MEDIA RELEASE

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Nampak remains on target to benefit from strategy implementation

Unaudited group results for the six months to 31 March 2015 at a glance:

Revenue up 16%*

Group operating profit down 9%*, following a disappointing glass performance and headwinds in the South African trading environment

Trading profit from the rest of Africa up 22%, now accounts for 38% of group trading profit from 27% in 2014

R1.6 billion received from the sale of Corrugated and Tissue divisions

Headline earnings per share down 8%*

Dividend at 42.0 cents per share

Bevcan Nigeria ramping up according to plan, Bevcan Angola 2nd line commissioned and ramping up

Sale of Flexible and Recycling divisions to be finalised by year-end

Cost management and business improvement initiatives underway to benefit 2016 and beyond

*From continued operations
Johannesburg, 26 May, 2015 - Nampak, Africa’s leading manufacturer of beverage, food and non-perishable packaging reported that strong results from the rest of the continent were offset by headwinds faced by its South African operations in the six months ended 31 March 2015.

“Trading profit from high-margin businesses in the rest of Africa have grown to contribute 38% to group trading profit, up from 27% in 2014”, said chief executive André de Ruyter. The company aims to increase this proportion to 50% as it increases production outside South Africa.

Nampak’s Bevcan division, notably in Nigeria and Angola, showed outstanding growth and was a major contributor to group profits. Bevcan Nigeria maintained volume growth while growth in demand for beverage cans in both beer and carbonated soft drinks continues. Bevcan Angola saw strong demand growth and sales volumes grew unabated. The operation commissioned its second aluminium line in May 2015 and is evaluating the installation of a third beverage can line in the next two to three years.

On the back of this, De Ruyter said good progress had been made in pursuit of fresh opportunities on the continent.

“We are evaluating potential glass opportunities in Angola, Nigeria and Ethiopia.”

De Ruyter said local operations experienced pleasing volume growth with revenue up 11% while group revenue from continuing operations was up 16%. Margin pressure from major customers, coupled with high labour and energy costs, plus the disappointing loss made by Nampak Glass, put pressure on Nampak’s South African businesses. This resulted in group operating profit down 9% and group headline earnings per share down 8% in the interim period.

“The challenges experienced at Nampak Glass resulted from the commissioning of the newly installed third furnace and legacy issues from 2014. We have implemented a comprehensive plan targeted at overcoming production inefficiencies and operational constraints, and are seeing good results from these interventions. Furnace 3 is ramping up and the final phase of commissioning was concluded with the pre-heater commissioning, a first for the southern hemisphere. We expect to see full furnace energy saving benefits reflected in the 2016 financial year,” said De Ruyter.

The company is unlocking close to R2 billion in cash for investment in high-yielding new potential opportunities in the rest of Africa, he said. This was achieved through a successful programme of active
portfolio management that saw the disposal of low-margin Corrugated and Tissue divisions for R1.6-billion with effect from April 1. Agreements were signed for the sale of Nampak Flexible for a maximum target price of R300 million and Nampak Recycling for R76 million. The sale of these divisions is expected to be finalised by year-end, subject to approval by the Competition Authorities.

Total capital expenditure for this period amounted to R1.2-billion, most of which was spent in South Africa, compared to R1-billion in the corresponding period in 2014. R430 million was spent on Nampak Bevcan’s conversion to aluminium, while R350 million went towards Bevcan Angola’s second beverage can line and a new warehouse. The balance was spent on other projects to enhance competitiveness in South Africa.

“The South African business environment is expected to remain challenging in 2015,” said de Ruyter. “We will, however, continue to focus on unlocking value from our base businesses. We expect further efficiency gains from the aluminium conversion and the third glass furnace in Roodekop to contribute to earnings in the short term.

“The group’s operations in the rest of Africa are expected to continue generating growth in revenue and profit. Our strategy; which focuses on growing glass, metal and rigid plastics in key markets on the African continent, is supported by an exciting pipeline of potential expansion opportunities.”

ENDS.

About Nampak

Nampak is Africa’s largest diversified packaging manufacturer by volume and revenue. We leverage the skills of our 6 700 people and capitalise on our substantial investment in state-of-the-art facilities to produce world-class metal, glass and rigid plastics packaging from facilities in 12 countries across Africa, and in the United Kingdom. Our customers – many of them large fast-moving consumer goods companies – benefit from our extensive research and development services, which provide them with innovative solutions that promote their own products while keeping their impact on the environment in check.
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