mpact

# Unaudited interim results

for the six months ended 30 June 2012 and cash dividend declaration

# Highlights

- Revenue of R3.2 billion up 11.7% excluding Paperlink
- Underlying operating profit up 8.4% to R222 million excluding Paperlink
- Basic underlying earnings per share increased to 63.7 cents
  (June 2011: 4.3 cents)
- Return on Capital Employed (ROCE) of 14.1%
  (June 2011: 13.4%)
- Gearing down to 36% (June 2011: 96%)
- Interim gross cash dividend declared of 20 cents per share
  (June 2011: nil cents per share)

## COMPANY PROFILE

Mpact is a significant Southern African packaging Group in paper and plastics packaging products. The Paper business is integrated across the recycled paper-based corrugated packaging value chain and comprises three divisions being recycling, paper manufacturing and corrugated. The Plastics business manufactures rigid plastic packaging such as bottles, containers and preforms for the fast moving consumer goods markets; styrene trays and plastic jumbo bins. The Group employs approximately 3,700 people in 30 operations in South Africa, Namibia, Mozambique and Zimbabwe. Mpact has a Level 4 B-BBEE rating as certified by independent ratings agency, Empowerdex.

## COMMENTARY

The directors of Mpact are pleased to present a solid set of results reflecting a good performance by the Group in challenging market conditions in the first six months of the financial period to 30 June 2012. The results for the period reflect a continuation of the Group's strategy of the modernisation and optimisation of Mpact's existing operations and a focus on developing new business opportunities. Tough market conditions in the Paper business resulted in the business absorbing part of its increased operating costs. Mpact's revenue growth was achieved through market share gains, particularly against imports and improved demand from the agricultural sector.

## GROUP PERFORMANCE

Revenue of R3,210 million was 11.7% higher than the comparable prior period excluding Paperlink (6.8% as reported), due to increased sales volumes and higher average selling prices. The Company sold its paper merchant business, Paperlink at the end of March 2011. Underlying operating profit of R222 million was 8.4% higher than the comparable prior period, excluding Paperlink (12.4% as reported). Return on capital employed for the period improved to 14.1% (June 2011: 13.4%). The increase in underlying earnings per share from 4.3 cents to 63.7 cents is attributable to improved operating profit and lower financing costs.

### Paper business

Revenue was 10.5% higher than the prior period at R2,387 million. Sales volume increased versus the comparable prior period due to improved agricultural sector demand and market share gains against imports of packaging papers attributable to the weaker rand. Underlying operating profit of R231 million was 5.0% higher than the comparable prior period profit due to higher average selling prices which were partially offset by increased costs.

### Plastics business

Revenue of R823 million was 15.2% higher than the comparable prior period, of which approximately 12.2% is attributable to volume growth and higher average selling prices and 3% to the PET tray business acquired in February 2012. Volume growth is attributable mainly to improved sales of bulk bins to the agricultural market and new business in the PET preforms, bottles and closures sector. Underlying operating profit of R37 million was 64.9% higher than the comparable prior period profit. Good progress was made on the modernisation and reorganisation projects undertaken over the past 12 months.

### Special items

In the six months ended 30 June 2012, special items amounted to R5.4 million in respect of a settlement charge relating to the defined benefit pension plan (June 2011: R5.4 million related to listing transaction costs).

### Net finance costs

Net finance costs of R64 million were lower than the comparable prior period by 65.5% as a result of the debt restructuring which took place on 5 July 2011 prior to listing on the JSE on 11 July 2011.

### Tax

The effective tax rate of 31.4% (June 2011: 31.9%), was higher than the normal company income tax rate of 28% mainly due to interest not deductible for tax purposes.

### Earnings per share

Basic earnings and headline earnings per ordinary share for the six months ended 30 June 2012 were 61.3 cents and 61.2 cents, respectively, compared to 1.0 cent and 0.8 cent per share, respectively, for the six months ended 30 June 2011. Underlying earnings per share increased from 4.3 cents to 63.7 cents over the same period.

**Net debt**

Net debt at 30 June 2012 was R1,382 million, an increase of R75 million from 31 December 2011, due to year-end working capital timing differences. The Company paid its maiden dividend of R65.6 million on 30 April 2012. Net debt is substantially lower in relation to the comparable prior period due to the capital restructuring prior to listing.

**Cash dividend**

The Board has declared an interim gross cash dividend of 20 cents per ordinary share payable on 8 October 2012. In terms of the new Dividends Tax effective from 1 April 2012, the dividend has been declared from income reserves; the dividend withholding tax rate is 15%. Mpact has no STC credits. Net local dividend amount is 17 cents per share for shareholders liable to pay Dividends Tax and 20 cents per share for shareholders exempt from paying Dividends Tax. The number of shares in issue at the date of declaration is 163,575,656.

The salient dates for the dividend are as follows:

| | |
|---|---|
| Last day to trade to receive a dividend | Friday, 28 September 2012 |
| Shares commence trading *"ex"* dividend | Monday, 1 October 2012 |
| Record date | Friday, 5 October 2012 |
| Payment date | Monday, 8 October 2012 |

Share certificates may not be dematerialised or rematerialised between Monday, 1 October 2012 and Friday, 5 October 2012, both days inclusive.

## OUTLOOK

Although increased demand from the agricultural sector and the displacement of imported packaging paper is encouraging, the marginal growth in non-agricultural sectors evident in the first half of the year remains a concern across all product sectors.

Nevertheless Mpact continues to be well positioned within the sectors it operates and will look for opportunities to entrench itself as South Africa's leading paper and plastics packaging producer.

**Change in directorate**

Brett Clark was appointed to the Board on 1 June 2012 and to the position of Chief Financial Officer with effect from 1 July 2012.

On 30 June 2012 Les Leong retired from the Board and as Chief Financial Officer of Mpact. The Board wishes to thank Les for his invaluable contribution towards the success of Mpact and particularly the demerger from Mondi and listing on the JSE in 2011.

**AJ Phillips**
*Chairman*

**BW Strong**
*Chief Executive Officer*

4 September 2012

**Directors:**
**Independent Non-Executive:**
AJ Phillips (Chairman), NP Dongwana, NB Langa-Royds, TDA Ross, AM Thompson

**Executive:**
BW Strong (Chief Executive Officer), BDV Clark (Chief Financial Officer)

**Company secretary:**
MN Sepuru

**Registered office:**
4th Floor, No. 3 Melrose Boulevard, Melrose Arch, 2196
(Postnet Suite #179, Private Bag X1, Melrose Arch, 2076)

**Transfer secretaries:**
Link Market Services South Africa (Proprietary) Limited
13th Floor, Rennie House, 19 Ameshoff Street, Braamfontein, 2001
(PO Box 4844, Johannesburg, 2000, South Africa)

**Sponsor:**
Rand Merchant Bank (a division of FirstRand Bank Limited)
1 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196
(PO Box 786273, Sandton, 2146)

## Condensed consolidated statement of financial position

| | Note | (Unaudited) As at 30 June 2012 Rm | (Unaudited) As at 30 June 2011 Rm | (Audited) As at 31 December 2011 Rm |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | **3,125.0** | 3,107.2 | 3,121.5 |
| Goodwill and other intangible assets | | **1,053.2** | 1,080.5 | 1,064.8 |
| Property, plant and equipment | | **1,956.9** | 1,921.7 | 1,935.1 |
| Other non-current financial assets and investment in associates | | **104.6** | 71.0 | 106.3 |
| Deferred tax assets | | **10.3** | 34.0 | 15.3 |
| **Current assets** | | **2,446.3** | 2,225.8 | 2,483.7 |
| Inventories | | **718.4** | 730.7 | 729.3 |
| Trade and other receivables | | **1,436.7** | 1,270.1 | 1,332.3 |
| Cash and cash equivalents | | **291.2** | 225.0 | 422.1 |
| **Total assets** | | **5,571.3** | 5,333.0 | 5,605.2 |
| **EQUITY AND LIABILITIES** | | | | |
| **Capital and reserves** | | | | |
| Stated capital | 9 | **2,334.1** | 244.3 | 2,334.1 |
| Other reserves | | **26.3** | (83.0) | (22.5) |
| Retained earnings/(accumulated loss) | | **23.6** | (55.6) | (10.5) |
| Equity attributable to equity holders of Mpact | | **2,384.0** | 105.7 | 2,301.1 |
| Non-controlling interests in subsidiaries | | **84.2** | 77.4 | 110.9 |
| **Total equity** | | **2,468.2** | 183.1 | 2,412.0 |
| **Non-current liabilities** | | **1,292.8** | 3,919.6 | 1,308.2 |
| Long-term borrowings | 10 | **1,124.9** | 3,777.9 | 1,151.2 |
| Retirement benefit obligations | | **60.5** | 69.2 | 58.9 |
| Deferred taxation liabilities | | **88.3** | 12.4 | 61.1 |
| Other non-current liabilities | | **19.1** | 60.1 | 37.0 |
| **Current liabilities** | | **1,810.3** | 1,230.3 | 1,885.0 |
| Short-term borrowings | 10 | **548.3** | 142.8 | 577.9 |
| Trade and other payables and provisions | | **1,252.3** | 1,075.1 | 1,298.0 |
| Current tax liabilities | | **9.7** | 12.4 | 9.1 |
| **Total equity and liabilities** | | **5,571.3** | 5,333.0 | 5,605.2 |

## Condensed consolidated statement of comprehensive income

| | | (Unaudited) Six months ended 30 June 2012 Rm | | |
|---|---|---|---|---|
| | Note | Before special items | Special items (note 6) | After special items |
| **Revenue** | 4 | **3,209.8** | **–** | **3,209.8** |
| Cost of sales | | **(1,944.8)** | **–** | **(1,944.8)** |
| **Gross margin** | | **1,265.0** | **–** | **1,265.0** |
| Administration and other operating expenditure | | **(1,042.7)** | **(5.4)** | **(1,048.1)** |
| **Operating profit** | 5 | **222.3** | **(5.4)** | **216.9** |
| Profit on disposal of investments | | **–** | **–** | **–** |
| Share of associates' profit | | **2.2** | **–** | **2.2** |
| **Total profit from operations and associates** | | **224.5** | **(5.4)** | **219.1** |
| Net finance costs | | **(63.7)** | **–** | **(63.7)** |
| Finance costs | 7 | **(71.5)** | **–** | **(71.5)** |
| Investment income | | **7.8** | **–** | **7.8** |
| **Profit/(loss) before tax** | | **160.8** | **(5.4)** | **155.4** |
| Tax (charge)/credit | | **(50.3)** | **1.5** | **(48.8)** |
| **Profit/(loss) for the period from continuing operations** | | **110.5** | **(3.9)** | **106.6** |
| **Other comprehensive income/(loss), net of taxation** | | | | **0.3** |
| Effect of cash flow hedges | | | | **–** |
| Actuarial (losses)/gains and surplus restrictions on post-retirement benefit schemes | | | | **–** |
| Exchange differences on translation of foreign operations | | | | **0.3** |
| Cash flow hedge reserve recycled through profit and loss | | | | **–** |
| Taxation on other comprehensive income | | | | **–** |
| **Total comprehensive income** | | | | **106.9** |
| **Profit attributable to:** | | | | |
| Equity holders of Mpact | | | | **100.6** |
| Non-controlling interests in subsidiaries | | | | **6.0** |
| **Profit for the period** | | | | **106.6** |
| **Comprehensive income attributable to:** | | | | |
| Equity holders of Mpact | | | | **100.9** |
| Non-controlling interests in subsidiaries | | | | **6.0** |
| **Total comprehensive income** | | | | **106.9** |
| **Earnings per share (EPS) attributable to equity holders of Mpact** | 8 | | | |
| Basic EPS (cents) | | | | **61.3** |
| Diluted EPS (cents) | | | | **61.3** |

| | (Unaudited) Six months ended 30 June 2011 Rm | | | (Audited) Year ended 31 December 2011 Rm | | |
|---|---|---|---|---|---|---|
| | Before special items | Special items (note 6) | After special items | Before special items | Special items (note 6) | After special items |
| | 3,006.3 | – | 3,006.3 | 6,281.0 | – | 6,281.0 |
| | (1,829.9) | – | (1,829.9) | (3,775.5) | – | (3,775.5) |
| | 1,176.4 | – | 1,176.4 | 2,505.5 | – | 2,505.5 |
| | (978.7) | (5.4) | (984.1) | (1,989.0) | (53.1) | (2,042.1) |
| | 197.7 | (5.4) | 192.3 | 516.5 | (53.1) | 463.4 |
| | – | – | – | – | 0.3 | 0.3 |
| | 1.6 | – | 1.6 | 2.3 | – | 2.3 |
| | 199.3 | (5.4) | 193.9 | 518.8 | (52.8) | 466.0 |
| | (184.8) | – | (184.8) | (256.3) | (34.3) | (290.6) |
| | (200.7) | – | (200.7) | (284.7) | (34.3) | (319.0) |
| | 15.9 | – | 15.9 | 28.4 | – | 28.4 |
| | 14.5 | (5.4) | 9.1 | 262.5 | (87.1) | 175.4 |
| | (2.9) | – | (2.9) | (76.1) | 8.4 | (67.7) |
| | 11.6 | (5.4) | 6.2 | 186.4 | (78.7) | 107.7 |
| | | | (1.3) | | | 41.6 |
| | | | 3.7 | | | 4.1 |
| | | | (5.8) | | | 28.4 |
| | | | 0.2 | | | 1.6 |
| | | | – | | | 23.1 |
| | | | 0.6 | | | (15.6) |
| | | | 4.9 | | | 149.3 |
| | | | 1.7 | | | 90.1 |
| | | | 4.5 | | | 17.6 |
| | | | 6.2 | | | 107.7 |
| | | | 0.4 | | | 131.4 |
| | | | 4.5 | | | 17.9 |
| | | | 4.9 | | | 149.3 |
| | | | 1.0 | | | 54.9 |
| | | | 1.0 | | | 54.9 |

## Condensed consolidated statement of changes in equity

| | Stated capital Rm | Share-based payments reserves Rm | Cash flow hedge reserves Rm |
|---|---|---|---|
| **Balance 1 January 2011 (audited)** | 244.3 | 12.1 | (19.6) |
| Total comprehensive income | – | – | 2.7 |
| Issue of shares under employee share scheme | – | (0.6) | – |
| Share scheme charges for the period | – | 3.8 | – |
| Dividends paid to non-controlling shareholders | – | – | – |
| Reclassification | – | (0.4) | – |
| Contribution paid to Mondi share incentive scheme | – | (6.4) | – |
| **Balance at 30 June 2011 (unaudited)** | 244.3 | 8.5 | (16.9) |
| Total comprehensive income | – | – | 16.9 |
| Issue of shares | 2,089.8 | – | – |
| Demerger arrangements | – | (15.5) | – |
| Share scheme charges for the period | – | 8.5 | – |
| Dividends paid to non-controlling shareholders | – | – | – |
| Reclassification | – | 0.3 | – |
| Change in foreign subsidiary functional currency | – | – | – |
| Increase in shareholding of subsidiary | – | – | – |
| Increase in non-controlling interest in a subsidiary | – | – | – |
| **Balance at 31 December 2011 (audited)** | **2,334.1** | **1.8** | **–** |
| Dividends paid | **–** | **–** | **–** |
| Total comprehensive income | **–** | **–** | **–** |
| Decrease in non-controlling interest and put option exercised | **–** | **–** | **–** |
| Share scheme charges for the period | **–** | **2.7** | **–** |
| Dividends paid to non-controlling shareholders | **–** | **–** | **–** |
| **Balance at 30 June 2012 (unaudited)** | **2,334.1** | **4.5** | **–** |

*^ Other reserves consist of the option to equity holder reserves, revaluation reserves and foreign currency translation reserves.*

## Condensed consolidated statement of cash flows

| | **(Unaudited) Six months ended 30 June 2012 Rm** | (Unaudited) Six months ended 30 June 2011 Rm | (Audited) Year ended 31 December 2011 Rm |
|---|---|---|---|
| Operating cash flows before movements in working capital | **386.8** | 342.4 | 765.0 |
| Net (increase)/decrease in working capital | **(161.8)** | (109.4) | 48.1 |
| **Cash generated from operations** | **225.0** | 233.0 | 813.1 |
| Taxation paid | **(16.0)** | (5.5) | (23.6) |
| Dividends received from associates | **1.4** | – | – |
| **Net cash inflows from operating activities** | **210.4** | 227.5 | 789.5 |
| Investment in property, plant and equipment | **(165.7)** | (167.0) | (337.4) |
| Other investing activities | **(1.2)** | 90.5 | 82.2 |
| **Net cash outflows from investing activities** | **(166.9)** | (76.5) | (255.2) |
| Issue of shares | **–** | – | 2,089.8 |
| Net (repayment of)/proceeds from borrowings | **(34.8)** | 184.9 | (2,021.8) |
| Interest paid | **(43.1)** | (189.5) | (269.8) |
| Dividends paid to external shareholders | **(65.6)** | – | – |
| Other financing activities | **(25.4)** | (17.2) | (21.4) |
| **Net cash outflows from financing activities** | **(168.9)** | (21.8) | (223.2) |
| **Net (decrease)/increase in cash and cash equivalents** | **(125.4)** | 129.2 | 311.1 |
| Cash and cash equivalents at beginning of the period^ | **406.9** | 95.8 | 95.8 |
| **Cash and cash equivalents at end of the period^** | **281.5** | 225.0 | 406.9 |

*^ Cash and cash equivalents net of overdrafts.*

| Post-retirement benefits reserves Rm | Other reserves^ Rm | Retained earnings/ (accumulated loss) Rm | Total attributable to equity holders of Mpact Rm | Non-controlling interests Rm | Total equity Rm |
|---|---|---|---|---|---|
| (3.3) | (67.3) | (58.3) | 107.9 | 73.2 | 181.1 |
| (4.2) | 0.2 | 1.7 | 0.4 | 4.5 | 4.9 |
| – | – | 0.6 | – | – | – |
| – | – | – | 3.8 | – | 3.8 |
| – | – | – | – | (0.3) | (0.3) |
| – | – | 0.4 | – | – | – |
| – | – | – | (6.4) | – | (6.4) |
| (7.5) | (67.1) | (55.6) | 105.7 | 77.4 | 183.1 |
| 24.6 | 1.1 | 88.4 | 131.0 | 13.4 | 144.4 |
| – | – | – | 2,089.8 | – | 2,089.8 |
| – | – | (15.9) | (31.4) | – | (31.4) |
| – | – | – | 8.5 | – | 8.5 |
| – | – | – | – | (1.2) | (1.2) |
| – | – | (0.3) | – | – | – |
| – | 24.6 | (25.9) | (1.3) | – | (1.3) |
| – | – | (1.2) | (1.2) | (2.4) | (3.6) |
| – | – | – | – | 23.7 | 23.7 |
| **17.1** | **(41.4)** | **(10.5)** | **2,301.1** | **110.9** | **2,412.0** |
| **–** | **–** | **(65.6)** | **(65.6)** | **–** | **(65.6)** |
| **–** | **0.3** | **100.6** | **100.9** | **6.0** | **106.9** |
| **–** | **45.8** | **(0.9)** | **44.9** | **(29.7)** | **15.2** |
| **–** | **–** | **–** | **2.7** | **–** | **2.7** |
| **–** | **–** | **–** | **–** | **(3.0)** | **(3.0)** |
| **17.1** | **4.7** | **23.6** | **2,384.0** | **84.2** | **2,468.2** |

**Notes**

**1. Basis of preparation**

The condensed financial information has been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") of the International Accounting Standards Board, the AC 500 standards as issued by the Accounting Practices Board, and is in compliance with IAS 34: Interim Financial Reporting, and the requirements of the Companies Act of South Africa. The report has been prepared using accounting policies that comply with IFRS which are consistent with those applied in the financial statements for the year ended 31 December 2011. The preparation of the Group's consolidated results for the half-year ended 30 June 2012 was supervised by the Chief Financial Officer, BDV Clark, CA(SA). These results are unaudited.

**2. Accounting policies**

The accounting policies and methods of computation used are consistent with those applied in the preparation of the annual financial statements for the year ended 31 December 2011, except for the change in internal cost allocations referred to in note 4 below.

The following revised accounting standard, which had no significant impact on the Group, was adopted in the current period:

– IAS 12: Income Taxes.

**3. Seasonality**

Seasonal effects in the Group's markets have historically resulted in higher turnover and operating profits for the second half, when compared to the first half.

| | **(Unaudited) Six months ended 30 June 2012 Rm** | (Unaudited) Six months ended 30 June 2011 Rm | (Audited) Year ended 31 December 2011 Rm |
|---|---|---|---|
| **4. Group segment analysis** | | | |
| Revenue | | | |
| Paper | **2,394.4** | 2,169.4 | 4,591.2 |
| Plastics | **823.0** | 714.5 | 1,577.0 |
| Corporate and other business[1] | **–** | 131.8 | 131.8 |
| | **3,217.4** | 3,015.7 | 6,300.0 |
| *Less:* Inter-segment revenue | **(7.6)** | (9.4) | (19.0) |
| **Total revenue** | **3,209.8** | 3,006.3 | 6,281.0 |
| **Operating profit[2]** | | | |
| Paper | **230.8** | 244.6 | 560.3 |
| Plastics | **37.1** | 29.5 | 113.9 |
| Corporate and other business[1] | **(45.6)** | (76.4) | (157.7) |
| Segment total | **222.3** | 197.7 | 516.5 |
| Special items (note 6) | **(5.4)** | (5.4) | (87.1) |
| Share of associates profit | **2.2** | 1.6 | 2.3 |
| Net finance cost (excluding special financing) | **(63.7)** | (184.8) | (256.3) |
| **Profit before tax** | **155.4** | 9.1 | 175.4 |
| **Assets** | | | |
| Paper | **2,797.7** | 2,712.7 | 2,743.6 |
| Plastics | **1,168.1** | 1,078.1 | 1,120.9 |
| Corporate and other business[3] | **1,605.5** | 1,542.2 | 1,740.7 |
| **Total assets** | **5,571.3** | 5,333.0 | 5,605.2 |

[1] *includes Paperlink, the paper merchant business sold at the end of March 2011.*

[2] *in the current period the internal cost re-allocation basis between the Paper and Plastics businesses and the Corporate office was changed to provide a more meaningful representation of each segment's performance. Had this change been effected in the prior year, the operating profit for the Paper business would have been R219.8 million for the period ended 30 June 2011 (31 December 2011: R510.7 million), and operating profit for the Plastics business would have been R22.5 million for the period ended 30 June 2011 (31 December 2011: R100.0 million). Corporate cost for the same period would have decreased as a result of the re-allocation.*

[3] *includes goodwill and other intangible assets.*

| | | (Unaudited) Six months ended 30 June 2012 Rm | (Unaudited) Six months ended 30 June 2011 Rm | (Audited) Year ended 31 December 2011 Rm |
|---|---|---|---|---|
| **5.** | **Operating profit** | | | |
| | Included in operating profit are: | | | |
| | Amortisation of intangible assets | **11.6** | 12.0 | 24.1 |
| | Depreciation | **151.5** | 145.9 | 299.3 |
| **6.** | **Special items** | | | |
| | Listing transaction costs | **–** | 5.4 | 46.3 |
| | Special finance costs | **–** | – | 34.3 |
| | Demerger arrangements | **–** | – | 6.8 |
| | Profit on disposal of part investment in associate | **–** | – | (0.3) |
| | Defined benefit pension plan settlement charge | **5.4** | – | – |
| | | **5.4** | 5.4 | 87.1 |
| **7.** | **Finance costs** | | | |
| | Bank and other borrowings | **68.8** | 191.1 | 266.0 |
| | Defined benefit arrangements | **2.7** | 9.6 | 18.7 |
| | Special finance costs | **–** | – | 34.3 |
| | | **71.5** | 200.7 | 319.0 |
| **8.** | **Earnings per share** | **Cents** | Cents | Cents |
| | **Earnings per share (EPS)** | | | |
| | Basic EPS | **61.3** | 1.0 | 54.9 |
| | Diluted EPS | **61.3** | 1.0 | 54.9 |
| | **Underlying earnings per share**[1] | | | |
| | Basic underlying EPS | **63.7** | 4.3 | 102.9 |
| | Diluted underlying EPS | **63.6** | 4.3 | 102.8 |
| | **Headline earnings per share**[2] | | | |
| | Basic headline EPS | **61.2** | 0.8 | 54.3 |
| | Diluted headline EPS | **61.1** | 0.8 | 54.2 |

[1] *Underlying EPS excludes the impact of special items.*

[2] *The presentation of headline EPS is mandated under the JSE Listings Requirements. Headline earnings has been calculated in accordance with Circular 3/2009, 'Headline Earnings', as issued by The South African Institute of Chartered Accountants.*

The calculation of headline earnings, based on basic earnings is as follows:

| | (Unaudited) Six months ended 30 June 2012 Rm | (Unaudited) Six months ended 30 June 2011 Rm | (Audited) Year ended 31 December 2011 Rm |
|---|---|---|---|
| **Profit for the period attributable to equity holders of Mpact** | **100.6** | 1.7 | 90.1 |
| Special items (see note 6) | **5.4** | 5.4 | 87.1 |
| Related tax | **(1.5)** | – | (8.4) |
| **Underlying earnings for the period** | **104.5** | 7.1 | 168.8 |
| Special items to be included in headline earnings | **(5.4)** | (5.4) | (87.4) |
| (Profit) on disposal of tangible and intangible assets | **(0.4)** | (0.5) | (1.1) |
| Related tax | **1.7** | 0.1 | 8.7 |
| **Headline earnings for the period** | **100.4** | 1.3 | 89.0 |
| | **Number of shares** | Number of shares | Number of shares |
| **Basic number of shares outstanding**[1] | **164,046,476** | 164,046,476 | 164,046,476 |
| Effect of dilutive potential ordinary shares | **173,484** | – | 173,484 |
| Diluted number of ordinary shares outstanding[2] | **164,219,960** | 164,046,476 | 164,219,960 |

[1] *As at 30 June 2011 and 31 December 2011 the number of shares used in the calculation of earnings per share was 164,046,476 ordinary shares, which represented the aggregate number of shares listed on 11 July 2011.*

[2] *Diluted EPS is calculated by adjusting the weighted average number of ordinary shares in issue, on the assumption of conversion of all potentially dilutive ordinary shares.*

| | (Unaudited) Six months ended 30 June 2012 Rm | (Unaudited) Six months ended 30 June 2011 Rm | (Audited) Year ended 31 December 2011 Rm |
|---|---|---|---|
| **9. Stated capital** | | | |
| **Ordinary** | | | |
| Balance at beginning of the period | | | |
| (1 January 2011: 159,950 shares of R0.001 each) | | | |
| (1 January 2012: 164,046,476 shares of no par value) | **2,334.1** | – | – |
| Conversion to shares of no par value | **–** | 244.3 | 244.3 |
| Issue of share capital of no par value | **–** | – | 2,089.8 |
| Balance at end of period | | | |
| (30 June 2012 and 31 December 2011: 164,046,476 shares with no par value) | **2,334.1** | – | 2,334.1 |
| (30 June 2011: 23,192,750 shares of no par value) | **–** | 244.3 | – |
| **Share premium** | **–** | – | – |
| Balance at beginning of the period | **–** | 244.3 | 244.3 |
| Conversion to shares of no par value | **–** | (244.3) | (244.3) |
| **Total issued stated capital** | **2,334.1** | 244.3 | 2,334.1 |
| **10. Borrowings** | | | |
| – Bank borrowings | **1,100.0** | 1,014.7 | 1,100.0 |
| – Shareholder loans | **9.8** | 2,740.8 | 32.0 |
| – Finance lease liability | **15.1** | 22.4 | 19.2 |
| Long-term borrowings | **1,124.9** | 3,777.9 | 1,151.2 |
| Short-term borrowings and short-term portion of long-term borrowings | **548.3** | 142.8 | 577.9 |
| Total borrowings | **1,673.2** | 3,920.7 | 1,729.1 |

The Company's borrowing powers are not restricted. In the current year Mpact restructured its funding facilities by sub-dividing its current banking facility into smaller facilities. There have been no changes to the overall terms of the banking facilities.

**11. Businesses combination**

On 1 February 2012 the Group acquired a PET tray business as a going concern for R8 million.

**12. Retirement benefit**

In November 2011 the trustees of the defined benefit pension plan in South Africa, with agreement from the participating pensioners and employees, resolved to wind up the fund subject to regulatory approval, which was obtained in January 2012. Mpact Limited will receive a cash reimbursement of the pension surplus. An amount of R21.3 million relating to the surplus is reflected under non-current assets and a settlement charge of R5.4 million is recognised as a special item in the statement of comprehensive income.

| | (Unaudited) Six months ended 30 June 2012 Rm | (Unaudited) Six months ended 30 June 2011 Rm | (Audited) Year ended 31 December 2011 Rm |
|---|---|---|---|
| **13. Capital commitments** | | | |
| – Contracted capital commitments | **102.5** | 63.1 | 51.5 |
| – Approved capital commitments | **66.5** | 79.7 | 20.9 |
| Capital commitments | **169.0** | 142.8 | 72.4 |

These commitments will be met from existing cash resources and borrowing facilities available to the Group.

| | (Unaudited) Six months ended 30 June 2012 Rm | (Unaudited) Six months ended 30 June 2011 Rm | (Audited) Year ended 31 December 2011 Rm |
|---|---|---|---|
| **14. Contingent liabilities** | **26.5** | 13.0 | 8.6 |
| **15. Net asset value per share** | | | |
| Asset value per share is disclosed in accordance with the JSE Listings Requirements. Net asset value per share is defined as net assets divided by the number of ordinary shares in issue as at the period-end. | | | |
| Net asset value per share (cents) | **1,504.6** | 111.6 | 1,470.3 |

**16. Related parties**

Transactions between the Company and its respective subsidiaries, which are related parties, have been eliminated on consolidation.

The Group and its subsidiaries, in the ordinary course of business, enter into various sales, purchases and service transactions with associates and others in which the Group has a material interest. These transactions are under terms that are no less favourable than those arranged with third parties. These transactions in total are not significant.

There have been no significant changes to the related parties in this interim reporting period.

**17. Post-balance sheet events**

The following post-balance sheet events occurred, that have no impact on the Group's reported financial position as at 30 June 2012:

- On 13 July 2012 Mpact completed the repurchase of 470,820 shares from its shareholders as a result of an odd-lot offer and specific offer.
- In July 2012 Mpact entered into a four-year interest rate swap to hedge R400 million of its floating rate debt at a fixed rate of 7.58%.

## Notes

**Disclaimer**

This document including, without limitation, those statements concerning the demand outlook, expansion projects and its capital resources and expenditure, may be considered to be forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty and although Mpact believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment and other government action and business and operational risk management. While Mpact has taken reasonable care to ensure the accuracy of the information presented, Mpact accepts no responsibility for any consequential, indirect, special or incidental damages, whether foreseeable or unforeseeable, based on claims arising out of misrepresentation or negligence arising in connection with a forward-looking statement. This document is not intended to contain any profit forecasts or profit estimates.

**Mpact Limited**
(Incorporated in the Republic of South Africa)
(Company registration number: 2004/025229/06)
Income tax number: 9003862175
JSE share code: MPT     JSE ISIN: ZAE000156501
("Mpact" or "the Group" or "the Company")

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