

GROUP OPERATIONAL AND FINANCIAL REVIEW

The Board is pleased to report on the Group's financial results for the period ended 31 December 2017.

Performance overview

The Group maintained its strong market position despite a strained local economy, challenges in export markets and declining consumer spend. Namibian, South African and export volumes decreased by 1.8%, 22.9% and 1.8% respectively. This resulted in the overall beer volumes and revenue decreasing by 7.7% and 3.0%. Operating profit was 5.8% higher than the comparative period.

The Group relaunched the *Camelthorn* beer brand thereby accessing the growing craft beer segment in both South Africa and Namibia. Innovation in this category is specifically aimed at growing the craft beer segment, and responding to consumers' ever-changing needs.

The Group also launched the *Strongbow* cider brand in Namibia, thereby entering the cider market and further diversifying its product portfolio.

King Lager, launched in 2016, remains at the core of the Group's commitment to grow the Namibian barley industry and to stimulate job creation in the northern region of Namibia.

South Africa

South Africa delivered an exceptional performance, with growth in volume and operating profit for the period. The original transfer pricing agreement, which has governed the intercompany pricing since inception of the original DHN drinks joint venture, comes to an end on 1 April 2018. The new pricing agreement has been agreed with Heineken South Africa on a reduced margin for the Group, which will see operating profit for the Group diluted. It is estimated that the new pricing agreement will have an impact of between 1% and 3% on the forecasted operating profits for the year ended 30 June 2018.

Exports

Total beer volumes sold to export markets decreased by 1.9% and exported carbonated soft drinks increased by 72%, compared to the prior period.

Tanzania experienced good growth, whereas sales in Zambia and Botswana had declined in comparison with the prior period.

Prospects

With the changing operating environment, it is continually becoming more important to diversify our business, product and brand portfolio in an effort to remain competitive, while at the same time remaining focused on our core business.

The Group will continue to focus on expanding its product portfolio, which includes the craft beer, soft drinks and non-alcoholic beverages portfolios that appeal to a wider consumer base in Namibia, South Africa and beyond.

The Group continues to focus on optimising its route to market in export countries, with sea freight and alternative ports as key considerations.

The Group expects to maintain the solid performance in Namibia despite the challenging operating environment. Specific focus will be to drive operational efficiencies in order to maintain sustainable

growth and retain healthy margins in the local market. The Group will continue to further explore investment opportunities in promising markets and believes that our investment in South Africa will increase our overall profit derived from that market.

Dividend policy

The Board continues to balance the interests of the business, its stakeholders and its shareholders in dividend distribution decisions. The Board has adopted a progressive dividend policy, which intends to maintain or grow the dividend each year.

Dividend declaration

The Board of Directors has declared an interim dividend of 46 cents per ordinary share (2017: 42 cents), representing 9.5% growth on the previous period. Payment to shareholders of ordinary shares registered in the books of the Company will be put into effect at the close of the business on 6 April 2017 and will be paid on 11 May 2018.

Directors

S Thieme (Chairman), H van der Westhuizen (Managing Director), G Hanke (alternate to S Thieme), G Mouton (Finance Director), E Ender¹, H-B Gerdes, P Grüttemeyer, C-L List, LV McLeod-Katjirua, SL Siemer², R Pirmez³ and L van der Borgh³ (alternate to R Pirmez)

¹ German ² Dutch ³ Belgian

Secretaries

Ohlthaver & List Centre (Proprietary) Limited
Alexander Forbes House
23 - 33 Fidel Castro Street
PO Box 16, Windhoek, Namibia

Auditors

Deloitte & Touche
PO Box 47, Windhoek, Namibia

Attorneys

Engling, Stritter & Partners
PO Box 43, Windhoek, Namibia

Windhoek, 9 March 2018

Sponsor to Namibia Breweries Limited

PSG Wealth Management (Namibia) (Proprietary) Limited
Member of the Namibian Stock Exchange

The interim summarised consolidated results of the Group were approved by the Board of Directors.

G Mouton
Finance Director

H van der Westhuizen
Managing Director



HIGHLIGHTS

Namibian beer volumes

≡ 1.8%

Operating profit for the period

≡ 5.8%

Basic earnings per ordinary share

≡ 150.2%

Headline earnings per ordinary share

≡ 8.5%

Interim dividend per ordinary share

≡ 9.5%



Namibia Breweries Limited

CREATING A FUTURE,
ENHANCING LIFE

INTERIM SUMMARISED CONSOLIDATED
FINANCIAL STATEMENTS



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NAMIBIA BREWERIES LIMITED GROUP

INTERIM SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE

In thousands of Namibia Dollars	Notes	6 months ended	6 months ended	12 months ended
		31 Dec 2017 Unaudited	31 Dec 2016 Unaudited	30 Jun 2017 Audited
Sale of goods (net of discounts allowed)		1 381 257	1 429 378	2 610 060
Royalties and know-how fees		58 001	53 806	98 918
Revenue		1 439 258	1 483 184	2 708 978
Raw materials and consumables		(522 091)	(544 539)	(969 633)
Employment costs		(182 178)	(170 110)	(340 419)
Administration and marketing expenses		(193 144)	(245 386)	(415 813)
Railage and transport		(89 955)	(98 427)	(178 092)
Repairs and maintenance		(29 502)	(28 159)	(48 466)
Depreciation, amortisation and impairments		(77 860)	(71 029)	(145 542)
Operating profit		344 528	325 534	611 013
Finance income		15 323	7 112	18 304
Finance costs		(21 285)	(24 785)	(50 923)
Equity loss from associate	6	(13 838)	(138 241)	(155 717)
Profit before taxation		324 728	169 620	422 677
Income tax expense	4	(84 540)	(73 630)	(104 249)
Profit for the period		240 188	95 990	318 428
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements on net defined benefit liability/asset		-	-	(494)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation reserve (FCTR)		(229)	(191)	(89)
Other comprehensive income for the period net of taxation		(229)	(191)	(583)
Total comprehensive income attributable to equity holders of the parent		239 959	95 799	317 845
Ordinary shares in issue (thousands)		206 529	206 529	206 529
Basic earnings per ordinary share (cents)	8	116.3	46.5	154.2
Headline earnings per ordinary share (cents)	8	123.0	113.4	229.6
Dividend per ordinary share (cents)		46.0	42.0	84.0

INTERIM SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT

In thousands of Namibia Dollars	Notes	31 Dec 2017	31 Dec 2016	30 Jun 2017
		Unaudited	Unaudited	Audited
Assets				
Non-current assets				
Property, plant and equipment	5	991 382	1 039 507	988 241
Intangible assets		39 963	22 527	41 873
Investment in associate	6	424 427	455 742	438 265
Available-for-sale investments		-	15	15
		1 455 772	1 517 791	1 468 394
Current assets				
Inventories		262 569	259 945	277 373
Trade and other receivables		519 255	549 544	350 181
Current tax receivable		45 013	89	36 095
Cash and cash equivalents		328 997	164 067	352 789
Derivative financial instruments		-	-	336
		1 155 834	973 645	1 016 774
Non-current assets held for sale		10 017	-	10 005
Total assets		2 621 623	2 491 436	2 495 173
Equity and liabilities				
Equity				
Share capital		1 024	1 024	1 024
Non-distributable reserves		(69)	58	160
Retained earnings		1 558 547	1 269 899	1 405 101
Ordinary shareholders' equity		1 559 502	1 270 981	1 406 285
Non-current liabilities				
Interest-bearing loans and borrowings	7	310 826	409 002	384 379
Post-employment medical aid and severance pay benefit plan		22 367	20 173	21 811
Deferred tax		202 784	202 479	195 200
		535 977	631 654	601 390
Current liabilities				
Interest-bearing loans and borrowings	7	109 592	108 072	108 519
Trade and other payables		413 632	475 315	378 979
Derivative financial instruments		2 920	5 414	-
		526 144	588 801	487 498
Total equity and liabilities		2 621 623	2 491 436	2 495 173

NAMIBIA BREWERIES LIMITED GROUP

INTERIM SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of Namibia Dollars	Notes	Issued capital	Non-distributable reserves	Retained earnings	Total
Balance at 1 July 2016		1 024	249	1 256 521	1 257 794
Profit for the period		-	-	95 990	95 990
Other comprehensive income for the period net of taxation		-	(191)	-	(191)
Total comprehensive income attributable to equity holders of the parent		-	(191)	95 990	95 799
Dividends paid to equity holders		-	-	(82 612)	(82 612)
Balance at 31 December 2016		1 024	58	1 269 899	1 270 981
Balance at 1 July 2016		1 024	249	1 256 521	1 257 794
Profit for the year		-	-	318 428	318 428
Other comprehensive income for the year net of taxation		-	(89)	(494)	(583)
Total comprehensive income attributable to equity holders of the parent		-	(89)	317 934	317 845
Dividends paid to equity holders		-	-	(169 354)	(169 354)
Balance at 30 June 2017		1 024	160	1 405 101	1 406 285
Balance at 1 July 2017		1 024	160	1 405 101	1 406 285
Profit for the period		-	-	240 188	240 188
Other comprehensive income for the period net of taxation		-	(229)	-	(229)
Total comprehensive income attributable to equity holders of the parent		-	(229)	240 188	239 959
Dividends paid to equity holders		-	-	(86 742)	(86 742)
Balance at 31 December 2017		1 024	(69)	1 558 547	1 559 502

INTERIM SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE

In thousands of Namibia Dollars	Notes	6 months ended	6 months ended	12 months ended
		31 Dec 2017 Unaudited	31 Dec 2016 Unaudited	30 Jun 2017 Audited
Cash flows from operating activities		133 811	116 003	396 790
Cash receipts from customers		1 212 183	1 253 060	2 732 023
Cash paid to suppliers and employees		(905 756)	(999 672)	(2 036 182)
Dividends paid on ordinary shares		(86 742)	(82 527)	(169 354)
Taxation paid		(85 874)	(54 858)	(128 762)
Employer benefit payments on post-employment benefit plans		-	-	(935)
Cash flows from investing activities		(54 524)	(107 465)	(142 842)
Finance income		15 323	7 112	18 304
Acquisition of property, plant and equipment	5	(70 980)	(116 038)	(149 399)
Acquisition of other intangible assets		(1 007)	(120)	(14 528)
Disposal of property, plant and equipment		2 140	1 581	2 781
Cash flows from financing activities		(103 079)	(42 914)	(99 602)
Repayment of interest-bearing loans and borrowings		(81 794)	(18 129)	(48 679)
Finance costs		(21 285)	(24 785)	(50 923)
Total cash and cash equivalents movement for the period		(23 792)	(34 376)	154 346
Cash and cash equivalents at the beginning of the period		352 789	198 443	198 443
Total cash and cash equivalents at the end of the period		328 997	164 067	352 789

INTERIM SUMMARISED CONSOLIDATED DIVISIONAL INFORMATION FOR THE

In thousands of Namibia Dollars		6 months ended	6 months ended	12 months ended
		31 Dec 2017 Unaudited	31 Dec 2016 Unaudited	30 Jun 2017 Audited
Revenue	- Beer	1 320 433	1 367 436	2 544 531
	- Other	118 825	115 748	164 447
Total revenue		1 439 258	1 483 184	2 708 978
Divisional results	- Beer	333 429	320 925	613 200
	- Other	11 099	4 609	(2 187)
Divisional operating profit		344 528	325 534	611 013
Adjustments and unallocated		(25 334)	(155 914)	(188 336)
Profit before taxation		319 194	169 620	422 677

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2017

Note 1 - Reporting entity

Namibia Breweries Limited is a public company domiciled in the Republic of Namibia. The interim summarised consolidated financial statements of the Group as at and for the period ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the Group). The audited consolidated financial statements of the Group as at and for the year ended 30 June 2017 are available upon request from the Company's registered office.

Note 2 - Basis of presentation of financial statements

The summarised consolidated financial statements for the six months ended 31 December 2017 are the responsibility of the Directors, and have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the disclosure requirements of IAS 34 *Interim Financial Reporting*, the NSX Listing Requirements and the requirements of the Namibian Companies Act, 2004 (No. 28 of 2004). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group as at and for the year ended 30 June 2017.

The Group's external auditors, Deloitte & Touche, have issued an unmodified audit opinion on the consolidated annual financial statements for the year ended 30 June 2017. These summarised consolidated financial statements have been derived from, and are consistent in all material respects with, the audited consolidated annual financial statements, but are themselves not audited. A copy of the audit report and the full set of audited consolidated annual financial statements are available for inspection at the Company's registered office. Any reference to future financial performance included in this announcement has not been reviewed or reported on by the Group's external auditors.

Note 3 - Significant accounting policies

The Group's accounting policies comply with IFRS and are consistent with those of the previous reporting period. The accounting policies applied by the Group in these summarised consolidated financial statements are substantially the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 June 2017.

In thousands of Namibia Dollars	31 Dec 2017 Unaudited	31 Dec 2016 Unaudited	30 Jun 2017 Audited
Note 4 - Income tax expenses			
Namibia - Deferred taxation	(7 584)	(8 825)	(1 546)
Namibia - Normal taxation	(65 240)	(58 805)	(123 207)
South Africa - Normal taxation	(6 182)	(6 000)	(10 690)
South Africa - Normal taxation: prior period	(5 534)	-	31 194
	(84 540)	(73 630)	(104 249)

The Group is subject to a 10% withholding tax on the royalty income received from Heineken South Africa (Proprietary) Limited instead of the 28% income tax paid on the royalty income during the 2009 to 2016 financial years. The tax for these financial years has been re-assessed at the correct withholding tax rate of 10%, resulting in a net refund amount due to the Group.

Note 5 - Property, plant and equipment

	988 241	983 365	983 365
Net book value at the beginning of the period	988 241	983 365	983 365
Capital expenditure	80 507	127 119	166 854
Disposals	(2 192)	(3 225)	(2 877)
Classified as held for sale	(12)	-	(10 005)
Depreciation and impairments	(74 938)	(67 752)	(142 589)
Other movements	(224)	-	(6 507)
Net book value at the end of the period	991 382	1 039 507	988 241

Note 6 - Investment in associate

	438 265	610 526	610 526
Opening balance 1 July	438 265	610 526	610 526
Acquisition cost adjustment	-	(16 543)	(16 544)
Equity loss from associate	(13 838)	(138 241)	(155 717)
Closing balance	424 427	455 742	438 265
Equity loss from associate			
Equity accounted losses (ongoing operations)	(13 838)	(83 437)	(100 913)
2015 statutory audit adjustments by associate	-	13 721	13 721
Effect of impairment of assets and recognition of liabilities	-	(68 525)	(68 525)
	(13 838)	(138 241)	(155 717)

The closing balance of the investment includes a capital loan of N\$73.6 million owed by Heineken South Africa (Proprietary) Limited. The loan to the associate is unsecured and bears interest at JIBAR + 2%. Trade receivables from the associate are disclosed in note 10.

In thousands of Namibia Dollars	31 Dec 2017 Unaudited	31 Dec 2016 Unaudited	30 Jun 2017 Audited
Note 7 - Interest-bearing loans and borrowings			
Non-current liabilities			
<i>Secured</i>			
Unsecured medium-term loan	87 500	137 500	112 500
Medium-term loan (secured by cession of debtors and notarial bond)	200 000	250 000	250 000
Finance lease liabilities	23 326	21 502	21 879
	87 826	409 002	384 379
Current liabilities			
<i>Secured</i>			
Unsecured medium-term loan	50 000	50 000	50 000
Medium-term loan (secured by cession of debtors and notarial bond)	50 000	50 000	50 000
Finance lease liabilities	9 592	8 072	8 519
	109 592	108 072	108 519
Note 8 - Reconciliation between earnings and headline earnings			
Profit attributable to ordinary shareholders (used for EPS)	240 188	95 990	318 428
Equity loss from associate	13 838	138 241	155 717
Net loss/(gain) on sale of plant and equipment	52	(126)	66
	254 061	234 105	474 211
Basic earnings per ordinary share (cents)	116.3	46.5	154.2
Headline earnings per ordinary share (cents)	123.0	113.4	229.6

Note 9 - Authorised capital commitments

Total authorised capital expenditure at 31 December 2017 amounted to N\$238 148 000 (2016: N\$205 293 000). These capital commitments are for the expansion, replacement and improvement of property, plant and equipment, as well as innovations. This proposed capital expenditure is to be financed by own funds. The capital expenditure will be financed by operational cash flow.

Note 10 - Related parties

During the period ended 31 December 2017, the Group sold products and services to companies within the Ohlthaver & List Group to the value of N\$4 357 115 (2016: N\$5 011 850). The Group sold goods to its associate and its largest single customer, Heineken South Africa (Proprietary) Limited, to the value of N\$368 219 000 (2016: N\$454 963 000) and earned royalty income from Heineken South Africa (Proprietary) Limited to the value of N\$58 001 077 (2016: N\$53 805 777). Outstanding receivables at reporting date amounted to:

In thousands of Namibia Dollars	31 Dec 2017 Unaudited	31 Dec 2016 Unaudited	30 Jun 2017 Audited
Ohlthaver & List Group	3 447	3 724	2 726
Heineken South Africa (Proprietary) Limited	124 371	202 045	74 654

Management fees accruing to Heineken International B.V. and Ohlthaver & List Finance and Trading Corporation Limited for the six months ended amounted to N\$13 514 062 (2016: N\$11 798 000).

Note 11 - Significant changes in the statement of financial position

The Group has