Registration number 1951/000799/06 | ISIN: ZAE000007480 | Share code: TPC

## A leading manufacturer, recycler and distributor of plastic and paper packaging products

# NET ASSET VALUE PER SHARE 1 803 CENTS ■ HEADLINE EARNINGS PER SHARE 168,3 CENTS ■ DIVIDEND PER SHARE 45 CENTS

Transpaco's performance, reflecting a 5,4% decrease in headline earnings per share (HEPS), as a result of a continued challenging economic environment, was in line with expectations.

Turnover declined by 3% mainly as a result of price deflation in the plastics division.

The group's decrease in sales and continued margin pressure was partially offset by stringent well managed expenses resulting in the operating margin remaining on par with the previous year.

All Transpaco divisions traded favourably with the plastics division lower than the previous year.

Transpaco's balance sheet remains robust as the group continues its strict working capital management strategy, and the performance for the six months

### **FINANCIAL RESULTS**

Group	December 2017	December 2016	% decrease
Turnover (R'm)	876,8	903,6	(3,0)
Operating profit (R'm)	78,5	82,4	(4,7)
Headline earnings (R'm)	55,3	58,4	(5,3)
Earnings per share (cents)	168,2	177,8	(5,4)
Headline earnings per share (cents)	168,3	177,9	(5,4)
Diluted headline earnings per share (cents)	168,3	177,8	(5,3)

The group's net interest-bearing debt-to-equity (gearing) position improved slightly to 6,2% (December 2016: 8,0%).

Transpaco's net asset value per share increased by 7,9% to 1 803 cents (December 2016: 1 671 cents).

Transpaco's pending acquisition of the Future Packaging Group announced on SENS dated 18 December 2017 is progressing well and is anticipated to be finalised during April/May 2018.

STATEMENT OF COM	<u>PREHEI</u>	NSIVE	INCON	IE _
	Unaudited		Unaudited	Audited
	6 months	%	6 months	12 months
R'000	Dec 2017	change	Dec 2016	June 2017
Revenue	878 994		905 676	1 639 86
Turnover	876 774	(3,0)	903 641	1 635 79
Cost of sales	(550 605)		(581 068)	(1 046 74
Profit before operating costs and depreciation	326 169	1,1	322 573	589 04
Operating costs	(223 523)		(218 122)	(422 07)
Depreciation	(24 109)		(22 045)	(45 26)
Operating profit	78 537	(4,7)	82 406	121 70
Finance income	2 220		2 035	4 07
Finance costs	(3 896)		(3 252)	(6 42
Profit before taxation	76 861	(5,3)	81 189	119 34
Taxation	(21 551)		(22 767)	(32 98
Profit for the period	55 310	(5,3)	58 422	86 35
Other comprehensive income	-		_	
Total comprehensive income	55 310	(5,3)	58 422	86 35
Weighted average ranking number of shares in issue ('000)	32 883		32 858	32 85
Diluted weighted average ranking number of shares in issue ('000)	32 883		32 883	32 88
Earnings per share (cents)	168,2	(5,4)	177,8	262,
Diluted earnings per share (cents)	168,2	(5,3)	177,7	262,
Headline earnings per share (cents)	168,3	(5,4)	177,9	262,
Diluted headline earnings per share (cents)	168,3	(5,3)	177,8	262,
Dividend per share (cents)*	45,0	(6,3)	48,0	120,
*Dividend declared after the period	,	. , - ,	,-	
Reconciliation of headline earnings (R'000)				
Basic earnings	55 310		58 422	86 35
Loss/(profit) on disposal of property, plant and equipment	35		41	(6
Headline earnings	55 345	(5,3)	58 463	86 29

STATEMENT	OF C	HANGE	S IN E	QUITY	
R'000	Issued share capital	Share premium	Other reserves	Distributable reserve	Total
Balance at 30 June 2016 (audited)	328	11 019	4 005	507 602	522 954
Profit for the period	-	-	-	58 422	58 422
Other comprehensive income	_		_		
Total comprehensive income	-	-	-	58 422	58 422
Dividend paid	_		_	(32 271)	(32 271)
Balance at 31 December 2016 (unaudited)	328	11 019	4 005	533 753	549 105
Profit for the period	-	-	-	27 937	27 937
Other comprehensive income	-	-	-	_	-
Total comprehensive income	-	-	-	27 937	27 937
Dividend paid	_	-	-	(15 817)	(15 817)
Balance at 30 June 2017 (audited)	328	11 019	4 005	545 873	561 225
Profit for the period	-	-	-	55 310	55 310
Other comprehensive income	-	-	-	_	_
Total comprehensive income	-	-	-	55 310	55 310
Dividend paid	_	-	-	(23 742)	(23 742)
Transfer	_	_	(50)	50	_
Balance at 31 December 2017 (unaudited)	328	11 019	3 955	577 491	592 793

The group will continue its proven business strategy, targeting organic growth while maintaining strict financial control and at the same time identifying and pursuing appropriate acquisitions.

### **DIVIDEND**

The board has declared an interim gross cash dividend out of income reserves of 45,0 cents per share (December 2016: 48,0 cents per share) for the six-month period ended 31 December 2017. After applying the dividend withholding tax of 20%, a net interim dividend of 36,00000 cents per share will be paid to those shareholders who are not exempt from the dividends tax. The issued shares at the date of declaration is 32 886 359 ordinary shares. The Income Tax reference number is 9975/112/71/6.

The salient dates for the dividend are as follows:

Last date to trade shares cum dividend Tuesday, 13 March 2018 Wednesday, 14 March 2018 Shares trade ex dividend Friday, 16 March 2018 Record date Payment date Monday, 19 March 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 14 March 2018 and Friday, 16 March 2018, both days inclusive.

## **BASIS OF PREPARATION AND ACCOUNTING POLICIES**

The group's unaudited interim financial results have been prepared in accordance with IAS 34 - Interim Financial Reporting ("IAS 34"), its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and comply with the JSE Listings Requirements and the Companies Act of South Africa. The accounting policies are consistent in all material respects with those applied in the preparation of the group's annual financial statements for the year ended 30 June 2017. The group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

There will be reclassification of financial assets and the measurement of provisions against receivables will be revised using the loss method, the impact of which has not yet been quantified. However, a view will be provided at 30 June 2018. The effective date will be 1 July 2018 and the modified retrospective method will be used.

### STATEMENT OF FINANCIAL POSITION Dec 2016 R'000 ASSETS Non-current assets 368 635 335 408 382 035 325 686 292 309 338 406 Property, plant and equipment 17 855 17 855 17 855 Intangibles Goodwill 23 195 23 195 23 195 Deferred taxation 2 049 2 579 **Current assets** 541 469 578 638 579 930 Inventories 172 810 184 987 204 006 368 668 339 454 237 929 Trade and other receivables 275 Taxation receivable 669 Cash and cash equivalents 36 491 55 214 99 534 TOTAL ASSETS 947 273 915 338 923 504 **EQUITY AND LIABILITIES Capital and reserves** 592 793 549 105 561 225 328 328 328 Issued share capital 11 019 11 019 11 019 Share premium 4 005 Other reserves 3 955 4 005 Distributable reserve 577 491 533 753 545 873 Non-current liabilities 101 648 129 520 106 303 Interest-bearing borrowings 57 214 86 362 65 259 13 153 Deferred income 12 904 13 365 27 891 31 530 29 793 Deferred taxation **Current liabilities** 252 832 236 713 255 976 Trade payables and accruals 212 505 201 180 208 813 15 798 27 929 Current portion of interest-bearing borrowings 15 911 12 974 16 916 2 812 2 113 Deferred income 2 111 3 640 3 949 205 Taxation payable TOTAL EQUITY AND LIABILITIES 947 273 915 338 923 504 Number of shares in issue ('000) Number of shares (net of treasury shares) 32 841 32 841 Net movement in treasury shares 25 20 20 Ranking number of shares 32 886 32 861 32 861 Salient feature Net asset value per share (cents) 1 803 1 671 1 708 Operating margin % 9,0 9,1 7,4 Net cash Net interest-bearing debt:equity ratio % 6,2 positive

CAPITAL COMMITM	MENTS		
R'000	Unaudited 6 months Dec 2017	Unaudited 6 months Dec 2016	Audited 12 months June 2017
Capital expenditure authorised and contracted			
Property, plant and equipment	7 746	30 371	6 386

### **IFRS 15**

Management has assessed the potential impact of IFRS 15 on the financial statements of the group and concluded that the group does not sell products based on multiple-element arrangements and it does not sell products on a provisional or variable pricing basis and as such IFRS 15 does not have a significant impact on the timing or amount of the group's revenue recognition. The effective date will be 1 July 2018 and the modified retrospective method will be used.

### APPROVAL AND PREPARATION

These unaudited interim financial results have been prepared under the direction and supervision of the Financial Director, L Weinberg CA(SA).

## ON BEHALF OF THE BOARD

DJJ Thomas PN Abelheim L Weinberg Chief Executive Non-executive Chairman Financial Director

### **DIRECTORS**

\*non-executive

DJJ Thomas (Chairman)\*; PN Abelheim (Chief Executive); L Weinberg (Financial Director); HA Botha\*^; SR Bouzaglou; SI Jacobson\*; B Mkhondo\*^; SP van der Linde (Lead Independent Director)\*

Date 20 February 2018

Auditors Ernst & Young Incorporated

Transpaco Limited Registration number: 1951/000799/06, Share code: TPC; ISIN ZAE000007480

^independent non-executive

Company secretary HJ van Niekerk

Sponsor Investec Bank Limited

Registered office 331 6th Street, Wynberg, Sandton

Transfer secretaries Computershare Investor Services (Pty) Limited, Rosebank Towers, 15 Bierman Avenue, Rosebank, Johannesburg.

Website www.transpaco.co.za

STATEMENT OF CASH	1 FLOW	<b>IS</b>	
R'000	Unaudited 6 months Dec 2017	Unaudited 6 months Dec 2016	Audited 12 months June 2017
Cash flow from operating activities			
Cash (utilised)/generated from operations	(2 769)	40 661	204 387
Dividends paid	(23 742)	(32 271)	(48 088)
Finance income received	2 220	2 035	4 071
Finance costs paid	(3 896)	(3 252)	(6 429)
Taxation paid	(14 467)	(17 064)	(33 185)
Net cash (outflow)/inflow from operating activities	(42 654)	(9 891)	120 756
Cash flow used in investing activities			
Proceeds on disposal of property, plant and equipment	307	570	2 615
Expansion and replacement of property, plant and equipment	(11 646)	(47 158)	(118 369)
Net cash outflow from investing activities	(11 339)	(46 588)	(115 754)
Cash flow used in financing activities			
Proceeds from borrowings	-	36 363	59 929
Repayment of borrowings	(9 050)	(9 837)	(50 564)
Net cash (outflow)/inflow from financing activities	(9 050)	26 526	9 365
Net movement in cash for the period	(63 043)	(29 953)	14 367
Cash and cash equivalents at the beginning of the period	99 534	85 167	85 167
Cash and cash equivalents at the end of the period	36 491	55 214	99 534

### **SEGMENTAL ANALYSIS** Unaudited six months December 2017, six months December 2016 and audited 12 months June 2017

R'000	Plastic Products	Paper and Board Products	Properties and Group Services	Tota
Revenue – December 2017	639 455	237 330	2 209	878 994
Revenue to all customers	665 570	257 026	2 209	924 805
Less revenue to internal customers	26 115	19 696	_	45 811
Revenue – December 2016	662 831	240 821	2 024	905 676
Revenue to all customers	687 644	260 658	2 024	950 326
Less revenue to internal customers	24 813	19 837	-	44 650
Revenue – June 2017	1 168 733	467 173	3 955	1 639 861
Revenue to all customers	1 215 968	500 200	3 955	1 720 123
Less revenue to internal customers	47 235	33 027	_	80 262
Operating profit – December 2017	52 466	20 068	6 003	78 537
Operating profit – December 2016	57 098	20 737	4 571	82 406
Operating profit – June 2017	71 403	41 253	9 047	121 703
Profit before tax – December 2017	51 122	19 412	6 327	76 861
Profit before tax – December 2016	56 983	19 732	4 474	81 189
Profit before tax – June 2017	68 207	40 250	10 888	119 345
Capital expenditure December 2017	4 934	3 433	3 279	11 646
Capital expenditure December 2016	45 562	1 402	194	47 158
Capital expenditure – June 2017	57 424	6 764	54 181	118 369
Assets – December 2017	630 974	182 164	134 135	947 273
Assets – December 2016	624 701	195 357	95 280	915 338
Assets – June 2017	541 339	185 420	196 745	923 504
Liabilities – December 2017	230 949	72 240	51 291	354 480
Liabilities – December 2016	255 756	82 307	28 170	366 233
Liabilities – June 2017	218 928	92 381	50 970	362 279