Nampak

packaging excellence

Interim Report and Dividend Declaration
For the Six Months Ended 31 March 2011

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

Administration

Independent non-executive directors:
TT Mboweni (Chairman), RC Andersen, RJ Khoza, PM Madi, VN Magwentshu, DC Moephuli, CWN Molope, RV Smither, PM Surgey.

Executive directors:
AB Marshall (Chief executive officer), G Griffiths (Chief financial officer), FV Tshiqi (Group human resources director).

Secretary: NP O'Brien.

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

Share registrar:
Computershare Investor
Services (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

HIGHLIGHTS

- HEPS from continuing operations up 28%
- Dividend per share up 36% to 34 cents
- Operating profit from continuing operations up 16%
- Net gearing reduced to 23%

Condensed group statement of comprehensive income

	Unaudited 6 months ended 31 March 2011 Rm	Unaudited 6 months ended 31 March 2010 Rm	Change %	Audited year ended 30 Sept 2010 Rm
Continuing operations				
Revenue	**7 985.2**	7 982.7	–	15 774.2
Operating profit (note 3)	**867.0**	747.8	15.9	1 228.7
Finance costs	**(61.1)**	(136.9)		(246.6)
Finance income	**14.0**	15.1		56.2
Income from investments	**8.3**	4.9		6.0
Share of profit from associates	**0.1**	0.1		3.6
Profit before tax	**828.3**	631.0	31.3	1 047.9
Taxation	**259.0**	185.1		268.7
Profit for the period from continuing operations	**569.3**	445.9	27.7	779.2
Discontinued operations				
(Loss)/profit for the period from discontinued operations (note 4)	**(300.0)**	29.8		55.7
Profit for the period	**269.3**	475.7	(43.4)	834.9
Other comprehensive (expenses)/income				
Exchange differences on translation of foreign operations	**(47.2)**	(175.3)		(234.3)
Translation reserve released on disposal of foreign operations	**(4.7)**	–		–
Net actuarial losses from retirement benefit obligation	**–**	–		(145.2)
Gains/(losses) on cash flow hedges	**–**	0.7		(0.4)
Other comprehensive expenses for period, net of tax	**(51.9)**	(174.6)		(379.9)
Total comprehensive income for the period	**217.4**	301.1		455.0
Profit/(loss) attributable to:				
Owners of Nampak Limited	**267.8**	476.0	(43.7)	825.9
Non-controlling interest in subsidiaries	**1.5**	(0.3)		9.0
	269.3	475.7		834.9
Total comprehensive income/(expense) attributable to:				
Owners of Nampak Limited	**212.1**	304.0		450.1
Non-controlling interest in subsidiaries	**5.3**	(2.9)		4.9
	217.4	301.1		455.0
Continuing operations				
Basic earnings per share (cents)	**96.4**	75.9	27.0	131.0
Fully diluted earnings per share (cents)	**93.8**	74.8	25.4	129.8
Headline earnings per ordinary share (cents)	**93.5**	72.8	28.4	142.5
Fully diluted headline earnings per share (cents)	**91.1**	71.9	26.7	140.8
Continuing and discontinued operations				
Basic earnings per share (cents)	**45.5**	80.9	(43.8)	140.5
Fully diluted earnings per share (cents)	**45.2**	79.7	(43.3)	138.9
Headline earnings per ordinary share (cents)	**97.2**	77.8	24.9	149.7
Fully diluted headline earnings per share (cents)	**94.6**	76.7	23.3	147.7
Dividend per share (cents)	**34.0**	25.0	36.0	83.0

Condensed statement of financial position |

	Unaudited 31 March 2011 Rm	Unaudited 31 March 2010 Rm	Audited 30 Sept 2010 Rm
ASSETS			
Non-current assets			
Property, plant and equipment and investment property	**5 486.3**	6 242.6	6 199.9
Goodwill and other intangible assets	**245.3**	362.6	301.1
Other non-current financial assets and associates	**398.0**	404.1	408.9
Deferred tax assets	**37.0**	10.3	46.9
	6 166.6	7 019.6	6 956.8
Current assets			
Inventories	**2 327.3**	2 387.3	2 272.6
Trade receivables and other current assets	**2 407.8**	2 999.6	2 697.3
Tax assets	**1.3**	12.6	77.2
Bank balances, deposits and cash (note 2)	**1 067.0**	437.1	718.6
	5 803.4	5 836.6	5 765.7
Assets classified as held for sale (note 4)	**104.5**	152.5	202.6
Total assets	**12 074.5**	13 008.7	12 925.1
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	**35.7**	35.6	35.7
Capital reserves	**(523.1)**	(579.9)	(543.4)
Other reserves	**(660.0)**	(555.3)	(755.2)
Retained earnings	**6 379.6**	6 399.5	6 603.7
Shareholders' equity	**5 232.2**	5 299.9	5 340.8
Non-controlling interest	**31.2**	21.6	27.5
Total equity	**5 263.4**	5 321.5	5 368.3
Non-current liabilities			
Loans and borrowings	**1 360.1**	1 954.8	1 631.0
Retirement benefit obligation	**1 265.5**	1 229.7	1 404.5
Other non-current liabilities	**8.8**	16.2	15.8
Deferred tax liabilities	**221.3**	278.2	286.9
	2 855.7	3 478.9	3 338.2
Current liabilities			
Trade payables, provisions and other current liabilities	**2 795.6**	2 939.1	3 135.7
Bank overdrafts (note 2)	**860.4**	543.9	455.5
Loans and borrowings	**33.4**	608.7	373.8
Tax liabilities	**248.4**	45.0	175.2
	3 937.8	4 136.7	4 140.2
Liabilities directly associated with assets classified as held for sale (note 4)	**17.6**	71.6	78.4
Total equity and liabilities	**12 074.5**	13 008.7	12 925.1

| Condensed group statement of cash flows |

	Unaudited 31 March 2011 Rm	Unaudited 31 March 2010 Rm	Audited 30 Sept 2010 Rm
Operating profit before working capital changes	**1 235.0**	1 177.9	2 248.3
Working capital changes	**(482.1)**	(355.4)	212.3
Cash generated from operations	**752.9**	822.5	2 460.6
Net interest paid	**(84.7)**	(143.1)	(261.9)
Income from investments	**8.3**	4.9	6.0
Tax paid	**(97.5)**	(17.1)	(93.3)
Replacement capital expenditure	**(149.6)**	(99.7)	(245.3)
Cash retained from operations	**429.4**	567.5	1 866.1
Dividends paid	**(341.6)**	(140.8)	(289.2)
Net cash retained from operating activities	**87.8**	426.7	1 576.9
Net cash generated from/(utilised in) investing activities	**513.3**	(187.2)	(428.2)
Net cash retained before financing activities	**601.1**	239.5	1 148.7
Net cash utilised in financing activities	**(619.7)**	(708.6)	(1 241.4)
Net decrease in cash and cash equivalents	**(18.6)**	(469.1)	(92.7)
Cash and cash equivalents at beginning of period (note 2)	**263.1**	397.9	397.9
Translation of cash in foreign subsidiaries	**(37.9)**	(32.7)	(42.1)
Net cash and cash equivalents/(overdrafts) at end of period (note 2)	**206.6**	(103.9)	263.1

| Group statement of changes in equity |

	Unaudited 31 March 2011 Rm	Unaudited 31 March 2010 Rm	Audited 30 Sept 2010 Rm
Opening balance	**5 368.3**	5 129.5	5 129.5
Net shares issued during period	**13.6**	13.3	19.5
Treasury shares sold	**–**	–	0.3
Share of movement in associate's non-distributable reserve	**–**	–	(1.0)
Release of reserves relating to subsidiary disposed	**(1.6)**	–	0.5
Share-based payment expense	**7.3**	18.4	54.3
Share grants exercised	**–**	–	(3.4)
Transfer from hedging reserve to related assets	**–**	–	2.2
Gain on available for sale financial assets	**–**	–	0.6
Total comprehensive income for the period	**217.4**	301.1	455.0
Dividends paid	**(341.6)**	(140.8)	(289.2)
Closing balance	**5 263.4**	5 321.5	5 368.3
Comprising:			
Share capital	**35.7**	35.6	35.7
Capital reserves	**(523.1)**	(579.9)	(543.4)
Share premium	**279.4**	259.7	265.8
Treasury shares	**(1 149.7)**	(1 150.0)	(1 149.7)
Share option reserve	**347.2**	310.4	340.5
Other reserves	**(660.0)**	(555.3)	(755.2)
Foreign currency translation reserve	**(259.1)**	(148.0)	(203.4)
Hyperinflation capital adjustment	**(24.3)**	(24.3)	(24.3)
Financial instruments hedging reserve	**–**	(1.2)	(0.1)
Recognised actuarial losses	**(340.6)**	(346.4)	(491.6)
Share of non-distributable reserves in associates	**2.3**	3.3	2.3
Available for sale financial assets revaluation reserve	**(38.3)**	(38.9)	(38.3)
Other	**–**	0.2	0.2
Retained earnings	**6 379.6**	6 399.5	6 603.7
Shareholders' equity	**5 232.2**	5 299.9	5 340.8
Non-controlling interest	**31.2**	21.6	27.5
Total equity	**5 263.4**	5 321.5	5 368.3

Notes

	Unaudited 31 March 2011 Rm	Unaudited 31 March 2010 Rm	Audited 30 Sept 2010 Rm
1. Basis of preparation and accounting policies			
The condensed interim consolidated financial statements have been prepared in compliance with the Listings Requirements of the JSE Limited, International Financial Reporting Standards (IFRS) (in particular, International Accounting Standard 34 Interim Financial Reporting) and the South African Companies Act, 1973, as amended.			
The accounting policies applied are consistent with those applied for the group's 2010 annual financial statements.			
2. Net cash and cash equivalents/ (overdrafts)			
Bank balances, deposits and cash	**1 067.0**	437.1	718.6
Bank overdrafts	**(860.4)**	(543.9)	(455.5)
Bank balances, deposits and cash included in assets held for sale	**–**	2.9	–
	206.6	(103.9)	263.1
3. Included in operating profit are:			
Depreciation	**269.3**	270.5	535.8
Amortisation	**11.1**	30.2	61.9

4. Assets held for sale and discontinued operations

The assets and liabilities attributable to business units and assets which are expected to be sold in the next 12 months have been classified as disposal groups held for sale and are presented separately in the statement of financial position. The assets and disposal groups have been measured at fair value less cost to sell. No impairment charge has been recognised in the current period (2010 full year: R63.3m).

Effective 28 February 2011, the operations of Nampak Paper Holdings were sold in line with the group's strategy to focus on core operations and emerging markets.The results of these operations were previously reported in the Europe Paper segment for segmental reporting purposes and have been classified as discontinued operations. The only material change to the total assets as disclosed for the year-ended 30 September 2010 arose as a result of this transaction.

The results of the discontinued operations included in the statement of comprehensive income are set out below. The comparative (loss)/profit and cash flows from the discontinued operations have been re-represented to include the operations classified as discontinued in the current period.

	Unaudited 31 March 2011 Rm	Unaudited 31 March 2010 Rm	Audited 30 Sept 2010 Rm
4. Assets held for sale and discontinued operations (continued)			
(Loss)/profit for the period from discontinued operations			
Revenue	**1 112.9**	1 450.9	2771.3
Expenses	**(1 082.1)**	(1 405.9)	(2 668.5)
Profit before tax	**30.8**	45.0	102.8
Attributable income tax expense	**9.2**	15.2	47.1
	21.6	29.8	55.7
Loss on disposal of operations	**(321.6)**	–	–
(Loss)/profit for the period from discontinued operations	**(300.0)**	29.8	55.7
Cash flows from discontinued operations			
Net cash flows from operating activities	**(13.5)**	28.9	121.2
Net cash flows from investing activities	**(40.5)**	(20.7)	37.7
Net cash flows from financing activities	**23.2**	(21.5)	(148.1)
Net cash flows	**(30.8)**	(13.3)	10.8
5. Reconciliation of operating profit and trading profit			
Operating profit	**867.0**	747.8	1 228.7
Abnormal (gains)/losses*	**(14.0)**	9.3	205.5
Retrenchment and restructuring costs	**15.5**	8.8	72.2
Share-based payment expense on BEE transaction	**2.9**	14.8	49.0
Net loss on disposal of businesses	**2.2**	–	2.9
Impairments of loans to non-controlling shareholders	**0.1**	–	1.9
Financial instruments fair value (gain)/loss	**(17.8)**	10.5	12.0
Net profit on disposal of property	**(16.9)**	(25.9)	(26.0)
Net impairment losses on goodwill, plant, equipment and investments	**–**	1.1	108.4
Non-controlling shareholder loan waived	**–**	–	(14.9)
Trading profit	**853.0**	757.1	1 434.2

**Abnormal (gains)/losses are defined as gains and losses 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.*

Notes

	Unaudited 31 March 2011 Rm	Unaudited 31 March 2010 Rm	Audited 30 Sept 2010 Rm
6. Determination of headline earnings			
Continuing operations			
Profit attributable to equity holders of the company for the period	**567.8**	446.2	770.2
Less: preference dividend	**–**	–	(0.1)
Basic earnings	**567.8**	446.2	770.1
Adjusted for :			
Net impairment losses on goodwill, plant, equipment and investments	**–**	1.1	107.1
Net loss on disposal of businesses	**2.2**	–	2.9
Net profit on disposal of property, plant and equipment and intangible assets	**(16.8)**	(19.6)	(10.8)
Tax effects	**(2.2)**	0.6	(31.9)
Headline earnings for the period	**551.0**	428.3	837.4
Continuing and discontinued operations			
Profit attributable to equity holders of the company for the period	**267.8**	476.0	825.9
Less: preference dividend	**–**	–	(0.1)
Basic earnings	**267.8**	476.0	825.8
Adjusted for :			
Net impairment losses on goodwill, plant, equipment and investments	**–**	1.1	107.1
Net loss on disposal of businesses and other investments	**323.8**	–	2.9
Net profit on disposal of property, plant and equipment and intangible assets	**(16.8)**	(20.3)	(23.9)
Tax effects	**(2.2)**	0.8	(32.0)
Headline earnings for the period	**572.6**	457.6	879.9
7. Supplementary information			
Capital expenditure	**348.2**	345.9	785.7
– expansion	**197.0**	243.3	529.9
– replacement	**149.6**	99.7	245.3
– intangibles	**1.6**	2.9	10.5
Capital commitments	**632.3**	501.6	482.3
– contracted	**192.4**	289.9	304.8
– approved not contracted	**439.9**	211.7	177.5
Lease commitments	**235.6**	276.9	306.1
– land and buildings	**172.8**	189.4	232.0
– other	**62.8**	87.5	74.1
Contingent liabilities	**6.2**	2.9	5.5
– customer claims and guarantees	**6.2**	2.9	5.5

	Unaudited 31 March 2011 Rm	Unaudited 31 March 2010 Rm	Audited 30 Sept 2010 Rm
8. Share statistics			
Ordinary shares in issue (000)	**693 748**	660 338	660 778
Ordinary shares in issue – net of treasury shares (000)	**589 451**	587 846	588 338
Weighted average number of ordinary shares on which headline earnings and basic earnings per share are based (000)	**589 250**	588 165	587 782
Weighted average number of ordinary shares on which diluted headline earnings and diluted basic earnings per share are based (000)	**616 957**	611 148	610 574
9. Additional disclosures			
Net gearing	**23%**	50%	33%
Net debt: EBITDA*	**0.5 times**	1.1 times	0.8 times
EBITDA interest cover*	**26.0 times**	9.0 times	10.7 times
Total liabilities: equity	**129%**	143%	141%
Return on equity – continuing operations	**23%**	20%	17%
Return on equity	**10%**	18%	16%
Return on net assets – continuing operations	**21%**	18%	17%
Return on net assets	**13%**	17%	15%
Net worth per ordinary share (cents)**	**893**	905	912
Tangible net worth per ordinary share (cents)**	**851**	844	861

* *EBITDA is calculated before net impairments*

** *calculated on ordinary shares in issue – net of treasury shares*

10. Related party transactions

Group companies, in the ordinary course of business, entered into various purchase and sale transactions with associates, joint ventures and other related parties. The effect of these transactions is included in the financial performance and results of the group.

Comments

NAMPAK PROFILE

Nampak is Africa's largest packaging manufacturer with operations in Angola, Botswana, Ethiopia, Kenya, Malawi, Mozambique, Namibia, Nigeria, South Africa, Swaziland, Tanzania, Zambia and Zimbabwe.

Nampak is the major supplier of plastic bottles to the dairy industry in the United Kingdom.

Collection and recycling of all types of used packaging is of the utmost importance and is a core strategic activity.

The group's world-class research and development facility based in Cape Town provides technical expertise and support to Nampak's businesses as well as to its customers.

Nampak has a level 4 BBBEE rating as certified by independent ratings agency Empowerdex.

The corporate office is based in Sandton, South Africa.

GROUP PERFORMANCE

Operating profit from continuing operations increased by 16%. The trading margin improved from 9.5% to 10.7%. This was mainly due to improved results from the flexible, diversified canning and African operations as well as the turnaround or sale of underperforming businesses.

Net finance costs decreased by 61% to R47 million as a result of lower interest rates and reduced debt following the receipt of the proceeds from the disposal of businesses.

Headline earnings per share from continuing operations increased by 28% from 72.8 cents to 93.5 cents as a result of the improvement in operating profit and the reduction in finance costs.

The interim dividend has been increased by 36% to 34 cents per share. In view of the group's improved performance and low gearing, the board has resolved to reduce the annual dividend cover to 1.6 on continuing operations which is within the 1.6 to 1.8 policy range. The interim dividend has been set at a percentage of the expected full-year earnings.

Revenue growth in the South African businesses was flat due to the disposal of a number of smaller underperforming businesses. The rest of Africa and Europe showed pleasing growth in local currencies.

The effective tax rate was 31.3% compared to 29.3% in 2010.

Total capital expenditure amounted to R348 million compared to R346 million in 2010 with R120 million spent on the completion of the Angolan beverage can factory.

Working capital, excluding disposals and foreign exchange translation differences, increased by R482 million (last year R355 million) due primarily to the seasonal extension in receivable collections, increased investment in inventories in Africa, particularly Nigeria and the buildup of inventories in Angola in advance of the opening of the beverage can line.

Net debt to equity decreased to 23% from 33% in September last year mainly as a result of the receipt of disposal proceeds which were used to repay debt as well as strong operating cash flows. Net debt declined from R1.7 billion at the end of September 2010 to R1.2 billion at the end of March 2011.

The European folding cartons and healthcare businesses were sold effective 28 February 2011 at a loss of R300 million and have been disclosed as discontinued operations.

SEGMENTAL REVIEW

The 2010 comparatives have been reclassified in accordance with management reporting.

	Revenue		Trading profit*		Margin	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm	**2011 %**	2010 %
South Africa	**6 660**	6 748	**693**	580	**10.4**	8.6
Rest of Africa	**607**	595	**89**	56	**14.7**	9.4
Europe	**718**	640	**39**	53	**5.4**	8.3
Other	**–**	–	**32**	68		
Total	**7 985**	7 983	**853**	757	**10.7**	9.5

**operating profit before abnormal items*

South Africa
Trading profit increased by 19% with the margin increasing from 8.6% to 10.4%. This was achieved despite virtually flat revenue which was impacted by reduced consumer demand and the sale of underperforming businesses.

Rest of Africa
Trading profit increased by 59% mainly due to an improved performance from the Nigerian folding cartons business. The margin in the region improved from 9.4% to 14.7%.

Europe
Revenue of £64 million was 21% higher than last year but higher polymer prices which could not be fully recovered as well as integration costs on the acquisition of the Four Four Two business resulted in trading profit decreasing by 23% from £4.4 million to £3.4 million. The average exchange rate to the pound was R11.07 compared to R11.99 last year.

Metals and Glass

	Revenue		**Trading profit***		**Margin**	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm	**2011 %**	2010 %
South Africa	**2 674**	2 745	**396**	352	**14.8**	12.8
Rest of Africa	**271**	272	**38**	21	**14.0**	7.7
Total	**2 945**	3 017	**434**	373	**14.7**	12.4

**operating profit before abnormal items*

South Africa
Trading profit improved by 13% with a good performance from the diversified canning business. Sales volumes of beverage cans were impacted by the decline in exports to Angola. This was due to a customer undertaking a destocking exercise in advance of the start-up of the new Angolan beverage can factory.

Demand for aerosol, polish and other diversified cans improved by 8% but food can volumes decreased with fish can sales being substantially lower than last year as a result of reduced imported frozen fish which is packaged locally. Sales of fruit and vegetable cans also declined but to a lesser extent.

Demand for glass bottles increased by 1% with improved sales of beer and soft drink bottles. Sales of spirit bottles however, were well below expectations. A project totalling R480 million for the rebuild and expansion of furnace 2 has been approved and will be completed in the first half of 2012.

Rest of Africa
The Nigerian and East African businesses continued to perform well. The trading profit was impacted by start-up costs of the new beverage can line in Angola. This factory commenced production at the beginning of April and manufacturing processes are currently being optimised.

Paper and Flexibles

	Revenue		**Trading profit***		**Margin**	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm	**2011 %**	2010 %
South Africa	**2 099**	2 115	**92**	37	**4.4**	1.7
Rest of Africa	**336**	323	**51**	35	**15.2**	10.8
Total	**2 435**	2 438	**143**	72	**5.9**	3.0

**operating profit before abnormal items*

Comments

South Africa
Trading profit more than doubled primarily as a result of a further improvement in the performance of the corrugated business which returned to profitability as well as a good performance from the flexible business.

The good profit improvement in the corrugated business was achieved despite lower demand for corrugated boxes and sales to export-orientated customers being impacted by the stronger rand. The paper mill performed better than last year with higher efficiencies and lower costs.

The flexible business continued to perform well with overall volume growth of 5% contributing to the improvement. Demand for detergent and snack food packaging was particularly strong.

The market for folding cartons was highly competitive and this together with weak demand across all sectors placed pressure on margins. The Pinetown factory is being closed and production rationalised into Johannesburg and Cape Town.

Demand for cement sacks was well down on last year and was severely impacted by the depressed construction sector. Milling sacks demand was weak and the poor South African sugar crop also affected paper sack demand. Higher exports, however, partially compensated for the reduced domestic demand.

Rest of Africa
The folding cartons business in Nigeria achieved another excellent result with strong demand for cigarette cartons buoyed by increased sales ahead of the Nigerian elections in April. Sales of beer labels have commenced and sales of foiled toothpaste cartons will begin in the second half of this year. Both Malawi and Zambia performed at similar levels to last year.

Plastics

	Revenue		Trading profit*		Margin	
	2011 Rm	2010 Rm	**2011 Rm**	2010 Rm	**2011 %**	2010 %
South Africa	**1 116**	1 125	**143**	101	**12.8**	9.0
Europe	**718**	640	**39**	53	**5.4**	8.3
Total	**1 834**	1 765	**182**	154	**9.9**	8.7

**operating profit before abnormal items*

South Africa
Trading profit increased by 42% due mainly to a break-even in the tubes and tubs business which lost R30 million in 2010.

There was good demand for plastic bottles for milk and juice. Demand for beverage crates was weak and sales of large drums came under pressure due to a shortage of alcohol for export following a poor sugar crop.

Sales of PET bottles for carbonated soft drinks were at a similar level to last year.

There was moderate demand for tubes. The loss-making tubs business was sold effective 1 May 2011.

Plastic closure sales improved in line with the increased demand for PET juice bottles but sales of wine bottle closures were lower due to increased bulk wine exports.

Europe
Revenue of £64 million was 21% higher than last year as a result of the inclusion of volumes from the acquisition of Four Four Two on 1 October 2010. Trading profit however decreased by 23% from £4.4 million to £3.4 million due to a significant lag in recovering higher polymer prices and the integration costs of the Four Four Two acquisition. Results in rand were affected by the stronger exchange rate.

Tissue

	Revenue 2011 Rm	Revenue 2010 Rm	Trading profit* 2011 Rm	Trading profit* 2010 Rm	Margin 2011 %	Margin 2010 %
South Africa	**772**	764	**62**	91	**8.0**	11.9

**operating profit before abnormal items*

The one-ply toilet tissue market declined by 10% due to financial pressure on lower-income consumers. The two-ply market continued to grow but a shortage of wadding caused by production constraints at the Kliprivier mill following a mill upgrade, resulted in reduced sales. A competitive market also saw a drop in margins. The diaper market grew by 8% but was characterised by intense competition which negatively impacted profitability. As a consequence, there was minimal growth in revenue and trading profit decreased by 32%.

CORPORATE ACTIVITY

In furtherance of the stated strategy to fix, close or sell underperforming businesses, the following businesses were sold:

- Europe cartons and healthcare packaging;
- Interpak Books;
- Disaki Manufacturing;
- L & CP;
- Tubs.

PROSPECTS

Demand from South African consumers has been moderate and no significant improvement is expected in the next six months. However, the benefits of the disposal and closure of underperforming businesses and increased profits from the rest of Africa are expected to contribute to an overall improvement in performance for the full year albeit at a lower rate than that achieved in the first six months.

CHANGES IN THE DIRECTORATE

Mrs VN Magwentshu was appointed as an independent non-executive director on 3 February 2011.

DECLARATION OF ORDINARY DIVIDEND NUMBER 78

Notice is hereby given that an interim dividend number 78 of 34 cents per share (2010: 25 cents per share) has been declared in respect of the six months ended 31 March 2011, payable to shareholders recorded as such in the register of the company at the close of business on the record date, Friday 8 July 2011. The last day to trade to participate in the dividend is Friday 1 July 2011. Shares will commence trading "ex" dividend from Monday 4 July 2011.

The important dates pertaining to this dividend are as follows:

Last day to trade ordinary shares "cum" dividend	Friday 1 July 2011
Ordinary shares trade "ex" dividend	Monday 4 July 2011
Record date	Friday 8 July 2011
Payment date	Monday 11 July 2011

Ordinary share certificates may not be de-materialised or re-materialised between Monday 4 July 2011 and Friday 8 July 2011, both days inclusive.

On behalf of the board

TT Mboweni Chairman
AB Marshall Chief executive officer

25 May 2011

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