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Closing the loop

Results presentation

for the six months ended 30 June 2019

Half-year 2019 in context

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Half-year 2019 in context

- Good progress developing sustainable packaging alternative for customers
  - Paper bags, punnets, returnable crates and PET tray recycling (with PETCO)
- Increased profits in challenging market
  - Benefits from recent capital investments; and
  - Higher average selling prices in Paper business, stable recovered paper cost; partially offset by
  - Lower domestic demand
    - Eskom load shedding
    - Elections
    - Climatic conditions affecting fruit harvest timing
- Working capital above target
  - Higher stock carried forward from Q1
  - Sales volumes below forecast
- Successfully refinanced existing bank facilities of R2.6bn
- Mpact Operations achieved a B-BBEE Level 1 contributor status

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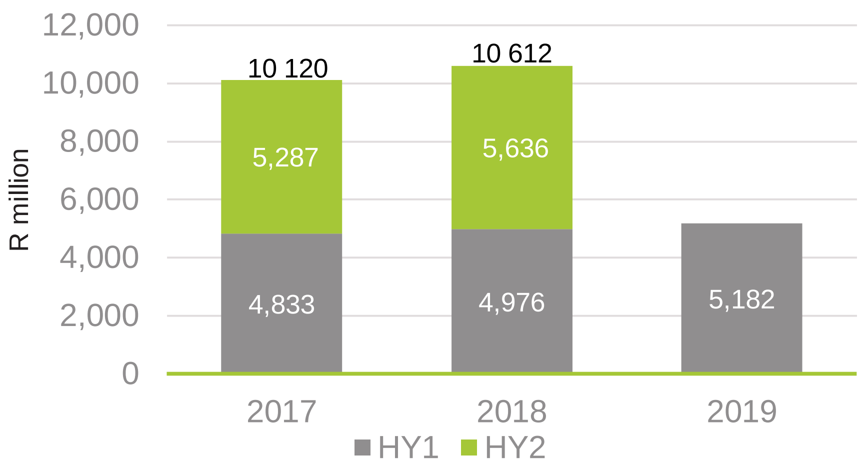
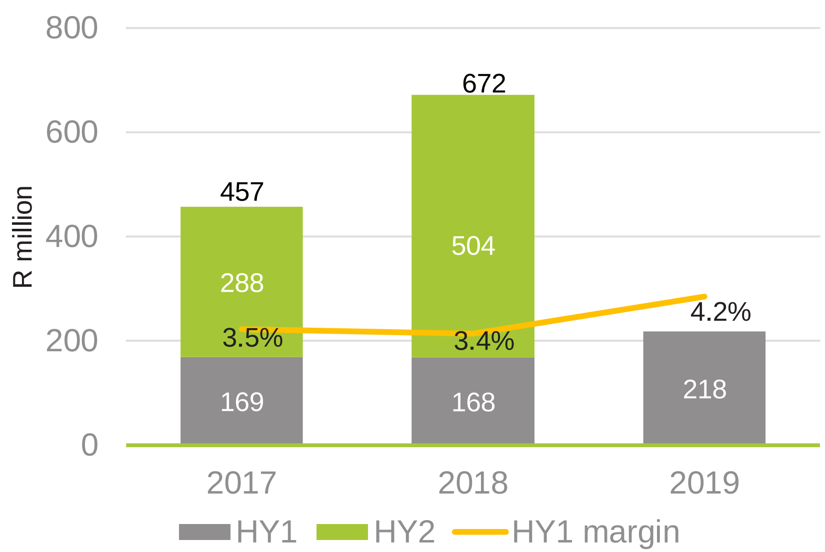
Group revenue



Underlying operating profit



- Revenue up 4.2% to R5.2bn
  - External volumes up approximately 1%
- Underlying operating profit up 29.4% to R218m
  - Improved containerboard margins, offset by declines in the Versapak and Paper converting business
- Underlying earnings increased 25.1% to 39.4 cents per share (cps), *excl. IFRS16, up 47.9% to 46.6 cps* (June 2018: 31.5 cps)
- Gearing up to 39.9%, *excl. IFRS16, up to 36.8%* (June 2018: 34.4%)
- ROCE up to 10.3%, *excl. IFRS16, up to 10.6%* (June 2018: 7.4%)
- Interim dividend of 18 cps, up 20%

Note:
1. Underlying operating profit is the Group operating profit before special items.

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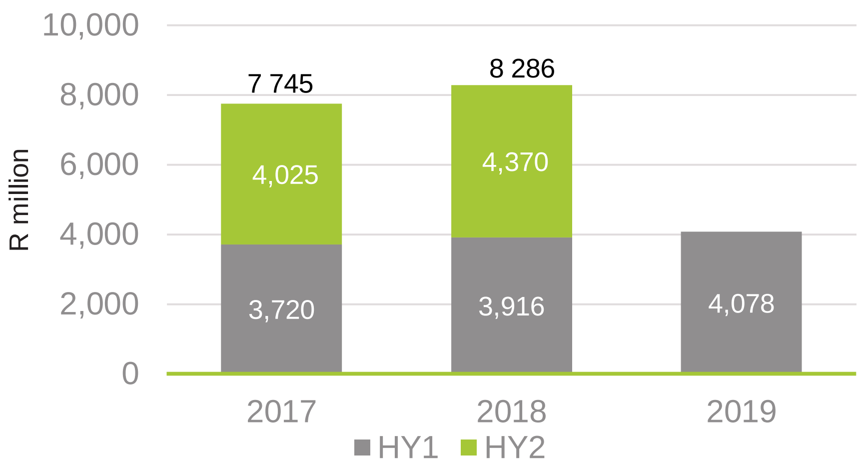
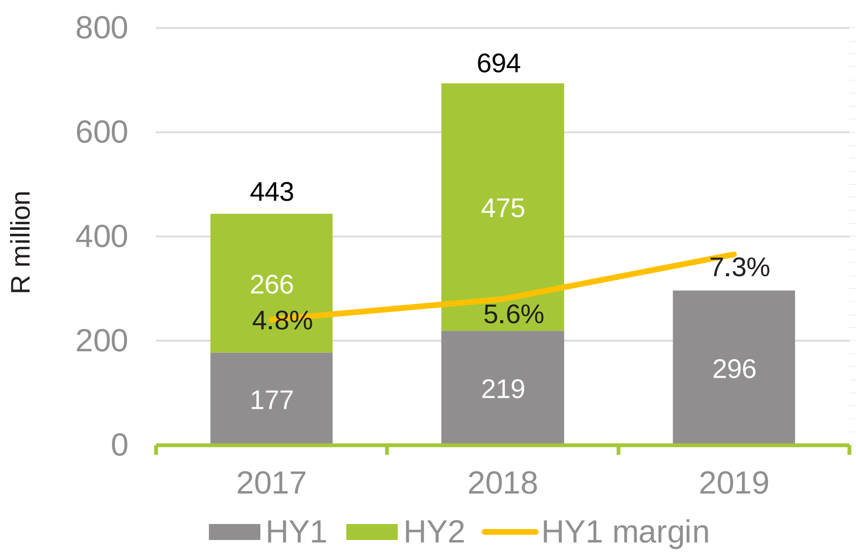
Segment revenue

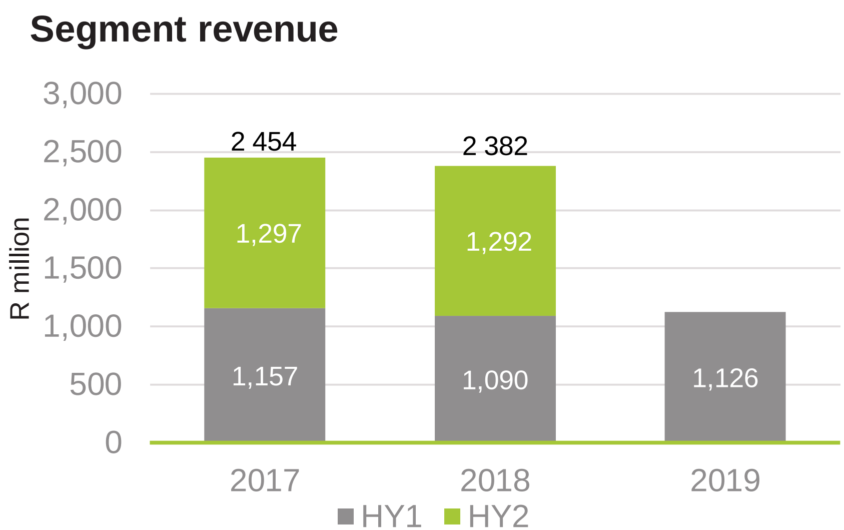


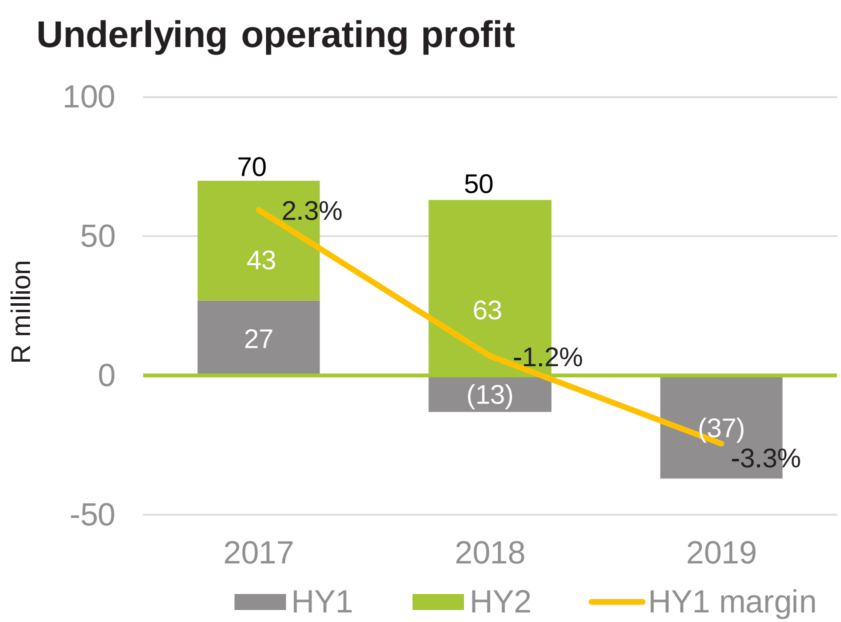
Underlying operating profit



- Revenue up 4.1% to R4.1bn
  - Consolidation of WCPT increased revenue by 0.6%
  - Sales volumes in line with prior period
    - Recycling volumes up off low base
    - Containerboard exports down due to global supply/demand
    - Containerboard/cartonboard domestic sales down 3%
    - Paper Converting sales down 2.6%
  - Average prices affected by product mix
- Underlying operating profit up 35.0% to R296m
  - Improved margins in containerboard
    - Stable recovered paper cost
    - Improved efficiencies
  - Commercial shuts at paper mills during Q2 (~4% of annual capacity)

Plastics business





Plastic Converting

- Revenue up 1.3% to R1.1bn
  - Sales volumes down 2.7% due to subdued demand
  - Average prices up 4%, i.e. less than raw material cost escalation
- Underlying operating profit down to breakeven (June 2018: R25.5m)
  - Margin pressure across all businesses, but especially Versapak

Mpact Polymers

- Operating loss of R37.5m (June 2018: R38.4m loss)
  - Low production and selling prices
  - Total sales volumes up 22% to 3,783 tons
  - Production down 8.9% to 3,496 tons
  - New bottle washing and wet grinding equipment commissioned
    - Capacity evaluation underway

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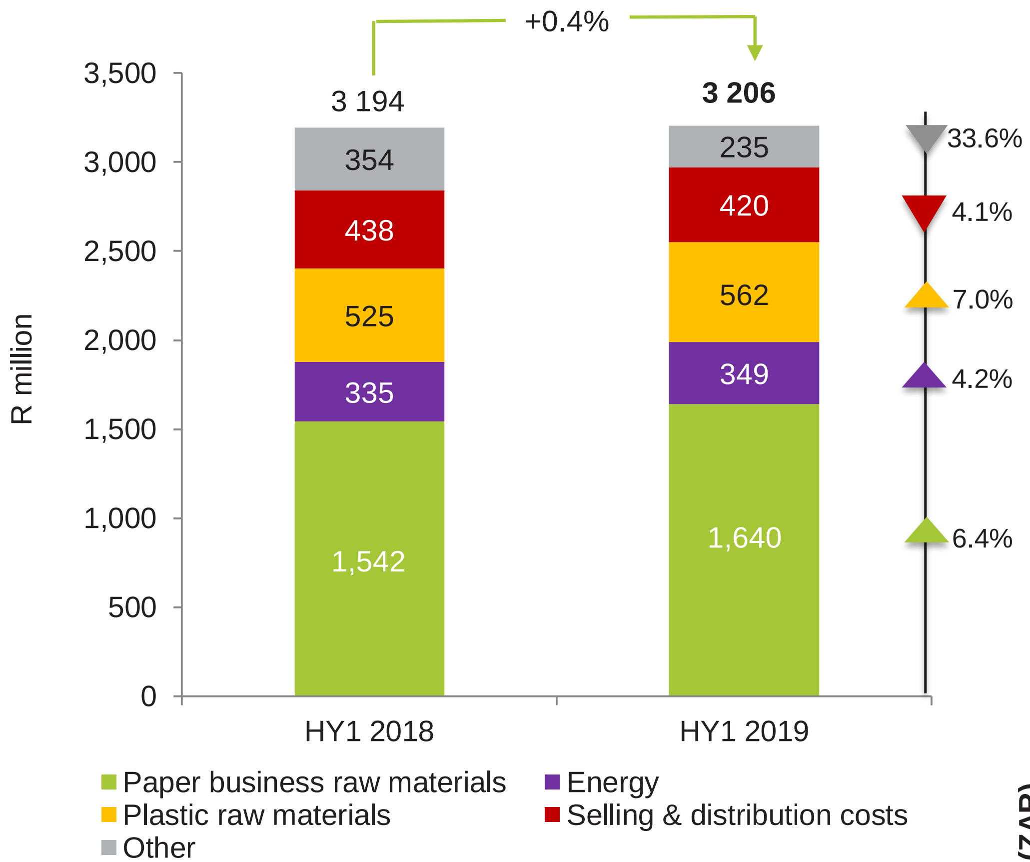
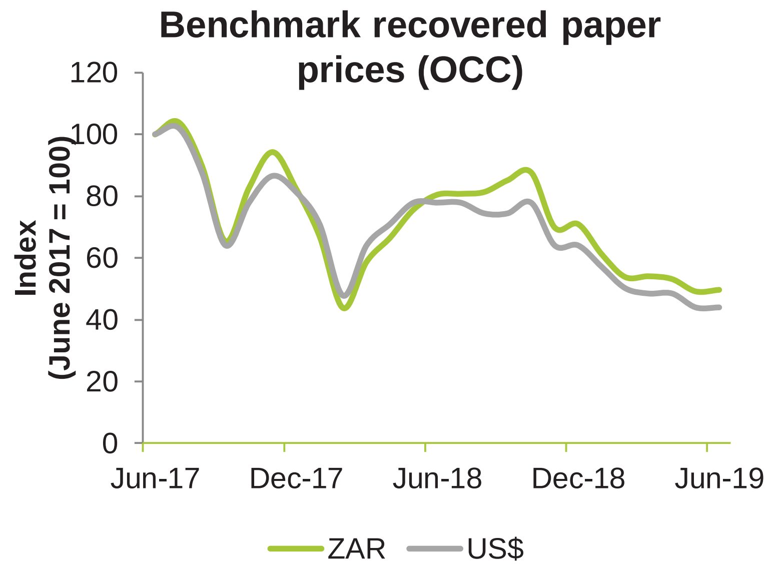
Revenue	↑ 4.2%	R5.2 billion
Underlying operating profit	↑ 29.4%	R218 million
Underlying EPS	↑ 25.1%	39.4 cents per share
Interim dividend	↑ 20.0%	18 cents per share
ROCE	↑ 2.9	10.3%
Gearing %[1]	↑ 2.4	36.8%

Notes:
1. Gearing % excludes the impact of adopting IFRS 16

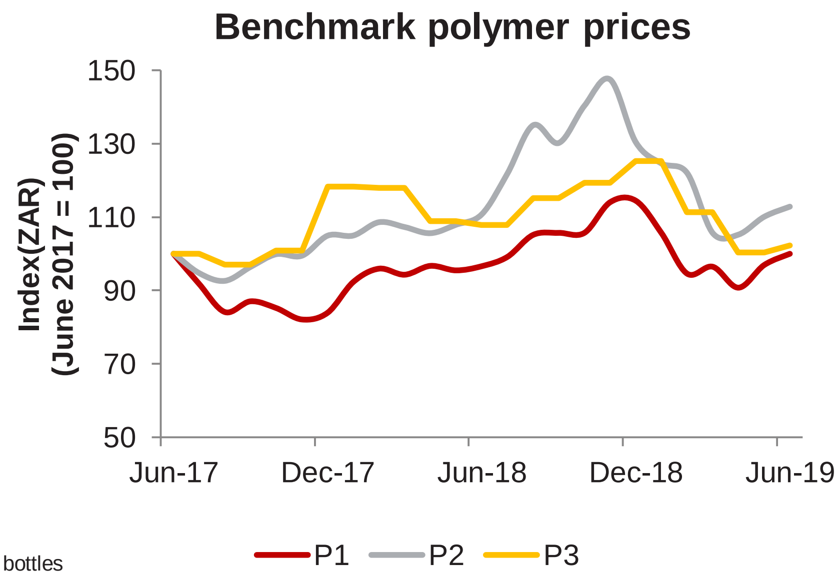
Variable costs





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

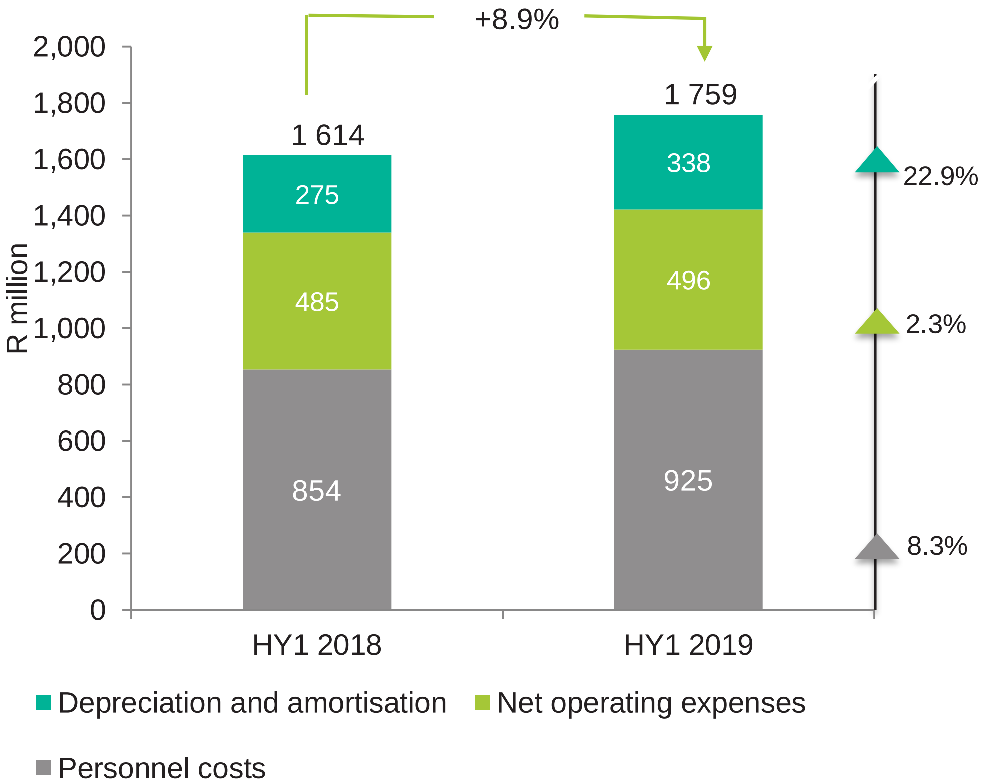
- Lower recovered paper prices partly offset higher virgin paper costs



Source: Mpact

Notes:
1. Paper business raw materials include purchased paper, wood, pulp 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



- Fixed costs up 8.9%
  - Personnel cost up due to the acquisition of West Coast Paper Traders and the introduction of new labour legislation
  - Increase in net operating expenses offset by lower rent cost
  - Depreciation and amortisation includes R49m in respect of IFRS 16

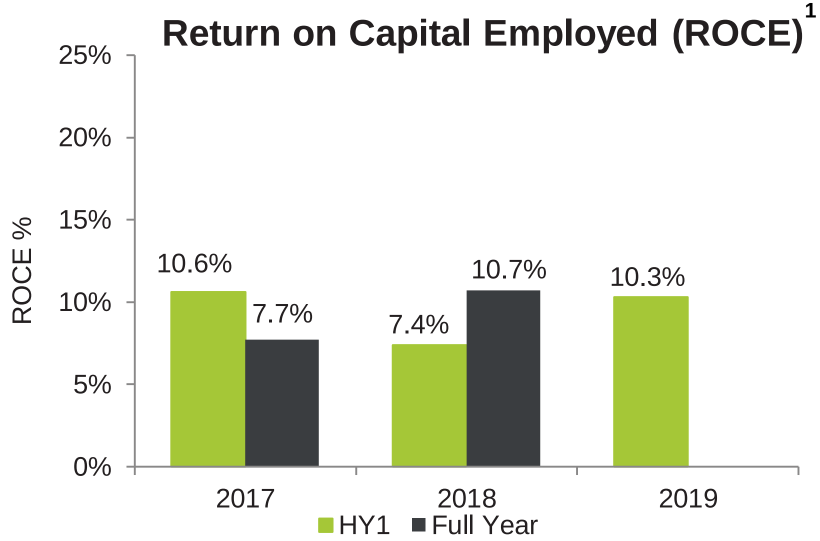
Financial review

R million	HY1 2018	HY1 2019	change		HY1 2019 before IFRS 16	Change vs HY1 2018
Underlying operating profit	168	218	29.4%		215	28.0%
Net finance costs	(112)	(129)	14.5%		(108)	(3.6%)
Profit / (loss) from equity accounted investees	13	(4)	(>100%)		(4)	>100%
Underlying profit before tax	69	85	23.2%		103	49.3%
Tax credit/(charge) before special items	(20)	(25)	28.1%		(31)	55.0%
Non-controlling interests	5	7	53.1%		7	53.1%
Underlying earnings	**54**	**67**	**25.5%**		**79**	**46.3%**
Special items, net of tax	(3)	1	>100%		1	>100%
Reported earnings for the period	**51**	**68**	**36.0%**		**80**	**56.9%**
Underlying earnings per share (cps)	**31.5**	**39.4**	**25.1%**		**46.6**	**47.9%**

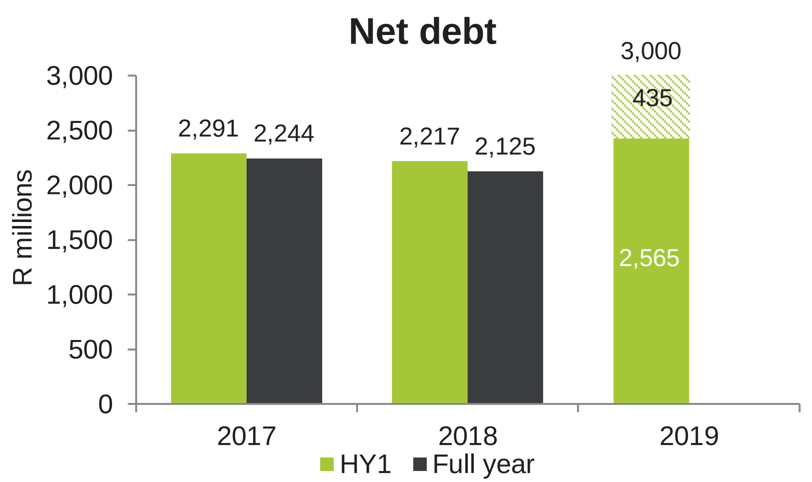
Net finance cost and net debt

R million	Full Year 2018	HY1 2018	HY1 2019			Change vs net debt	Change vs net debt after IFRS 16
			Net debt	Lease liabilities (IFRS 16)	Net debt after IFRS 16		
Average net debt	2 388	2 492	2 512	428	2 940	0.8%	18.0%
Net finance cost	220	112	108	21	129	(3.6%)	15.2%
Net debt – close	2 125	2 217	2 565	435	3 000	15.7%	35.3%
Gearing %	32.2%	34.4%	36.8%		39.9%	2.4	5.5
Interest cover (underlying EBIT) (times)	3.1	1.5	2.0		1.7		
Net debt to EBITDA (times)	1.7	2.2	2.0		2.2		

ROCE and net debt



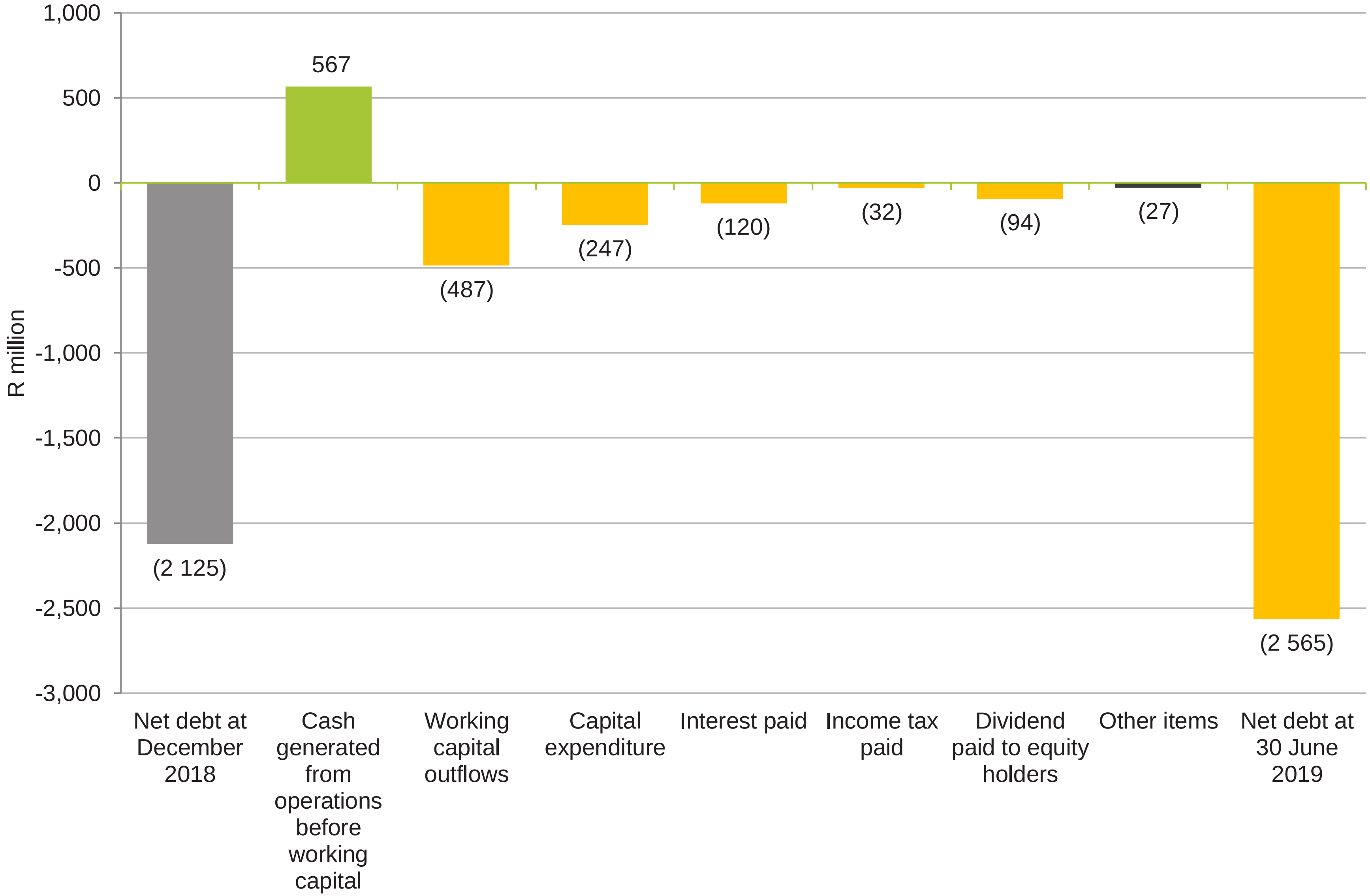
- ROCE of 10.3%, *excl. IFRS16, up to 10.6%* (June 2018: 7.4%)
  - Reflects improved earnings when compared to the prior year period



- Net debt increased to R2.6bn, excluding IFRS 16 Lease liabilities of R435m
  - Negative working capital outflows
- Gearing up to 36.8%, excluding IFRS 16 (June 2018: 34.4%)

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

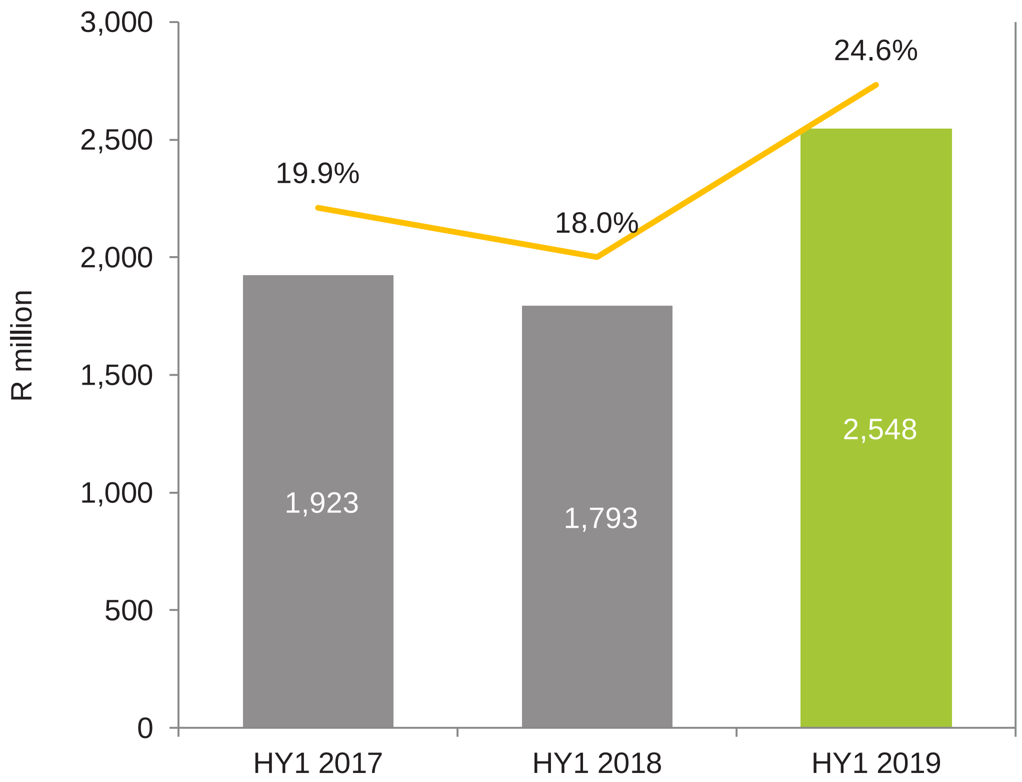
Movement in net debt[1]



1. Excludes a non-cash flow acquisition of lease liabilities (IFRS 16)

Trade working capital

Trade working capital % of revenue



- Increase in trade working capital attributable to:
  - Higher finished goods stock in the Paper business due to export and domestic sales below forecast
  - Interventions
    - Paper mill commercial shuts
    - Reduced external containerboard purchases
- Trade working capital should normalise by year-end

Re-financing of existing bank facilities

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Term	Type[1]	Commitment R million
3 year	RCF and GBF	900
4 year	RCF	850
5 year	RCF	850
Total re-finance of existing facilities		**2,600**

- Agreements signed
- Subject to meeting standard conditions precedent
- Lenders include Standard Bank, Rand Merchant Bank and Nedbank
  - KZN Growth Fund fixed rate funding to be settled
- Competitive rates

1. Revolving credit facilities (RCF) and General banking facilities (GBF)

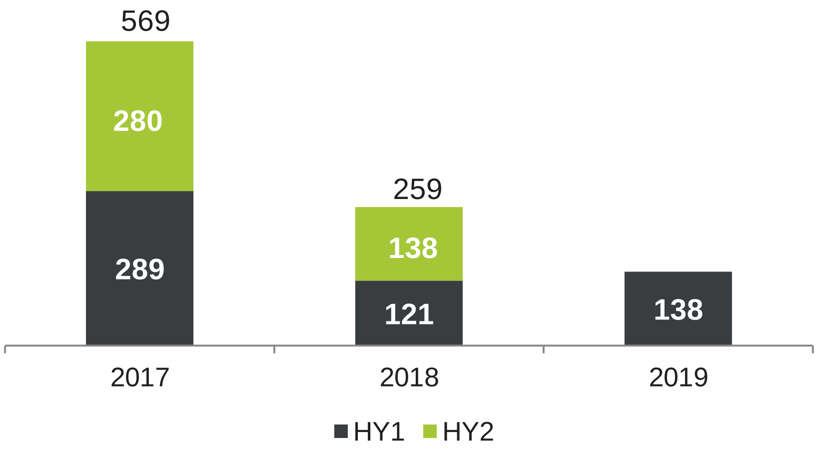
Taxation

R million	HY1 2018	HY1 2019	change
Taxation charge	20	25	28.1%
Effective tax rate	29.6%	29.1%	(0.5)
Tax paid	6	32	>100%

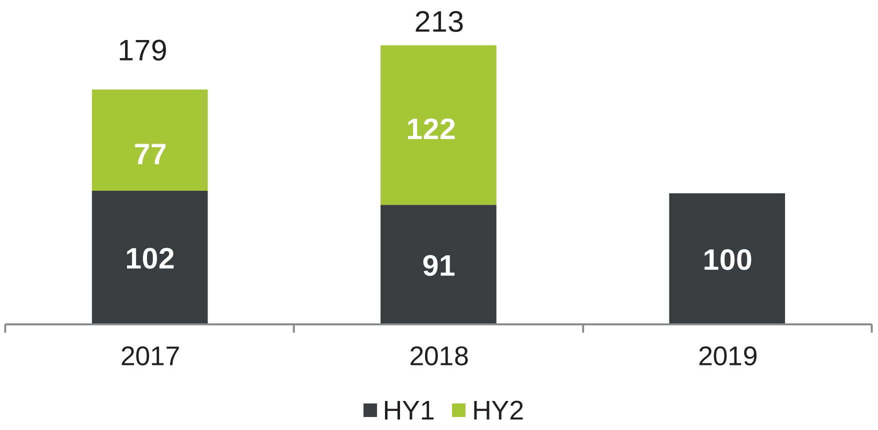
- Effective tax rate higher than the statutory tax rate due to the non-recognition of deferred tax in Mpact Polymers

Capital expenditure cash flows

Paper business



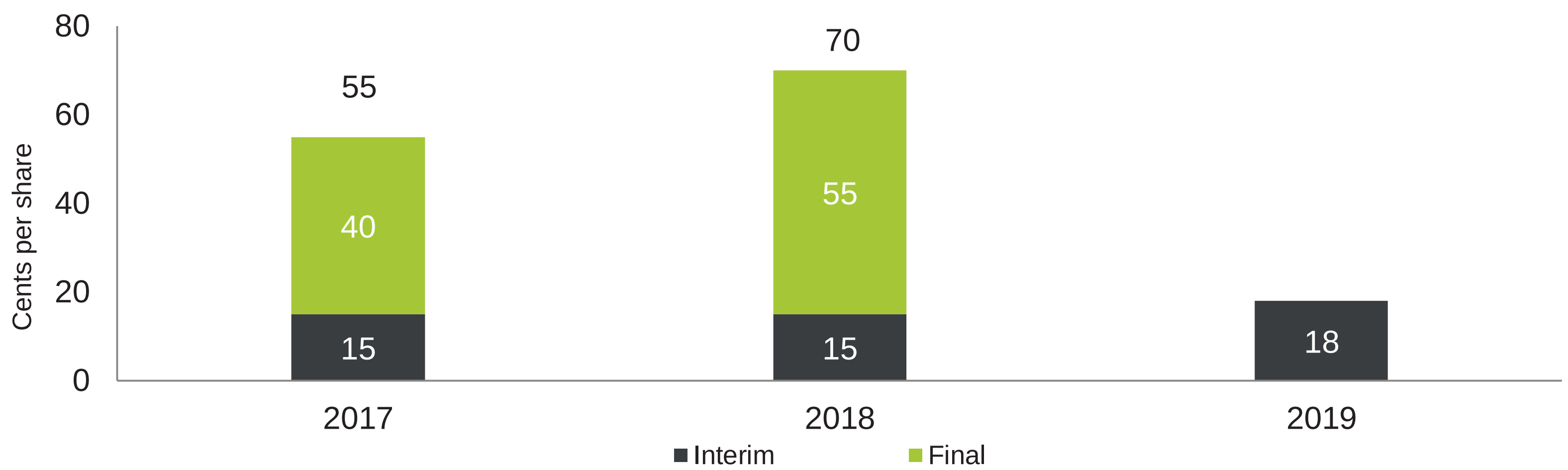
Plastics business



- Capital expenditure below depreciation
- Current focus on optimising recent investments

Note:
1. Excludes Corporate capital expenditure of R8 million which comprise spends related mainly to the purchase and improvements to of Land and Buildings.

Dividends



- Up 20% on prior period
- To be paid in cash

Salient dates for the 2019 interim cash dividend

Publication of dividend declaration	Wednesday, 7 August 2019
Last day of trade to receive a dividend	Tuesday, 3 September 2019
Shares commence trading “ex” dividend	Wednesday, 4 September 2019
Record date	Friday, 6 September 2019
Payment date	Monday, 9 September 2019

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- No indication of meaningful improvement in the SA economy
- Better sales to the agricultural sector
- Containerboard and cartonboard sales volumes and margins under pressure
  - Partly mitigated by cost savings, improved efficiencies and product mix
  - Stable recovered paper costs
- Mpact Polymers continue to focus on increasing plant yield, quality, throughput and sustainable pricing
- Mpact's integrated business model is uniquely focused on closing the loop in paper and plastic packaging through recycling and beneficiation
  - Working with customers to realise their sustainability goals