2014 Investor Day
Bevcan Springs and Glass

10 September 2014
Nampak Strategy

Nampak CEO, André de Ruyter
Our strategy has two focus areas

**UNLOCK FURTHER VALUE FROM BASE BUSINESS**

- Active portfolio management, including possible divestitures
- Stringent cost management – CFC increases of below CPI
- Working capital management
- Business process improvement
  - **Buy better** – streamline procurement process
  - **Make better** – operational excellence, safety and efficiency
  - **Sell better** – margin expansion, customer portfolio management

**ACCELERATE AFRICA GROWTH**

- Growth through greenfield investment and acquisitions in metals, glass and plastics
- Partner with major multinational customers
- Build market base through exports
- Establish local manufacture
- Diversify manufacturing to other Nampak products
- Build on existing hubs
**SA strategy**
Buy better, Make better, Sell better

<table>
<thead>
<tr>
<th>MAINTAIN STRICT COST AND WORKING CAPITAL DISCIPLINE</th>
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<tbody>
<tr>
<td>• Streamline procurement process</td>
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<tr>
<td>• Improve energy efficiency</td>
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<tr>
<td>• Implement business improvement programmes and reduce cost</td>
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<tr>
<td>• Focused working capital management</td>
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<table>
<thead>
<tr>
<th>ASSET AND DIVISIONAL PORTFOLIO MANAGEMENT</th>
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<tbody>
<tr>
<td>• Operational excellence</td>
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<tr>
<td>• Improve safety performance</td>
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<tr>
<td>• Ensure structured sharing of best practice across divisions</td>
</tr>
<tr>
<td>• Active portfolio management – fix, sell, close underperformers</td>
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<table>
<thead>
<tr>
<th>IMPROVE SALES AND MARKETING AND CONTINUE TO GROW METALS, GLASS AND PLASTICS</th>
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<tbody>
<tr>
<td>• Sales and marketing excellence</td>
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<tr>
<td>– Margin expansion</td>
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<tr>
<td>– Portfolio management</td>
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<tr>
<td>• Sustenance (maintenance, asset renewal, regulatory requirements) at benchmark rates</td>
</tr>
<tr>
<td>• Growth and restructuring at hurdle rate, and only if working capital targets are met</td>
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**SOUTH AFRICA TRADING CONDITIONS EXPECTED TO REMAIN CHALLENGING**
Rest of Africa context
Nampak strongly positioned for growth

- Improving conditions around policy certainty
- Strengthening political commitment to private sector growth and job creation
- Increased investment, high GDP growth rates (~5%) and rapid urbanisation
- Growth of the middle income consumer, creating demand for packaged products
  - Consumer spend accounts for ~60% of GDP
  - 20% middle class spend on packaged fast moving consumer goods (FMCG)
- Strong growth in implementation of key infrastructure projects, improving cost and ease of doing business
- SSA manufacturing including packaging, a key market growth industry valued at about $130bn

OVERALL GROWTH

- Capture GDP growth in existing markets
- Grow organically at 5% above GDP growth
- Explore acquisitions
  - Metals and Glass
  - Plastics
Bevcan

Group Executive, Erik Smuts
Beverage can and end manufacturing
Strategic focus areas

- **PRODUCT OFFERING**
- **COST**
- **BRAND**
- **HUMAN CAPITAL**

**COMPETITIVENESS**

**GROWTH**
Key initiatives to deliver strategy

- Assets
  - Recapitalisation
  - Consolidation
  - Expansion
- Operational excellence
- Service focus
  (internal and external)
- Quality of people
- CAN DO! Marketing campaign
Aluminium conversion project update

MOTIVATION

• Customer preference
• Technological advances
• Overall cost reduction
• Sustainability

STATUS

Completed

• Springs Line 1 (New Line)
  – Commissioned May ’13 on 330ml
  – Converted to 440ml Mar ’14

• Springs Line 2 (Previous Tinplate Line)
  – Converted to aluminium Jul – Oct ’13
  – Commissioned Nov ’13 on 330ml

• Springs Line 3 (Previous Tinplate Line)
  – Converted to aluminium Apr – Jul ’14
  – Commissioned Aug ’14 on 440ml

In Progress

• Cape Town Line 1 (Tinplate Line)
  – Planned conversion to aluminium May – Aug ’15
  – Planned commissioning Oct ’15

EXPANSION PROJECTS

South Africa

• Rosslyn
  – New high speed aluminium line to be installed
  – Civil works currently in progress
  – Commissioning mid-’15

Angola

• Warehouse expansion completed Aug ’14
• Second line
  – Installation currently in progress
  – Commissioning Early ’15
Marketing

• CAN DO! Marketing campaign launched in 2010 to address can volume decline
• Target market and approach based on market research conducted
• Successful in changing perception towards beverage cans of both consumers and brand owners
• Marketing activities/channels include:
  – Billboards
  – Radio/television
  – Events
  – On-premise/tavern activations
CAN DO! Marketing campaign Example

REFRESH THE WAY YOU PLAY

REFRESH TOUR
KIMBERLEY

Zola, Kelly Khumalo, Sthembile 'Tiff' Tshabalala, Dr Malinga, Arthur, SABC 1 celebrities, top DJs, and many more

Galeshewe Stadium, Kimberley
Saturday 02 August 2014
12pm till late

CANS ONLY
No Under 18's

Choose CANS
Whatever you drink

www.cando.sa.com

Nampak packaging excellence
CANN DO! Marketing campaigns
Other examples
Volume growth
South Africa (all sizes)
Volume growth
Value packs 440ml
Recycling

• Collect-a-Can has led the way in beverage packaging recycling since the early '90s
• Current beverage can collection rates are estimated to exceed 70%
• The conversion to aluminium is expected to substantially increase Southern African beverage can recycling rates
  – Recycling rates for aluminium cans in Brazil is in excess of 98%
  – The “street price” of steel UBCs is ±2c per can
  – The “street price” of aluminium UBCs is ±10c per can
  – This is an additional ±R240m per year available to informal collectors!
• Aluminium cans are infinitely recyclable
• The energy required to recycle aluminium cans is only 5% of the energy required to produce virgin aluminium
International awards

WorldStar
Packaging Awards

NEW COLD RUSH EASY-FLOW CAN

FLIP
TWIST
FLOW

RELEASES THE COLD RUSH OF EXTRA COLD REFRESHMENT

CASTLE LITE
Introduction to Nampak Glass
History of Nampak Glass

• **1984**: Commenced glass manufacturing as Metal Box Glass on current site

• **Oct 2005 to Mar 2012**: A joint venture with German glass manufacturer Wiegand Glass

• **2012**: Nampak Glass re-incorporated back into Nampak Limited

• **Present**:  
  – We continue with a technical agreement with Wiegand Glass  
  – We have a combined current capacity with 3 furnaces of around 280,000 tons per annum  
  – Our new furnace, Furnace 3, is a highly automated and technologically advanced operation that has enabled us to increase total site capacity by 56%
# Capital investments the past 10 years

<table>
<thead>
<tr>
<th>Date</th>
<th>Project</th>
<th>Cost</th>
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<tbody>
<tr>
<td>2005 – 2007</td>
<td>Cold End investment – Furnace 1 and 2</td>
<td>R450 million</td>
</tr>
<tr>
<td>2008</td>
<td>Rebuild of Furnace 1</td>
<td>R300 million</td>
</tr>
<tr>
<td>2010</td>
<td>Cullet Plant built</td>
<td>R160 million</td>
</tr>
<tr>
<td>2012</td>
<td>Rebuild, expansion and upgrade of Furnace 2</td>
<td>R420 million</td>
</tr>
<tr>
<td>2014</td>
<td>Furnace 3</td>
<td>R1.2 billion</td>
</tr>
<tr>
<td><strong>TOTAL INVESTMENT</strong></td>
<td></td>
<td><strong>R2.53 BILLION</strong></td>
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Nampak Glass, Roodekop

Additional site 251 000m²

Current site 254 000m²

Warehouse

Cullet Plant

F3  F2  F1
The South African glass market sectors

- **38%** Beer
- **19%** Flavoured alcoholic beverages
- **15%** Wine
- **9%** Food
- **7%** Spirits
- **6%** Soft drinks/Juice
- **3%** Cosmetics and pharmaceutical
- **3%** Tableware
The South African glass market (tons)
(Nampak estimation)

<table>
<thead>
<tr>
<th>Year</th>
<th>Nampak Glass capacity</th>
<th>Consol active capacity</th>
<th>Market demand</th>
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<tbody>
<tr>
<td>2011</td>
<td>260</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>2012</td>
<td>250</td>
<td>950</td>
<td>950</td>
</tr>
<tr>
<td>2013</td>
<td>240</td>
<td>900</td>
<td>900</td>
</tr>
<tr>
<td>2014</td>
<td>230</td>
<td>850</td>
<td>850</td>
</tr>
<tr>
<td>2015</td>
<td>220</td>
<td>800</td>
<td>800</td>
</tr>
<tr>
<td>2016</td>
<td>210</td>
<td>750</td>
<td>750</td>
</tr>
<tr>
<td>2017</td>
<td>200</td>
<td>700</td>
<td>700</td>
</tr>
<tr>
<td>2018</td>
<td>190</td>
<td>650</td>
<td>650</td>
</tr>
<tr>
<td>2019</td>
<td>180</td>
<td>600</td>
<td>600</td>
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Market share
(Nampak estimation)

SABMiller volumes excluded
Our major customers

Heineken | Namibia Breweries | Distell | Coca Cola System | E Snell | KWV | Diageo | Tiger Brands | Halewood
Overview of the glass process
The glass production process flow from raw materials to dispatch

- Batch plant
- Melting
- Forming
- Annealing
- Inspection
- Packaging
- Palletising and warehousing
Packaging, palletising and warehousing
Inside a glass furnace
Furnace 3 project update
Furnace 3 project overview

<table>
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<tr>
<th>Expenditure</th>
<th>R1 205 000 000</th>
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<tbody>
<tr>
<td>Construction commenced</td>
<td>October 2013</td>
</tr>
<tr>
<td>First glass</td>
<td>28 July 2014</td>
</tr>
<tr>
<td>Original time line</td>
<td>24 months</td>
</tr>
<tr>
<td>Actual time line</td>
<td>17 months</td>
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<tr>
<td>Capacity increase</td>
<td>56%</td>
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- Tax allowance incentive from the South African Department of Trade and Industry (DTI) received in financial year 2014
  - Calculated as per Section 12I tax allowance incentive for industrial projects
- Largest Rotary Un-interrupted Power Supply (RUPS) installed in South Africa
- Batch pre-heater technology makes this the most energy efficient furnace in South Africa
Benefits of Furnace 3

- Increased flexibility
- Improved efficiency and cost (colour changes and overhead utilisation)
- Increased capacity and critical mass
- Reduced supply risk
Sustainability
Light weighting and innovation

**LIGHT WEIGHTING**

Woolworths brand – 15% weight reduction

- **2013:** lightweight initiatives saved 5,275 tons glass reducing the number of truck loads by 176

**INNOVATION**

Peanut Vodka – flat combined with round, a very unique design

- reduced storage capacity and avoided rolling of bottles
Glass recycling

THE CULLET SORTING FACILITY

• Cost of the plant was R160 million, 2010
• Facility sorts third party cullet and cullet collected by Nampak Recycling
• Currently, cullet replaces up to 55% of virgin raw material requirement in Nampak Glass
  – Reduces energy consumption and associated carbon emissions
  – Reduces dependency to raw materials
• The consumption for glass cullet will increase with the ramp-up of Furnace 3
Key business strategic issues
Key market issues

- Alternative packaging remains a strong competitor to glass
- South Africa’s modest economic growth
- Changing consumer spending patterns, e.g. convenience and environmental awareness
- Returnable versus one way glass
- Bulk wine exports
- Availability of skilled labour
Our competitive position

- **Product mix**: we have a more balanced product mix across market sectors, providing an opportunity to manage margin and market sector changes.
- **Lower cost base**: Furnace 3 benefits enables us to lower our cost base.
- **Customer base**: opportunities exist for further growth.
- **Customer contracts**: we have secured long term contracts with major customers.
- **Third player**: the threat of a third player in South Africa is reduced.
- **Reduced supply risk**: Furnace 3 combined with our 20MW RUPS allows us to operate consistently with fewer interruptions.
Key current focus areas for competitiveness and growth

• Continue to challenge cost and efficiencies (specifically energy and labour)

• Stabilise and optimise Furnace 3

• Continue to reduce inherent risks and grow with customer base

• Maintain our partner status with customers

• Attract key skills, continue to invest in people and utilise international partners for skill transfer

• Remain at the forefront of technological advancement to exploit savings and maximise recycling and light weighting

• Investigate growth opportunities in the rest of Africa
Thank you