on the back of the higher local wheat crop. Tobacco wrap sales were down in line with the lower tobacco crop.

PLASTICS AND METALS SEGMENT

Mega Pak

The second quarter sales volumes grew by 46% compared to the prior year period. Increased demand in the preforms market was a major contributor, but all areas of the business were up compared to the prior year. Improved volumes continued in beverage manufacturers. Exports into the Democratic Republic of Congo remained lower as regional economies were affected by the COVID-19 impacts.

CarnaudMetalbox

The sales volume during the quarter was 10% above the same period last year. Metal volumes were up 22% with food can and crowns leading the recovery. However, a shortage of tinplate is likely to affect sales in the next quarter. Plastics performance was mixed, with higher HDPE bottle volumes 15% ahead of the previous year being off-set by reduced injection closure volumes which were 16% below the prior period.

CAPITAL EXPENDITURE

Capital expenditure of ZWL$58.3 million relates mainly to projects carried forward from the previous financial year. Various projects remain under consideration subject to availability of foreign exchange.

FORESTRY

Estates

We continue to engage with the relevant Authorities to regain effective control over our Estates. It remains our intention to rehabilitate them for timber and agricultural purposes in line with Government's declared thrust in this direction.

DIRECTORATE

There have been no changes to the Directorate.

COVID-19

The Government, on 2 January 2021, declared a national lockdown for the another period at level 4. The Group, having been declared an essential packaging industry, was permitted to operate, albeit under tighter restrictions. The staff were assisted with transport, strict disciplines were observed and staff morale remained positive.

SOFTEX DISPOSAL

Several Cautionary Statements were published during the second quarter, resulting in their withdrawal on 3 May 2021. An agreement has been reached with ART Holdings Limited for them to purchase the entire shareholding of our share in Softex Tissue Products (Private) Limited. The investment, which is marked as a "for sale" asset, was not material to Nampak's business operations. Further details will be published in the Half Year results.

OUTLOOK

The recent award of a 75% increase in wages within the packaging industry will impact on pricing structures and quite possibly on overall demand. Export performance can expect some reduction as our local cost base rises. The increase in the export retention to 40% further erodes our ability to obtain sufficient foreign exchange. The Group's year end forecasts will need to be revised if these inflationary increases continue to remain unchecked.

By Order of the Board

J P Van Gend
Group Managing Director

68 Birmingham Road
Southerton, Harare

13 May 2021

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

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