



Mpact Limited Annual Results

Annual results for year ended 31 December 2011

8 March 2012



Agenda

- Key events of 2011
- Highlights for the year ended 31 December 2011
- Operating review
- Financial review
- Summary and outlook
- Annexures

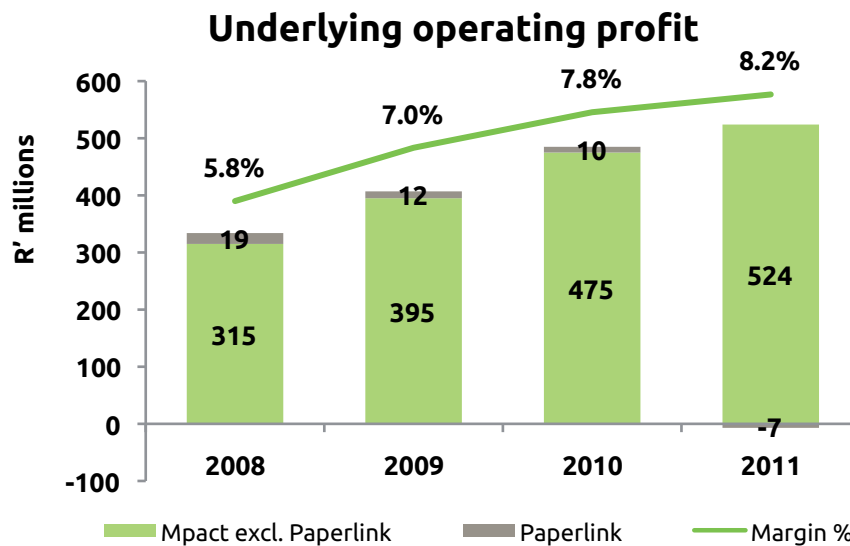
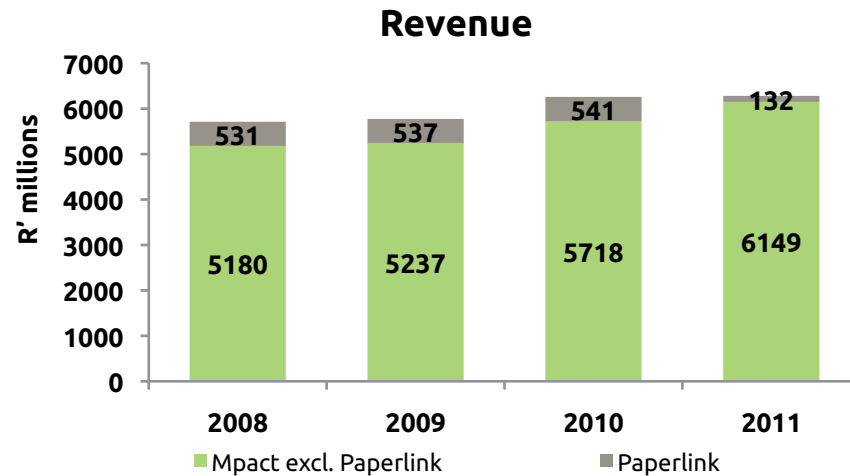
Key events

- Sale of Paperlink to Mondi effective 31 March 2011
- Sale of 25% of Recycling to Mondi effective 1 June 2011
- Recapitalisation of Mpact on 5 July 2011
 - Additional 140,853,726 ordinary shares were issued for R2.1 billion
 - R1.8 billion was drawn from new banking facilities
 - Old bank loans amounting to R1.1 billion were repaid
 - Shareholders loans amounting to R2.8 billion were repaid
 - Resulting in net debt of R1.7 billion at date of listing, 11 July 2011
- Mpact Limited listed on the JSE on 11 July 2011
 - With 164,046,476 ordinary shares
- Demerged from Mondi effective 18 July 2011

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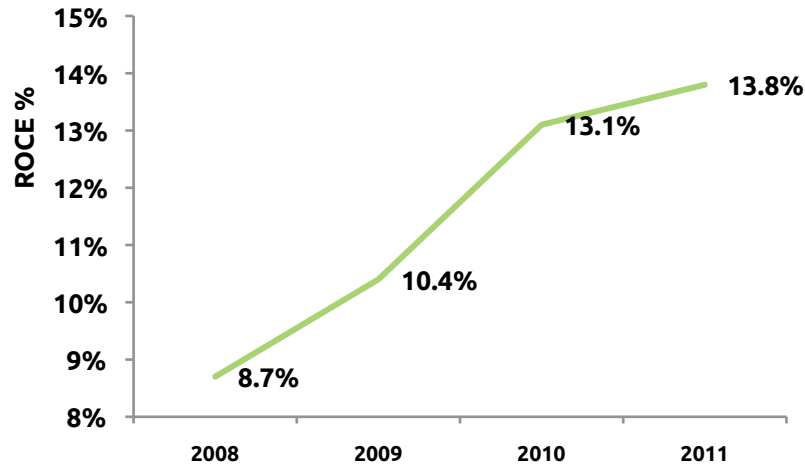
Highlights



- Revenue excluding Paperlink up 7.5% to R6149 million
- Underlying operating profit up 6.4% to R517 million (excluding Paperlink up 10.3% to R524 million)
- Operating margin up to 8.2% (2010: 7.8%) (excluding Paperlink up to 8.5%)
- Underlying earnings per share (EPS) up to 102.9 cents (2010: 24.3 cents)

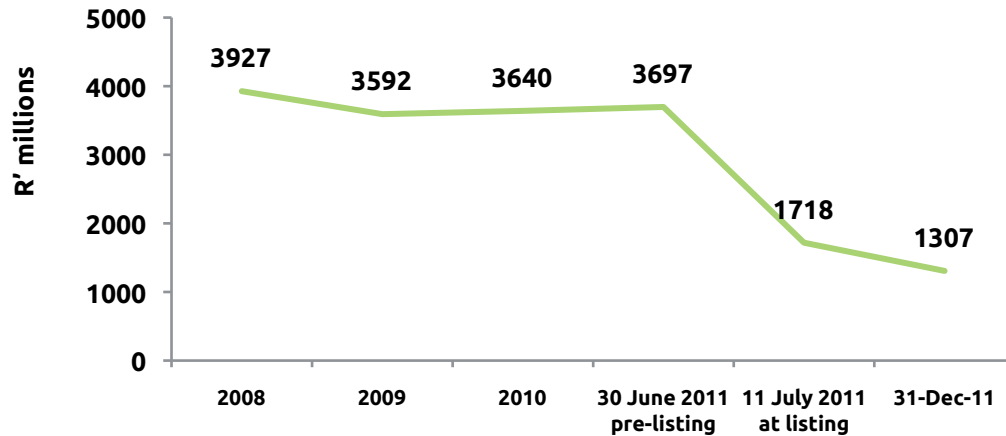
Highlights

Return on capital employed



- Return on capital employed (ROCE) of 13.8% (2010: 13.1%)
- Gearing down to 35% at year end (2010: 96%)
- Net debt down to R1307 million (2010: R3640 million)
- Maiden dividend declared of 40 cents per share

Net debt



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Basis of preparation

- **Income statement highlights special items**
 - Special items are adjusted to EBIT to arrive at *underlying operating profit* which is the basis of the results presented
- **EPS measure**
 - For all earnings per share calculations the number of listed issued ordinary shares of 164,046,476 was used for consistency in earnings per share comparatives

Operating review – including Paperlink (as reported)

R'Million							
	2010	2011	% Change	H1 2010	H2 2010	H1 2011	H2 2011
Group revenue	6,259	6,281	0.4%	2,969	3,290	3,006	3,275
EBITDA ¹	805	840	4.4%	332	473	356	484
EBITDA margin %	12.9%	13.4%	3.9%	11.2%	14.4%	11.8%	14.8%
Underlying operating profit ²	485	517	6.4%	175	310	198	319
Underlying operating profit margin %	7.8%	8.2%	5.1%	5.9%	9.4%	6.6%	9.7%
Underlying earnings per share (cents)	24.3	102.9	>100%	(17.8)	42.1	4.3	98.6
Working capital cash flows	(128)	48	>100%	(36)	(92)	(91)	139
Cash generated from operations	679	813	19.7%	281	398	233	580
Net debt as at period end	3,640	1,307	64.1%	3,677	3,640	3,697	1,307
ROCE % ³ as at period end	13.1%	13.8%	5.3%	11.9%	13.1%	13.4%	13.8%

(1) EBITDA is operating profit of subsidiaries and joint ventures before special items, depreciation and amortisation.

(2) Underlying operating profit is operating profit of subsidiaries and joint ventures before special items.

(3) Return on capital employed (ROCE) is based on underlying operating profit plus share of associates net earnings divided by simple average capital employed before impairments

Operating review – excluding Paperlink

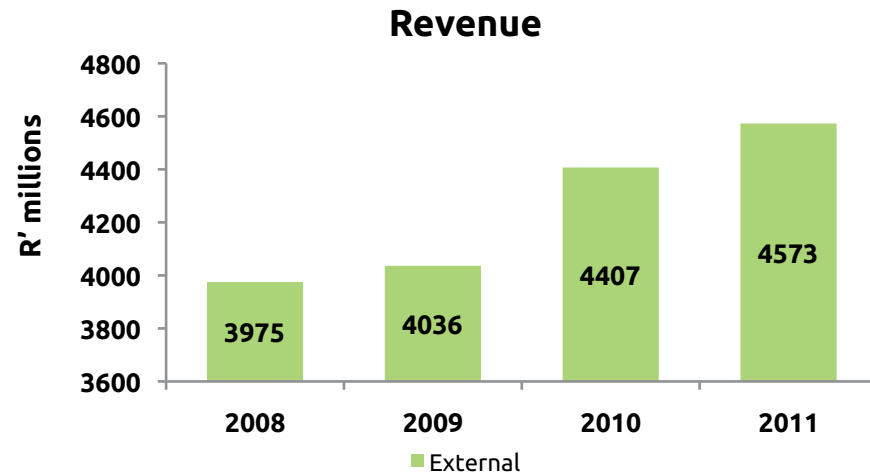
R'Million	2010	2011	% Change	H1 2010	H2 2010	H1 2011	H2 2011
Group revenue	5,718	6,149	7.5%	2,733	2,985	2,874	3,275
EBITDA ¹	794	847	6.7%	327	467	363	484
EBITDA margin %	13.9%	13.8%	(0.7%)	12.0%	15.6%	12.6%	14.8%
Underlying operating profit ²	475	524	10.3%	170	305	205	319
Underlying operating profit margin %	8.3%	8.5%	2.4%	6.2%	10.2%	7.1%	9.7%
ROCE % ³ as at period end	12.9%	14.1%	9.3%	11.9%	12.9%	13.1%	14.1%

(1) EBITDA is operating profit of subsidiaries and joint ventures before special items, depreciation and amortisation and excluding Paperlink

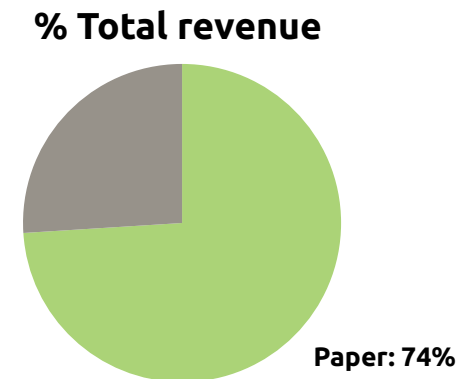
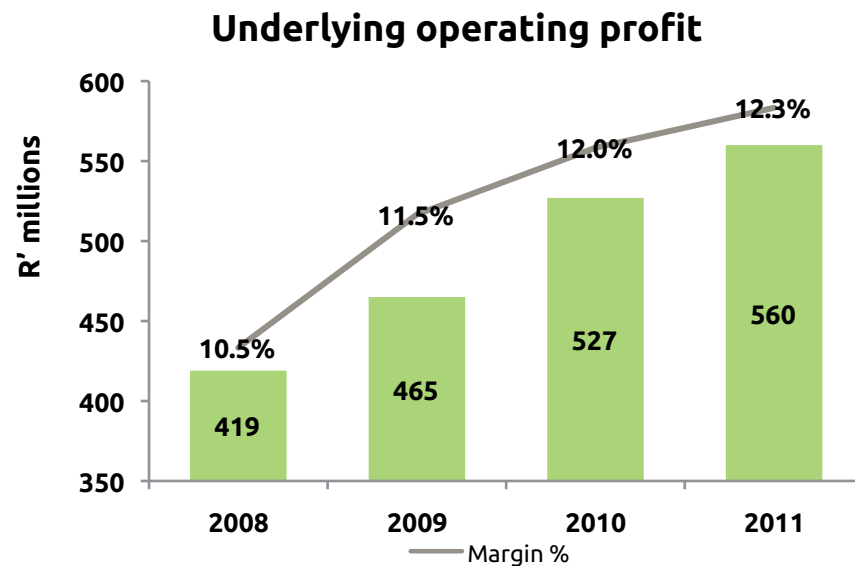
(2) Underlying operating profit is operating profit of subsidiaries and joint ventures before special items, excluding Paperlink

(3) Return on capital employed (ROCE) is based on underlying operating profit plus share of associates net earnings divided by simple average capital employed before impairments and excluding Paperlink

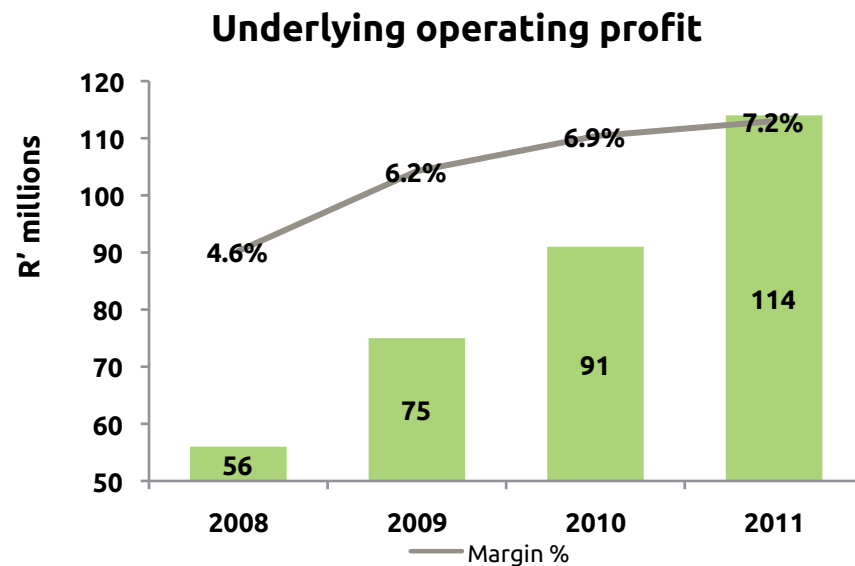
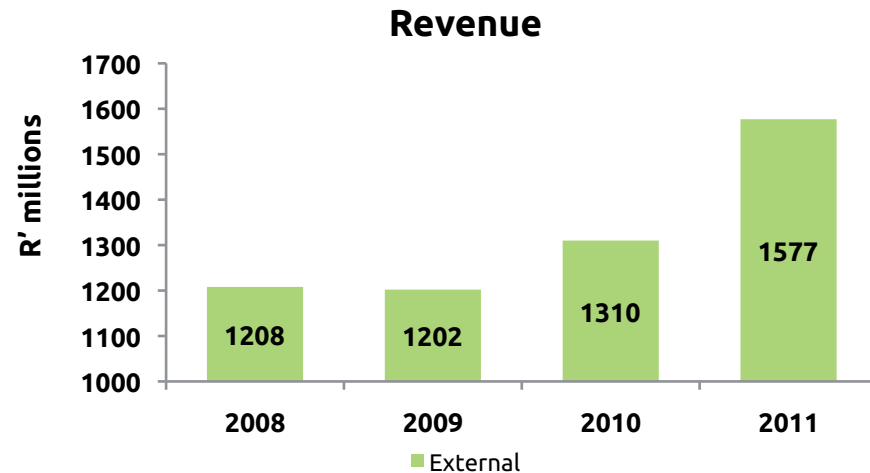
Paper business



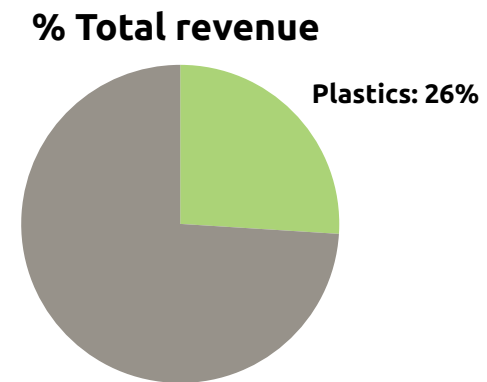
- Revenue up 3.8%
 - Volumes down - lower domestic sector growth, import substitution, lower exports
 - H2 better than H1 in line with seasonal trends
- Underlying operating profit up 6.4%
 - Cost containment, productivity improvements, average prices



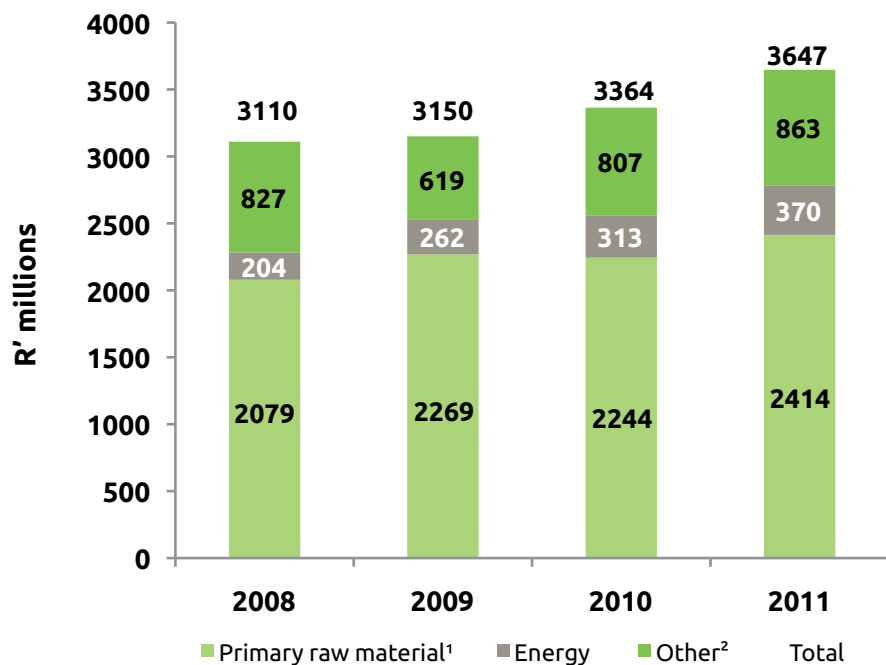
Plastics business



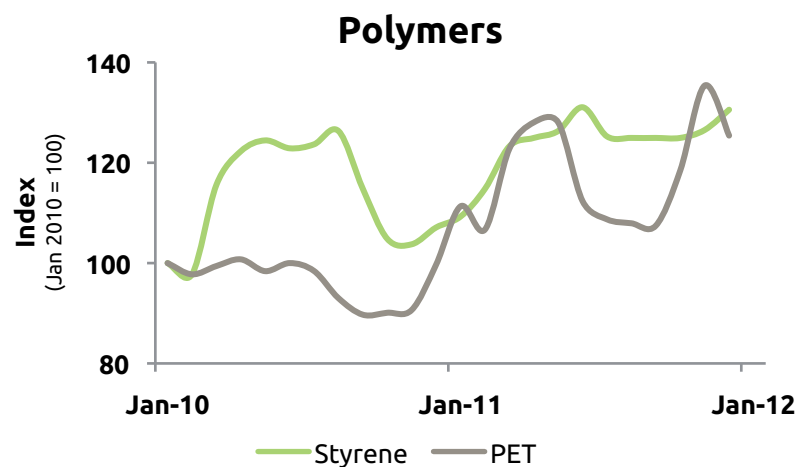
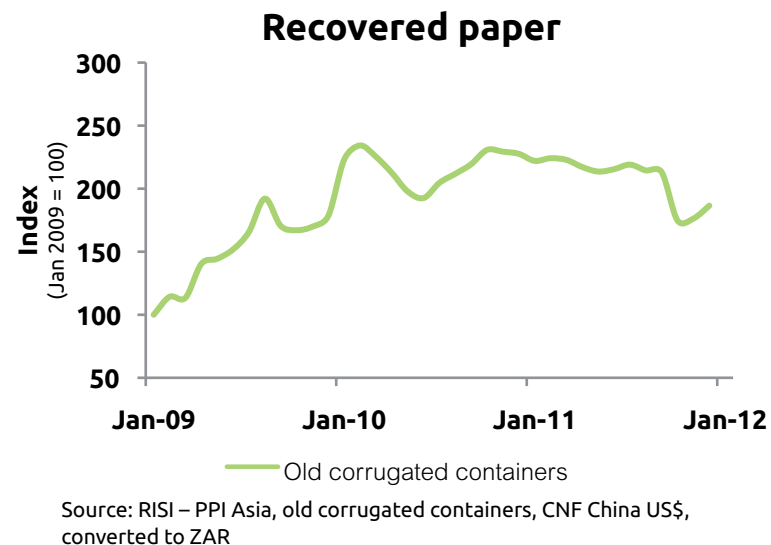
- Revenue up 20.4% on higher volumes and prices
- Underlying operating profit up 25.6%
- Relocation of closures plant from Robertville to Wadeville
- Reorganisation of Atlantis plant
- Integration of Brits Plastic Containers plant



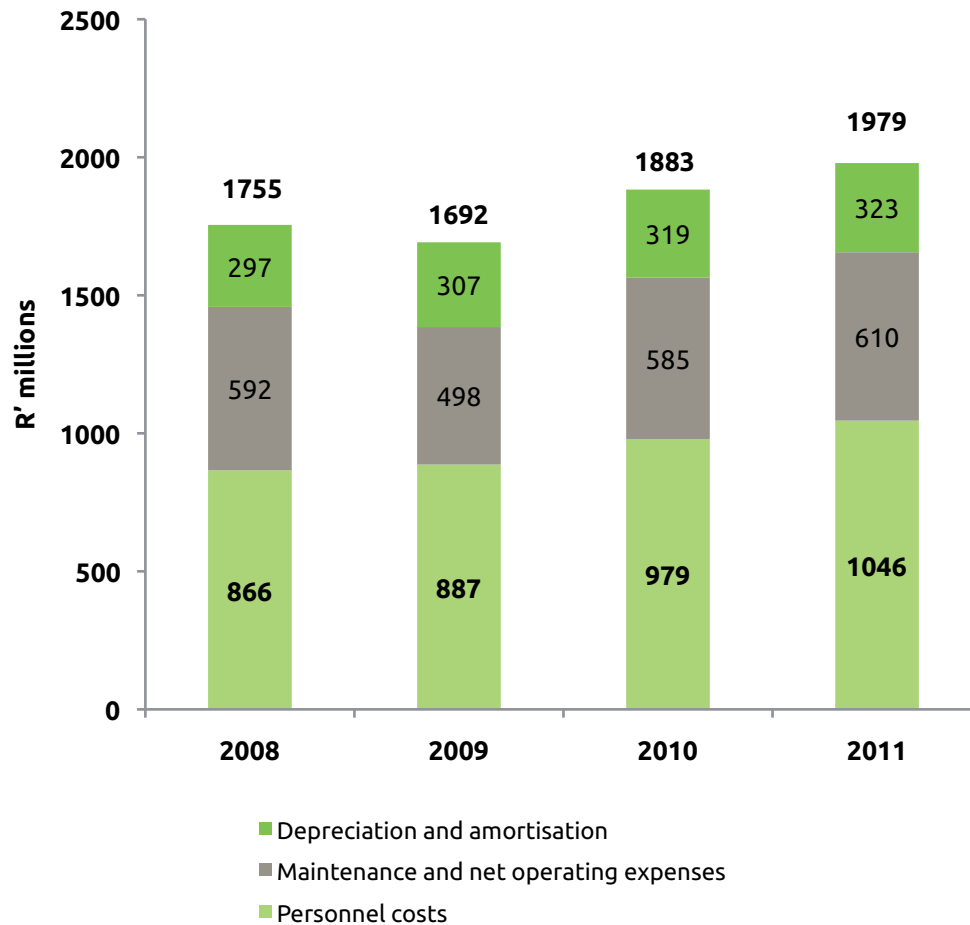
Variable costs³



- 1 Primary raw material includes wood, pulp, paper, recovered paper and plastic polymers
- 2 Other variable costs include chemicals, packaging costs, variable selling expenses, stock movement
- 3. Excludes Paperlink



Fixed costs¹



- Focus on cost management
 - Excludes special items
 - Includes 6 months of recurring listed company costs in 2011

¹ Excludes Paperlink



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Financial review

R' Million	2010	2011	% Change
Underlying operating profit ¹	485	517	6.4%
Net finance costs	(387)	(256)	33.9%
Associates net earnings	3	2	(33.3%)
Underlying profit before tax	101	263	>100%
Tax before special items	(48)	(76)	(58.3%)
Total non-controlling interests	(13)	(18)	(38.5%)
Underlying earnings	40	169	>100%
Special items (after tax and minorities)	(3)	(79)	>100%
Reported profit after tax and non-controlling interests	37	90	>100%

H1 2010	H2 2010	H1 2011	H2 2011
175	310	198	319
(199)	(188)	(185)	(71)
(1)	4	1	1
(25)	126	14	249
2	(50)	(3)	(73)
(6)	(7)	(4)	(14)
(29)	69	7	162
(2)	(1)	(5)	(74)
(31)	68	2	88

(1) Underlying operating profit is operating profit of subsidiaries and joint ventures before special items.

Finance charges and net debt

R'Million	2010	2011	% Change	30 June 2011 Pre-listing	11 July 2011 At Listing
Net debt	3,640	1,307	64.1%	3,697	1,718
Net finance cost, excluding special items	387	256	33.9%	185	
Effective interest rate	10.9%	9.20%	-	9.90%	

- Net debt lower due to recapitalisation in July 2011 and since then reduced through trading performance
- Net finance charges before special financing items lower, due to debt restructuring prior to listing and net debt reductions since then

Taxation and non-controlling interests

Taxation

R'Million	2010	2011	% change
Underlying tax charge	48	76	(58.3%)
Tax on special items	(2)	(8)	>100.0%
Taxation charge	46	68	(47.8%)

- High effective tax rate of 39% due mainly to disallowed non-productive interest and listing costs
- Non-productive interest will be resolved in 2012

Non-controlling interests

R'Million	2010	2011	% change
Non-controlling share before special items	13	18	(38.5%)
Non-controlling share of special items	(1)	0	100.0%
Profit attribute to non-controlling interests	12	18	(50.0%)

- Increase due mainly to the improved performance of relevant subsidiaries

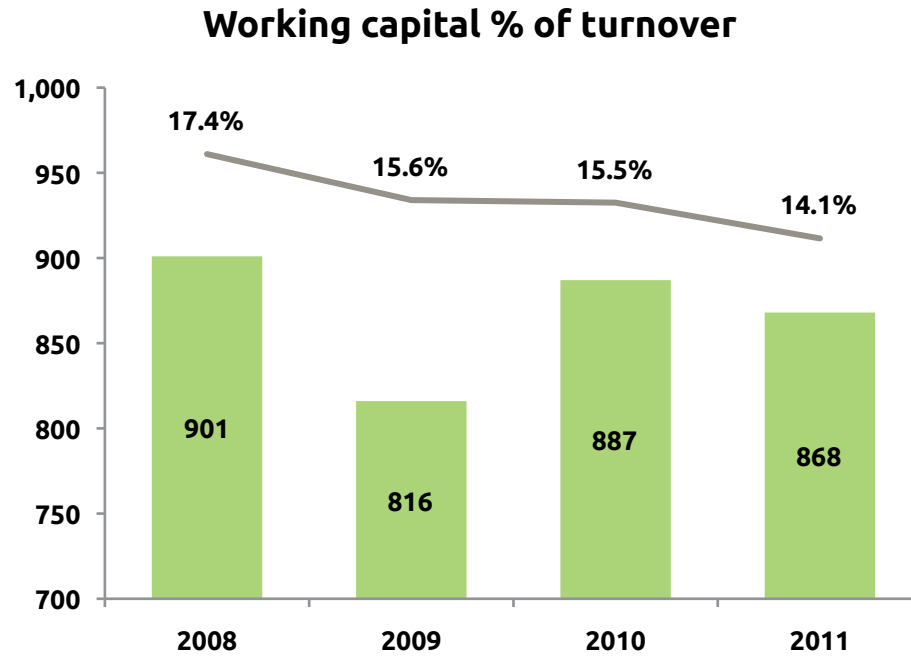
Special items¹

R'Million	2010	2011
Listing transaction costs		46
Financing items		34
Demerger arrangements		7
Impairments	6	
Before tax and non controlling interest	6	87
Less: tax and non-controlling interest	(3)	(8)
Special items after tax and non-controlling interest	3	79

- Special financing items relates to:
 - R23m relating to the termination of the interest rate swap contracts
 - R11m relating to new debt funding arrangements
- Demerger arrangements relates to the advanced vesting of the Mondi share plans
- The Group anticipates an amount of R8m in the first half of 2012, relating to settlement cost in respect of the Group pension fund

(1) Special items are those items of financial performance that the Group believes should be separately disclosed to assist in the understanding of the underlying financial performance achieved by the Group and its businesses. These should be non-recurring and non-trading items

Working capital focus



- Continuous focus on working capital

Note: Working capital includes inventories, trade receivables and trade payables, adjusted to exclude Paperlink

Cash flow

R'Million	2010	2011	% change
EBITDA	805	840	4.4%
Working capital movements	(128)	48	>100%
Other operating cash flows	2	(75)	>100%
Cash generated from operations	679	813	19.7%
Taxes paid	(30)	(24)	20.0%
Net cash inflow from operating activities	649	789	(21.6%)
Capital expenditure	(269)	(337)	(25.3%)
Acquisitions, disposals and other items	(5)	82	>100%
Net cash flow after investing activities	375	534	42.4%

H1 2010	H2 2010	H1 2011	H2 2011
332	473	356	484
(36)	(92)	(91)	139
(15)	17	(32)	(43)
281	398	233	580
(23)	(7)	(5)	(19)
258	391	228	561
(137)	(132)	(167)	(170)
6	(11)	91	(9)
127	248	152	382

- Positive cash generated
- Other operating cash flow includes listing costs and contributions paid to the Mondi Incentive Trust
- Disposals include proceeds of R90 million received from the sale of Paperlink

Dividends

- Maiden cash dividend declared of 40 cents per share
- Dividend cover of 2.6 times
- Record date 26 April 2012
- Payment date 30 April 2012
- Dividend policy targets a dividend cover of two to three times based on underlying earnings on average over the cycle

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Summary

- Successful demerger from Mondi and listing on JSE
- Settled as independent entity
 - Board committees, internal processes, rebranding, investor relations
- Solid operating performance in difficult trading environment
 - ROCE of 13.8%
 - Net debt reduced to R1307 million
 - Underlying operating profit up to R517 million
 - Underlying earnings per share of 102.9 cents (2010: 24.3 cents)
- Maiden dividend declared of 40 cents per share
- Well positioned to pursue growth opportunities

Outlook

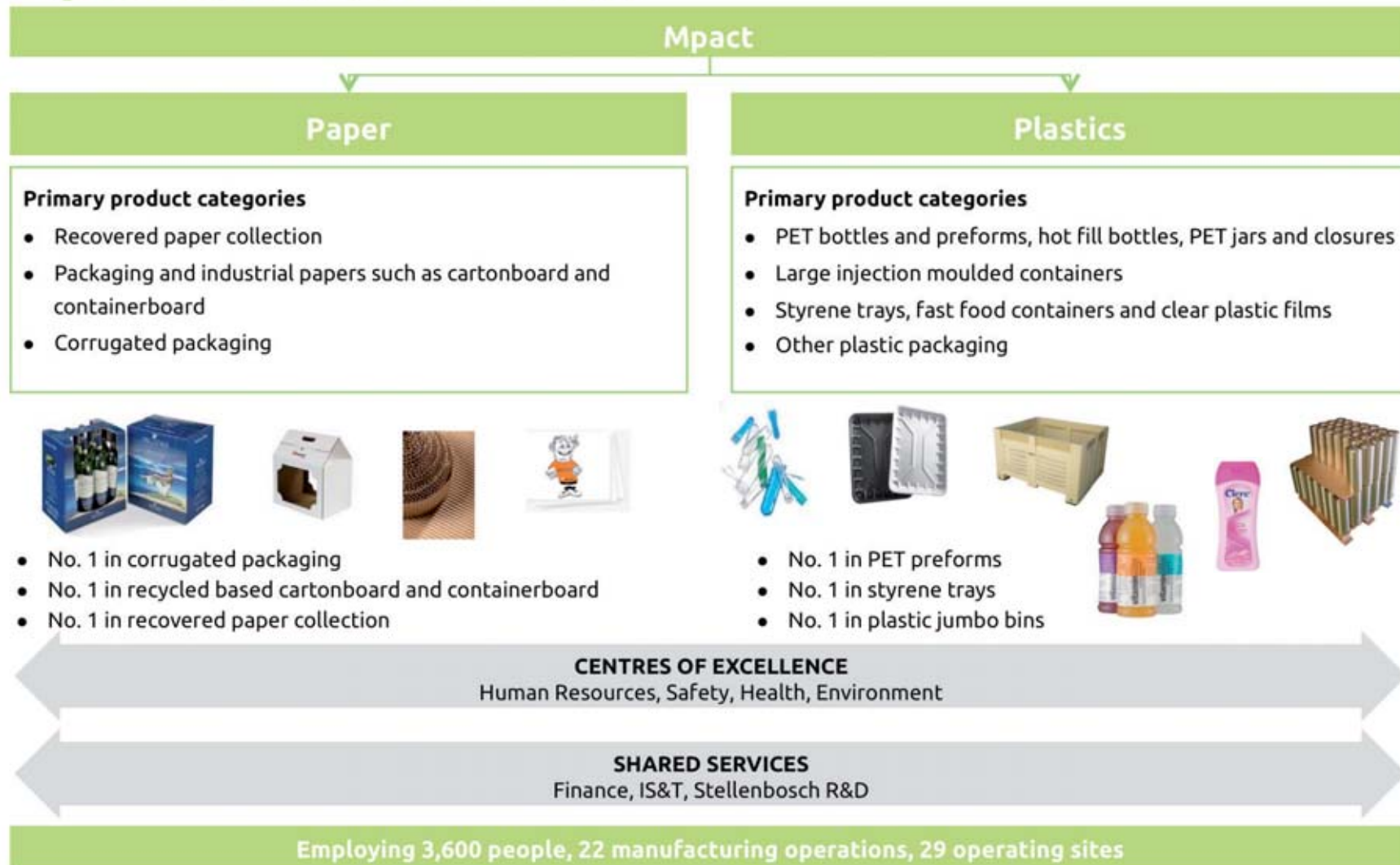
- Challenging trading environment
 - Expect margins to remain under pressure
- Continue with optimisation and development of paper and plastics businesses
- Still well positioned in respective sectors
- CFO appointment

Thank you

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Mpact business overview



Sources: Mpact, BMI Report (2010), PAMSA and PRASA

Our strategy...

Leading market positions

- Develop and selectively grow our leading market positions in rigid plastics, paper-based packaging and packaging papers in sub-Saharan Africa
 - Growth where we are able to extract value through business and operational management expertise as well as product application, design and market knowledge

Customer focused operating structure

- Further develop our established manufacturing and service footprint to continually deliver superior solutions to our customers
Underpinned by:
 - a decentralised structure reflecting management depth and experience at all levels
 - an innovative customer focused product offering
 - leading market positions that enable us to achieve sustainable cost effectiveness through economies of scale

Focus on performance

- Focus on performance through effective business excellence programmes and sound asset management
Enabling us to sustainably:
 - provide our customers with quality products and services worth their price
 - retain a motivated and skilled workforce
 - deliver good returns to our shareholders

Source: Mpact

Disclaimer

This document including, without limitation, those statements concerning the demand outlook, expansion projects and its capital resources and expenditure, contain certain forward-looking views. 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 takes 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.