Nampak

Nampak

INTERIM REPORT AND CASH DISTRIBUTION FOR THE SIX MONTHS ENDED 31 MARCH 2006

HIGHLIGHTS

HEPS up 10%

Profit before
abnormal items up 9%

Positive impact
from restructuring

Nampak

(Registration number 1968/008070/06)
(Incorporated in the Republic of South Africa)
Share code: NPK   ISIN: ZAE 000071676

Non-executive directors:
T Evans (*Chairman*), PL Campbell*, DA Hawton*, MM Katz*, RJ Khoza, KM Mokoape*, ML Ndlovu*, MH Visser, RA Williams*

*Independent

Executive directors:
GE Bortolan (*Chief executive officer*), N Cumming, TN Jacobs, AS Lang (*British*)

Secretary: NP O'Brien

Registered office:
Nampak Centre
114 Dennis Road
Atholl Gardens
Sandton 2196
South Africa
(PO Box 784324 Sandton 2146, South Africa)
Telephone +27 11 719 6300

Share registrar:
Computershare Investor Services 2004 (Pty) Limited
70 Marshall Street
Johannesburg 2001
South Africa
(PO Box 61051 Marshalltown 2107, South Africa)
Telephone +27 11 370 5000

Sponsor:
UBS South Africa (Pty) Limited

ABRIDGED GROUP INCOME STATEMENT

	Notes	Unaudited 6 months ended 31 March **2006** **Rm**	2005 Rm	Change %	Audited year ended 30 Sept 2005 Rm
Revenue		**7 844.6**	7 909.6	(0.8)	15 481.1
Profit before abnormal items	1	**798.2**	733.6	8.8	1 311.0
Abnormal items	2	**(4.7)**	217.0		(63.8)
Profit from operations	3	**793.5**	950.6	(16.5)	1 247.2
Finance costs		**(81.3)**	(105.2)		(200.6)
Finance income		**24.5**	53.5		93.2
Income from investments		**3.6**	3.5		33.8
Share of (loss)/profit of associates		**(1.4)**	15.3		0.9
Profit before tax		**738.9**	917.7	(19.5)	1 174.5
Income tax		**257.7**	308.4		519.4
Net profit for the period		**481.2**	609.3	(21.0)	655.1
Attributable to:					
Equity holders of the company		**478.3**	606.1		651.3
Minority Interest		**2.9**	3.2		3.8
		481.2	609.3		655.1
Number of ordinary shares in issue (000)		**684 434**	645 126		707 171
Number of ordinary shares in issue - net of treasury shares (000)		**580 080**	641 316		641 888
Weighted average number of ordinary shares on which headline earnings and basic earnings per share are based (000)		**579 126**	638 155		638 262
Weighted average number of ordinary shares on which diluted headline earnings and diluted basic earnings per share are based (000)		**583 081**	642 670		642 385
Basic earnings per share (cents)		**82.6**	95.0	(13.0)	102.0
Distribution per share (cents)		**30.0**	–		–
Dividend per share (cents)		**-**	27.0		83.6
Fully diluted earnings per share (cents)		**82.0**	94.3	(13.0)	101.4
Determination of headline earnings					
Headline earnings per share (cents)		**82.5**	74.8	10.3	88.0
Fully diluted headline earnings per share (cents)		**81.9**	74.2	10.4	87.4
Profit attributable to ordinary shareholders for the period		**478.3**	606.1		651.3
Less: preference dividend		**-**	–		(0.1)
Adjusted for:					
Impairment losses		**18.2**	113.3		205.0
Reversal of impairment losses		**(1.8)**	–		(5.0)
Net loss/(profit) on disposal of businesses		**0.9**	(0.4)		26.6
Net profit on disposal of property, plant and equipment		**(26.0)**	(344.5)		(410.3)
Pension fund curtailment gain on disposal of business		**-**	(8.8)		(17.6)
Write off of due diligence costs		**-**	–		5.7
Tax effects		**8.1**	111.4		105.8
Headline earnings for the period		**477.7**	477.1	0.1	561.4

ABRIDGED GROUP BALANCE SHEET

	Notes	Unaudited 6 months ended 31 March 2006 Rm	2005 Rm	Audited year ended 30 Sept 2005 Rm
Assets				
Non-current assets		**5 822.6**	6 305.6	6 092.7
Property, plant and equipment		**4 641.0**	4 960.6	4 819.5
Goodwill and other intangibles		**1 029.4**	1 076.7	1 062.3
Non-current financial assets and associates		**151.6**	266.6	203.3
Deferred tax assets		**0.6**	1.7	7.6
Current assets		**4 881.2**	4 890.3	5 186.8
Inventories		**1 932.3**	1 941.8	2 001.8
Trade and other receivables		**2 524.8**	2 417.1	2 504.1
Tax assets		**46.6**	3.2	60.7
Bank balances, deposits and cash	4	**271.2**	528.2	620.2
Non-current assets classified as held for sale		**106.3**	–	–
Total assets		**10 703.8**	11 195.9	11 279.5
Equity and liabilities				
Total equity		**4 805.6**	5 763.6	5 651.6
Capital reserves		**1 222.7**	1 940.8	2 156.6
Other reserves		**(359.7)**	(102.8)	(296.3)
Accumulated profits		**3 909.6**	3 889.0	3 758.9
Equity attributable to equity holders of the parent		**4 772.6**	5 727.0	5 619.2
Minority interest		**33.0**	36.6	32.4
Non-current liabilities		**2 108.7**	1 857.5	2 154.4
Interest bearing debt	4	**914.0**	690.8	929.7
Retirement benefit obligation		**531.5**	621.2	540.7
Non-current financial liabilities		**21.7**	23.6	26.7
Deferred tax liabilities		**641.5**	521.9	657.3
Current liabilities		**3 789.5**	3 574.8	3 473.5
Trade and other payables		**2 181.7**	2 349.9	3 002.0
Interest bearing debt		**1 358.9**	1 026.3	279.3
Tax liabilities		**212.6**	198.6	192.2
Liabilities directly associated with non-current assets classified as held for sale		**36.3**	–	–
Total equity and liabilities		**10 703.8**	11 195.9	11 279.5
Additional balance sheet disclosures				
Total borrowings: total equity		**43%**	30%	21%
Net borrowings/(cash): total equity		**38%**	21%	10%
Total liabilities: total equity		**115%**	102%	99%
Net worth per ordinary share (cents) calculated on number of ordinary shares in issue - net of treasury shares of 580 080 011 (2005: 641 316 468)		**828**	899	880
Tangible net worth per ordinary share (cents) calculated on number of ordinary shares in issue - net of treasury shares of 580 080 011 (2005: 641 316 468)		**651**	731	715

GROUP STATEMENT OF RECOGNISED INCOME AND EXPENSE

	Unaudited 6 months ended 31 March **2006** **Rm**	Unaudited 6 months ended 31 March 2005 Rm	Audited year ended 30 Sept 2005 Rm
Exchange differences on translation of foreign operations	**(73.7)**	(10.4)	(102.9)
Net actuarial gains/(losses) taken to equity (net of tax)	**-**	2.4	(33.5)
Hyper-inflation capital adjustment	**14.8**	(19.6)	(89.7)
Net expense recognised directly in equity	**(58.9)**	(27.6)	(226.1)
Transfer (from)/to profit or loss from equity on hedges	**(4.5)**	1.3	1.4
Profit for the period	**481.2**	609.3	655.1
Total recognised income and expense for the period	**417.8**	583.0	430.4
Attributable to:			
Equity holders of the parent	**415.8**	579.0	429.7
Minority interest	**2.0**	4.0	0.7
	417.8	583.0	430.4

ABRIDGED GROUP CASH FLOW

	Note	Unaudited 6 months ended 31 March **2006** **Rm**	2005 Rm	Audited year ended 30 Sept 2005 Rm
Cash operating profit		**1 122.7**	1 000.9	1 849.8
Working capital changes		**(793.6)**	(430.5)	61.5
Cash generated from operations		**329.1**	570.4	1 911.3
Net finance costs		**(59.5)**	53.5	(100.3)
Income from investments		**3.6**	3.5	37.4
Tax paid		**(225.3)**	(276.0)	(418.7)
Replacement capital expenditure		**(145.8)**	(199.1)	(331.7)
Cash (utilised in)/available from operations		**(97.9)**	152.3	1 098.0
Dividends paid		**(328.9)**	(363.5)	(536.1)
Net cash (outflow)/inflow from operating activities		**(426.8)**	(211.2)	561.9
Net cash inflow from investing activities		**36.0**	279.5	168.2
Net cash (outflow)/inflow before financing activities		**(390.8)**	68.3	730.1
Net cash outflow from financing activities		**(1 054.6)**	(505.6)	(306.4)
Net (decrease)/increase in cash and cash equivalents		**(1 445.4)**	(437.3)	423.7
Cash and cash equivalents at beginning of period		**364.8**	(38.9)	(38.9)
Translation of cash in foreign subsidiaries		**11.9**	(2.1)	(20.0)
Cash and cash equivalents at end of period	4	**(1 068.7)**	(478.3)	364.8

NOTES

	Unaudited 6 months ended 31 March **2006** **Rm**	2005 Rm	Change %	Audited year ended 30 Sept 2005 Rm
1. Profit before abnormal items				
South Africa	**602.4**	600.6	0.3	1 087.2
Rest of Africa	**68.9**	34.3	100.9	64.4
Europe	**126.9**	98.7	28.6	159.4
	798.2	733.6	8.8	1 311.0
2. Net abnormal income				
Retrenchment costs	**(4.2)**	(19.4)		(104.9)
Restructuring costs	**(0.2)**	(2.4)		(45.1)
Impairment losses on goodwill, plant and equipment	**(18.2)**	(113.3)		(205.0)
Reversal of impairment losses on plant and equipment	**1.8**	–		5.0
Net profit on disposal of property	**22.2**	340.9		397.5
Net (loss)/profit on disposal of businesses	**(0.9)**	0.4		(26.6)
Pension fund curtailment gain on disposal of business	**-**	8.8		17.6
Net monetary adjustment – hyperinflation	**6.0**	3.3		(2.2)
Financial instruments fair value adjustment	**(1.7)**	(1.1)		(9.8)
FEC costs on plant and equipment	**-**	(0.2)		(0.7)
Pension fund curtailment gain on restructure	**-**	–		70.2
Share based payment expense on BEE transaction	**(9.5)**	–		(219.5)
Change in estimates - provisions	**-**	–		59.7
	(4.7)	217.0		(63.8)
3. Profit from operations				
South Africa	**612.0**	599.4	2.1	784.2
Rest of Africa	**55.6**	37.2	49.5	58.0
Europe	**125.9**	314.0	(59.9)	405.0
	793.5	950.6	(16.5)	1 247.2
4. Cash and cash equivalents				
Interest bearing debt	**(2 272.9)**	(1 717.1)		(1 209.0)
Less long-term liabilities	**914.0**	690.8		929.7
Less short-term portion of long-term liabilities	**19.0**	19.8		23.9
Less bank balances, deposits and cash	**271.2**	528.2		620.2
	(1 068.7)	(478.3)		364.8

	Unaudited 6 months ended 31 March 2006 Rm	2005 Rm	Change %	Audited year ended 30 Sept 2005 Rm
5. Supplementary information				
Depreciation	**289.5**	292.1		584.3
Amortisation	**35.4**	26.3		57.4
Capital expenditure				
– expansion	**181.4**	210.5		385.9
– replacement	**145.8**	199.1		331.7
Capital commitments				
– contracted	**156.5**	134.9		166.4
– approved not contracted	**65.3**	156.2		219.2
Lease commitments				
– land and buildings	**323.3**	387.9		342.4
– other	**92.4**	50.5		157.7
Contingent liabilities				
– customer claims and guarantees	**19.8**	44.2		23.0
– tax contingent liabilities	**738.5**	–		–

6. Tax contingent liabilities

The South African Revenue Service ("SARS") has raised assessments against a number of companies in the Nampak group against which objections will be lodged.

The first area of assessment relates to Malbak Limited ("Malbak") and a number of its subsidiary companies, which were acquired by Nampak in August 2002, in respect of transactions which took place between 1991 and 2001. SARS is claiming tax on deemed interest and alleged foreign exchange gains on loans made to an indirect, offshore subsidiary of Malbak, donations tax on the sale by Malbak of its rigid plastic business in 2001 and donations tax on the write-off of loans made to a number of employee share trusts which were set up in the Malbak group. Nampak has investigated each transaction, including obtaining two senior counsel opinions and is confident that it can successfully defend against these assessments. In the interim, an amount of R50 million has been paid to SARS on a without prejudice basis, resulting in a suspension of further payment obligations until at least Nampak's objections have been considered by SARS.

In the second area of assessment SARS is seeking to tax the profits made by Metal Box Botswana (Pty) Limited ("MBB") in the years 1996 to 2001 on the grounds that MBB was effectively managed in South Africa and did not have a permanent establishment in Botswana. Nampak will lodge an objection against the assessment and is confident, after a review of the facts, that it can successfully defend against this assessment.

R223 million for tax, R128 million for penalties and R387 million for interest in relation to the above assessments have been included in contingent liabilities.

COMMENTS

NAMPAK PROFILE

Nampak is the largest and most diversified packaging manufacturer in Africa with extensive manufacturing operations in South Africa and in a further 11 countries on the African continent. It produces packaging products from metal, glass, paper and plastics and is a major manufacturer and marketer of tissue products.

It is one of the leading suppliers of folding cartons to the food and healthcare sectors in Europe and it is the major supplier of plastic bottles to the dairy industry in the United Kingdom.

The group is actively engaged in the collection and recycling of all forms of used packaging.

STRUCTURAL CHANGES

Effective 1 October 2005 Wiegand-Glas of Germany acquired 50% of the issued share capital in Nampak Glass (Pty) Limited for €18 million.

In terms of a scheme of arrangement, the company and a subsidiary repurchased 10% of its issued share capital, comprising 63 644 855 ordinary shares of 5 cents each, on 31 October 2005 for a total consideration of R963 million.

Tufbag was sold for R9 million, effective 1 November 2005.

GROUP FINANCIAL REVIEW

	Revenue Rm		Profit from operations Rm	
	2006	2005	**2006**	2005
South Africa	**5 507**	5 768	**612**	600
Rest of Africa	**476**	331	**56**	37
Europe	**1 980**	1 906	**126**	314
Intergroup eliminations	**(118)**	(95)	**-**	–
Total	**7 845**	7 910	**794**	951

GROUP

Excluding Peters Papers, which was sold effective 1 March 2005, sales revenue increased by 4%. Volumes in South Africa grew by 1% and in the rest of Africa, sales increased mainly as a result of good growth in the Nigerian operations. Sales in Europe increased due to substantially higher sales in the plastics business following the acquisition of two dairy in-plant operations early in 2005.

Operating profit before abnormal items increased by 9% whilst the margin improved from 9.3% to 10.2%. Profit from operations decreased by 17% to R794 million. However, 2005 included profit of R369 million on the sale of properties which was partially offset by a number of abnormal items. Net financing costs increased by 10% to R57 million as a result of the funds utilised to effect the scheme of arrangement.

The effective tax rate was 34.9% compared to 33.6% last year which included certain tax incentives that did not recur this year.

Headline earnings per share increased by 10% to 82.5 cents per share.

The increase in working capital was mainly due to a reduction in creditors which are typically lower at the interim reporting period.

Total capital expenditure was R327 million with the project to improve manufacturing efficiencies at the Glass plant being the single largest item of expenditure at R30 million.

Net debt to equity increased to 38% mainly as a result of the funds used for the scheme of arrangement.

SOUTH AFRICA

There was growth in paper and metal packaging but both were affected by lower demand from the agriculture and fishing industries and in the case of metals, the particularly wet summer. The plastics packaging segment continued to achieve above-average volume growth with strong demand for products made of rigid plastics. Some sectors of the flexible packaging market also achieved good growth but others continued to be affected by imports of both packaging and finished goods.

Overall packaging volumes grew by just over 1%.

Both toilet tissue and disposable diaper sales were higher than last year having benefited from strong consumer demand.

The substantial increase in the price of oil resulted in an increase in the cost of polymer, which in most cases was recovered. Paper prices largely remained flat. Tinplate prices were higher than a year ago following an increase effective April 2005. Aluminium prices have also increased.

Overcapacity in some sectors, low inflation and the need to compete against the threat of imports resulted in an increasingly competitive market.

Good cost management contributed to higher profit from operations.

REST OF AFRICA

Profits from this region increased substantially on strong performances by the Nigerian businesses with an especially good result from the cartons operation which has been running at full capacity. Results from Zimbabwe continued to be negatively affected by the deteriorating economy, rampant inflation and the foreign exchange crisis.

EUROPE

Trading results in Europe increased following a good performance from the plastics segment as well as an improvement in the paper segment where the profit-improvement programme at Leeds impacted positively.

SEGMENTAL REVIEW

Metals & Glass

	Revenue Rm		Profit from operations Rm		Margin %	
	2006	2005	**2006**	2005	**2006**	2005
Africa	**2 350**	2 295	**378**	362	**16.1**	15.8

Africa

The local beverage can market showed good growth in all sectors other than beer.

There was an increase in sales of aerosol cans, but paint and motor-oil can sales were lower as a result of continued substitution by plastic containers. A reduced peach crop resulted in lower demand for food cans.

Sales of glass bottles were lower due to a change in the sales mix of beer bottles as well as fewer wine bottle sales to export-related customers.

Good volume growth was achieved across a broad range of products in Nigeria. Sales volumes in Zimbabwe were negatively affected by the ongoing deterioration in the economy whilst in Kenya sales of pineapple cans were lower due to the drought.

Paper

	Revenue Rm		Profit from operations Rm		Margin %	
	2006	2005	**2006**	2005	**2006**	2005
Africa	**2 265**	2 466	**157**	123	**6.9**	5.0
Europe	**1 271**	1 309	**55**	(77)	**4.3**	(5.9)
Total	**3 536**	3 775	**212**	46	**6.0**	1.2

Africa

Overall volumes of corrugated boxes were up, but sales to the agricultural sector were adversely affected by lower fruit crops. The closure of the Rosslyn corrugated factory and the restructuring completed last year contributed to an improvement in overall efficiencies.

Greater quantities of beer labels were sold following an increase in market share. Sales of folding cartons benefited from improved demand for cigarette packaging for exports and from increased demand for fast food packaging. A shift away from the use of polystyrene for fast foods also assisted folding carton sales.

Sales of disposable diapers and toilet tissue continued their upward trend buoyed by strong consumer demand.

Operations in Zimbabwe achieved good export sales and increased their share of the tobacco box market. Malawi benefited from increased tobacco box and cement sack demand. The cartons operation in Nigeria is running at full capacity and produced good results for the period under review.

Europe

Sales volumes were higher as a result of gains in market share offset partially by a focus on more-profitable business. The profit-improvement programme at Leeds progressed satisfactorily particularly considering the difficult trading conditions in the United Kingdom folding cartons market.

Margins in the Healthcare sector remained under pressure as a result of consolidation among pharmaceutical companies and overcapacity in the packaging industry.

The profit in 2005 was negatively affected by retrenchment costs and goodwill written-off which did not recur this year.

Plastics

	Revenue Rm		Profit from operations Rm		Margin %	
	2006	2005	**2006**	2005	**2006**	2005
Africa	**1 368**	1 338	**100**	110	**7.3**	8.2
Europe	**595**	508	**54**	372*	**9.1**	73.2
Total	**1 963**	1 846	**154**	482	**7.8**	26.1

* Includes profit on sale of property.

Africa

Most products in the rigid plastics sector continued to enjoy strong sales growth. Sales of crates, closures, liquid cartons and bottles were higher on the back of buoyant demand for sports drinks, soft drinks and fruit juices.

Sales of flexible packaging to the confectionery market remained under pressure due to loss of exports and increased imports. Sales of bread bags were however substantially ahead of last year and reflect the growing consumer preference for branded bread. Sales of retail shopping bags continued to be adversely affected by imports and the use of more durable bags for grocery shopping.

Sales of plastic packaging in Zimbabwe were affected by lower consumer demand and a shortage of carbonated soft drinks.

Europe

The period under review includes a full six months of the two dairy in-plant operations acquired last year and volumes, sales revenue and profits benefited accordingly. The sales value was also affected by higher polymer prices. Excluding the profit made last year on the sale of the Woburn Sands property, the profit for the period was substantially ahead of last year.

Group services

	Revenue		Profit from operations	
	2006 Rm	2005 Rm	**2006 Rm**	2005 Rm
Africa	**-**	–	**34**	43
Europe	**114**	89	**16**	18
Intergroup eliminations	**(118)**	(95)	**-**	–
Total	**(4)**	(6)	**50**	61

Group services comprise corporate functions, procurement, treasury and property rentals.

ACCOUNTING POLICIES

The condensed financial statements have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting.

The annual financial statements for the year ended 30 September 2005 were prepared in accordance with South African Generally Accepted Accounting Practice ("SA GAAP"). In accordance with the JSE Limited Listings Requirements, the group is required to prepare its consolidated annual financial statements for the year ending 30 September 2006 in accordance with International Financial Reporting Standards ("IFRS").

On 20 February 2006, the group released audited restatements of financial information for the opening IFRS balance sheet as at 1 October 2004, the IFRS balance sheet and income statement as at and for the year ended 30 September 2005. The restated financial information has been used as comparatives in the interim announcement.

The principal accounting policies have been applied consistently with those in the restated IFRS information.

TAX CONTINGENT LIABILITIES

The South African Revenue Service has raised assessments against companies in the Nampak group and this is dealt with in more detail in Note 6 of the Interim Report.

COMMENTS *(continued)*

PROSPECTS

Consumer spending in South Africa is expected to remain at current levels but imported products will continue to restrain the demand for locally packaged goods. Recent reports of lower pilchard catches could impact on sales of food cans.

Hyper-inflation and currency depreciation could affect the rand-translated results of operations in Zimbabwe.

The benefits of the cost reduction and restructuring programme that was undertaken in the second half of last year will continue to contribute to a better performance. The percentage increase in headline earnings per share for the full year is expected to be greater than that in the first half.

DISTRIBUTION OUT OF SHARE PREMIUM

Notice is hereby given that a cash distribution in lieu of a dividend, by way of a reduction of share premium, of 30.0 cents per ordinary share has been declared in respect of the six months ended 31 March 2006, subject to the approval of shareholders at a general meeting. A circular giving notice of the general meeting will be sent to shareholders in due course.

The salient dates and times of the cash distribution will be included in the circular and published on SENS and in the press. It is anticipated that the cash distribution will be paid to ordinary shareholders before the end of July 2006, which is the month in which an interim dividend would usually be paid by Nampak.

On behalf of the board

T Evans
Chairman

GE Bortolan
Chief executive officer

25 May 2006

SUPPLEMENTARY INFORMATION

	Profit from operations as reported		Abnormal items		IAS 39 fair value adjustments		Operating profit before abnormal items		Margins before abnormal items	
	2006 Rm	2005 Rm	**2006 Rm**	2005 Rm	**2006 Rm**	2005 Rm	**2006 Rm**	2005 Rm	**2006 %**	2005 %
Adjusted segmental information										
Metals and glass										
Africa	**378**	362	**(3)**	(2)	**3**	(3)	**378**	358	**16.1**	15.6
Paper										
Africa	**157**	123	**-**	5	**(3)**	5	**154**	133	**6.8**	5.4
Europe	**55**	(77)	**-**	128	**-**	–	**55**	51	**4.3**	3.9
Plastics										
Africa	**100**	110	**10**	(1)	**1**	(1)	**111**	108	**8.1**	8.1
Europe	**54**	372	**1**	(343)	**-**	–	**55**	29	**9.2**	5.8
Group services										
Africa	**34**	43	**(5)**	(6)	**-**	–	**29**	37		
Europe	**16**	18	**-**	–	**-**	–	**16**	18		
Total	**794**	951	**3**	(219)	**1**	1	**798**	734	**10.2**	9.3

Basis of calculation

Abnormal items are defined as items of income and expenditure which do not arise from normal trading activities or are of such a size, nature or incidence that their disclosure is relevant to explain the performance for the period.

The fair value adjustments under IAS 39 are all calculated using the mark-to-market methodology.