

RESULTS PRESENTATION

for the year ended 31 December

2017



- **2017 IN CONTEXT**
- FINANCIAL REVIEW
- OPERATING REVIEW
- FINANCIAL PERFORMANCE
- OUTLOOK

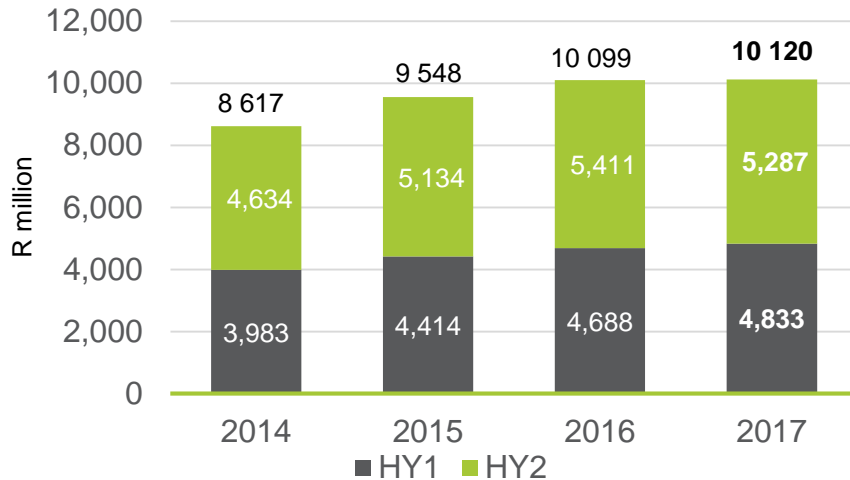
2017 in context

- The most challenging year
 - Persistent subdued consumer confidence and demand
 - Record high recovered paper costs
 - Supply shortage of virgin PET raw material during peak production period
 - Drought in the Eastern Cape and Western Cape
 - Mpact Polymers targets not yet realised
- Good progress on strategic investments such as
 - Felixton mill rebuild, Jumbo bin expansion, new closure lines, corrugators (PE and Brakpan)
- Awarded contracts for continued supply of preforms and closures as well as distribution of containerboard
- Product innovation – Gold Pack and Fta Flexographic awards
- Mpact Foundation Trust – 22 bursaries awarded
- R950 million debt successfully re-financed

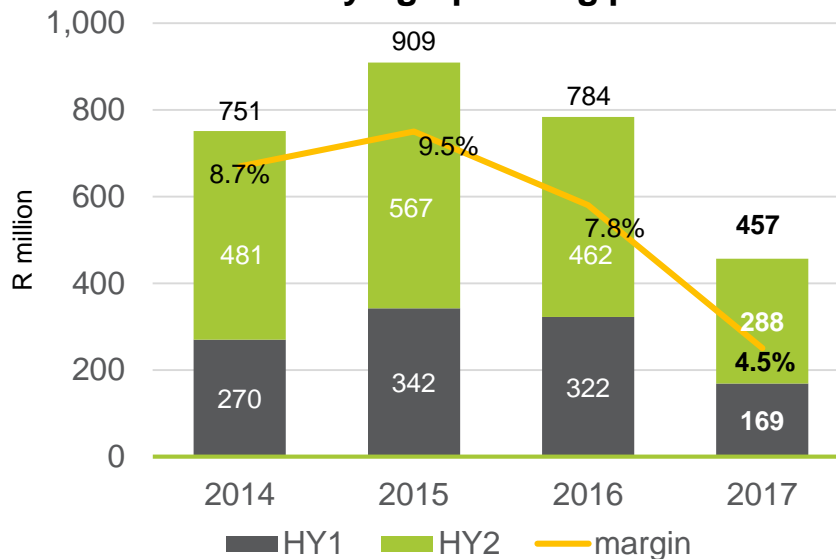
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Financial review

Group revenue



Underlying operating profit



- Revenue in line with prior year
 - External sales volumes were unchanged
 - Domestic volumes down 4.3% offset by increased exports
 - Subdued demand – consumer spending and drought

- Underlying operating profit down to R457m
 - Higher recovered paper costs
 - Felixton mill planned shut R30m (non-recurring)
 - Virgin PET resin shortage

- Underlying earnings of 166.3 cents per share

- Gearing at 34.8% (December 2016: 33.6%)

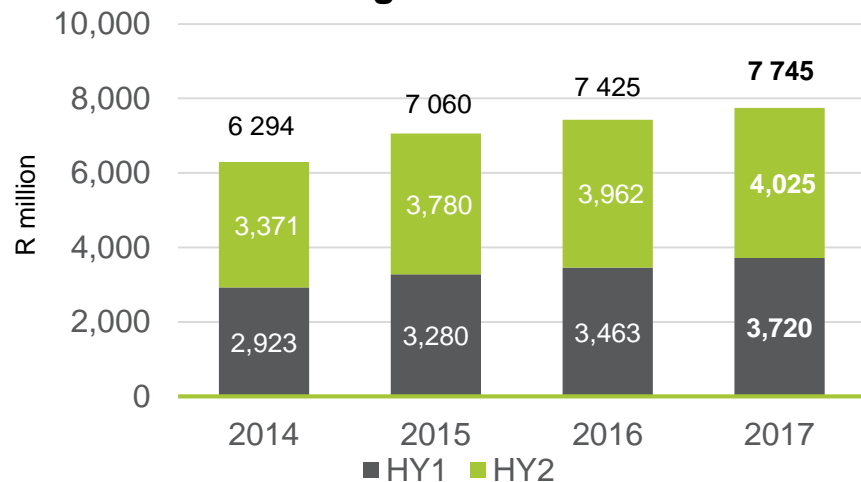
- ROCE of 7.7% (December 2016: 14.2%)

- Total dividend of 55 cps

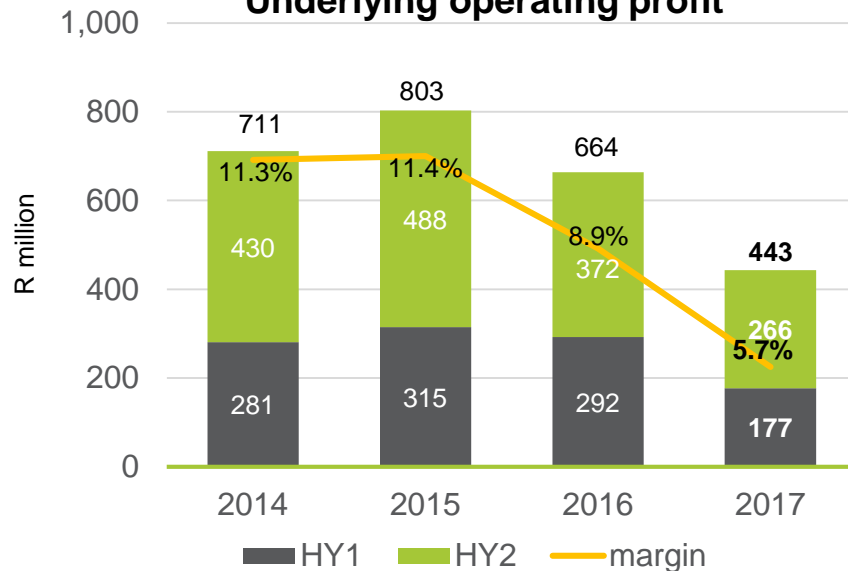
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Paper business

Segment revenue



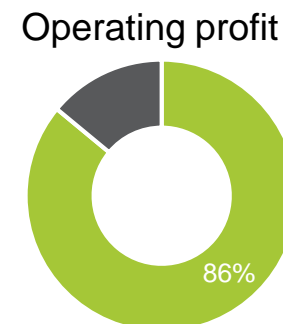
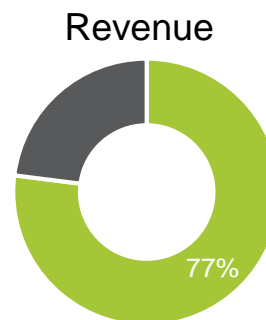
Underlying operating profit



- Revenue up 4.3% to R7.7bn
 - Sales volumes in line with prior year
 - Lower domestic volumes of 4.1% offset by increased exports
 - Average prices adversely affected by sales mix
 - Drought affecting fruit packaging volumes

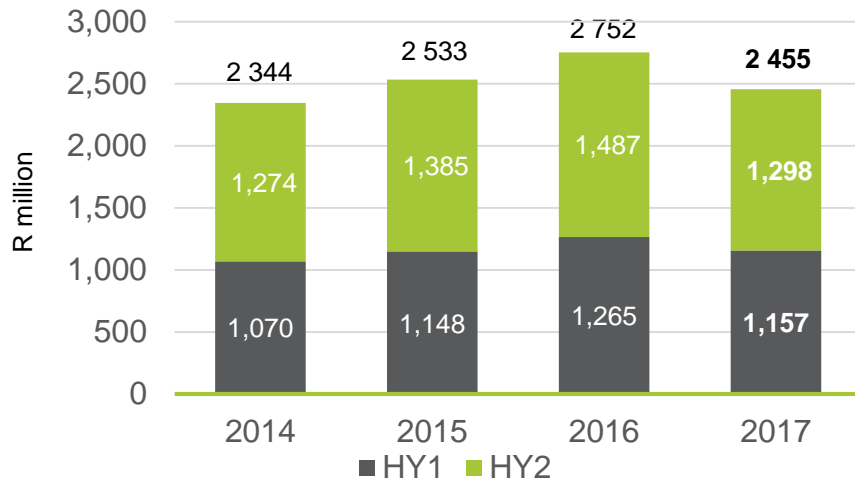
- Underlying operating profit down to R443m
 - Higher recovered paper costs
 - Supply demand imbalance
 - Change in Chinese import regulation
 - Benchmark prices peaked mid-year
 - Felixton mill planned shut R30m (non-recurring)

- Demand for Felixton mill products encouraging

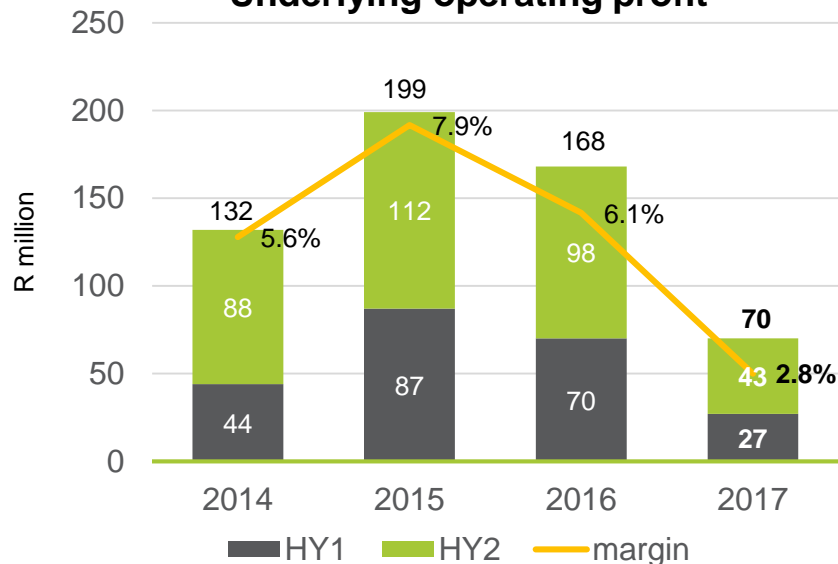


Plastics business

Segment revenue

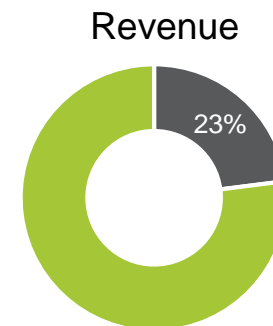


Underlying operating profit



- Revenue down 10.8% to R2.5bn
 - Plastics converting volumes down 6.9%
 - Zimbabwe closure in prior year and virgin PET resin shortage
 - Lower average price, adverse sales mix

- Underlying operating profit down to R70m
 - Plastics converting of R142m offset by loss in Mpac Polymers
 - Subdued demand and increased competition in trays and films
 - Lower sales volumes
 - Mpac Polymers loss decreased by R14m


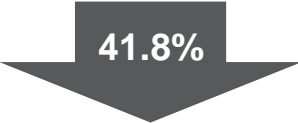
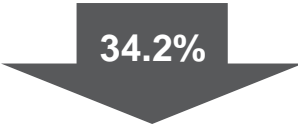
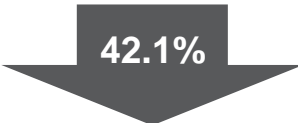




Notes:

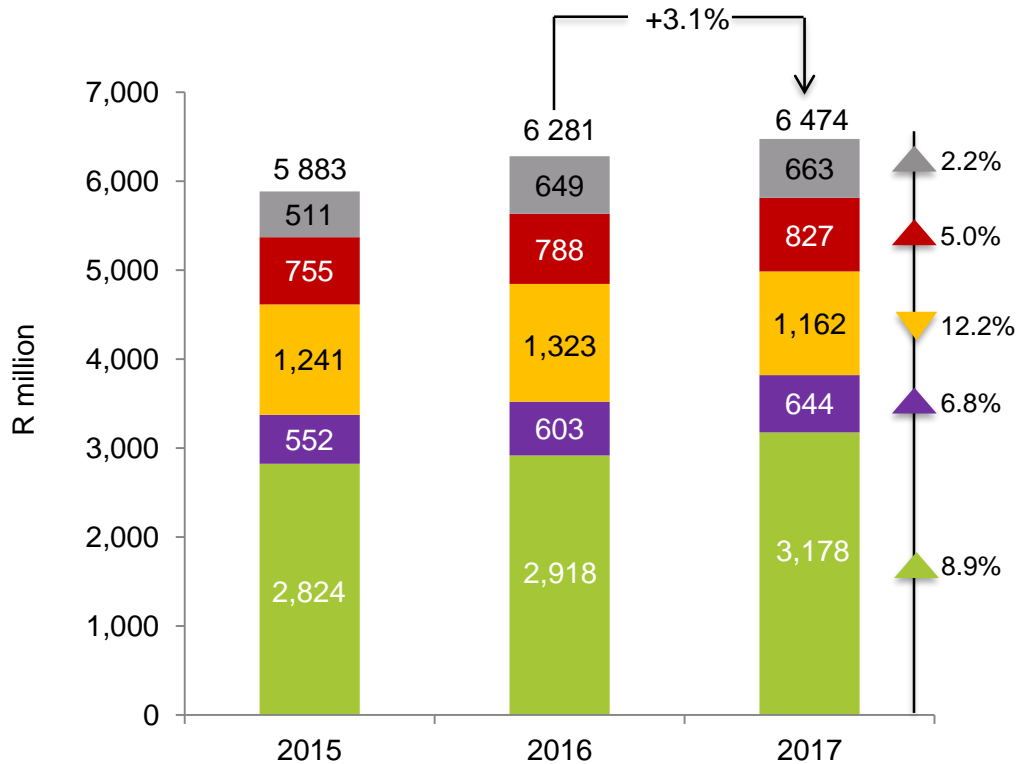
1. Plastics converting is defined as the Plastics business excluding Mpac Polymers.

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Financial summary

Revenue	 0.2%	R10.1 billion
Underlying operating profit	 41.8%	R457 million
Underlying EPS	 34.2%	166 cents per share
Total dividend	 42.1%	55 cents per share
ROCE	 6.5	7.7%
Gearing %	 1.2	34.8%

Variable costs

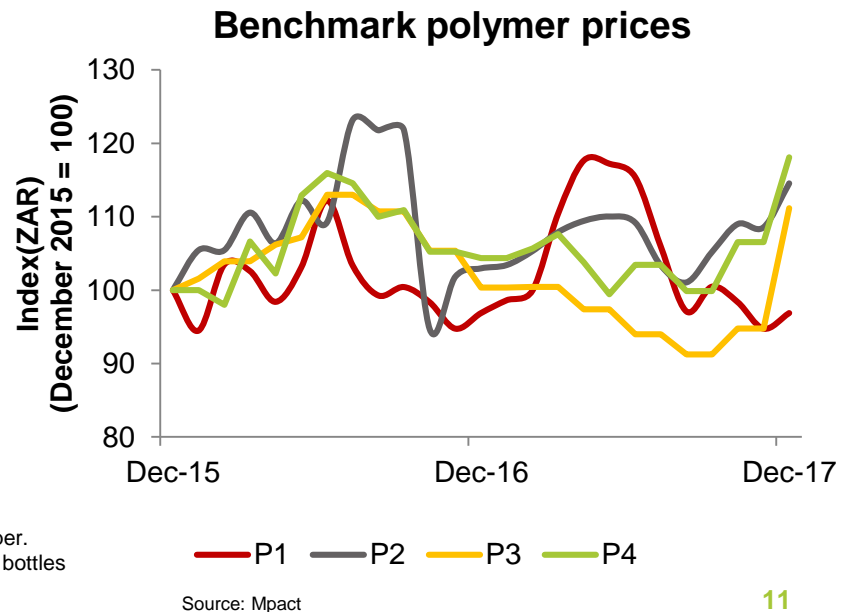
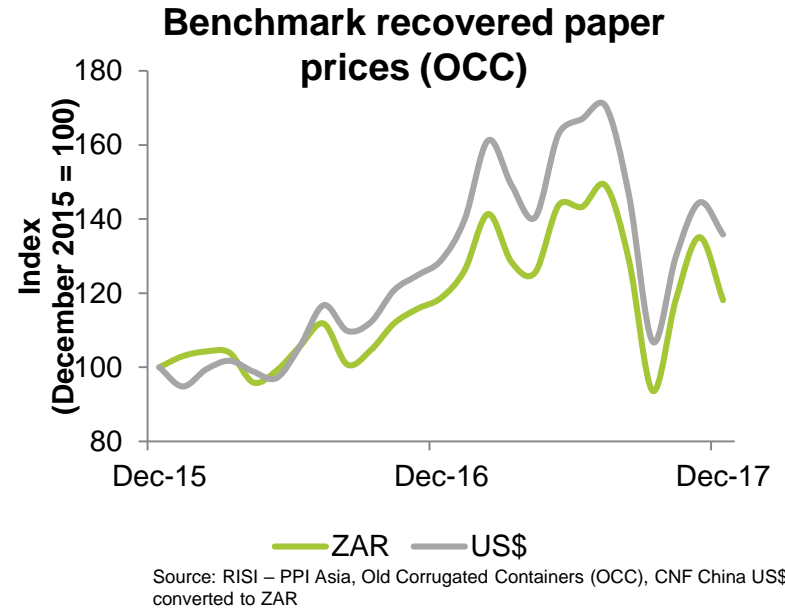


■ Paper business raw materials¹ ■ Energy
■ Plastic raw materials² ■ Selling & distribution costs
■ Other³

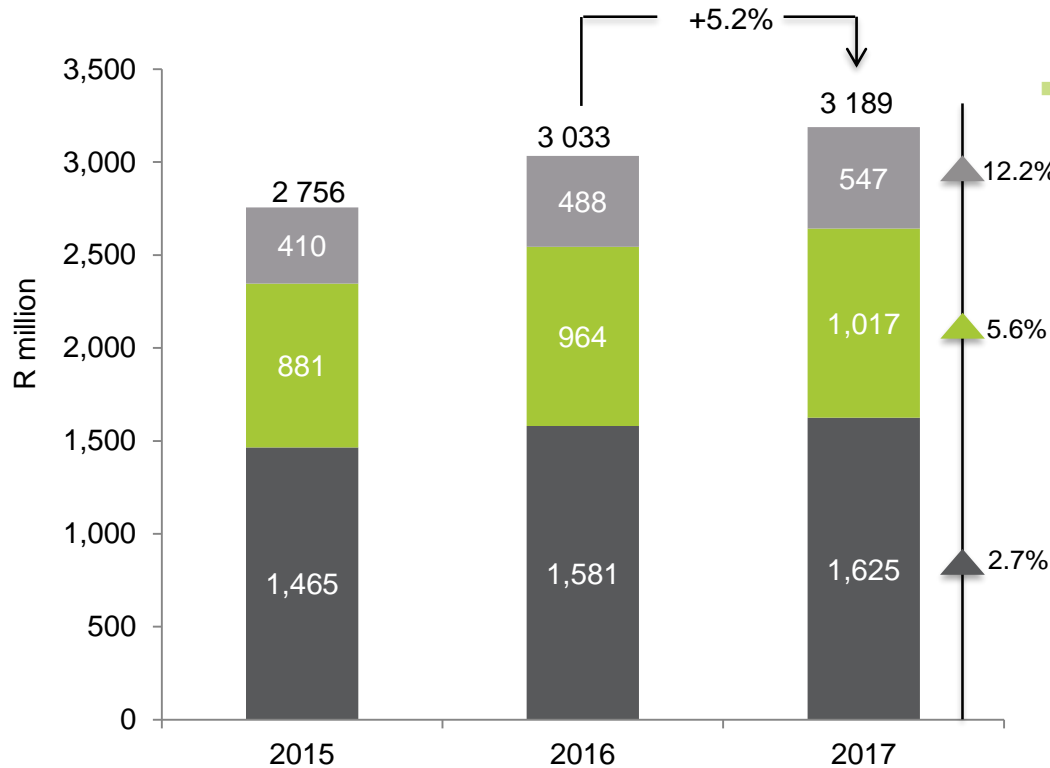
- Higher recovered paper cost
- Lower plastic raw material cost
 - Volumes down 6.8%
 - Customer moving to hard-tolling arrangement

Notes:

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



Fixed costs



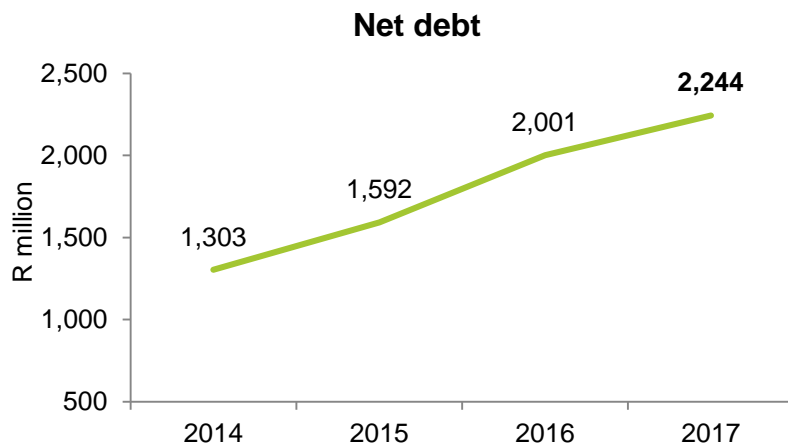
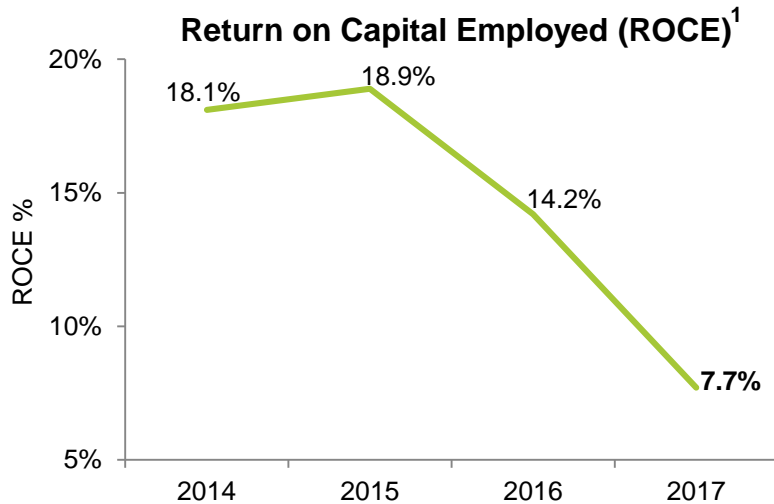
- Depreciation and amortisation
- Maintenance and net operating expenses
- Personnel costs

- Fixed cost, excluding depreciation and amortisation up 3.8%
 - Personnel cost on a continuing basis increased by 4.0%
 - Lower performance bonus provision
 - Reduced overtime worked
 - Cost capitalised to the Felixton mill upgrade project
- Depreciation up 12.2%
 - Completed capital projects

Financial review

R million	2016	2017	change	HY1 2016	HY2 2016	HY1 2017	HY2 2017
Underlying operating profit	784	457	(41.8%)	322	462	169	288
Net finance costs	(191)	(203)	(6.1%)	(91)	(100)	(100)	(103)
Earnings from equity accounted investees, profit on disposals and other fair value gains	24	20	(17.0%)	6	18	5	15
Underlying profit before tax	617	274	(55.6%)	237	380	74	200
Tax (charge)/credit before special items	(191)	21	(>100%)	(82)	(109)	(22)	43
Non-controlling interests	(6)	(12)	>100%	3	(9)	6	(18)
Underlying earnings	420	283	(33.3%)	158	262	58	225
Special items, net of tax	(30)	(7)	76.7%	0	(30)	0	(7)
Reported earnings for the year	390	276	(29.6%)	158	232	58	218
Underlying earnings per share (cps)	252.7	166.3	(34.2%)	95.2	157.5	34.3	132.0

ROCE and net debt

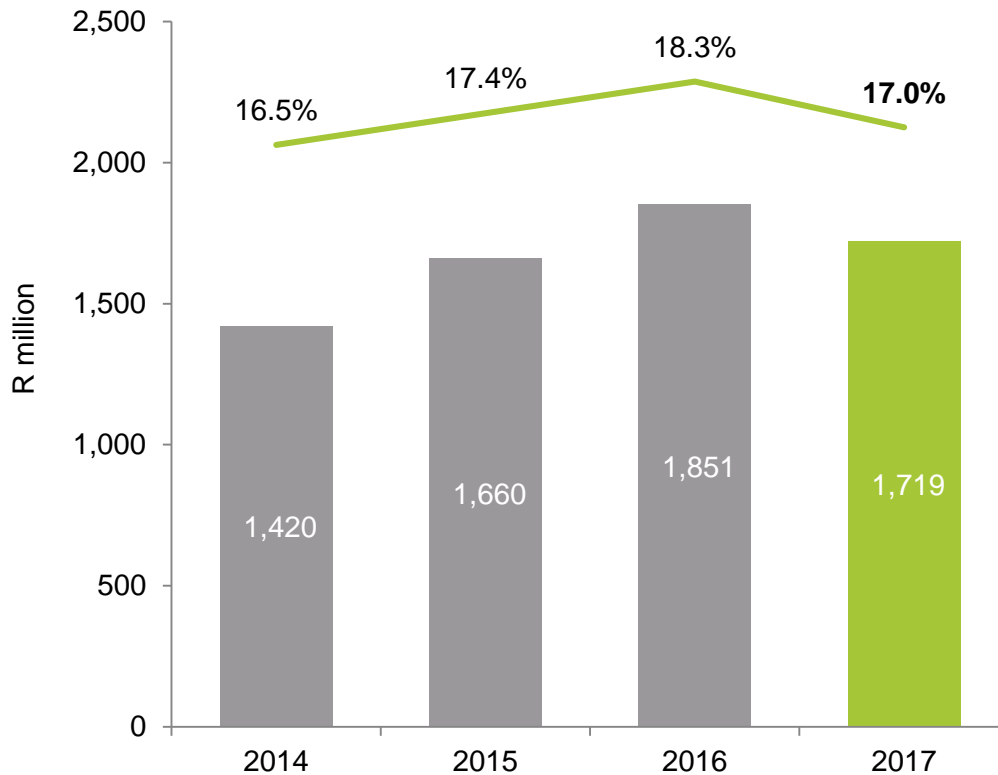


- ROCE of 7.7% (December 2016: 14.2%)
 - Investments in new capital projects and weaker trading
- Net debt increased to R2.2bn
 - Investments in capital projects offset by
 - Improvement in trade working capital
- Gearing at 34.8% (December 2016: 33.6%)

1. Return on Capital Employed (ROCE) is based on underlying operating profit plus share of equity accounted investees' net earnings divided by average capital employed before impairments.

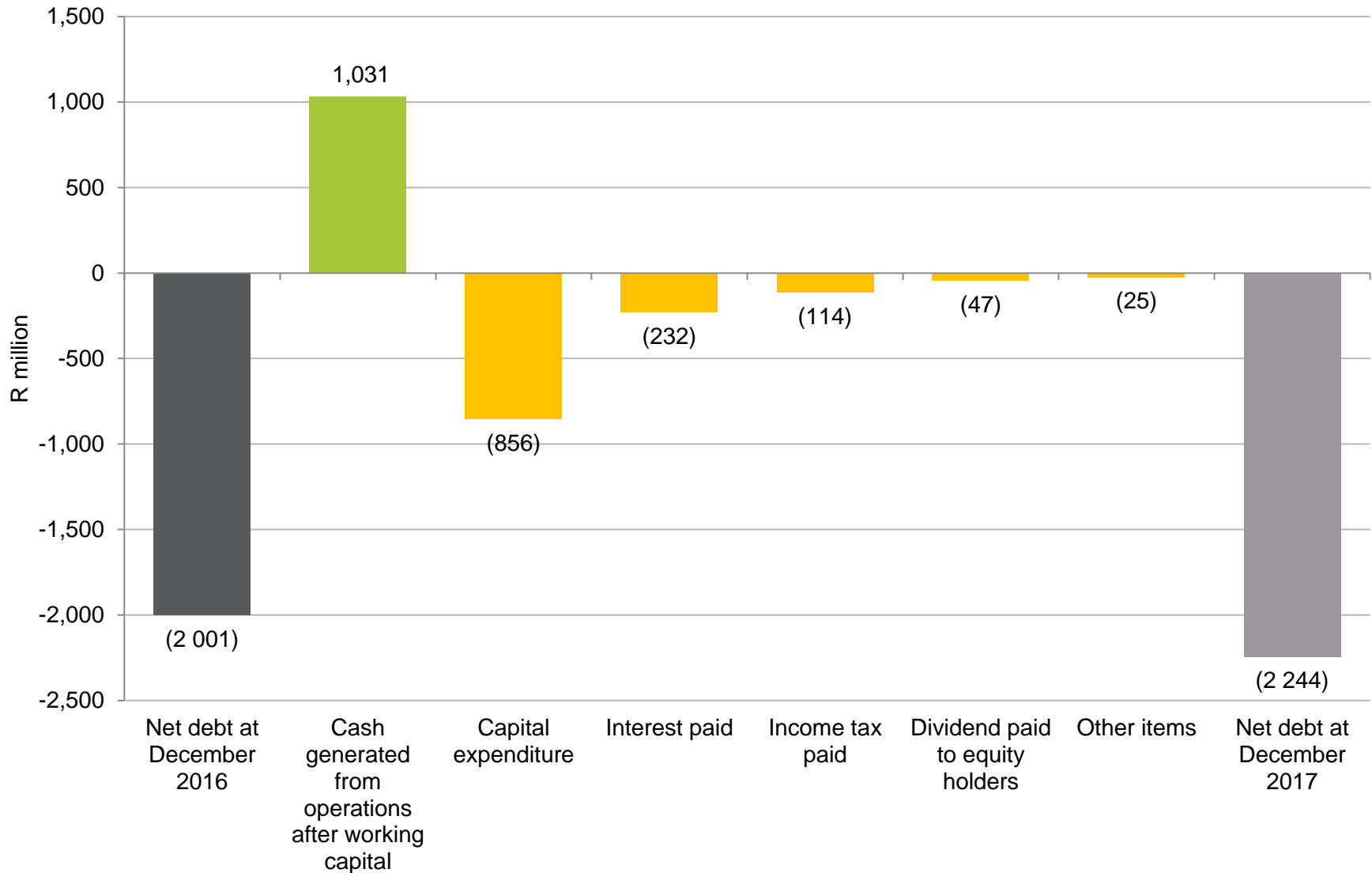
Trade working capital

Trade working capital % of revenue



- Lower finished goods stock at the Paper mills
- Increased purchases at favourable terms

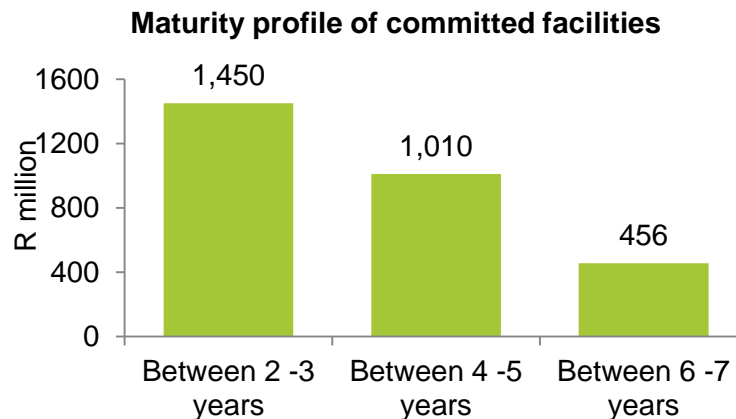
Movement in net debt



Net finance cost and net debt

R million	2016	2017	change
Net debt - close	2 001	2 244	12.1%
Net debt - average	1 964	2 316	17.9%
Net finance costs	191	203	6.1%
Gearing %	33.6%	34.8%	1.2
Interest cover (underlying EBIT) (times)	4.1	2.3	
Net debt to EBITDA (times)	1.6	2.2	

- Net finance cost higher by 6.1%
 - Borrowing cost capitalised on the Felixton mill project of R27.5m
 - Excluding borrowing cost, net finance cost increased by 14.3%
- Average net debt up 17.9%
- Successfully completed the re-financing of R950m



1. Includes Standard Bank & RMB, KZN Growth Fund and IDC committed facilities.

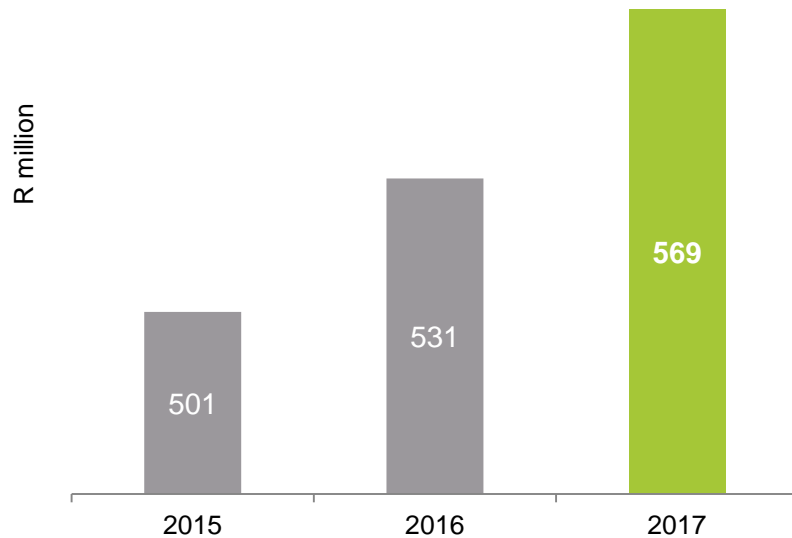
Taxation

R million	2016	2017	change
Taxation charge/(credit)	183	(26)	(>100%)
Effective tax rate	31.5%	(10.1%)	(>100%)
Tax paid	142	114	19.7%

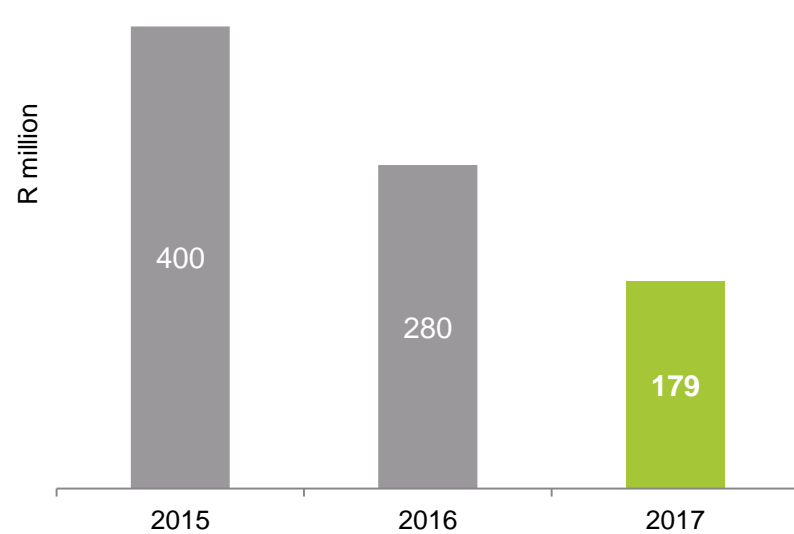
- Effective tax rate negative, primarily due to:
 - Tax benefits received from S12I incentives
 - Felixton mill upgrade project (R114m) and other qualifying assets (R8m)
 - Deferred tax on certain tax losses not recognised in Mpact Polymers

Capital expenditure cash flows¹

Paper business

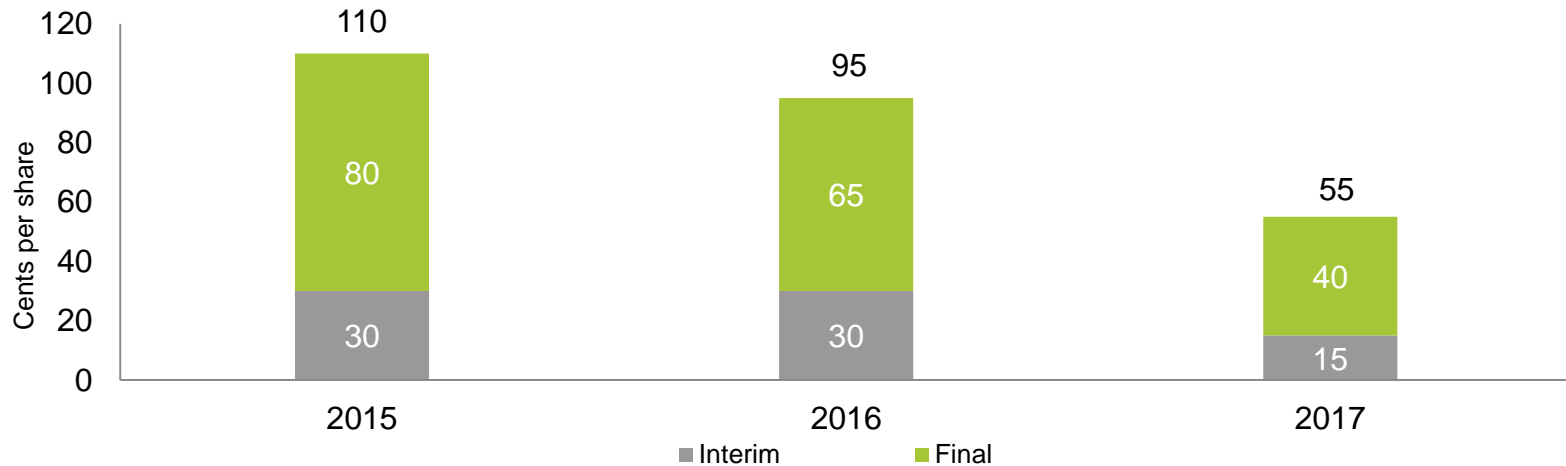


Plastics business



1. Excludes Corporate capital expenditure of R100 million which comprise spends related mainly to the purchase of Land and Buildings.

Dividends



- Scrip distribution with an option to receive a cash dividend

Salient dates for the 2017 Final Scrip Distribution and Cash Dividend alternative

Last day to trade to be eligible for the Scrip Distribution and Cash Dividend alternative	Monday, 26 March 2018
Shares commence trading "ex" the Scrip Distribution and Cash Dividend alternative	Tuesday, 27 March 2018
Record date in respect of Scrip Distribution and Cash Dividend alternative	Thursday, 29 March 2018
Scrip Distribution certificates posted and Cash Dividend payments	Tuesday, 3 April 2018

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Outlook

- Encouraged by improved consumer and business confidence
 - Possibly tempered by factors such as drought, higher VAT rate, sugar tax and increased competition
- Capital investments expected to contribute to future earnings
- Improvement in Mpact Polymers albeit at a slower rate than initially planned
- Planning to reach Felixton design capacity by year-end
- Lower recovered paper prices
- Focus on earnings growth initiatives and project optimisation