

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: ZAE 000156501
("Mpact" or "the Group" or "the Company")

AUDITED PRELIMINARY SUMMARISED CONSOLIDATED ANNUAL RESULTS FOR THE YEAR ENDED
31 DECEMBER 2018 AND DECLARATION OF CASH DIVIDEND

SALIENT FEATURES

- Revenue up 5% to R10.6 billion
- Underlying operating profit up 47% to R672 million
- Underlying earnings per share up 25% to 208.0 cents
- Return on Capital Employed ("ROCE ") increased to 10.7%
- Gearing improved to 32.2%
- Total gross dividend increased 27% to 70 cents per share

COMPANY PROFILE

Mpact is the largest paper and plastics packaging business in southern Africa, with leading market positions in recovered paper collection, corrugated packaging, recycled-based cartonboard and containerboard, polyethylene-terephthalate ("PET ") preforms and trays, recycled PET ("rPET ") and plastic jumbo bins. These leading market positions allow Mpact to meet the increasing requirements of its customers and achieve economies of scale and cost effectiveness at its various operations.

Mpact's integrated business model is uniquely focused on closing the loop in plastic and paper packaging through recycling and beneficiation of recyclables.

As at 31 December 2018 Mpact employed 5,062 people (December 2017: 4,889 people) and had 40 operating sites, 21 of which are manufacturing operations, located in South Africa, Namibia, and Mozambique. Sales in South Africa account for approximately 87% of Mpact's total revenue for the current year while the balance was predominantly to customers in the rest of Africa.

GROUP PERFORMANCE

The Group's financial results reflect a strong trading performance in the second half of the year in the Paper business which benefitted from the Felixton mill upgrade, lower recovered paper prices and increased corrugated packaging sales. In contrast, the Plastics business had a difficult year.

Group revenue of R10.6 billion was 4.9% higher than the prior year, with external sales volumes in line with the prior year.

Underlying operating profit increased by 47.3% when compared to the prior year to R672.4 million, and Return on Capital Employed improved to 10.7% (2017: 7.7%).

Paper business

Segment revenue increased by 7.0% to R8.3 billion. External sales volumes, excluding recycling, increased by 3.7% with higher sales volumes of containerboard and corrugated packaging.

The increase in containerboard sales volumes was due to higher production following the Felixton mill upgrade. Growth in fruit packaging, volumes predominantly in citrus, avocados and bananas, was partially offset by declines attributable to the drought in the Eastern and Western Cape.

Underlying operating profit increased by 56.7% to R694.4 million as a result of improved gross profit. Margins increased as a result of a lower recovered paper costs and higher global containerboard prices.

Plastics business

Segment revenue of R2.4 billion was 3.0% lower than the prior year. Sales volumes in the Plastics Converting business were down 10.6% as a result of backward integration by customers and the effects of the sugar tax on preform sales. In addition, crate and jumbo bin sales were lower than the prior year due to subdued demand attributable in part to the drought.

Underlying operating profit of R49.5 million declined 29%. The FMCG business had a pleasing year but the challenges in trays and films continued.

The delays in turning the performance of our PET recycling plant around were disappointing. The Mpact Polymers' balance sheet was successfully restructured during the year with support from the Industrial Development Corporation ("IDC "), the other shareholder in the business. It did however take longer than expected to negotiate the terms of the restructuring which delayed us ordering the much needed bottle washing and wet grinding equipment. The new washing line was eventually installed in February 2019 and the wet grinding equipment is scheduled to be installed at the end of April 2019. As part of the restructure, the IDC increased its shareholding by 10% to 31% and R146 million of senior debt was converted into an

interest free loan.

Net finance costs

Net finance costs increased by 8.5% to R219.9 million (December 2017: R202.6 million) due to R28 million of interest capitalised to the Felixton mill upgrade project in the prior year.

Tax

The Group tax expense for the year was R102.2 million, resulting in an effective tax rate of 23.8% (2017: tax income of R26.4 million, which resulted in an effective tax rate of -10.1%). The current year effective tax rate of 23.8% is lower than the statutory rate mainly due to the recognition of certain assessed tax losses not previously recognised and the benefit of S12I tax incentives on other qualifying assets. The decrease was partially offset by the non-recognition of deferred tax on certain tax losses in Mpact Polymers. In the prior year, the Group benefited from a S12I tax incentive of R114 million on the Felixton mill project.

Earnings per share

Basic and headline earnings per share for the year were 185.1 cents and 195.6 cents respectively (December 2017: 162.1 cents and 164.5 cents, respectively). Underlying earnings per share were 208.0 cents, an increase of 25.1% when compared to the prior year of 166.3 cents.

Net debt

Net debt of R2.1 billion (December 2017: R2.2 billion) decreased by 5.3% mainly as a result of lower capital expenditure and tax paid during the year, offset by working capital outflows. The gearing ratio decreased to 32.2% (December 2017: 34.8%).

OUTLOOK

Recent developments in South Africa suggest government is serious about fiscal discipline, tackling corruption and restoring the performance of state-owned enterprises, which gives some hope for our future growth prospects. In the short term however, we expect subdued growth to persist. Profit margins will be adversely impacted by the carbon tax and above inflationary cost increases in electricity, water and other administered services.

Our focus in the year ahead will be on achieving the full benefits of our capital projects, realising the potential of the Mpact Polymers plant and improving profitability in the underperforming Plastics businesses.

We expect to see further improvement in the operating performance of the Paper business as the recent projects are optimised and fruit volumes improve in the Western Cape following the drought. We will also increase our product development efforts to capitalise on opportunities arising from the shift towards recycled products.

Cash dividend

Notice is hereby given that the Board has declared a final gross cash dividend of 55 cents for the year ended 31 December 2018 (44 cents net of dividend withholding tax) per ordinary share. The dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt.

The Company's total number of issued ordinary shares at the date of this announcement is 173,304,517. Mpact's income tax reference number is 9003862175.

Salient dates for the cash dividend distribution

| | 2019 |
|-----------------------------------------|---------------------|
| Publication of dividend declaration | Wednesday, 13 March |
| Last day of trade to receive a dividend | Tuesday, 2 April |
| Shares commence trading "ex" dividend | Wednesday, 3 April |
| Record date | Friday, 5 April |
| Payment date | Monday, 8 April |

All times provided are South African local times. The above dates and times are subject to change. Any material change will be announced on the SENS.

Share certificates may not be dematerialised or rematerialised between Wednesday, 3 April 2019 and Friday, 5 April 2019, both days inclusive.

AJ Phillips
Chairman
13 March 2019

BW Strong
Chief Executive Officer

FOR THE YEAR ENDED 31 DECEMBER 2018

| | | 2018 | 2017 |
|------------------------------------------------------------------------------|------|-----------|-----------|
| | Note | R'm | R'm |
| Revenue from contracts with customers | 2a | 10 612.3 | 10 119.7 |
| Cost of sales | | (6 576.8) | (6 473.8) |
| Gross profit | | 4 035.5 | 3 645.9 |
| Administration and other operating expenses(1) | | (2 820.7) | (2 646.7) |
| Depreciation, amortisation and impairments | | (595.7) | (555.5) |
| Operating profit | 3 | 619.1 | 443.7 |
| Share of profit from equity accounted investees | | 23.3 | 20.0 |
| Net profit on sale of joint arrangements and subsidiaries | 8 | 6.7 | - |
| Profit from operations and equity accounted investees | | 649.1 | 463.7 |
| Net finance costs | | (219.9) | (202.6) |
| Investment income | | 12.2 | 11.4 |
| Finance costs | | (232.1) | (214.0) |
| Profit before tax | 2b | 429.2 | 261.1 |
| Tax (expense)/income | 4 | (102.2) | 26.4 |
| Profit for the year | | 327.0 | 287.5 |
| Other comprehensive (loss)/income | | | |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Actuarial gains on post-retirement benefit scheme | | 10.7 | 4.9 |
| Tax effect | | (3.0) | (1.4) |
| Fair value adjustment of investment in equity instrument | | (20.5) | - |
| Items that may be reclassified subsequently to profit or loss | | | |
| Effects of cash flow hedge | | 5.6 | (5.1) |
| Tax effect | | (1.6) | 1.4 |
| Exchange differences on translation of foreign operations | | (1.2) | 1.8 |
| Other comprehensive (loss)/income | | (10.0) | 1.6 |
| Total comprehensive income for the year | | 317.0 | 289.1 |
| Profit attributable to: | | | |
| Equity holders of Mpact | | 316.2 | 275.2 |
| Non-controlling interests | | 10.8 | 12.3 |
| Profit for the year | | 327.0 | 287.5 |
| Total comprehensive income attributable to: | | | |
| Equity holders of Mpact | | 306.2 | 276.6 |
| Non-controlling interests | | 10.8 | 12.5 |
| Total comprehensive income for the year | | 317.0 | 289.1 |
| Earnings per share (EPS) for profit attributable to equity holders of Mpact: | | | |
| Basic EPS (cps) | 5 | 185.1 | 162.1 |
| Diluted EPS (cps) | 5 | 184.9 | 162.0 |

(1)Administrative and other operating expenses includes an expected credit loss on trade receivables of R24.5 million (2017: R28.7 million) and an impairment loss on foreign cash balances of R4.8 million (2017: R4.8 million).

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

| | | 2018 | 2017 |
|-----------------------------------------------|------|---------|---------|
| | Note | R'm | R'm |
| ASSETS | | | |
| Goodwill and other intangible assets | | 1 102.0 | 1 110.2 |
| Property, plant and equipment | | 3 737.3 | 3 822.0 |
| Investments in equity accounted investees | | 108.1 | 102.0 |
| Financial assets | | 94.8 | 50.0 |
| Deferred tax assets | | 8.6 | 6.9 |
| Non-current assets | | 5 050.8 | 5 091.1 |
| Inventories | | 1 748.1 | 1 431.2 |
| Trade and other receivables | | 2 352.9 | 2 266.2 |
| Cash and cash equivalents | | 705.9 | 350.6 |
| Derivative financial instruments | | 0.9 | 2.1 |
| Current tax receivables | | 20.5 | 40.4 |
| Current assets | | 4 828.3 | 4 090.5 |
| Total assets | | 9 879.1 | 9 181.6 |
| EQUITY AND LIABILITIES | | | |
| Capital and reserves | | | |
| Stated capital | 6 | 2 669.2 | 2 621.4 |
| Retained earnings | | 1 722.3 | 1 470.7 |
| Other reserves | | 26.6 | 41.3 |
| Total attributable to equity holders of Mpact | | 4 418.1 | 4 133.4 |
| Non-controlling interests in subsidiaries | | 110.8 | 109.5 |
| Total equity | | 4 528.9 | 4 242.9 |
| Interest and non-interest bearing borrowings | | 1 400.8 | 1 387.6 |
| Retirement benefits obligation | | 40.2 | 48.9 |
| Deferred tax liabilities | | 227.3 | 212.2 |
| Deferred income | | 18.0 | 23.5 |

| | | |
|----------------------------------|---------|---------|
| Derivative financial instruments | 3.9 | 9.5 |
| Non-current liabilities | 1 690.2 | 1 681.7 |
| Short-term portion of borrowings | 1 429.7 | 1 206.7 |
| Trade and other payables | 2 213.6 | 2 021.7 |
| Provisions | 6.2 | 4.6 |
| Deferred income | 5.5 | 5.5 |
| Derivative financial instruments | 0.7 | 17.1 |
| Current tax liabilities | 4.3 | 1.4 |
| Current liabilities | 3 660.0 | 3 257.0 |
| Total liabilities | 5 350.2 | 4 938.7 |
| Total equity and liabilities | 9 879.1 | 9 181.6 |

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

| | 2018 R'm | 2017 R'm |
|------------------------------------------------------------------|-------------|-------------|
| Cash flows from operating activities | | |
| Operating cash flows before movements in working capital | 1 217.6 | 1 019.4 |
| Net (increase)/decrease in working capital | (234.8) | 5.6 |
| Cash generated from operations | 982.8 | 1 025.0 |
| Dividends from equity accounted investees | 14.2 | 20.1 |
| Taxation paid | (72.2) | (113.6) |
| Net cash inflows from operating activities | 924.8 | 931.5 |
| Cash flows from investing activities | | |
| Additions to property, plant and equipment and other intangibles | (534.1) | (856.4) |
| Proceeds from the disposal of property, plant and equipment | 3.7 | 16.7 |
| Proceeds from disposal of joint arrangement | 4.0 | - |
| Proceeds from disposal of subsidiary | 29.4 | - |
| Cash disposed of on disposal of joint arrangement | (6.4) | - |
| Loan advances to associates | (29.4) | - |
| Loan repayments/(advances) from external parties | 0.9 | (3.5) |
| Interest received | 13.5 | 11.4 |
| Net cash outflows from investing activities | (518.4) | (831.8) |
| Cash flows from financing activities | | |
| Net borrowings raised | 230.9 | 196.3 |
| Finance costs paid | (229.0) | (232.0) |
| Acquisition of non-controlling interest | - | (18.1) |
| Dividends paid to non-controlling interests | (6.5) | (6.5) |
| Dividends paid to equity holders of Mpac Limited | (46.7) | (46.5) |
| Subscription of preference shares by non-controlling interest | 18.9 | - |
| Purchase of treasury shares | (22.1) | (50.1) |
| Net cash outflows from financing activities | (54.5) | (156.9) |
| Net increase/(decrease) in cash and cash equivalents | 351.9 | (57.2) |
| Net cash and cash equivalents at beginning of year | 342.8 | 400.0 |
| Net cash and cash equivalents at end of year | 694.7 | 342.8 |

SUMMARISED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY

| FOR THE YEAR ENDED 31 DECEMBER 2018 | Share- based payment | Cash flow hedge | Post- retirement benefit | Other reserves(1) | Treasury | Retained | Total attributable to equity holders of | Non- controlling | Total | |
|-----------------------------------------------------------------|----------------------------|-----------------------|--------------------------------|----------------------|----------|----------|--------------------------------------------------|---------------------|--------|---------|
| | capital reserve | reserve | reserve | | shares | earnings | Mpac Ltd | interest | equity | |
| | R'm | R'm | R'm | R'm | R'm | R'm | R'm | R'm | R'm | |
| Balance at 31 December 2016 | 2 532.7 | 37.4 | (3.2) | 15.3 | 8.7 | (29.9) | 1 346.3 | 3 907.3 | 113.3 | 4 020.6 |
| Total comprehensive income for the year | - | - | (3.7) | 3.5 | 1.6 | - | 275.2 | 276.6 | 12.5 | 289.1 |
| Dividends paid(2) | 88.7 | - | - | - | - | (0.6) | (134.6) | (46.5) | - | (46.5) |
| Purchase of treasury shares(3) | - | - | - | - | - | (50.1) | - | (50.1) | - | (50.1) |
| Share plan charges for the year | - | 27.5 | - | - | - | - | - | 27.5 | - | 27.5 |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | (6.5) | (6.5) |
| Issue/exercise of shares under employee share scheme | - | (17.2) | - | - | - | 30.3 | (9.4) | 3.7 | - | 3.7 |
| Increase in shareholding by non-controlling interest(4) | - | - | - | - | - | - | - | - | 8.6 | 8.6 |
| Put option held by non-controlling shareholder of subsidiary(5) | - | - | - | - | 21.7 | - | (7.1) | 14.6 | - | 14.6 |
| Purchase of non-controlling interest(6) | - | - | - | - | - | - | 0.3 | 0.3 | (18.4) | (18.1) |
| Balance at 31 December 2017 | 2 621.4 | 47.7 | (6.9) | 18.8 | 32.0 | (50.3) | 1 470.7 | 4 133.4 | 109.5 | 4 242.9 |
| Total comprehensive income for the year | - | - | 4.0 | 7.7 | (21.7) | - | 316.2 | 306.2 | 10.8 | 317.0 |
| Dividends paid(2) | 47.8 | - | - | - | - | (1.0) | (93.5) | (46.7) | - | (46.7) |
| Purchase of treasury shares(3) | - | - | - | - | - | (22.1) | - | (22.1) | - | (22.1) |
| Share plan charges for the year | - | 28.2 | - | - | - | - | - | 28.2 | - | 28.2 |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | (6.5) | (6.5) |

| | | | | | | | | | | |
|--------------------------------------------------------------|---------|--------|-------|------|------|--------|---------|---------|--------|---------|
| Issue/exercise of shares under employee share scheme | - | (25.0) | - | - | - | 15.2 | 7.0 | (2.8) | - | (2.8) |
| Purchase of preference shares by non-controlling interest(7) | - | - | - | - | - | - | - | - | 18.9 | 18.9 |
| Increase in shareholding by non-controlling interest(4) | - | - | - | - | - | - | 21.9 | 21.9 | (21.9) | - |
| Balance at 31 December 2018 | 2 669.2 | 50.9 | (2.9) | 26.5 | 10.3 | (58.2) | 1 722.3 | 4 418.1 | 110.8 | 4 528.9 |

- (1) Other reserves consist of foreign currency translation reserve and fair value adjustments to equity investments. In the prior financial year it also included the put option held by non-controlling shareholders.
- (2) Dividends declared amounted to R93.5 million (2017: R134.6 million) of which R47.8 million (2017: R88.7 million) related to a capitalisation issue. The dividend per share for the year was 55c per share (2017: 80c per share).
- (3) Treasury shares purchased represent the cost of shares in Mpact Limited purchased in the market and held by the Mpact Incentive Scheme Trust to satisfy share awards under the Group's share incentive scheme. As at 31 December 2018, there are 2 403 309 (2017: 1 914 874) treasury shares on hand.
- (4) A subsidiary company had a capitalisation issue, whereby the minority shareholder subscribed for additional shares in the subsidiary.
- (5) Derecognition of put option reserve as the option had expired.
- (6) During the prior financial year, the Group acquired the remaining interest in Pyramid Holdings (Pty) Limited as well as Mpact Recycling (Pty) Limited.
- (7) The non-controlling shareholder of Mpact Polymers subscribed for the subsidiary's preference shares on 1 August 2018.

NOTES TO THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. ACCOUNTING POLICIES

Basis of preparation

These preliminary summarised consolidated financial statements have been prepared in accordance with the framework concepts and measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by Financial Reporting Standards Council, the JSE Limited's listing requirements and the Companies Act of South Africa and contains at a minimum the information required by IAS 34: Interim Financial Reporting.

These summarised consolidated financial statements for the year ended 31 December 2018 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the consolidated financial statements from which these summarised consolidated financial statements were derived. A copy of the auditor's report on the summarised consolidated financial statements and of the auditor's report on the consolidated financial statements are available for inspection at the company's registered office, together with the consolidated financial statements. The auditor's report does not necessarily report on all of the information contained in this announcement.

Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of that report together with the accompanying financial information from the registered office of the company. Any reference to future financial performance included in this announcement has not been reviewed or reported by the Company's auditors.

The preparation of these summarised consolidated financial statements was supervised by the Chief Financial Officer, BDV Clark CA(SA).

The directors take full responsibility for the preparation of the summarised consolidated financial statements and the financial information has been correctly extracted from the underlying consolidated financial statements.

Accounting policies

The accounting policies and methods of computation used are consistent with the prior year, except for new and revised standards adopted to the consolidated annual financial statements.

The Group has adopted the following Standards and amendments to published Standards during the current year, which had no significant impact on the Group's results:

- IFRIC 22 - Foreign currency transactions and advance considerations

The amendment clarifies the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency.

- IFRS 2 - Share-based payment

The amendment addresses the classification and measurement of share-based payment transactions.

- IFRS 9 - Financial Instruments

The Group applied the standard retrospectively, however has used the exemption not to restate comparative information for prior periods, therefore the comparative information continues to be reported under IAS 39. The group has made use of the practical expedients in the standard, in particular the use of the provision matrix, which helps in measuring the loss allowance for short-term trade receivables.

On adoption date, the ECL model did not result in a change in the IAS 39 allowances for trade receivables because of their short term nature. The ECL model also did not result in an impairment for other financial assets. Therefore, there was no need to adjust the retained earnings, financial assets and liabilities on 1 January 2018.

The Group has also adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements.

- IFRS 15 - Revenue from contracts with customers

Sale of goods

For contracts with customers the sale of products is generally expected to be the only performance obligation. The Group's revenue recognition occurs at a point in time when control of the product is transferred to the customer, generally on delivery of the products. The adoption of IFRS 15 did not have any impact on the Group's revenue and profit or loss.

Variable consideration

Some contracts with customers provide for trade discounts or volume rebates. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of allowances, trade discounts and volume rebates. Such provisions give rise to variable consideration under IFRS 15, and will be estimated at contract inception and updated thereafter.

There was no impact to Revenue on the application of the variable consideration requirements.

- IFRS 16 - Leases

The Group will adopt IFRS 16 once it is effective on 1 January 2019.

Land and buildings are the most significant lease agreements that will affect the Group. Based on the Group's current assessment, the impact on adoption is expected to be between the range of R374 million to R485 million of additional liabilities that will be recognised in the statement of financial position with a corresponding property, plant and equipment. Profit before tax is expected to decrease between the range of R21 million to R51 million. The incremental borrowing rate ranges from 8.80% to 10.50%. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to adoption.

Special items to determine underlying operating profit

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. Such items are material by nature or amount to the financial year's results. These items include impairment charges on tangible and intangible assets, impairment related to equity accounted investees, impairment to financial asset investments and impairment of foreign cash balances or reversals of any such items. Restructure costs associated with the closure of a plant where such cost would typically be included in earnings before interest, tax, depreciation and amortisation (EBITDA) will also be included in special items.

2. OPERATING SEGMENTS

2(a) Operating segment revenue

| | 2018 | | 2017 | | 2016 | |
|----------|-----------------|-----------------------|---------------------------------------|-----------------|-----------------------|---------------------------------------|
| | Segment revenue | Inter-segment revenue | Revenue from contracts with customers | Segment revenue | Inter-segment revenue | Revenue from contracts with customers |
| | R'm | R'm | R'm | R'm | R'm | R'm |
| Paper | 8 285.7 | (55.1) | 8 230.6 | 7 744.9 | (79.9) | 7 665.0 |
| Plastics | 2 381.9 | (0.2) | 2 381.7 | 2 454.7 | - | 2 454.7 |
| | 10 667.6 | (55.3) | 10 612.3 | 10 199.6 | (79.9) | 10 119.7 |

(1) Inter-segment transactions are conducted on an arm's length basis.

| | 2018 | 2017 |
|----------------------------------------------------------|----------|----------|
| | R'm | R'm |
| External revenue by product type | | |
| Recycled containerboard, cartonboard and other materials | 4 041.5 | 3 662.0 |
| Corrugated packaging, bags and sacks | 4 189.1 | 4 003.0 |
| Plastic packaging solutions | 2 381.7 | 2 454.7 |
| Total | 10 612.3 | 10 119.7 |
| External revenue by location of customer | | |
| South Africa (country of domicile) | 9 269.9 | 9 012.0 |
| Rest of Africa | 1 103.6 | 958.7 |
| Rest of World | 238.8 | 149.0 |
| Total | 10 612.3 | 10 119.7 |

There are no external customers which account for more than 10% of the Group's total external revenue.

| | | |
|-----------------------------------------------------------|---------|---------|
| 2(b) Operating segment underlying operating profit/(loss) | | |
| Paper | 694.4 | 443.0 |
| Plastics | 49.5 | 69.7 |
| Corporate | (71.5) | (56.1) |
| Segments total before special items | 672.4 | 456.6 |
| Special items(2) | (53.3) | (12.9) |
| Share of profit from equity accounted investees | 23.3 | 20.0 |
| Net finance costs | (219.9) | (202.6) |
| Net profit on sale of joint arrangements and subsidiaries | 6.7 | - |
| Profit before tax | 429.2 | 261.1 |

Significant components of operating profit

| | | |
|-------------------------------------------|-------|-------|
| Depreciation, amortisation and impairment | | |
| Paper | 331.5 | 312.6 |
| Plastics | 232.9 | 215.2 |
| Corporate | 31.3 | 27.7 |
| Segments total | 595.7 | 555.5 |

(2) Special items include impairment on property, plant and equipment of R29.6 million (2017: R4.9 million), impairment on foreign cash balance of R4.8 million (2017: R4.8 million), impairment on goodwill and intangible assets of Rnil million (2017: R3.2 million), impairment on an associate loan of R1.2 million (2017: Rnil million) and restructure costs of R17.7 million (2017: Rnil million).

| | 2018 R'm | 2017 R'm |
|--------------------------------------------------|-------------|-------------|
| 2(c) Operating segment assets | | |
| Segment assets(3) | | |
| Paper | 5 475.3 | 5 144.5 |
| Plastics | 1 951.9 | 1 954.7 |
| Corporate(4) | 1 364.5 | 1 329.5 |
| Inter-segment elimination | (21.4) | (8.4) |
| Segment total | 8 770.3 | 8 420.3 |
| Unallocated: | | |
| Investments in equity accounted investees | 108.1 | 102.0 |
| Deferred tax assets | 8.6 | 6.9 |
| Other non-operating assets(5) | 191.4 | 251.8 |
| Trading assets | 9 078.4 | 8 781.0 |
| Financial assets | 94.8 | 50.0 |
| Cash and cash equivalents | 705.9 | 350.6 |
| Total assets | 9 879.1 | 9 181.6 |
| Non-current non-financial assets(6) | | |
| South Africa (country of domicile) | 4 816.5 | 4 879.3 |
| Rest of Africa | 22.8 | 52.9 |
| Total | 4 839.3 | 4 932.2 |
| Additions to non-current non-financial assets(7) | | |
| Paper | 258.6 | 569.3 |
| Plastics | 212.9 | 178.9 |
| Corporate | 62.6 | 108.2 |
| Segments total | 534.1 | 856.4 |

(3) Segment assets are operating assets and as at 31 December 2018 consist of property, plant and equipment of R3 737.3 million (2017: R3 822.0 million), goodwill and other intangible assets of R1 102.0 million (2017: R1 110.2 million). Inventories of R1 748.1 million (2017: R1 431.2 million) and operating receivables of R2 182.9 million (2017: R2 056.9 million).

(4) Good will of R1 019.8 million (2017: R1 019.8 million) is allocated to Corporate's assets.

(5) Other non-operating assets consist of derivative assets of R0.9 million (2017: R2.1 million), other non-operating receivables of R170.0 million (2017: R209.3 million) and current tax receivable of R20.5 million (2017: R40.4 million).

(6) Non-current non-financial assets consist of property, plant and equipment and goodwill and other intangible assets, but excludes deferred tax assets and non-current financial assets.

(7) Additions to non-current non-financial assets reflect cash payments and accruals in respect of additions to property, plant and equipment and intangible assets. Additions to non-current non-financial assets, however, exclude additions to deferred tax assets and non-current financial assets.

| | 2018 R'm | 2017 R'm |
|-------------------------------------------------------------------|-------------|-------------|
| 3. OPERATING PROFIT | | |
| Operating profit for the year has been arrived at after charging: | | |
| Impairment charge on goodwill and intangible assets | - | 3.2 |
| Impairment charge on property, plant and equipment | 29.6 | 4.9 |
| Impairment charge on foreign cash balances | 4.8 | 4.8 |
| Amortisation of intangibles | 11.9 | 13.3 |
| Depreciation of property, plant and equipment | 554.2 | 534.1 |

| | 2018 R'm | 2017 R'm |
|----------------------------|-------------|-------------|
| 4. TAX (EXPENSE)/INCOME | | |
| Current tax | (96.9) | (104.6) |
| Deferred tax | (5.3) | 131.0 |
| Total tax (expense)/income | (102.2) | 26.4 |

The negative tax rate in the prior financial year was mainly due to the recognition of the S12I tax incentive relating to the Felixton mill project.

| | 2018 Cents per share | 2017 Cents per share |
|---------------------------------------------------------|----------------------------|----------------------------|
| 5. EARNINGS PER SHARE | | |
| Earnings per share (EPS) | | |
| Basic EPS | 185.1 | 162.1 |
| Diluted EPS | 184.9 | 162.0 |
| Headline earnings per share for the financial year(1) | | |
| Basic headline EPS | 195.6 | 164.5 |
| Diluted headline EPS | 195.3 | 164.4 |
| Underlying earnings per share for the financial year(2) | | |
| Basic underlying EPS | 208.0 | 166.3 |
| Diluted underlying EPS | 207.7 | 166.2 |

(1)The presentation of headline EPS is mandated under the JSE Listings Requirements. Headline earnings has been calculated in accordance with Circular 4/2018, "Headline Earnings", as issued by the South African Institute of Chartered Accountants.

(2)Underlying earnings is arrived at after adjusting profit attributable to equity holders of Mpact for special items, net of tax.

The calculation of basic and diluted EPS and basic and diluted headline EPS is based on the following data:

| | 2018 Earnings R'm | 2017 Earnings R'm |
|--------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Profit for the financial year attributable to equity holders of Mpact | 316.2 | 275.2 |
| Impairment of property, plant and equipment | 29.6 | 4.9 |
| Impairment of goodwill and other intangible assets | - | 3.2 |
| Profit on sale of joint arrangements and subsidiaries | (6.7) | - |
| Profit on disposal of tangible assets | (0.1) | (3.3) |
| Related tax | (4.9) | (0.8) |
| Headline earnings for the financial year | 334.1 | 279.2 |
| Profit for the financial year attributable to equity holders of Mpact | 316.2 | 275.2 |
| Impairment of property, plant and equipment | 29.6 | 4.9 |
| Impairment of goodwill and other intangible assets | - | 3.2 |
| Impairment of foreign cash balances | 4.8 | 4.8 |
| Impairment of loan to associate | 1.2 | - |
| Restructure costs | 17.7 | - |
| Related tax | (14.3) | (5.8) |
| Underlying earnings for the financial year | 355.2 | 282.3 |
| | Weighted number of shares | Weighted number of shares |
| Weighted average number of ordinary shares in issue(3) | 170 784 638 | 169 746 140 |
| Effect of dilutive potential ordinary shares(4) | 253 484 | 78 066 |
| Weighted average number of ordinary shares adjusted for the effect of dilution | 171 038 122 | 169 824 206 |

(3)The weighted average number of shares takes into account the weighted average effect of changes in treasury shares and the capitalisation issue of shares during the year.

(4)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.

| | 2018 R'm | 2017 R'm |
|----------------------------------------------------------------------------------|---------------------|---------------------|
| 6. STATED CAPITAL | | |
| Authorised share capital | | |
| 217,500,000 shares of no par value | - | - |
| Issued share capital | | |
| Issue of shares of no par value | 2 621.4 | 2 532.7 |
| Capitalisation issue | 47.8 | 88.7 |
| | 2 669.2 | 2 621.4 |
| The following table illustrates the movement within the number of shares issued: | Number of shares | Number of shares |
| Shares in issue at beginning of year | 171 461 623 | 168 485 360 |

| | | |
|--------------------------------------------------------------------------|-------------|-------------|
| Issued in terms of the scrip distribution made during the financial year | 1 842 894 | 2 976 263 |
| Shares in issue at end of year | 173 304 517 | 171 461 623 |

Included in other reserves are amounts paid by Mpack Limited to Mpack Limited Incentive Scheme Trust for the acquisition of Mpack shares to be utilised in terms of the Share Plans. As at 31 December 2018, the Trust held 2 403 309 shares (2017: 1 914 874).

7. ACQUISITION OF NON-CONTROLLING INTERESTS 2018

There were no acquisitions in the current financial year.

2017

Acquisition of additional interest in Pyramid Holdings Proprietary Limited

On 1 July 2017, the Group acquired the remaining 49% interest in the voting shares of Pyramid Holdings Proprietary Limited. The cash consideration was R1. The negative carrying value of the non-controlling interest was R1.1 million on the date of acquisition. A deficit of R1.1 million was recognised in retained earnings. The Group elected to recognise the difference of the consideration paid and the carrying value of the non-controlling interest in retained earnings.

Acquisition of additional interest in Mpack Recycling Proprietary Limited

On 1 July 2017, the Group increased its interest in a subsidiary by 1.5%, resulting in the dilution of the non-controlling shareholder.

On 1 November 2017, the Group acquired the remaining 9% interest of Mpack Recycling Proprietary Limited. The cash consideration was R18.1 million. The carrying value of the non-controlling interest was R19.5 million on the date of acquisition. A surplus of R1.4 million was recognised in retained earnings. The Group elected to recognise the difference of the consideration paid and the carrying value of the non-controlling interest in retained earnings.

8. DISPOSAL OF EQUITY ACCOUNTED INVESTEEES AND SUBSIDIARIES 2018

(a) Pretoria Box Manufacturers

During the current financial year, the Group disposed of its entire interest in the joint arrangement for proceeds of R15.0 million and a carrying value of R8.8 million. The net asset value comprised of property, plant and equipment of R3.3 million, inventory of R3.4 million, trade and other receivables of R16.0 million, cash and cash equivalents of R5.9 million and trade and other payables of R19.8 million. A profit of R6.2 million has been recognised in the statement of profit or loss. At 31 December 2018, the proceeds had not yet been received and will be settled through a loan account with the purchaser.

(b) Rusmar Packaging (Pty) Limited

During the current financial year, the Group disposed of its entire interest in the joint arrangement for proceeds of R4.0 million and a carrying value of R3.0 million. A profit of R1.0 million has been recognised in the statement of profit or loss.

(c) Shoebill (Pty) Limited

During the current financial year, the Group disposed of its entire interest in the subsidiary for proceeds of R29.4 million and a net asset value of R29.4 million. The net asset value comprised solely of property, plant and equipment. The sale is in line with the Groups' business strategy.

(d) Pyramid Holdings (Pty) Limited

During the current financial year, the Group disposed of its entire interest in the subsidiary for proceeds of Rnil million and a net asset value of R0.5 million. The net asset value comprised of other receivables of R0.1 million, cash and cash equivalents of R0.5 million other payables of R0.1 million. A loss of R0.5 million has been recognised in the statement of profit or loss. The sale is in line with the Groups' business strategy.

There were no disposals in the prior financial year.

9. CAPITAL COMMITMENTS

| | 2018 | 2017 |
|---------------------------------------------------------------------------------------------------------------------------------|-------|-------|
| | R'm | R'm |
| Capital expenditure contracted for at the reporting date in respect of plant and equipment, but not yet incurred is as follows: | | |
| Contracted for | 142.3 | 142.4 |
| Approved, not yet contracted for | 596.5 | 590.9 |
| Total capital commitments | 738.8 | 733.3 |

The capital commitments will be financed from existing cash resources and unutilised borrowing facilities.

10. FAIR VALUE ESTIMATION

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter

derivatives) are determined using standard valuation techniques. These valuation techniques maximise the use of observable market data where available and rely as little as possible on Group-specific estimates.

The significant inputs required to fair value all of the Group's financial instruments are observable.

Specific valuation methodologies used to value financial instruments include:

- the fair values of interest rate swaps and foreign exchange contracts are calculated as the present value of expected future cash flows based on observable yield curves and exchange rates; and
- other techniques, including discounted cash flow analysis, are used to determine the fair values of other financial instruments.

| Financial assets | Fair value hierarchy | At fair value | | At fair value through OCI through R'm | Total R'm |
|----------------------------------|----------------------|-----------------------|----------------------------|---------------------------------------|-----------|
| | | At amortised cost R'm | profit or loss through R'm | | |
| 2018 | | | | | |
| Trade and other receivables(1) | | 2 336.1 | - | - | 2 336.1 |
| Loans receivable | Level 2 | 94.8 | - | - | 94.8 |
| Equity investment | Level 3 | - | - | - | - |
| Derivative financial instruments | Level 2 | - | 0.9 | - | 0.9 |
| Cash and cash equivalents(1) | | 705.9 | - | - | 705.9 |
| Total | | 3 136.8 | 0.9 | - | 3 137.7 |

| | Fair value hierarchy | At fair value | | Available-for-Sale R'm | Total R'm |
|----------------------------------|----------------------|---------------------------|----------------------------|------------------------|-----------|
| | | Loans and receivables R'm | profit or loss through R'm | | |
| 2017 | | | | | |
| Trade and other receivables(1) | | 2 266.2 | - | - | 2 266.2 |
| Loans receivable | Level 2 | 29.5 | - | - | 29.5 |
| Equity investment | Level 3 | - | - | 20.5 | 20.5 |
| Derivative financial instruments | Level 2 | - | 2.1 | - | 2.1 |
| Cash and cash equivalents(1) | | 350.6 | - | - | 350.6 |
| Total | | 2 646.3 | 2.1 | 20.5 | 2 668.9 |

| Financial liabilities | Fair value hierarchy | At fair value | | At amortised cost R'm | Total R'm |
|---------------------------------|----------------------|----------------------------|----------------------------|-----------------------|-----------|
| | | profit or loss through R'm | profit or loss through R'm | | |
| 2018 | | | | | |
| Borrowings | Level 2 | - | - | (2 830.5) | (2 830.5) |
| Trade and other payables(1) | | - | - | (2 213.6) | (2 213.6) |
| Derivative financial instrument | Level 2 | (4.6) | (4.6) | - | (4.6) |
| Total | | | (4.6) | (5 044.1) | (5 048.7) |
| 2017 | | | | | |
| Borrowings | Level 2 | - | - | (2 594.3) | (2 594.3) |
| Trade and other payables(1) | | - | - | (2 021.7) | (2 021.7) |
| Derivative financial instrument | Level 2 | (26.6) | (26.6) | - | (26.6) |
| Total | | | (26.6) | (4 616.0) | (4 642.6) |

(1)The carrying value reasonably approximates the fair value.

11. RELATED PARTY TRANSACTIONS

The Group has a related party relationship with its subsidiaries, its associates, joint ventures and directors.

The Group, in the ordinary course of business, enters into various sales, purchase and services transactions with joint ventures and 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.

Details of transactions and balances between the Group and related parties are disclosed below:

| | 2018 R'm | 2017 R'm |
|-----------------------------------------|----------|----------|
| Sales to joint arrangements | - | 122.5 |
| Sales to associates | 613.4 | 702.4 |
| Purchases from associates | - | 0.4 |
| Loans to associates | 33.5 | 6.8 |
| Receivables due from joint arrangements | - | 40.9 |
| Receivables due from associates | 161.2 | 173.0 |
| Payables due to joint arrangements | - | 1.6 |
| Payables due to associates | 21.2 | 16.3 |

12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent liabilities for the Group comprise aggregate amounts at 31 December 2018 of R10.6 million (2017: R10.0 million) in respect of loans and guarantees given to banks and other third parties.

(b) A Group mill is the subject of a land claim, which should not have a material impact on the financial position of the Group.

(c) There were no significant contingent assets for the Group at 31 December 2018 and 31 December 2017.

(d) As advised to the shareholders on 26 May 2016, the Company is subject to a Competition Commission investigation. The Directors are unable to determine the outcome of the investigation.

13. EVENTS OCCURRING AFTER THE REPORTING DATE

In terms of an agreement, on 1 January 2019, the Group increased its shareholding in West Coast Papers (Pty) Limited from 49% to 60% for R8 million following the fulfillment of all the conditions precedent. The increase in shareholding has resulted in West Coast Papers (Pty) Limited being classified as a subsidiary. The Group is finalising the acquisition date fair value calculations and will provide the relevant disclosure in the 2019 interim results.

The Board declared an ordinary dividend of 55 cents per share on 13 March 2019 payable on 8 April 2019 to shareholders registered on 5 April 2019.

There were no other significant or material subsequent events which would require adjustment to or disclosure in the consolidated financial statements.

DIRECTORS:

On 21 December 2018, Mr PCS Luthuli was appointed as non-executive director to the Mpact Limited Board.

Independent Non-Executive:

AJ Phillips (Chairman), NP Dongwana, NB Langa-Royds, PCS Luthuli, M Makanjee, 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)

Sponsors:

Rand Merchant Bank (a division of FirstRand Bank Limited)
1 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196
(PO Box 786273, Sandton, 2 146)

Auditors:

Deloitte & Touche
Deloitte Place, The Woodlands, Woodland Drive, Woodmead, Sandton, 2196
(Private Bag X6, Gallo Manor, 2052)