

2014 Investor Day Bevcan Springs and Glass

10 September 2014



Nampak
packaging excellence

Nampak Strategy

Nampak CEO, André de Ruyter



Nampak
packaging excellence

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



MAINTAIN STRICT COST AND WORKING CAPITAL DISCIPLINE

- Streamline procurement process
- Improve energy efficiency
- Implement business improvement programmes and reduce cost
- Focused working capital management

ASSET AND DIVISIONAL PORTFOLIO MANAGEMENT

- Operational excellence
- Improve safety performance
- Ensure structured sharing of best practice across divisions
- Active portfolio management – fix, sell, close underperformers

IMPROVE SALES AND MARKETING AND CONTINUE TO GROW METALS, GLASS AND PLASTICS

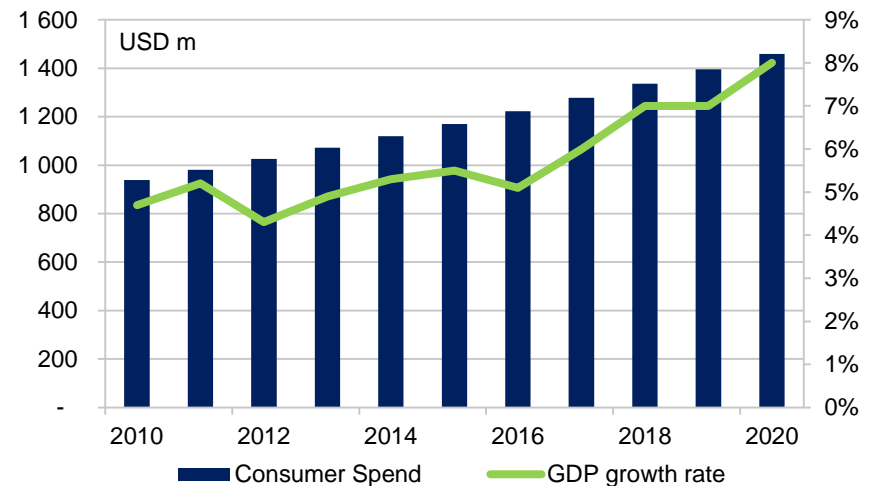
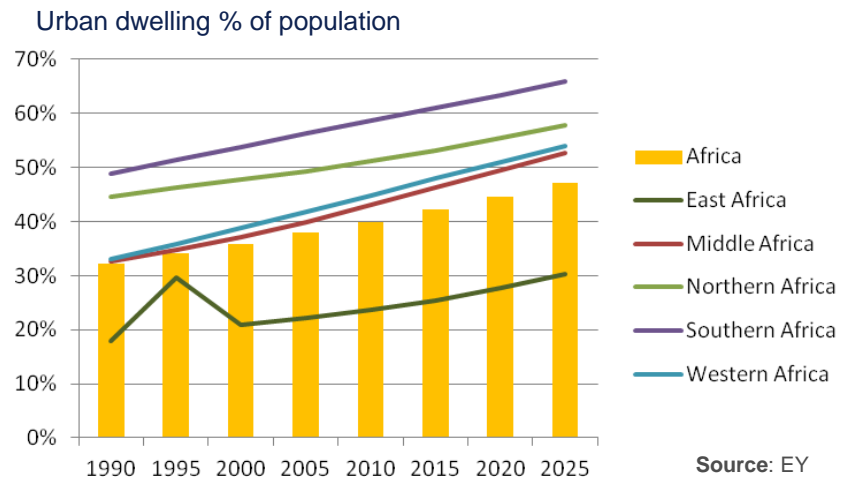
- Sales and marketing excellence
 - Margin expansion
 - Portfolio management
- Sustenance (maintenance, asset renewal, regulatory requirements) at benchmark rates
- Growth and restructuring at hurdle rate, and only if working capital targets are met

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



Rest of Africa strategy

Accelerate growth



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



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Beverage can and end manufacturing



Strategic focus areas



**PRODUCT
OFFERING**

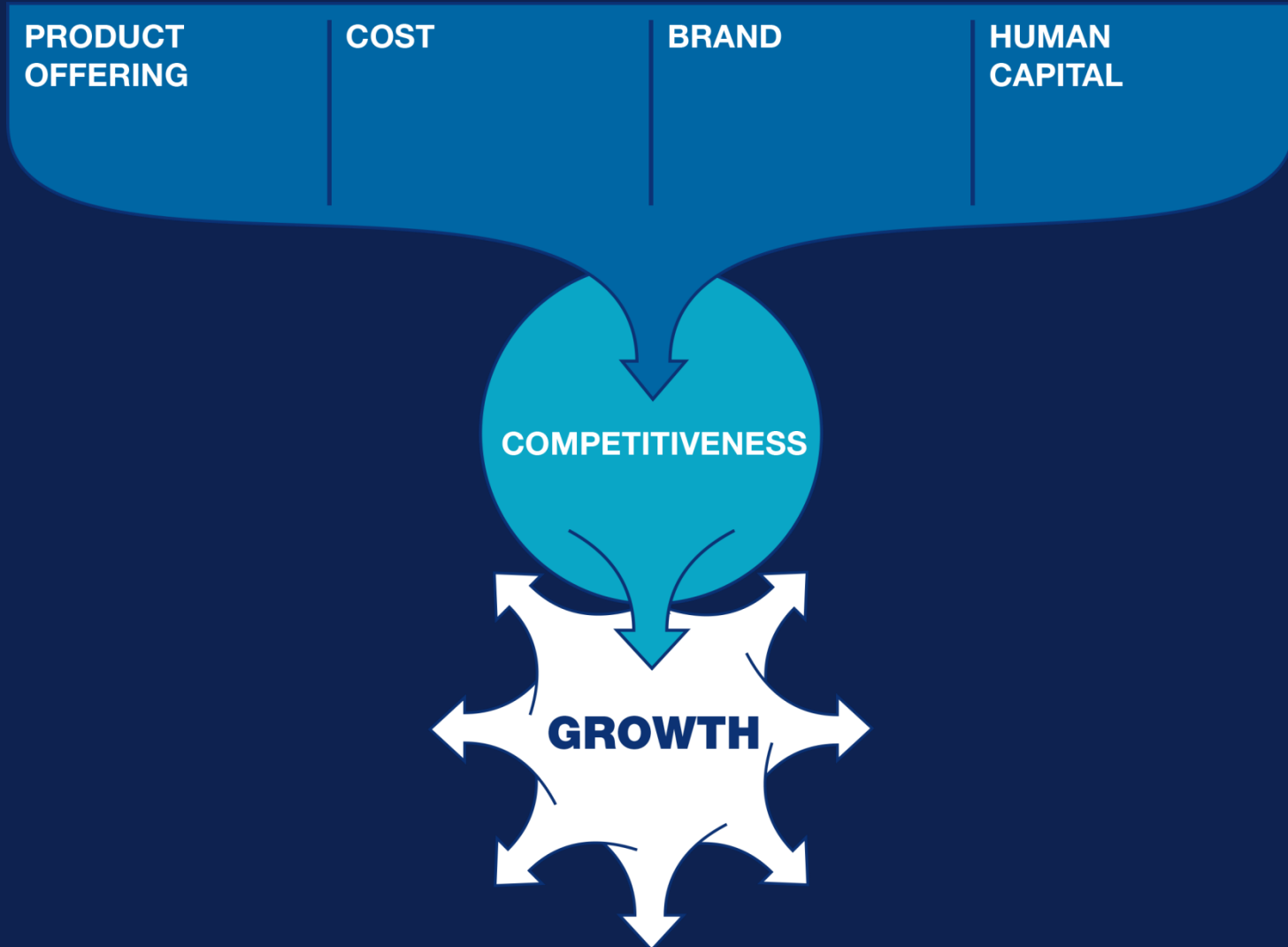
COST

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 Tinsplate Line)
 - Converted to aluminium Jul – Oct '13
 - Commissioned Nov '13 on 330ml
- Springs Line 3 (Previous Tinsplate Line)
 - Converted to aluminium Apr – Jul '14
 - Commissioned Aug '14 on 440ml

In Progress

- Cape Town Line 1 (Tinsplate 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

CAN DO! REFRESH TOUR
KIMBERLEY

Zola, Kelly Khumalo,
Chomee, Ifam, DJ AJ,
Dr Malinga, Arthur,
SABC 1 celebrities,
Top DJ's,
and many more

FREE ENTRY

Galeshewe Stadium, Kimberley

CANS ONLY Saturday 02 August 2014
NO UNDER 18'S 12pm till late

Whatever you drink
Choose **CANS**

[/choosecans](#)
[@choosecando](#)
www.cando.sa.com

COLLECT A CAN
SABC 1
Savanna
SCORE

CAN DO! Marketing campaigns

Other examples

REFRESH THE WAY YOU PLAY

REFRESH TOUR

LIMPOPO

CASSPER NYOVEST • DJ AJ • DONALD ZOLA • KELLY KHUMALO • CHOME • ARTHUR

UNIVERSITY OF VENDA, LIMPOPO • 09 AUGUST 2014 • 12PM TILL LATE



REFRESH THE WAY YOU PLAY

REFRESH TOUR

BLACK COFFEE • DR MALINGA • MDU KELLY KHUMALO • MANDOZA • DJ AJ CHOME • ZOLA • DJ FINZO • ARTHUR

SPRING FESTIVAL

6pm till late

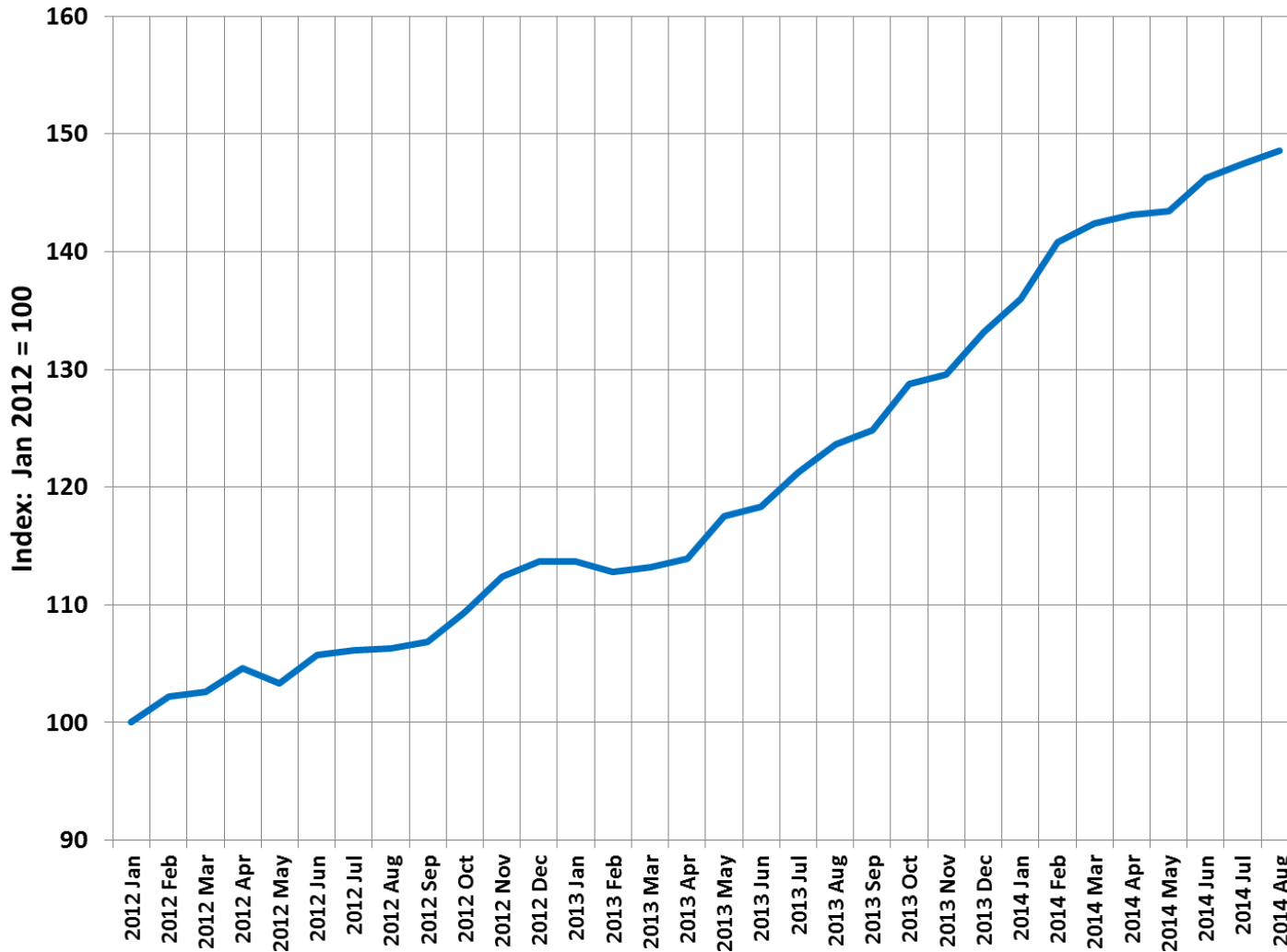
30th AUGUST

MANGAUNG

OUTDOOR SPORTS CENTRE

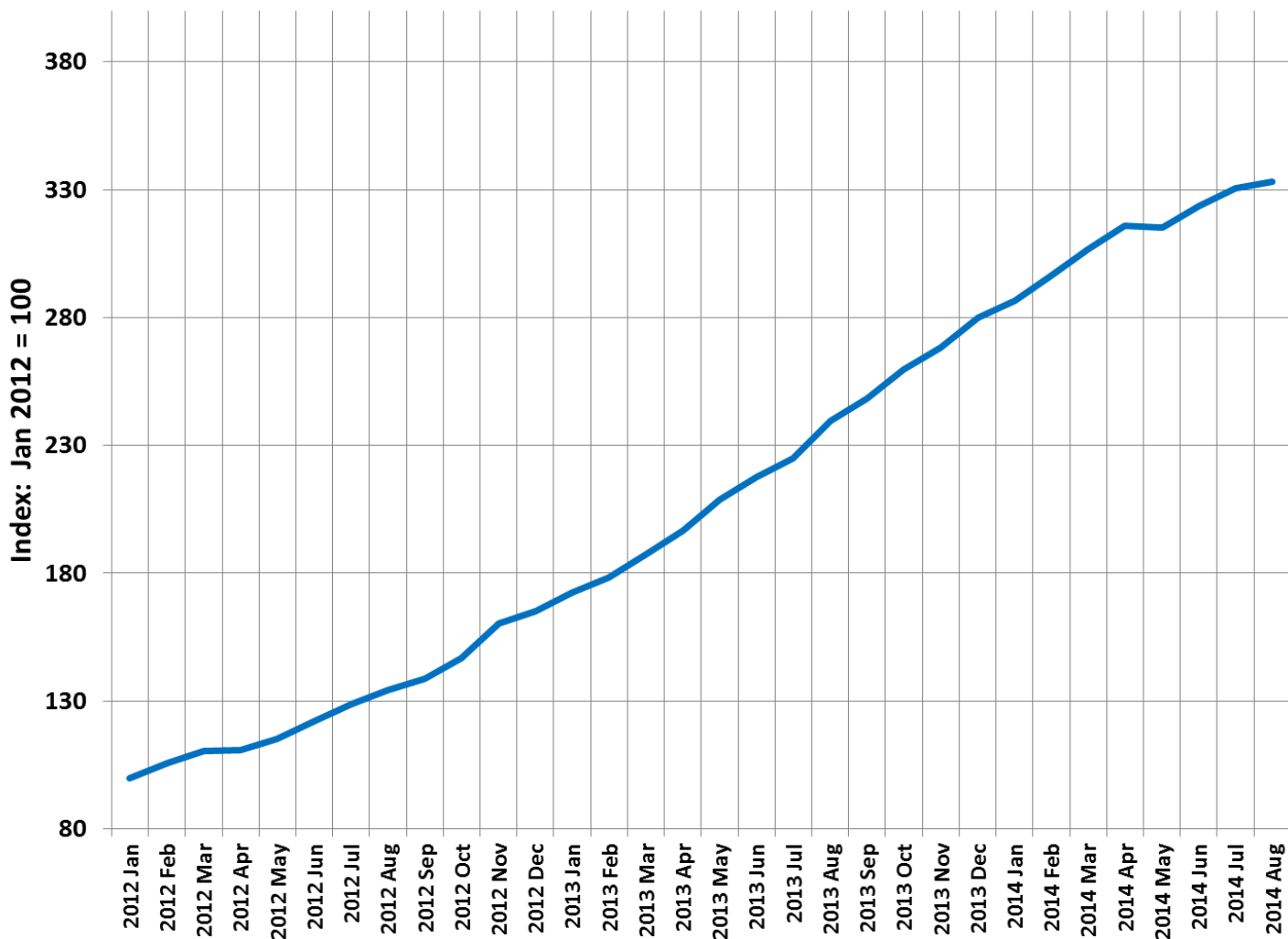


Volume growth South Africa (all sizes)



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 $\pm 2c$ per can
 - The “street price” of aluminium UBCs is $\pm 10c$ per can
 - This is an additional $\pm R240m$ 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



Nampak Glass

Group Executive, Rob Morris



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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

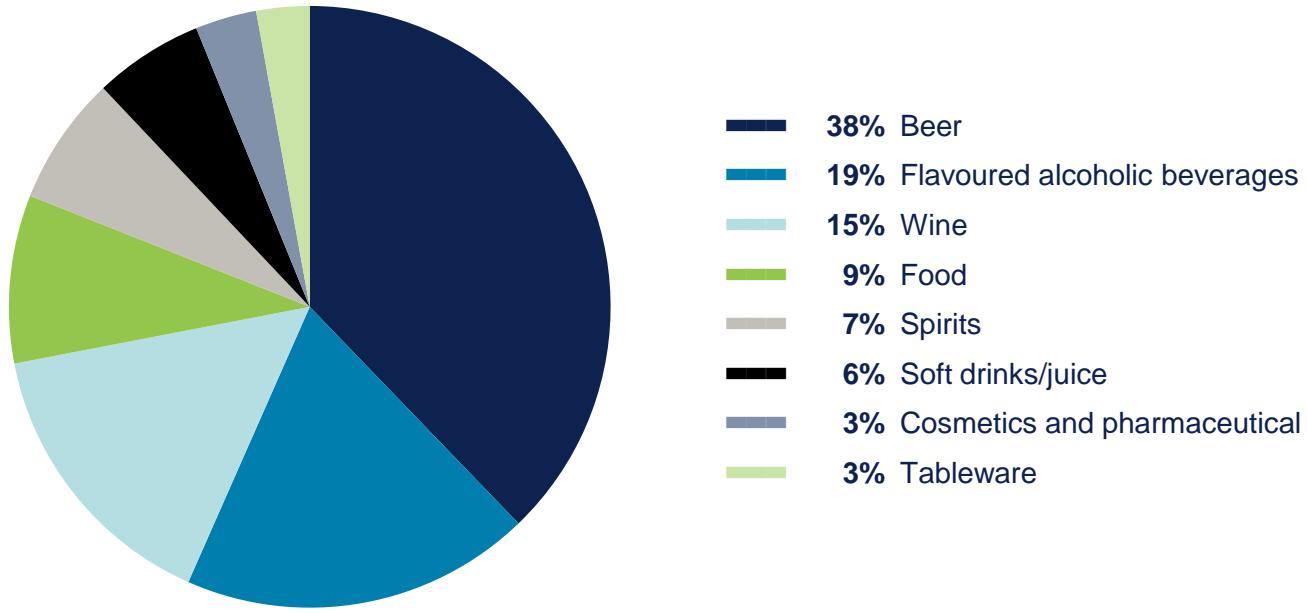


Date	Project	Cost
2005 – 2007	Cold End investment – Furnace 1 and 2	R450 million
2008	Rebuild of Furnace 1	R300 million
2010	Cullet Plant built	R160 million
2012	Rebuild, expansion and upgrade of Furnace 2	R420 million
2014	Furnace 3	R1.2 billion
TOTAL INVESTMENT		R2.53 BILLION

Nampak Glass, Roodekop

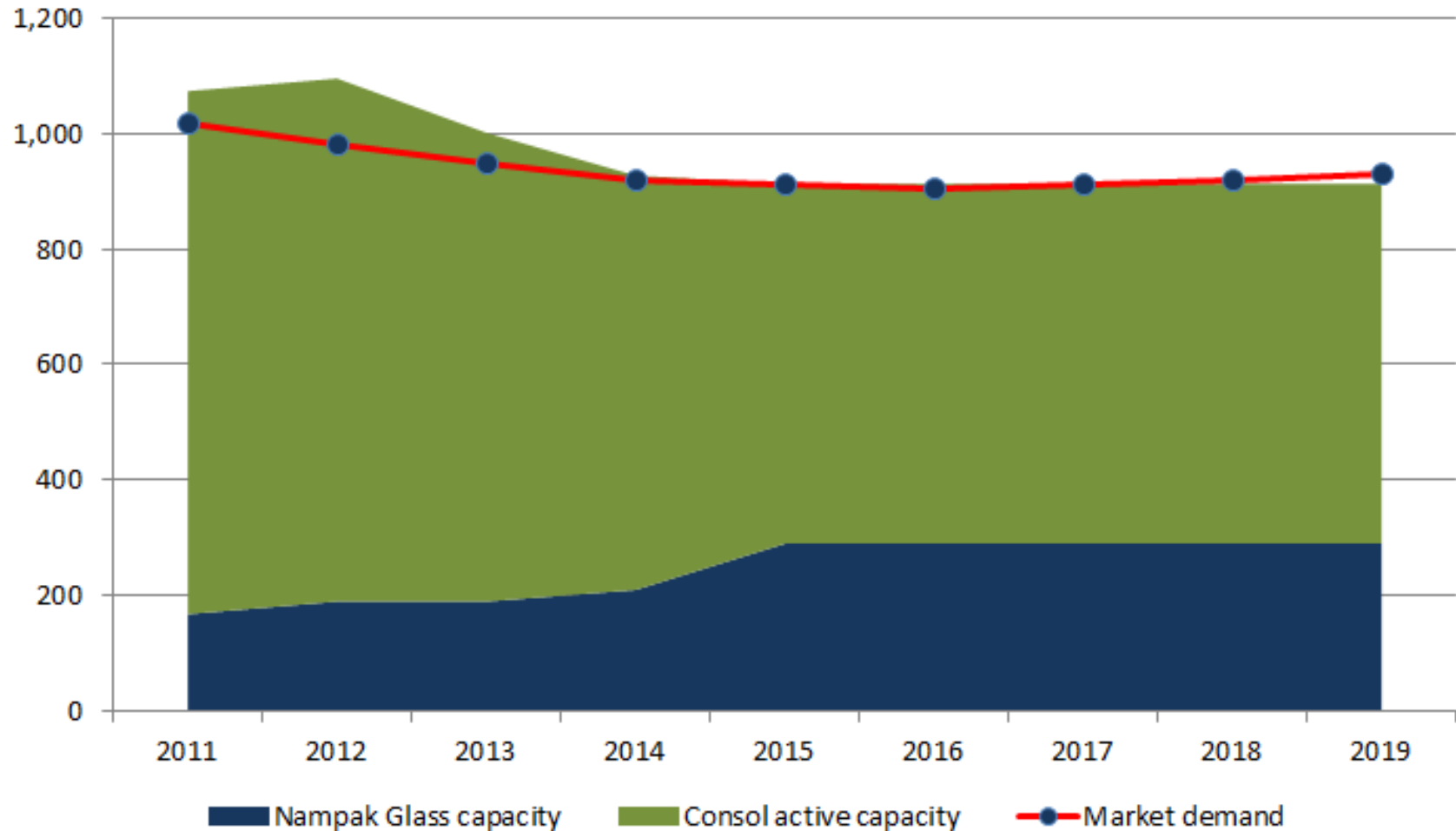


The South African glass market sectors



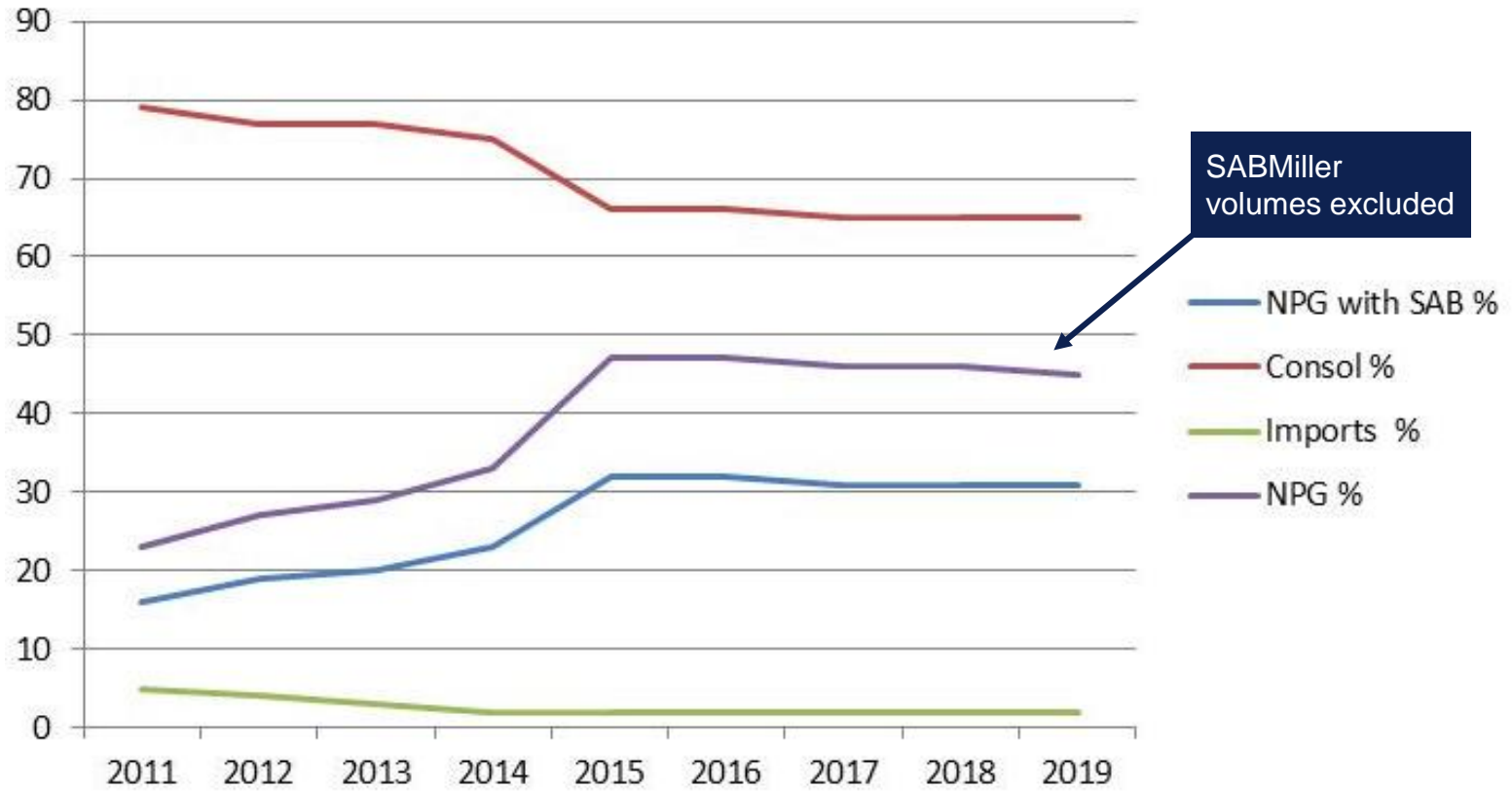
The South African glass market (tons)

(Nampak estimation)



Market share

(Nampak estimation)



Our major customers

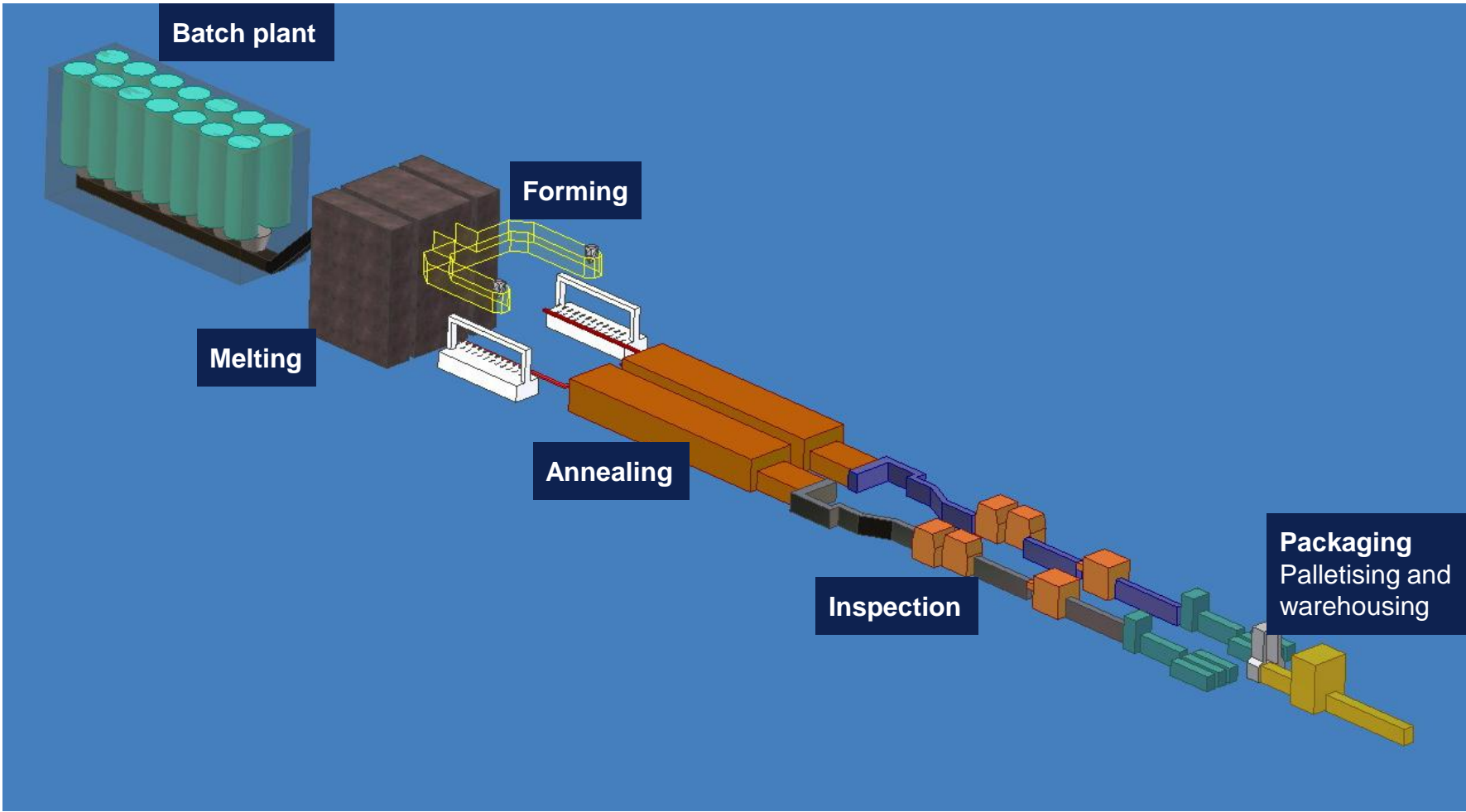


Heineken | Namibia Breweries | Distell | Coca Cola System | E Snell | KWV | Diageo | Tiger Brands | Halewood

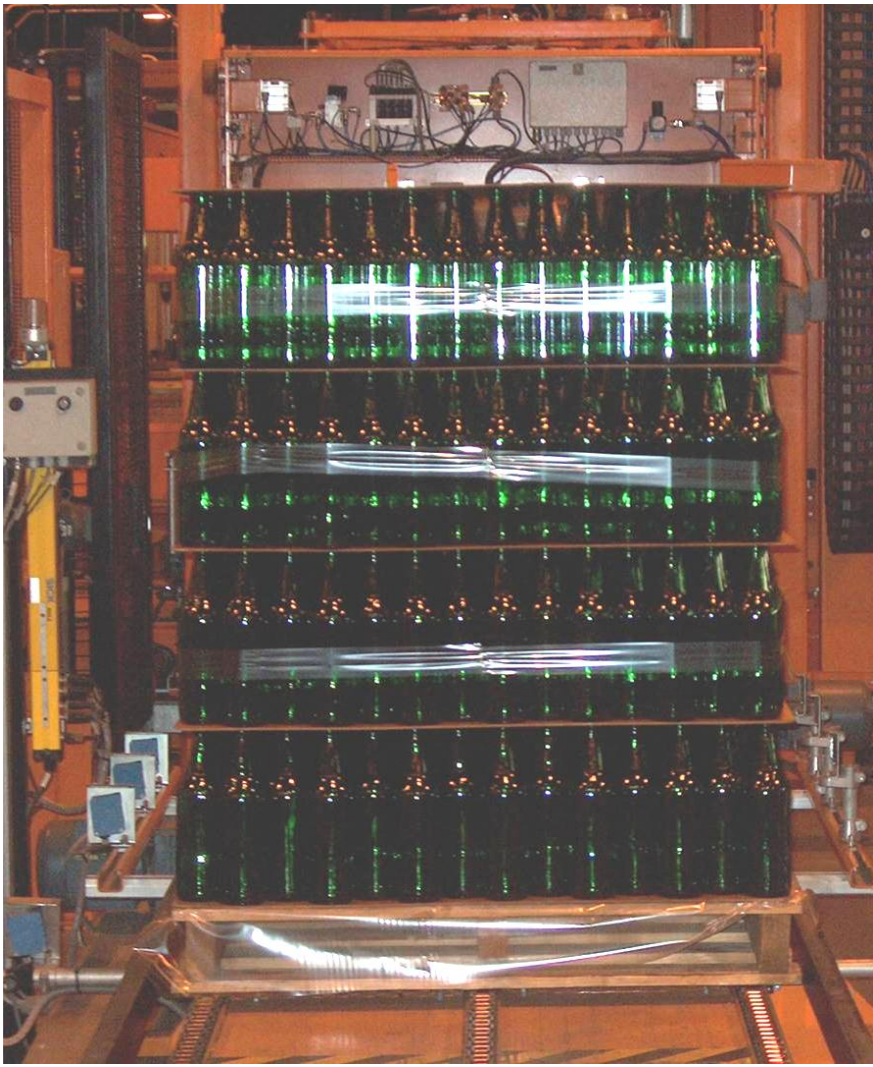
Overview of the glass process



The glass production process flow from raw materials to dispatch



Packaging, palletising and warehousing



Inside a glass furnace



Furnace 3 project update



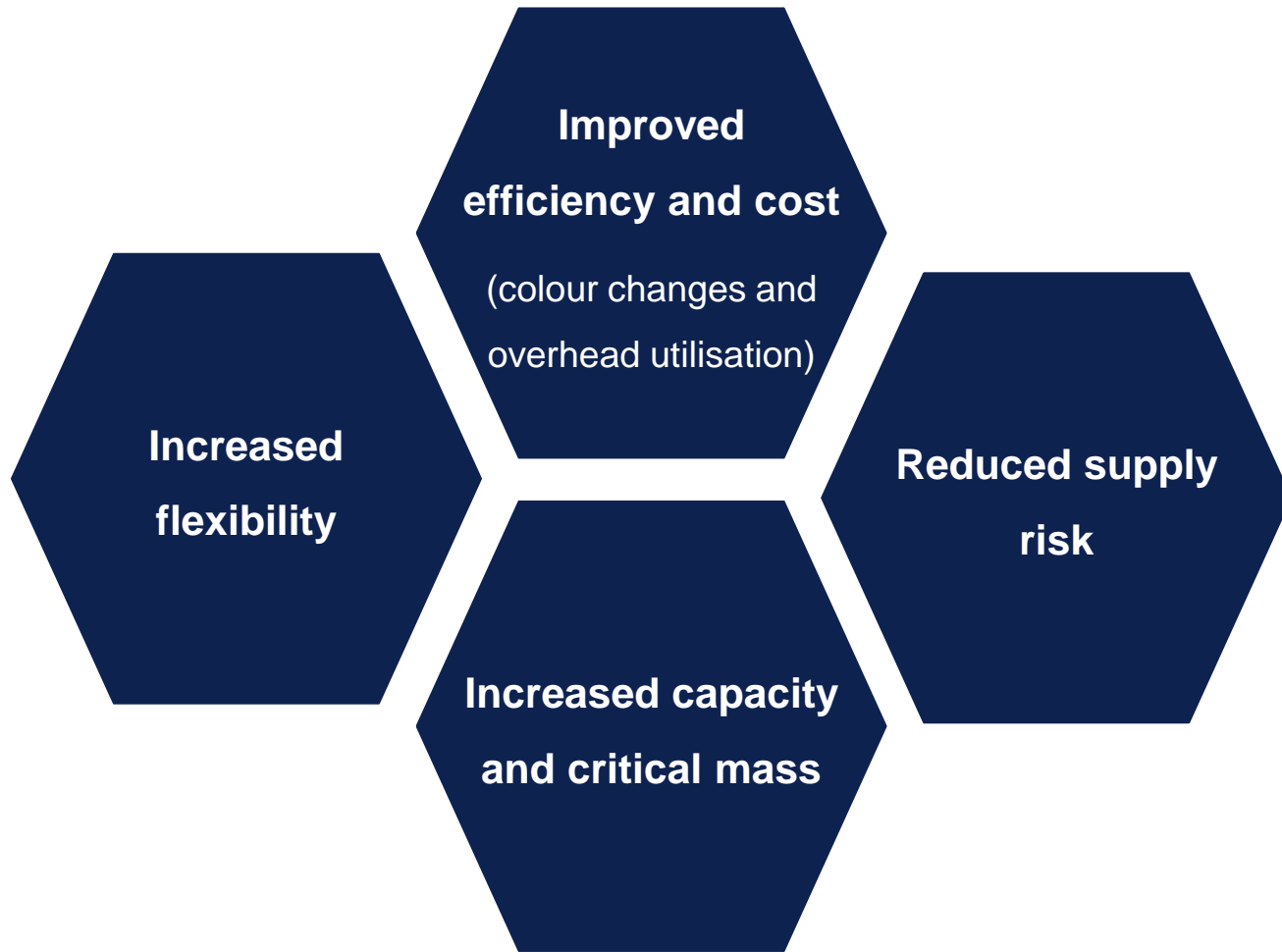
Furnace 3 project overview



Expenditure	R1 205 000 000
Construction commenced	October 2013
First glass	28 July 2014
Original time line	24 months
Actual time line	17 months
Capacity increase	56%

- 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



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