

GROUP OPERATIONAL AND FINANCIAL REVIEW

The Board is pleased to report on the Group's financial results for the period ended 31 December 2016.

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 increased by 1.1%, 33.1% and 7.3% respectively. Revenue increased by 13.6% and operating profit was 6.5% higher than the comparative period in 2016.

Highlights included the launch of the low-calorie *Tafel Lite* beer and *Code*, a new soft drink, offering an additional non-alcoholic alternative to customers who are loyal to the Group product portfolio. Innovation in this category is specifically aimed at supporting the Group's commitment to responsible consumption.

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

During the period, the Group further strengthened its new partnerships in the craft beer market. The Group now handles a significant portion of production for both the Stellenbrau and Soweto Gold craft breweries in a win-win agreement for all stakeholders. The Group currently produces the two major Stellenbrau brands *Craven Craft Lager* and *Jonkers Weiss* as well as *Soweto Gold Lager*.

The Group was selected as the gold award winner in its category as well as the overall winner at the 2016 NMA Corporate Manufacturer of the Year awards.

South Africa

Following the restructuring of DHN Drinks in the previous period, the new Heineken partnership delivered volume and market share growth while restructuring and regenerating the business. The increased volumes to South Africa during this period reduced the impact of tough local trading conditions.

The increase in total equity-accounted losses is mainly attributable to an increased shareholding, as well as final adjustments as a result of the restructuring of the South African operations. (Refer to note 7.)

Exports

Total beer volumes sold to export markets increased by 7.7% and exported soft drinks are in line with the previous period.

The focus export markets, Tanzania and Zambia, continued to show good growth. Export volumes to Botswana and Mozambique declined in comparison with the prior period.

Prospects

The Group maintained the water savings per litre achieved in the production process despite increasing volume throughput. The Group sharpened its focus on effluent quality, water treatment and reclamation, ensuring responsible use of the resource. Further investments into borehole initiatives form part of the continuous options explored to preserve the resource.

The Group expects hedging benefits to have a positive impact in the next six months due to the marginal recovery of the exchange rate.

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

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 42 cents per ordinary share (2016: 40 cents), representing a 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 7 April 2017 and will be paid on 19 May 2017.

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, D Leleu³, C-L List, LV McLeod-Katjirua, R Pirmez² and L van der Borgh² (alternate to R Pirmez)

¹ German ² Belgian ³ French

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, 17 March 2017

Sponsor to Namibia Breweries Limited

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

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

G Mouton
Finance Director

H van der Westhuizen
Managing Director

FINANCIAL HIGHLIGHTS

Namibian beer volumes

≈ 0.2%

Operating profit for the year

≈ 6.5%

Basic earnings per ordinary share

≈ 45.0%

Headline earnings per ordinary share

≈ 3.2%

Interim dividend per ordinary share

≈ 5.0%



Namibia Breweries Limited

INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

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The unaudited interim condensed consolidated
results of the Group for the period ended
31 December 2016

NAMIBIA BREWERIES LIMITED GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE

In thousands of Namibia Dollars	Notes	6 months ended	6 months ended	12 months ended
		31 Dec 2016	31 Dec 2015	30 Jun 2016
		Unaudited	Unaudited	Audited
Sale of goods (net of discounts allowed)		1 429 378	1 256 469	2 337 270
Royalty income		53 806	49 686	88 615
Revenue		1 483 184	1 306 155	2 425 885
Raw materials and consumables		(494 138)	(397 815)	(730 524)
Employment costs		(170 110)	(145 693)	(289 544)
Administration and marketing expenses		(295 787)	(278 314)	(516 165)
Railage and transport		(98 427)	(82 317)	(155 880)
Repairs and maintenance		(28 159)	(35 543)	(67 735)
Depreciation, amortisation and impairments		(71 029)	(60 852)	(125 363)
Operating profit		325 534	305 621	540 674
Finance income		7 112	8 678	18 315
Finance costs		(24 785)	(11 202)	(39 412)
Equity loss from joint venture (ongoing operations)		-	(38 917)	(38 917)
Equity loss from associate	7	(138 241)	(13 225)	(61 759)
Equity income from associate (deferred tax asset write-back)		-	-	89 212
Profit before taxation		169 620	250 955	508 113
Income tax expense	4	(73 630)	(76 328)	(135 643)
Profit for the year		95 990	174 627	372 470
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Foreign currency translation reserve (FCTR)		(191)	(362)	252
Other comprehensive income for the year net of taxation		(191)	(362)	252
Total comprehensive income attributable to equity holders of the parent		95 799	174 265	372 722
Ordinary shares in issue (thousands)		206 529	206 529	206 529
Basic earnings per ordinary share (cents)	9	46.5	84.6	180.3
Headline earnings per ordinary share (cents)	9	113.4	109.9	185.7
Dividend per ordinary share (cents)		42.0	40.0	80.0

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT

In thousands of Namibia Dollars	Notes	31 Dec 2016	31 Dec 2015	30 Jun 2016
		Unaudited	Unaudited	Audited
Assets				
Non-current assets				
Property, plant and equipment	5	1 039 507	936 548	983 365
Intangible assets		22 527	17 707	25 515
Investment in joint ventures	6	-	-	-
Investment in associates	7	455 742	568 467	610 526
Available-for-sale investment		15	15	15
		1 517 791	1 522 737	1 619 421
Current assets				
Inventories		259 945	226 849	268 138
Trade and other receivables		549 544	496 515	373 226
Current tax receivable		89	-	10 989
Cash and cash equivalents		164 067	152 420	198 443
		973 645	875 784	850 796
Total assets		2 491 436	2 398 521	2 470 217
Equity and liabilities				
Equity				
Share capital		1 024	1 024	1 024
Non-distributable reserves		58	(365)	249
Retained earnings		1 269 899	1 141 289	1 256 521
Ordinary shareholders' equity		1 270 981	1 141 948	1 257 794
Non-current liabilities				
Interest-bearing loans and borrowings	8	409 002	613 305	479 739
Post-employment medical aid and severance pay benefit plan		20 173	20 422	19 295
Deferred tax		202 479	190 513	193 654
		631 654	824 240	692 688
Current liabilities				
Interest-bearing loans and borrowings	8	108 072	5 990	44 383
Trade and other payables		475 315	423 150	469 440
Derivative financial instrument		5 414	-	4 959
Income tax payable		-	3 193	953
		588 801	432 333	519 735
Total equity and liabilities		2 491 436	2 398 521	2 470 217

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

In thousands of Namibia Dollars	Issued capital	Non-distributable reserves	Retained earnings	Total
Balance at 1 July 2015	1 024	(3)	1 043 078	1 044 099
Profit for the year	-	-	174 265	174 265
Other comprehensive income for the year net of taxation	-	(362)	362	-
Total comprehensive income attributable to equity holders of the parent	-	(362)	174 627	174 265
Dividends to equity holders	-	-	(76 416)	(76 416)
Balance at 31 December 2015	1 024	(365)	1 141 289	1 141 948
Balance at 1 July 2015	1 024	(3)	1 043 078	1 044 099
Profit for the year	-	-	372 470	372 470
Other comprehensive income for the year net of taxation	-	252	-	252
Total comprehensive income attributable to equity holders of the parent	-	252	372 470	372 722
Dividends paid to equity holders	-	-	(159 027)	(159 027)
Balance at 30 June 2016	1 024	249	1 256 521	1 257 794
Balance at 1 July 2016	1 024	249	1 256 521	1 257 794
Profit for the year	-	-	95 990	95 990
Other comprehensive income for the year 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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE

In thousands of Namibia Dollars	Notes	6 months ended	6 months ended	12 months ended
		31 Dec 2016	31 Dec 2015	30 Jun 2016
		Unaudited	Unaudited	Audited
Cash flows from operating activities		116 003	100 044	357 274
Cash receipts from customers		1 253 060	1 292 688	2 367 273
Cash paid to suppliers and employees		(999 672)	(1 043 386)	(1 715 208)
Dividends paid on ordinary shares		(82 527)	(76 416)	(159 027)
Taxation paid		(54 858)	(72 842)	(137 764)
Cash from investing activities		(107 465)	(701 450)	(770 111)
Finance income		7 112	8 678	18 315
Purchase of shares in associate		-	(592 284)	(566 548)
Proceeds from disposal of non-current assets held for sale		-	4 130	4 130
Acquisition of property, plant and equipment	5	(116 038)	(126 697)	(218 717)
Acquisition of other intangible assets		(120)	(1 396)	(13 294)
Disposal of property, plant and equipment		1 581	6 119	6 003
Cash from financing activities		(42 914)	489 607	347 061
Proceeds from medium-term financing		-	505 452	500 000
Repayment of interest-bearing loans and borrowings		(12 500)	(4 643)	(113 527)
Finance lease payments		(5 629)	-	-
Finance costs		(24 785)	(11 202)	(39 412)
Total cash and cash equivalents movement for the year		(34 376)	(111 799)	(65 776)
Cash and cash equivalents at the beginning of the year		198 443	264 219	264 219
Total cash and cash equivalents at the end of the period		164 067	152 420	198 443

INTERIM CONDENSED CONSOLIDATED DIVISIONAL INFORMATION FOR THE

In thousands of Namibia Dollars		6 months ended	6 months ended	12 months ended
		31 Dec 2016	31 Dec 2015	30 Jun 2016
		Unaudited	Unaudited	Audited
Revenue	- Beer	1 367 436	1 200 194	2 240 987
	- Other	115 748	105 961	184 898
Total revenue		1 483 184	1 306 155	2 425 885
Divisional results	- Beer	320 925	298 101	501 208
	- Other	4 609	7 520	39 466
Divisional operating profit		325 534	305 621	540 674
Adjustments and unallocated		(155 914)	(54 666)	(32 561)
Profit before taxation		169 620	250 955	508 113

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2016

Note 1 - Reporting entity

Namibia Breweries Limited is a public company domiciled in the Republic of Namibia. The interim condensed consolidated financial statements of the Group as at and for the period ended 31 December 2016 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 2016 are available upon request from the Company's registered office.

Note 2 - Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of IFRS and disclosure requirements 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 financial statements of the Group as at and for the year ended 30 June 2016.

Note 3 - Significant accounting policies

The accounting policies applied by the Group in these interim condensed 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 2016.

In thousands of Namibia Dollars	6 months ended	6 months ended	12 months ended
	31 Dec 2016	31 Dec 2015	30 Jun 2016
	Unaudited	Unaudited	Audited
Note 4 - Income tax expenses			
Namibia - Deferred taxation	(8 825)	(2 902)	(6 009)
Namibia - Normal taxation	(58 805)	(59 514)	(104 294)
South Africa - Normal taxation	(6 000)	(13 912)	(25 340)
	(73 630)	(76 328)	(135 643)
Note 5 - Property, plant and equipment			
Net book value at the beginning of the year	983 365	871 133	871 133
Capital expenditure	127 119	126 697	237 086
Disposals	(3 225)	(5 931)	(5 178)
Depreciation and impairments	(67 752)	(55 351)	(119 676)
Net book value at the end of the year	1 039 507	936 548	983 365
Note 6 - Investment in a joint venture			
Non-current			
Opening balance 1 July	-	28 325	28 325
Equity-accounted losses	-	(38 917)	(38 917)
Transfer to associate	-	10 592	10 592
Closing balance	-	-	-
Note 7 - Investment in associate			
Non-current			
Opening balance 1 July	610 526	-	-
Acquisition cost of shares in associate	-	592 284	592 284
Acquisition-related costs	-	-	1 381
Transfer from joint venture	-	(10 592)	(10 592)
Acquisition cost adjustment	(16 543)	-	-
Equity loss from associate	(138 241)	(13 225)	27 453
Closing Balance	455 742	568 467	610 526
Equity loss from associate			
Equity accounted losses (ongoing operations)	(83 437)	(13 225)	(61 759)
Deferred tax asset write-back	-	-	89 212
2015 statutory audit adjustments by associate	13 721	-	-
Effect of impairment of assets and recognition of liabilities	(68 525)	-	-
	(138 241)	(13 225)	27 453

On 31 December 2015 the Group's associate, Heineken South Africa (Proprietary) Limited, fair valued the assets and liabilities on the amalgamation of Sedibeng Brewery (Proprietary) Limited's operations into Heineken South Africa (Proprietary) Limited. This consisted of a N\$709 million (net of tax) fair value adjustment to property, plant and equipment, which will be depreciated over 15 years, and a N\$274 million impairment of other assets and recognition of liabilities. The net N\$435 million was recorded as a bargain purchase by the associate.

In terms of the Group's accounting policy on IFRS 3, business combinations under common control are recorded at cost and not fair value. Therefore, the Group has not accounted for the bargain purchase recorded by Heineken South Africa (Proprietary) Limited.

The increase in total equity accounted losses is mainly attributable to an increased shareholding, as well as the impact of the impairment of assets and recognition of liabilities on the equity of the associate as a result of the restructuring of the South African operations.

In thousands of Namibia Dollars	6 months ended	6 months ended	12 months ended
	31 Dec 2016	31 Dec 2015	30 Jun 2016
	Unaudited	Unaudited	Audited
Note 8 - Interest-bearing loans and borrowings			
Non-current liabilities			
Secured			
Unsecured medium-term loan	137 500	198 718	162 500
Medium-term loan (secured by cession of debtors and notarial bond)	250 000	400 000	300 000
Finance lease liabilities	21 502	14 587	17 239
	409 002	613 305	479 739
Current liabilities			
Secured			
Unsecured medium-term loan	50 000	-	37 500
Medium-term loan (secured by cession of debtors and notarial bond)	50 000	-	-
Finance lease liabilities	8 072	5 990	6 883
	108 072	5 990	44 383

In thousands of Namibia Dollars	6 months ended	6 months ended	12 months ended
	31 Dec 2016	31 Dec 2015	30 Jun 2016
	Unaudited	Unaudited	Audited
Note 9 - Reconciliation between earnings and headline earnings			
Profit attributable to ordinary shareholders (used for EPS)	95 990	174 627	372 470
Equity loss from associate/joint venture	138 241	52 142	11 464
Net (gain)/loss on sale of plant and equipment (after tax)	(126)	169	(561)
Loss on sale of non-current assets held for sale (after tax)	-	-	252
	234 105	226 938	383 625
Earnings per ordinary share (cents)	46.5	84.6	180.3
Headline earnings per ordinary share (cents)	113.4	109.9	185.7

Note 10 - Authorised capital commitments

Total authorised capital expenditure at 31 December 2016 amounted to N\$205 293 000 (2015: N\$304 319 000) of which N\$127 119 442 (2015: N\$126 697 000) has already been spent. The capital commitments are for the acquisition of new plant and machinery. The capital commitments will be financed by operational cash flow.

Note 11 - Related parties

During the six months ended 31 December 2016, the Group sold products and services to companies within the Ohlthaver & List Group to the value of N\$5 011 850 (2015: N\$3 736 000). The Group sold goods to its associate and its largest single customer, Heineken South Africa (Proprietary) Limited, to the value of N\$454 963 000 (2015: N\$303 731 000) and earned royalty income from Heineken South Africa (Proprietary) Limited to the value of N\$53 805 777 (2015: N\$49 686 000). Outstanding receivables at reporting date amounted to: