



BUILDING RESILIENCE

EXPLOITING NEW OPPORTUNITIES

TRADING UPDATE FOR THIRD QUARTER TO 30 JUNE 2021

Trading Environment

The trading environment in the third quarter was characterized by COVID-19 induced restrictions instituted in response to the third wave of the pandemic. Foreign currency availability through the auction system improved however the easing inflationary pressures were negatively affected by the adverse market response to Statutory Instrument 127 of 2021 which sought to put further regulations on foreign currency trading. There was a steady improvement of economic activity across most of the Group's market segments.

Group Business Performance

The Group's overall volumes for the quarter increased by 52% compared to the same period last year as volumes across the divisions recovered in line with the improved economic activity. Export earnings were marginally ahead of the prior year with paper export volumes into the region showing signs of recovery. Year to date sales volumes were 15% ahead of prior year.

Year to date revenue grew by 384% in historical terms and by 39% in inflation adjusted terms compared to the same period last year. The Group's performance in the batteries division remains resilient whilst other business units were severely impacted by the COVID-19 pandemic. The pressure on margins persisted during the period necessitating increased focus on cost containment and efficiency improvements.

Divisional Performances

The batteries business segment continued to realize the benefits of its capitalization program as improved product availability across most product lines resulted in a 37% volume growth during the quarter. Exports volumes were maintained at prior year levels.

The paper segment, Kadoma Paper Mills, National Waste Collections and Softex registered a moderate volume increase of 11% compared to the prior year. The delay in payments from the foreign currency auction coupled with logistical and raw material supply constraints necessitated commercial downtime with major repercussions on operating efficiencies, fixed cost absorption and profitability.

Eversharp volumes for the quarter recovered by 255% compared to the prior year which had limited trading because of the hard lockdown. The business continues to breakeven with improved volumes across the market despite the continued uncertainty of the school calendar.

Timber volumes increased by 27% as demand remained firm.

Business Continuity

The business continues to be affected by the COVID-19 pandemic, the related lockdowns and ensuing economic aftereffects. The vaccination programs have gained good momentum and are expected to result in improved economic activity and recovery. The health and safety of our employees remains of paramount importance throughout this unprecedented time.

The Group has instituted strong cost discipline, tight working capital management and remains solvent, with sufficient resources to continue as a going concern in the foreseeable future.

Acquisition of Softex

The acquisition of Nampak's 50% shareholding in Softex was completed in May 2021 and all conditions precedent were met. The Group is now focused on streamlining and capitalizing the paper business silo. The Group has prioritized the retooling of the paper chain with the prevailing global and regional overcapacity in the industry creating a window of opportunity to replace antiquated equipment.

Outlook

The Group remains cautiously optimistic that it will sustain its resilient performance despite the uncertainty in the environment. The gains achieved over the years will be consolidated within the region whilst preserving liquidity, lowering costs and re-prioritizing strategic growth actions. The business still believes in the underlying strength of its core paper business segments and the capital expenditure commitments taken will ensure recovery when fully implemented.

M Macheka
GROUP CHIEF EXECUTIVE OFFICER
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