

Mpact Limited Interim Results

Interim results for the six
months ended 30 June 2014

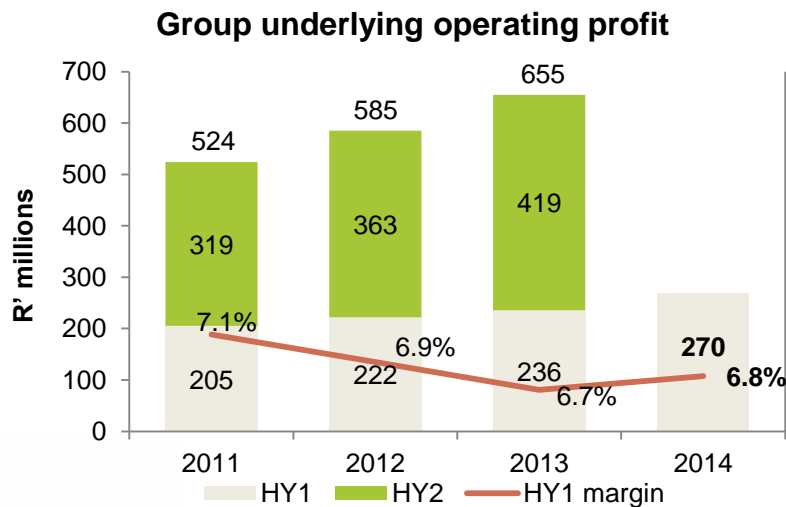
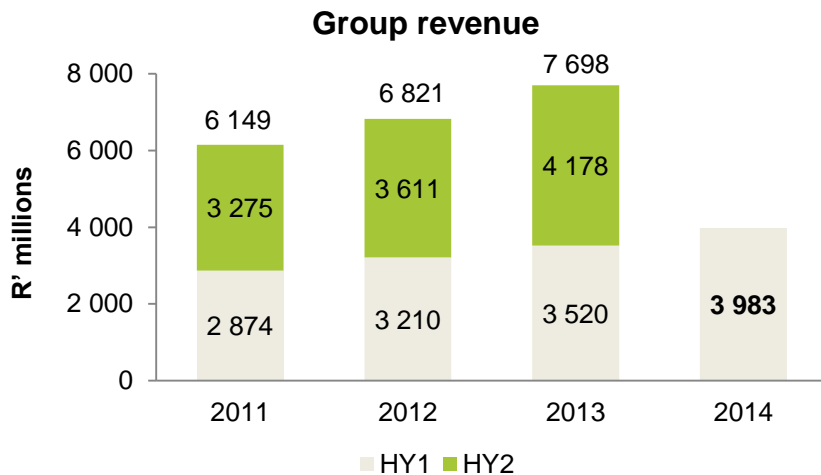


- **Half year 2014 in perspective and financial highlights**
- **Operating review**
- **Financial review**
- **Outlook**
- **Appendices**

Half year 2014 in context

- Subdued economic growth generally
- Interventions proactively implemented to mitigate
- Decline in fruit exports impacted corrugated sales
- Good growth in some sectors despite weak economy
- Productivity improvements contributed to profitability
- B-BBEE rating improved to level 5

Financial highlights



- Revenue up 13.2% to R4.0bn
 - Volume up 1.0%
 - Price and mix up 9.4%
 - Acquisition 2.8%

- Underlying operating profit up 14.5% to R270m
 - Margin up to 6.8% from 6.7%
 - Productivity gains offset under-recovery of raw material price increases
 - Fixed costs well controlled

- Underlying earnings per share up 19.2% to 91.8 cents

- ROCE up to 16.9% (June 2013: 15.5%)

- Interim dividend of 26cps, up 18.2%

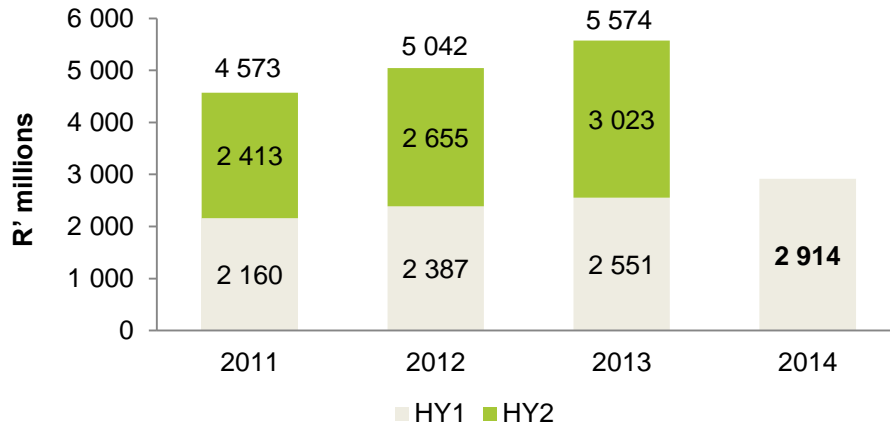
- Gearing down to 32.5% (June 2013: 35.6%)



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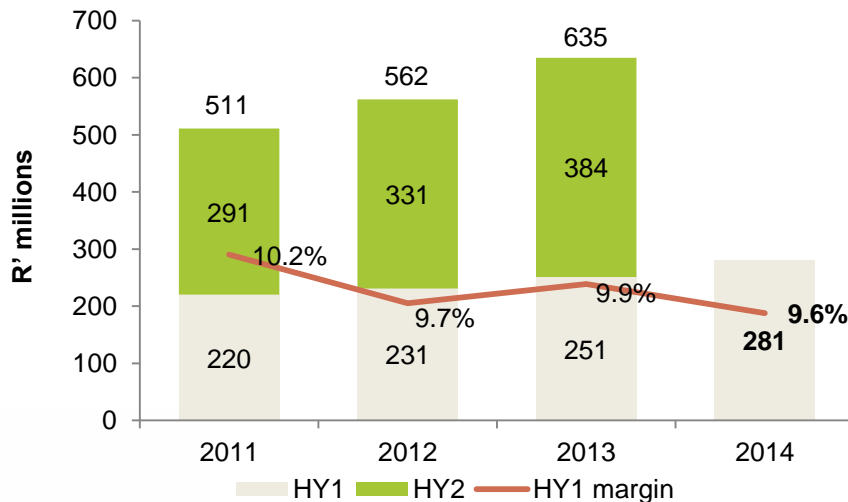
Paper business

External revenue

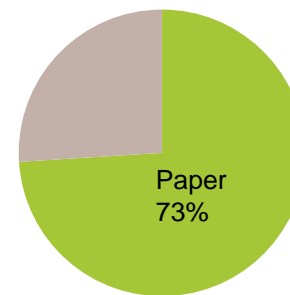


- Revenue up 14.2% to R2.9bn
 - Volumes up 1.2%
 - Price and mix 9.2%
 - Acquisition 3.8%
- Underlying operating profit up 11.7% to R281m
 - EBIT margin declined to 9.6% from 9.9%
 - Under-recovery of raw material prices

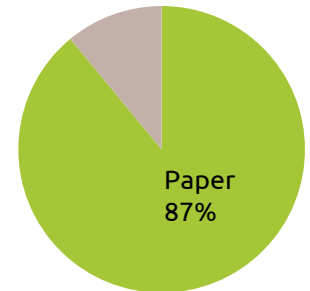
Underlying operating profit¹



Revenue

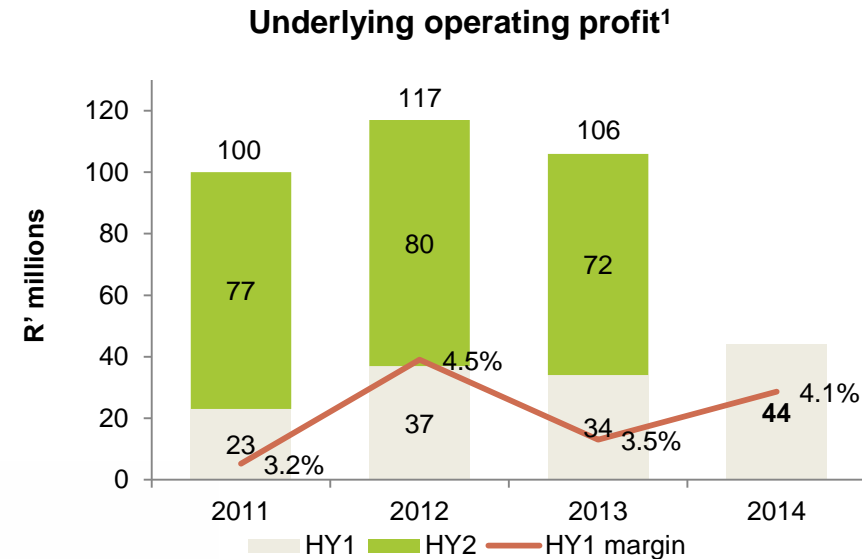
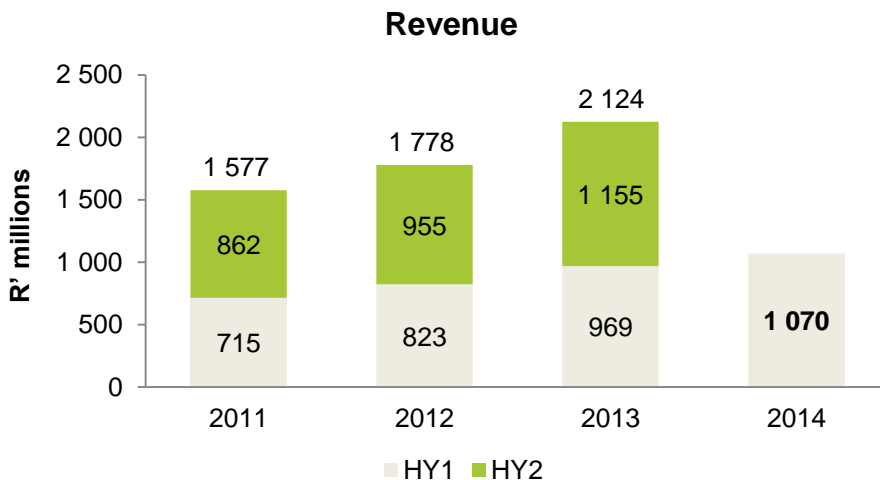


Operating profit

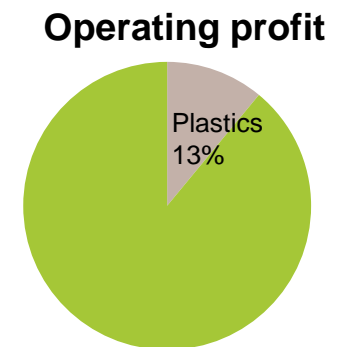
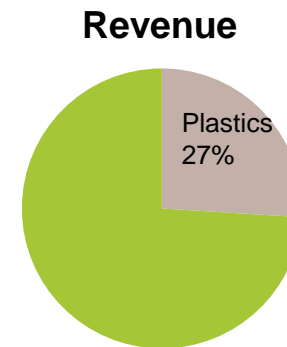


1. For comparative purposes, full year 2011 underlying operating profit has been restated to reflect corporate costs of R50 million directly attributable, but previously not charged to, the Paper business.

Plastics business



- Revenue up 10.4% to R1.1bn
 - Good volume growth in bins and crates, offset by FMCG
 - Average price and mix up 10.8%
- Underlying operating profit up 28.0% to R44m
 - Favourable product mix
 - Under-recovery of raw material price increases
- Restructure of FMCG business underway

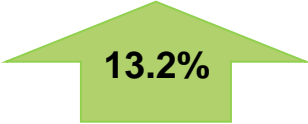

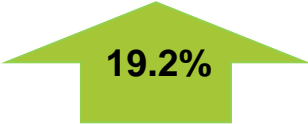
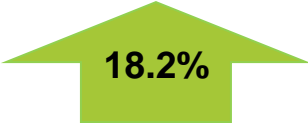




1. For comparative purposes, full year 2011 underlying operating profit has been restated to reflect corporate costs of R14 million directly attributable, but previously not charged to, the Plastics business.

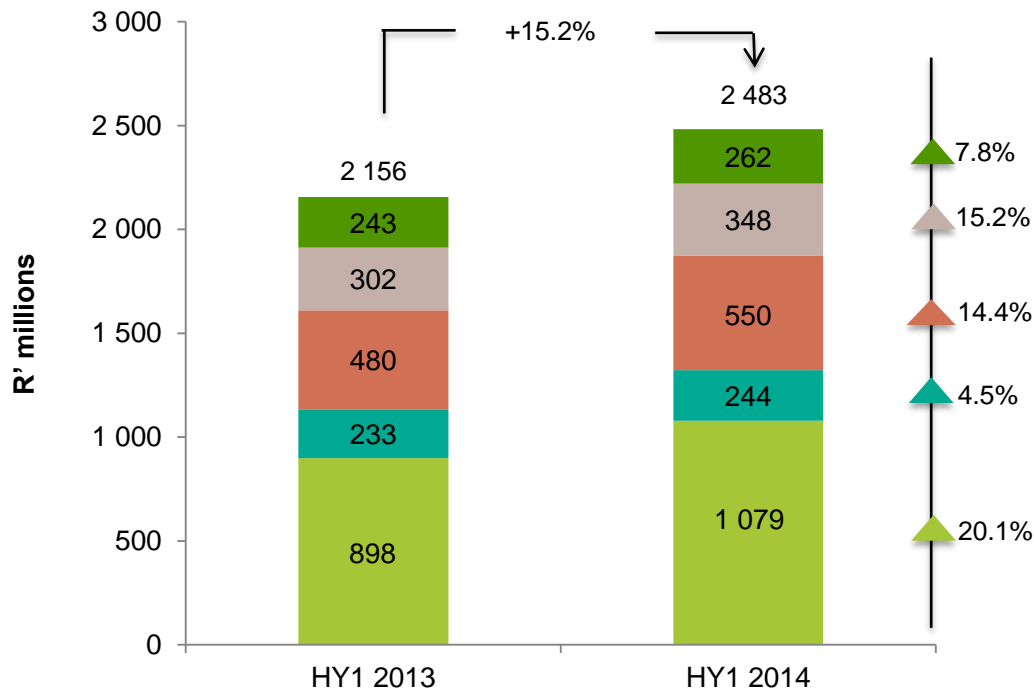


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Half year financial summary

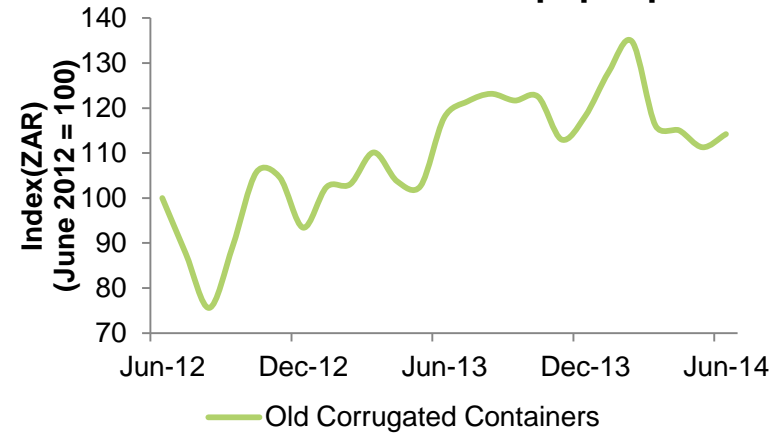
Revenue	 13.2%	R4.0 billion
Underlying operating profit	 14.5%	R270 million
Underlying EPS	 19.2%	91.8 cents per share
Interim dividend	 18.2%	26 cents per share
ROCE ¹	 1.4	16.9%
Gearing %	 3.1	32.5%

Variable costs



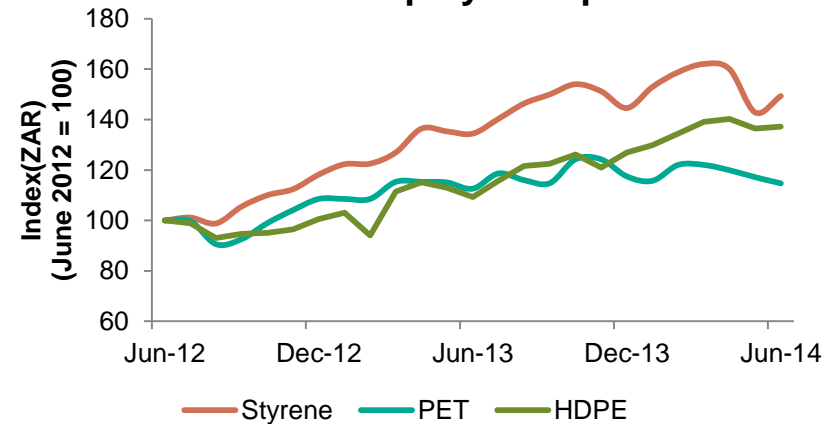
- Paper raw material costs up 20.1% (per ton up 17.6%)
 - Higher prices in pulp, recycled paper and whitetop liner
- Plastic raw material costs up 14.4% (per ton up 14.8%)

International recovered paper prices



Source: RISI – PPI Asia, Old Corrugated Containers, CNF China US\$, converted to ZAR

Benchmark polymers prices

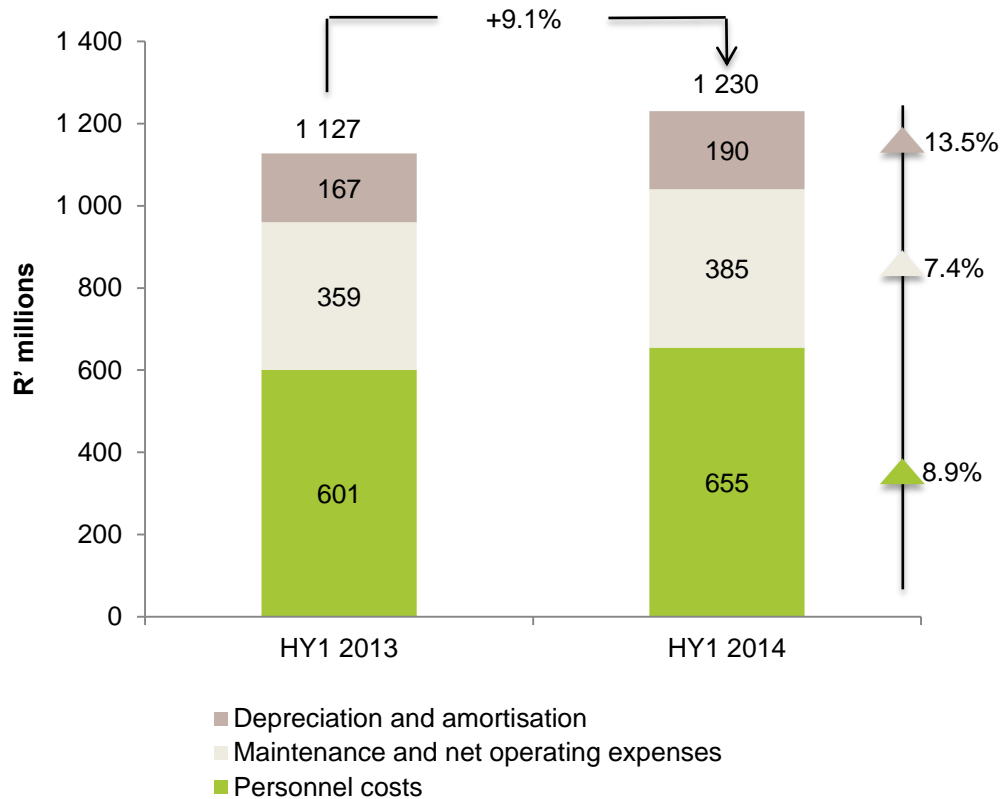


Source: Mpact

Notes:

1. Paper business raw material include purchased paper, wood, pulp, bagasse and recovered paper.
2. Plastic raw materials include styrene, PET, HDPE, PVC and polypropylene.
3. Other variable costs include chemicals and packaging costs.

Fixed costs

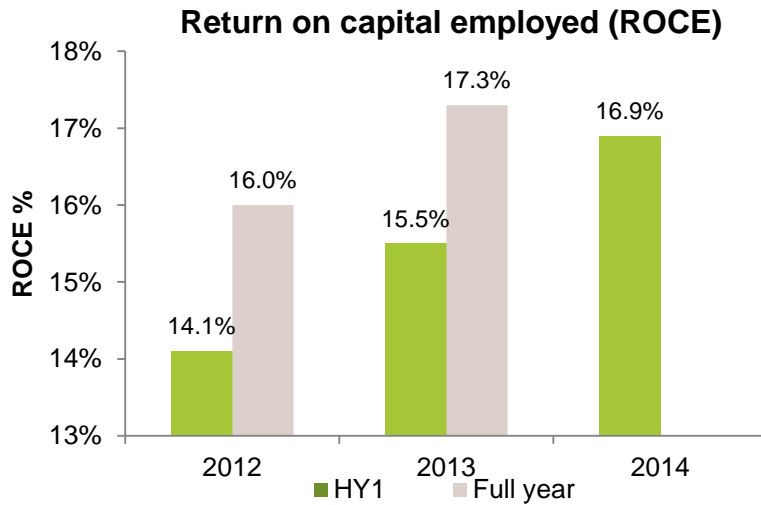


- As reported, total fixed costs up 9.1%:
 - Excluding acquisition up 6.8% (per ton up 5.8%)
- Higher depreciation and amortisation:
 - Higher capital expenditure levels result in benefit in maintenance cost
- Continued focus on cost management

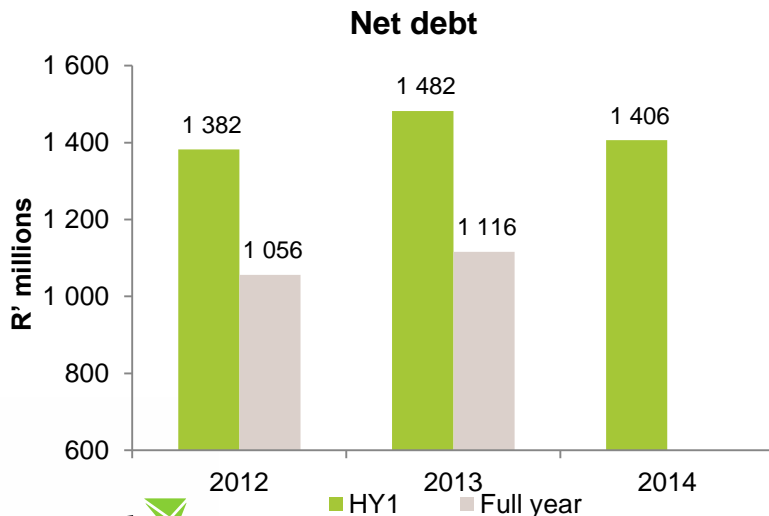
Financial review

R' millions	HY1 2013	HY1 2014	Change
Underlying operating profit ¹	236	270	14.5%
Net finance cost	(60)	(60)	-
Share of profit from equity accounted investees	4	3	(22.5%)
Underlying operating profit before tax	180	213	18.5%
Tax before special items	(51)	(64)	24.5%
Total non-controlling interests	(3)	(0)	100%
Earnings for the period	126	149	18.5%
Underlying earnings per share (cents)	77.0	91.8	19.2%

ROCE and net debt

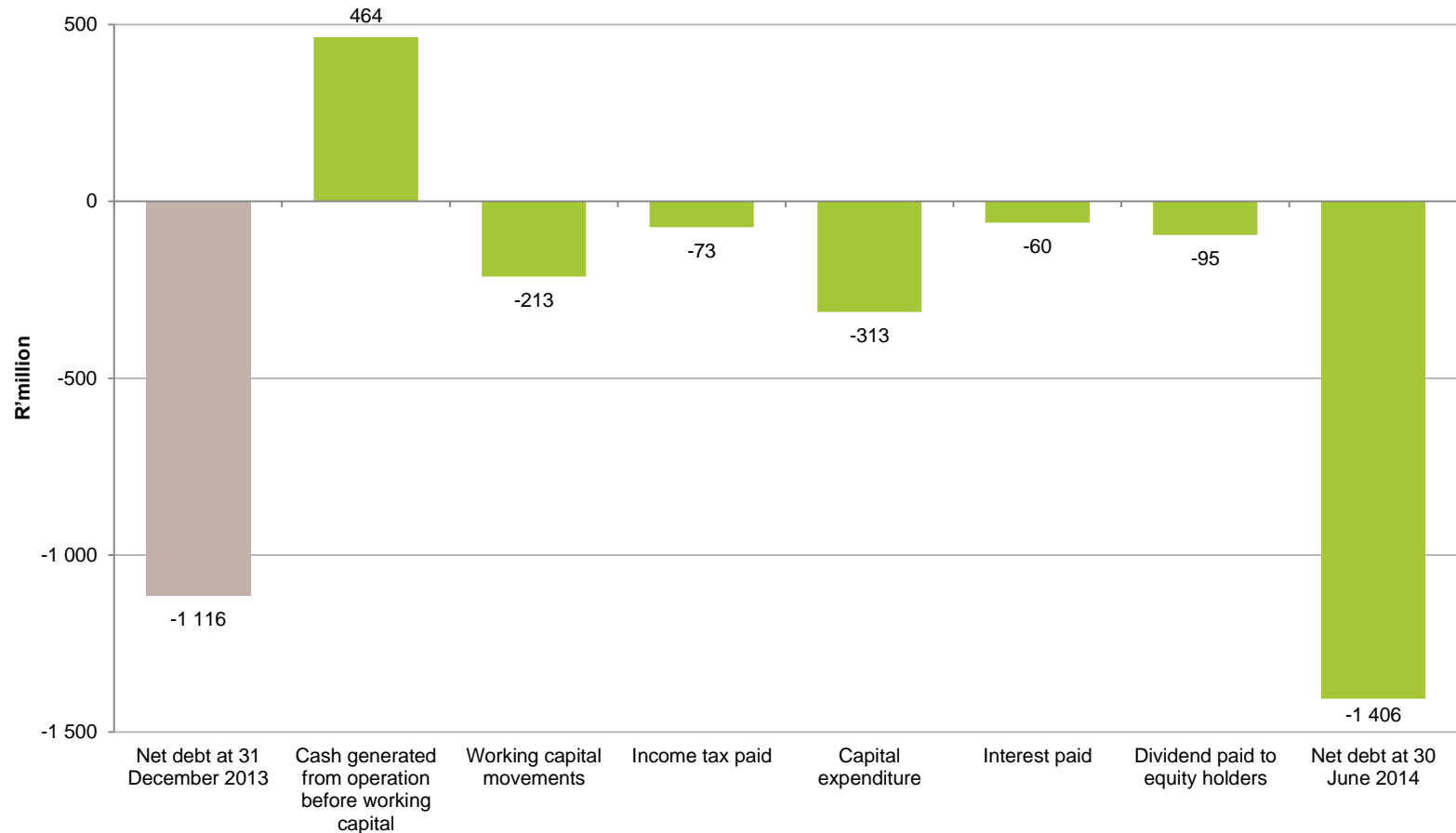


- ROCE of 16.9% as a result of improvement in profitability



- Gearing down to 32.5% (June 2013: 35.6%)
- Net debt at R1.4bn

Movements in net debt



- Reduction in net debt when compared to same period last year

Net finance costs and net debt

R'millions	Full year 2013	HY1 2013	HY1 2014	Change vs. HY1 2013
Net debt - close	1,116	1,482	1,406	(5.1%)
Net debt - average	1,332	1,420	1,358	(4.4%)
Net finance costs	114	60	60	-
Gearing %	28.1%	35.6%	32.5%	(3.1)
Interest cover (underlying EBIT)	5.7 times	4.0 times	4.6 times	
Net debt to EBITDA	1.1 times	1.6 times	1.3 times	

- Net finance costs at R60.0m:
 - Higher interest rates offset by lower average net debt
- Re-financing of current debt facilities
- Capital commitment of R1.2bn mainly due to the Felixton upgrade project, rPET project

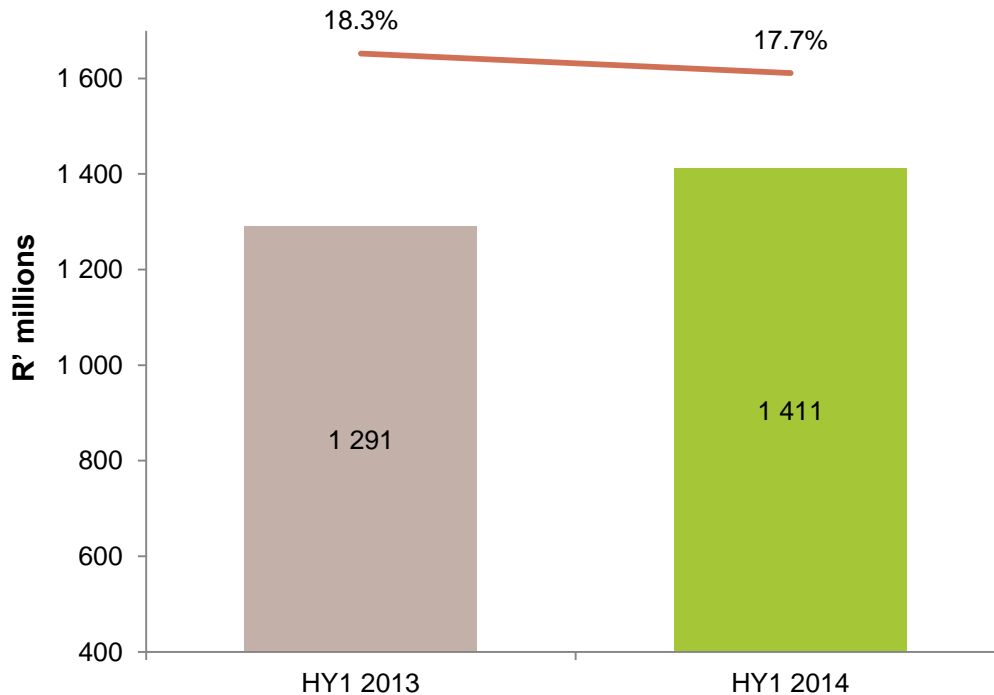
Taxation

R' millions	HY1 2013	HY1 2014	Change
Taxation charge	51	64	24.5%
Effective tax rate	28.6%	30.0%	1.4
Tax paid	11	73	(>100%)

- Effective tax rate of 30.0% higher than HY1 2013
 - Current year tax losses in Group subsidiaries not recognised
- Higher tax paid due to assessed loss in Mpact Ltd fully utilised in 2013

Working capital

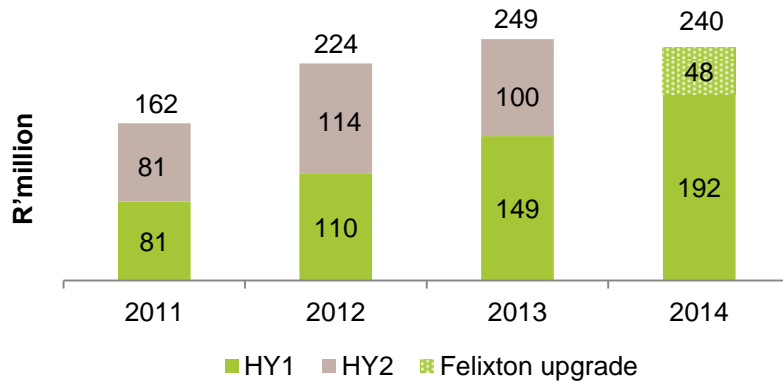
Working capital % of revenue



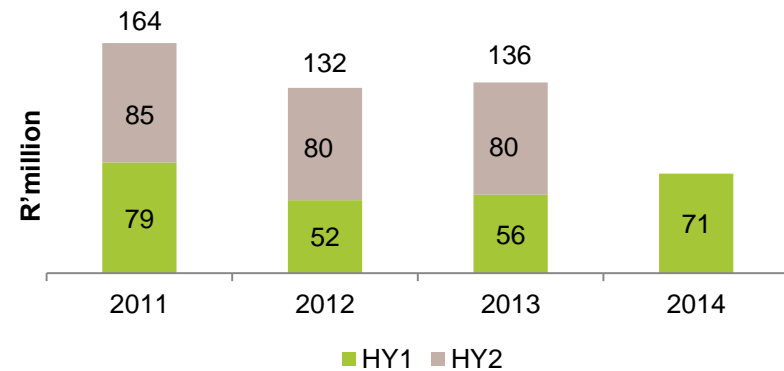
- Working capital increase below revenue and cost increases
- Higher closing stock of finished goods

Capital expenditure cash flows

Paper business



Plastics business



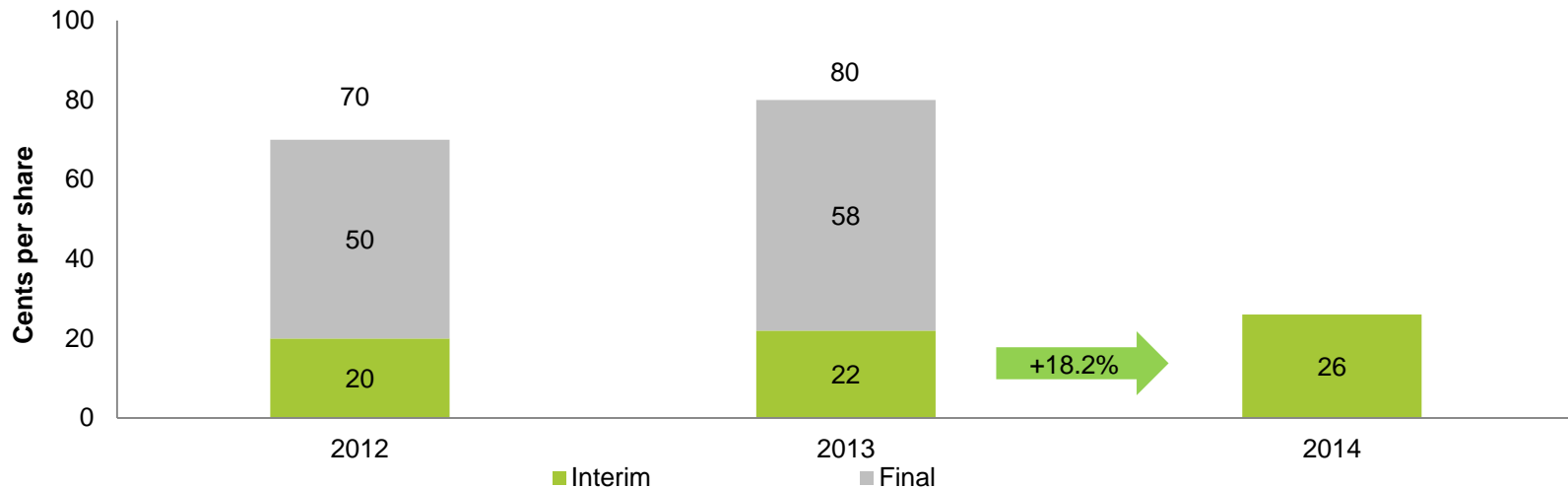
Capital commitments at 30 June 2014 R'm

Total commitments	1,189
Spend within 1 year	738
Spend between 1 to 5 years	451

Capital commitments made up of major spend relating to:

- Felixton upgrade: R717m
- rPET: R330m

Dividends



	2012	2013	2014 HY1
Trailing 12 months cover (times)	2.7	2.8	3.0

Salient dates for the interim 2014 dividend:

Last day to trade to receive a dividend	Friday, 5 September 2014
Shares commence trading “ex” dividend	Monday, 8 September 2014
Record date	Friday, 12 September 2014
Payment date	Monday, 15 September 2014

- Option to elect to receive capitalisation shares as an alternative to cash dividends



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Outlook

- Modest economic growth in South Africa
- Cost inflation
- Confidence in strategy, market positions and ability to generate shareholder returns
- Investment opportunities
- R350 million rPET project
- Plastics' FMCG business Robertville closure
- Impact of industry-wide strikes during July may be partially offset by year end

rPet Project (Mpact Polymers)

Total investment		R350 million
Commissioning		2H2015
Capacity		21,000 tons of recycled PET per annum
Rationale and benefits	<ul style="list-style-type: none"> ▪ Exceeds Mpact's minimum investment criteria over the period ▪ Production of bottle grade recycled PET pellets for use in plastic packaging ▪ Leverage Mpact's recycling network ▪ Improved environmental performance for Mpact, its customers and the community ▪ Job creation in the recycling industry ▪ Qualifies for S12I tax incentive 	
Funding	<ul style="list-style-type: none"> ▪ Shareholder loan from Mpact utilising existing facilities ▪ Shareholder loan and debt facilities from the IDC 	
Shareholding	<ul style="list-style-type: none"> ▪ Mpact: 79% ▪ IDC: 21% 	



Thank you

Capital investments

2700T Injection Moulding Machine



Ward Die Cutter



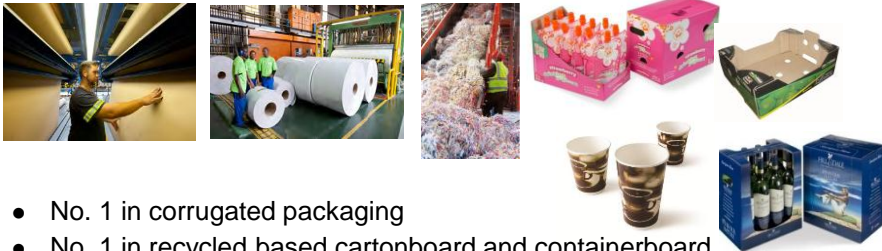
Mpact business overview

Mpact

Paper

Primary product categories

- Recovered paper collection
- Packaging and industrial papers such as cartonboard and containerboard
- Corrugated packaging
- Detpak – Quick Service Restaurant (QSR) packaging



- No. 1 in corrugated packaging
- No. 1 in recycled based cartonboard and containerboard
- No. 1 in recovered paper collection

Plastics

Primary product categories

- PET bottles and preforms, hot fill bottles, PET jars and closures
- Large injection moulded containers
- PET and styrene trays, fast food containers and clear plastic films
- Other plastic packaging



- No. 1 in PET preforms
- No. 1 in styrene trays
- No. 1 in plastic jumbo bins

CENTRES OF EXCELLENCE

Human Resources, Safety, Health, Environment

SHARED SERVICES

Finance, IS&T, Stellenbosch R&D

Employing 4,000 people, 32 operating sites

Sources: Mpact, BMI Report (2013), PAMSA and PRASA

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.