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Results presentation

for the six months ended 30 June 2020

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Half-year 2020 in context

Impact of Covid-19

Group review

Segmental review

Financial performance

Outlook

Half-year 2020 in context

- Unprecedented events
  - Persistent and prolonged electricity supply disruptions
  - Covid-19 and impact of lockdown
- Subdued economy
- Recycled containerboard oversupply globally

- Improved fruit volumes
- Key management appointments
  - MD Paper Converting and Company Secretary
- B-BBEE level 1 retained

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Impact of Covid-19

- Government imposed lockdown
  - Level 5: 27 March to 30 April , 35 days
  - Level 4: 1 May to 31 May, 31 days
  - Level 3: 1 June to date…
    - Restaurants: closed completely for 35 days; home deliveries only for 31 days; opened with restrictions for 30 days in period
    - Alcohol ban: 65 days in period. 88 days to date and counting
    - Tobacco ban: 95 days in period. 133 days to date and counting
- Mpact listed as an essential service provider from the onset
  - Stringent safety and hygiene practices across all operations
  - Business adapted quickly
  - Excellent response from all employees, customers and suppliers
- Non-essential production lines shut as required
  - QSR, beverage, tobacco and recycling sectors

Impact of Covid-19…continued

- Liquidity
  - Increased borrowing facilities
  - Postponement of 2019 final dividend
  - Debtors collections and inventory levels (make to order)
  - Non-essential capex postponed
- Costs well contained
  - Rentals, salary reductions, reviewed non-essential contracts, temporary plant closures
- Employees
  - Safety, health and wellness
  - Revised shift arrangements for business continuity
  - UIF Ters / leave
- Making a difference in our communities

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Half-year 2020 in context

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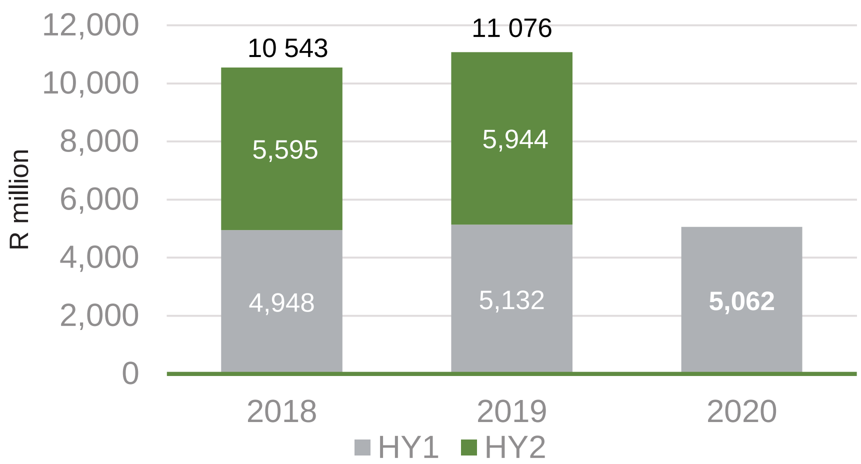
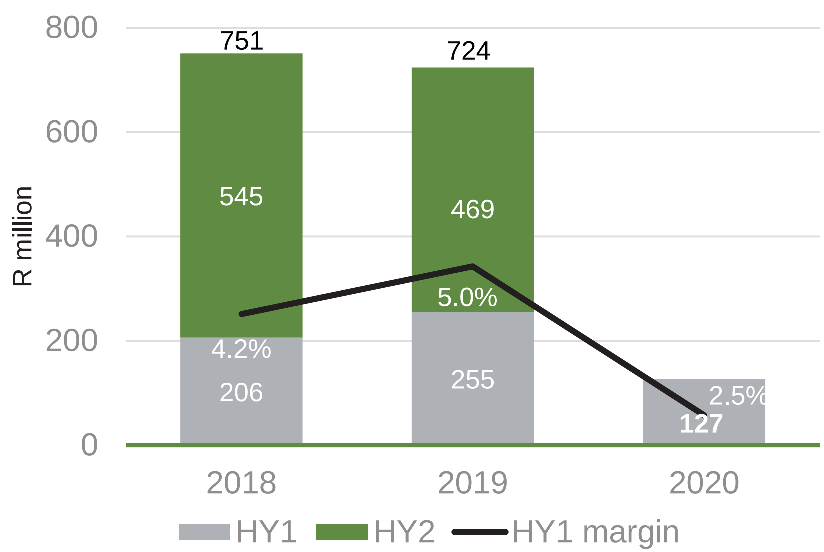
Financial review

from continuing operations[1]

Group revenue



Underlying operating profit



- Revenue down 1.4% to R5.1bn
  - Lower average selling prices in the Paper business
  - Impact of lockdown
  - External sales volume down 4.7%
    - Q2 2020 down 6.4%
- EBITDA of R396m
  - Lower paper mill margins
  - Inventories and bad debt provisions up R41m
  - Electricity interruptions
- Underlying operating profit of R127m
- Underlying EPS of 9.0 cents (June 2019: 57 cents)
- Operating cash flow of R698m
- ROCE at 9.4% (June 2019: 11.5%)
- No interim dividend declared

1. Excluding Mpact Polymers. Actual 2018 and 2019 has been restated to exclude Mpact Polymers

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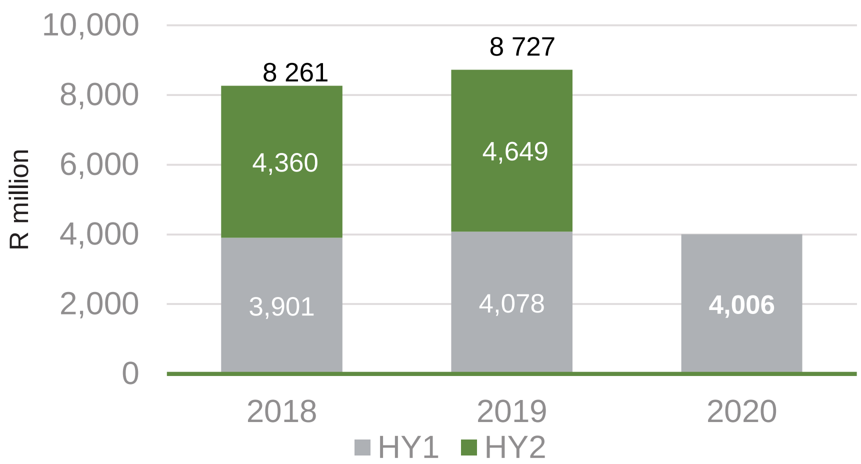
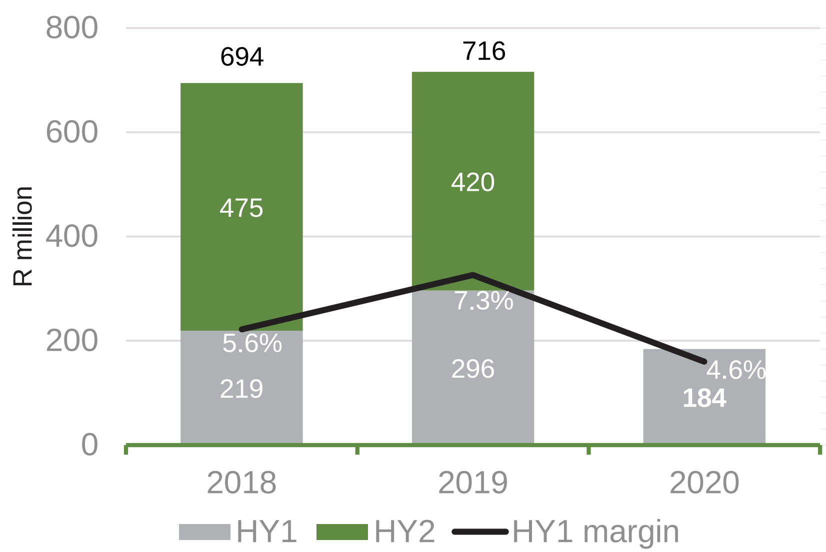
Paper business

Segment revenue



Underlying operating profit



- Revenue down 1.7% to R4bn
  - Lower average prices
  - Volumes down 4.8%
    - Paper converting down 6.7%
    - Paper mill sales up 1.9%, excluding rolled pulp, Recycling sales down 11.8%
    - Q2 2020 volumes down 6.5%
    - Good growth in fruit sector
- Underlying operating profit down 37.8% to R184m
  - Lower gross margin - product and market mix
  - Springs mill power outage - R27m
  - Impact of lockdown
- Strong operating cash flow of R564m

Plastics business

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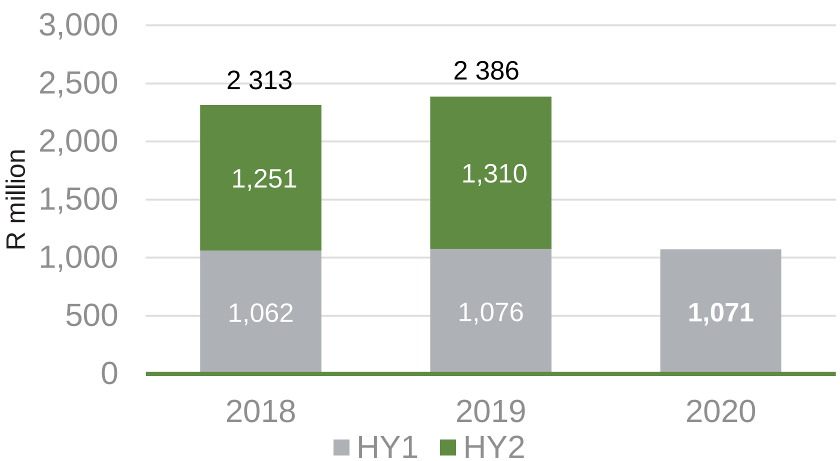
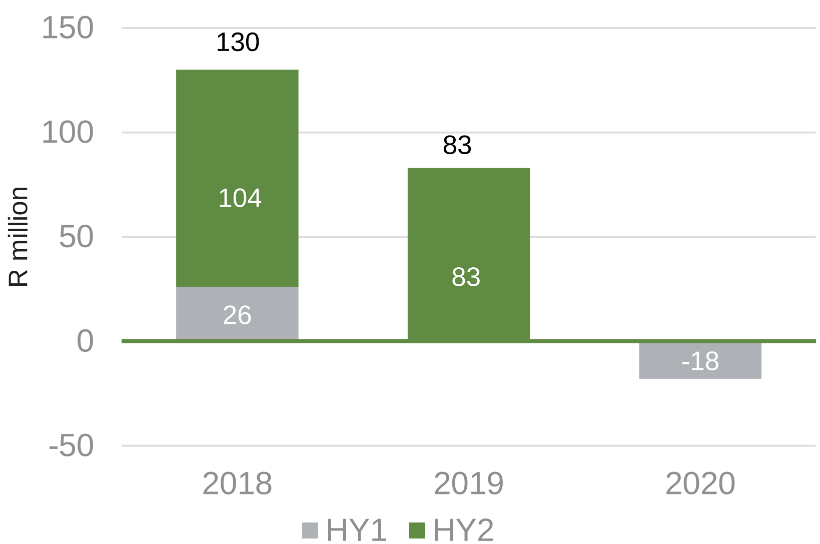
Segment revenue



Underlying operating profit



- Revenue of R1.1bn in line with prior
  - Average prices increased by 3.4%
  - Sales volumes declined by 3.9%
    - Good growth in FMCG, Bins & Crates offset by declines in Preforms & Closures, Trays & Films
    - Q2 2020 volumes down 5.3%
- Underlying operating loss of R18m
  - Inventories and bad debt provisions up R37m and R5m, respectively
  - Contraction in Preforms & Closures in Q2 2020
  - Improvement in Trays and Films post restructuring
  - Solid performances in FMCG and Bins & Crates
- Strong operating cash flows R193m

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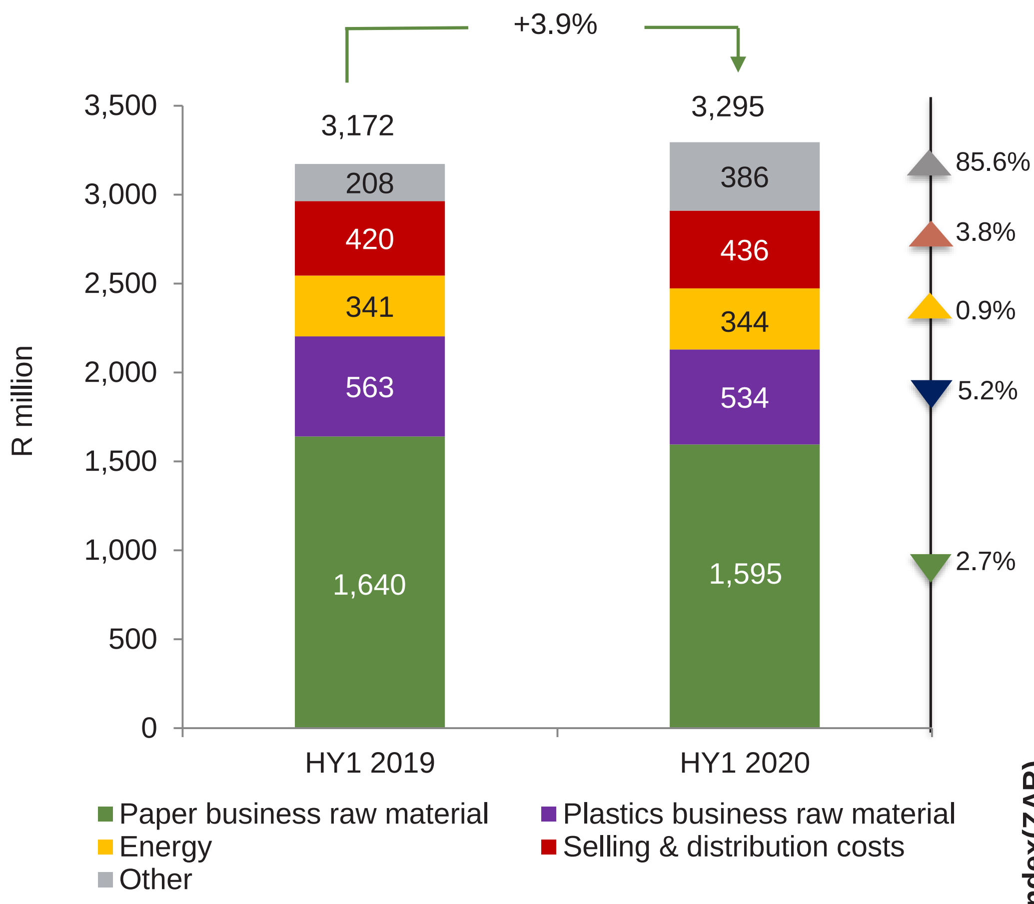
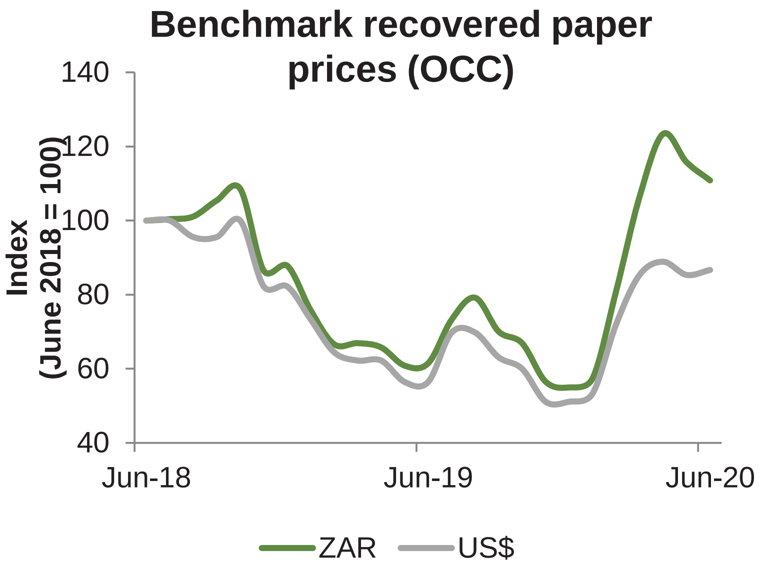
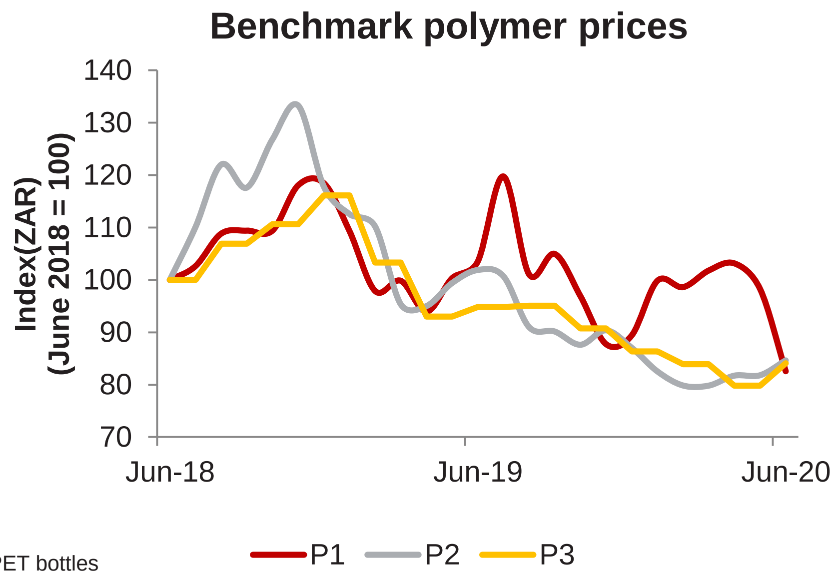
Variable costs

from continuing operations





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

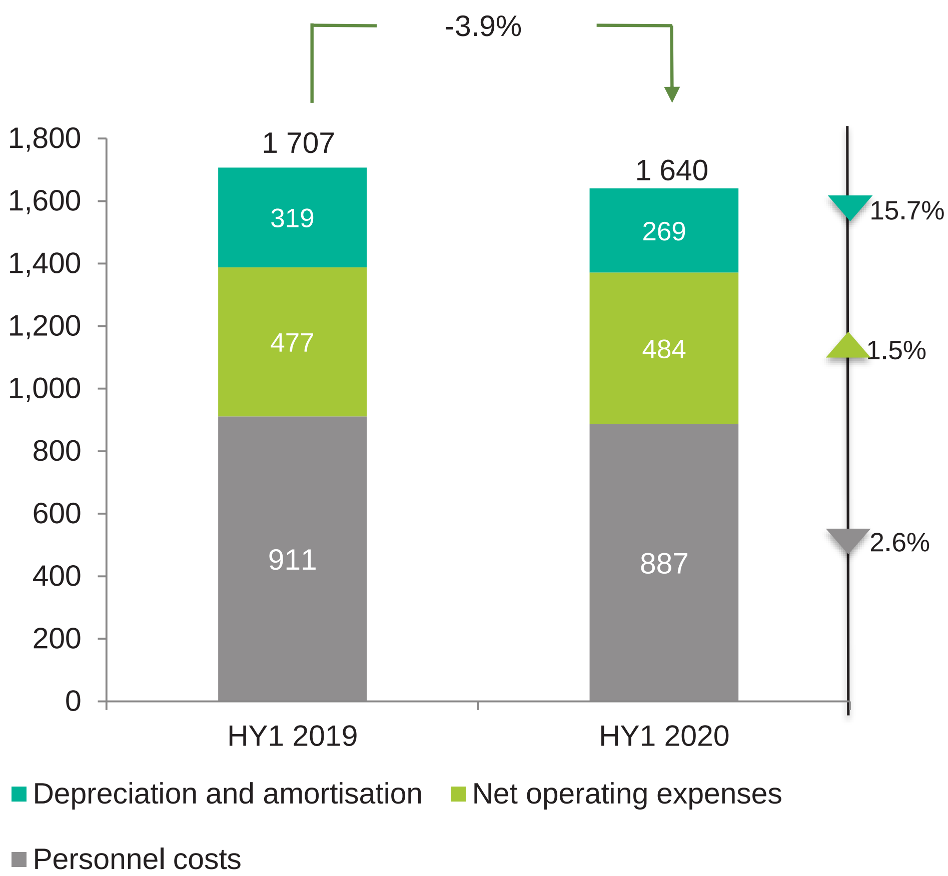


Notes:

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

Source: Mpact

Fixed costs
from continuing operations



- Fixed costs down 3.9%
  - Depreciation down 15.7%
    - Impairment on plant and equipment end 2019
  - Personnel cost decreased 2.6%
    - Lower overtime cost and performance bonus
    - Voluntary salary reductions between April and June

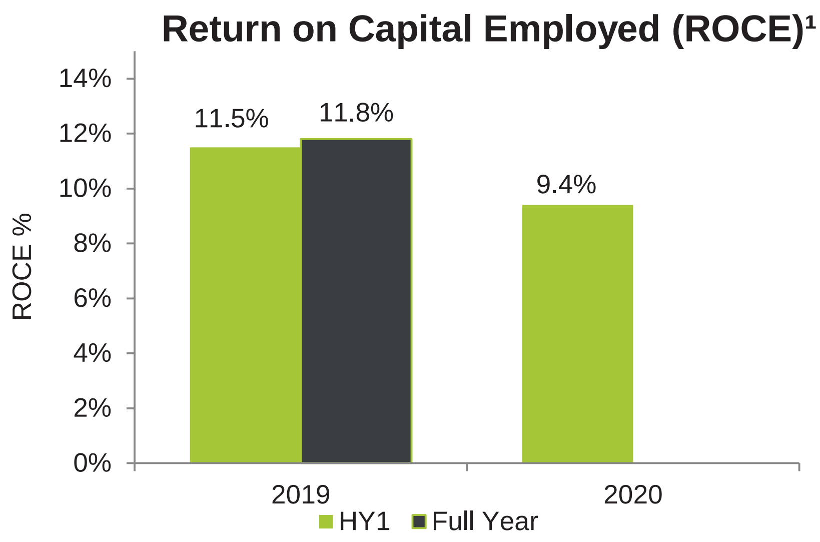
Financial review

from continuing operations

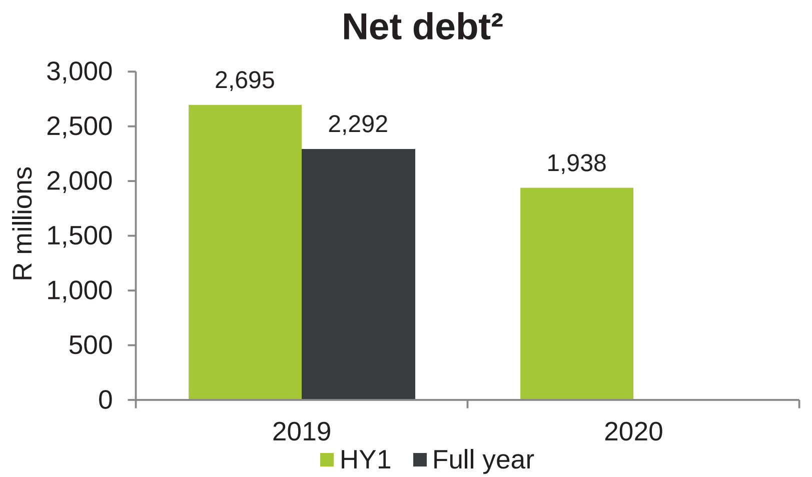
R million	HY1 2019	HY1 2020	change
Underlying operating profit	255	127	(50.3%)
Net finance costs	(123)	(95)	(22.8%)
Loss from equity accounted investees and impairment charge	(2)	(7)	>100%
Underlying profit before tax	130	25	(80.3%)
Tax charge before special items	(25)	(7)	(70.9%)
Non-controlling interests	(7)	(3)	(51.7%)
Underlying earnings	**98**	**15**	**(84.2%)**
Special items, net of tax	1	-	(>100%)
Reported earnings for the period	**99**	**15**	**(84.4%)**
Underlying earnings per share (cps)	**57.0**	**9.0**	**(84.2%)**

ROCE and net debt

from continuing operations



- ROCE of 9.4% (June 2019: 11.5%)
  - Reflects lower earnings



- Net debt closed at R1,938m
  - Improved working capital
- Gearing decreased to 34.8%

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
2. Net debt includes lease liabilities

Net finance cost and net debt

from continuing operations

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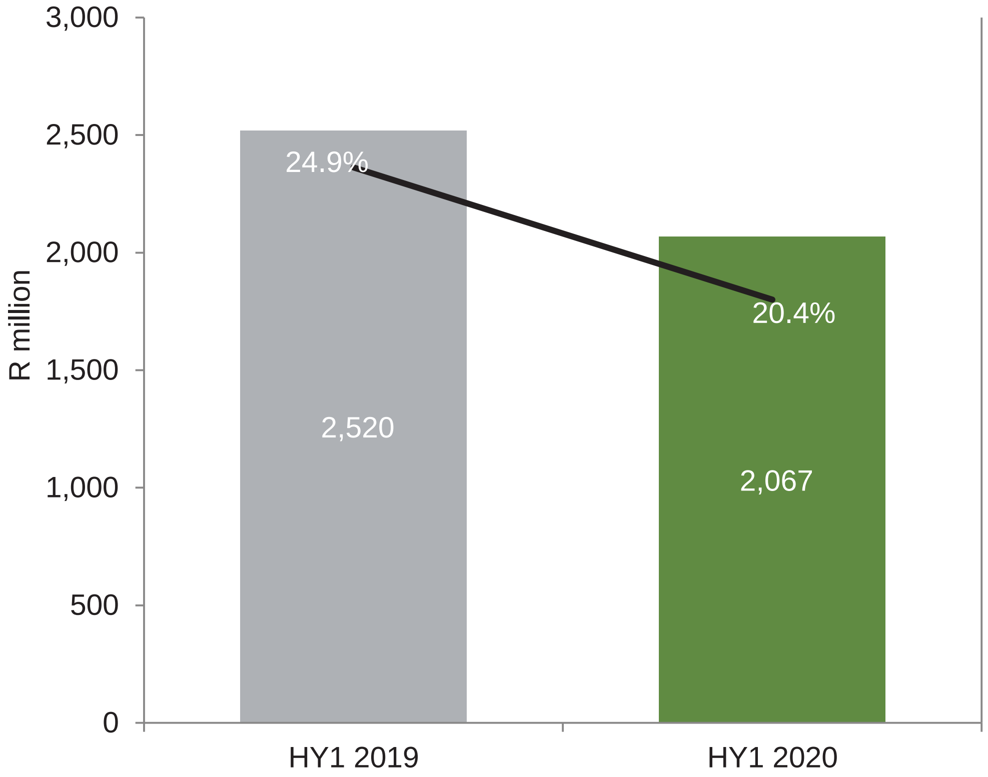
R million	Full year 2019	HY1 2019	HY1 2020	Change HY1 2019 vs HY1 2020
Net debt - close	2 292	2 695	1 938	(28.1%)
Net debt - average	2 550	2 638	2 349	(11.0%)
Net finance costs	245	123	95	(22.8%)
Gearing %	38.2%	35.9%	34.8%	(1.1)
Interest cover (underlying EBIT) (times)	3.0	2.1	1.3	
Net debt to EBITDA (times)	1.7	2.1	1.7	

Trade working capital

from continuing operations

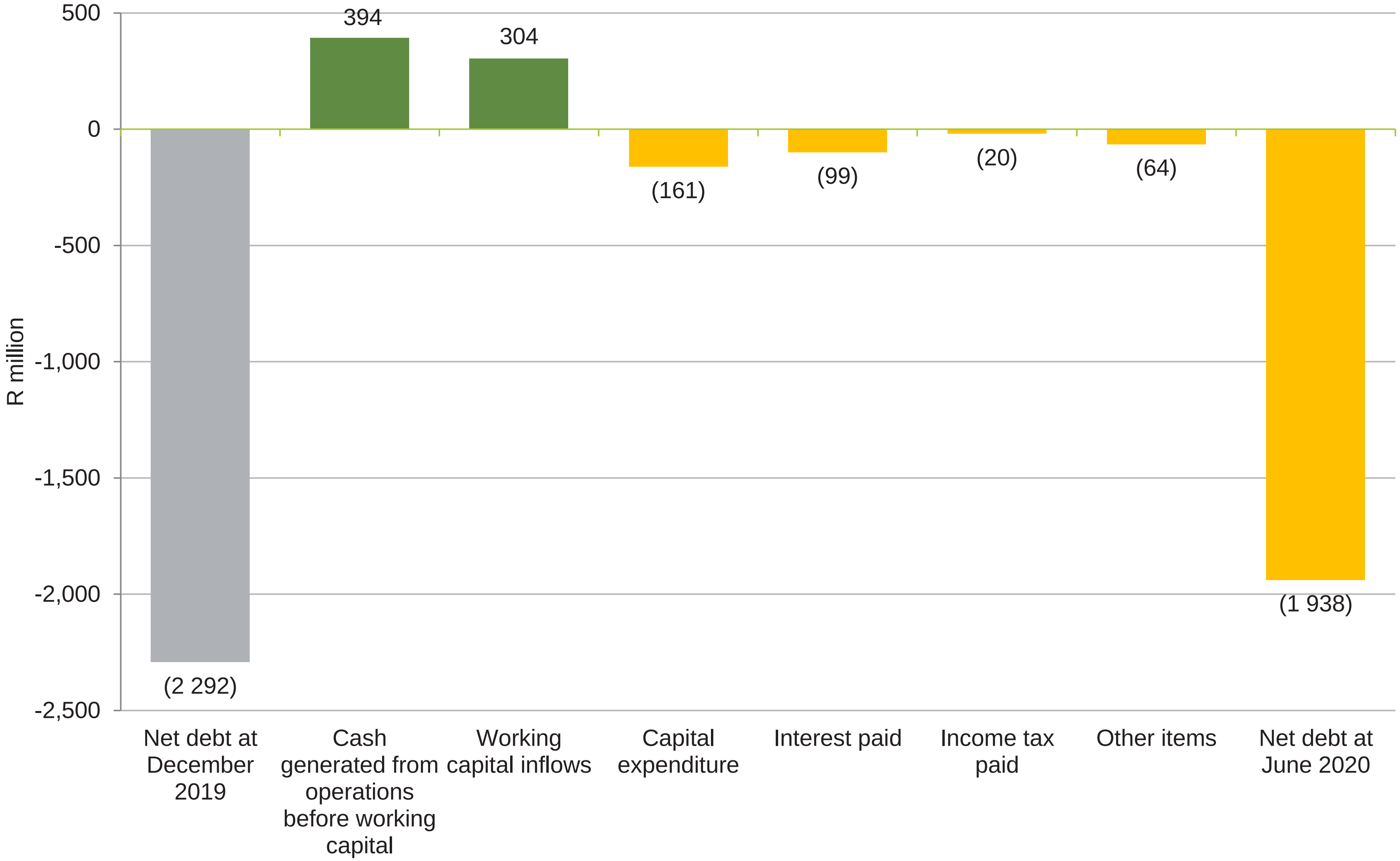
Trade working capital % of revenue



- Trade working capital decreased by R453m
  - Lower inventory levels
    - Decline in raw material stock due to lower collection of recovered paper
    - Lower stock holding of containerboard

Movement in net debt

from continuing operations



Taxation

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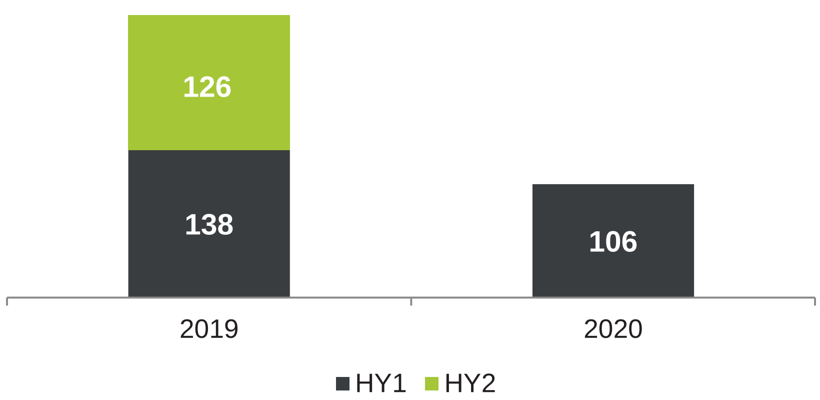
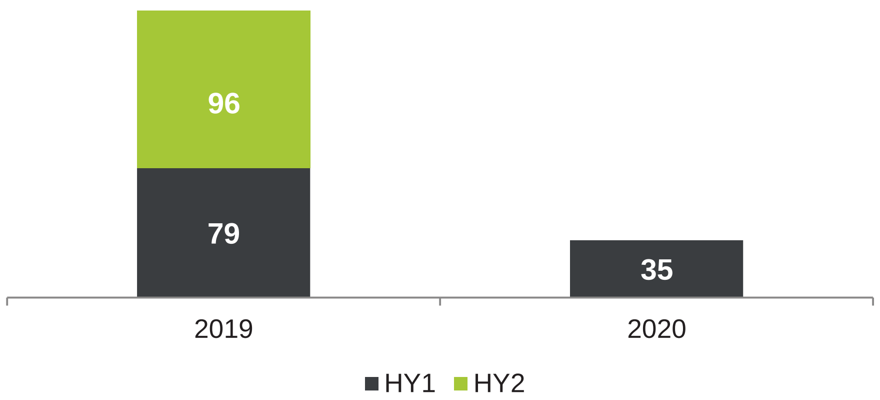
R million	HY1 2019	HY1 2020	change
Taxation charge	25	7	(70.9%)
Effective tax rate	29.6%	28.6%	(1.0)
Tax paid	32	20	(38.6%)

Capital expenditure cash flows

Paper business



Plastics converting business



1. Excludes Corporate capital expenditure of R20 million (June 2019: R8 million) which comprise spends related mainly to the purchase of Land and Buildings.

Dividends

- No interim dividend declared
  - Uncertainty of the impact of the lockdown and Covid-19 pandemic
- Final cash dividend of 42 cps for the year ended 31 December 2019 will be paid on 7 September 2020
  - Details announced on SENS on 30 April 2020

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- Uncertainty regarding impact of lockdown measures and power outages
- Some recovery in QSR demand in July, however the beverage and tobacco sectors remain weak
- Expect good demand for fruit packaging in the second half and improved demand in other sectors as lockdown regulations are eased
- Global containerboard and cartonboard prices rising off a low base, but oversupply will continue to put pressure on sales
- Focus will be on cash preservation as in HY1 2020
- Mpact’s strong balance sheet and experienced management team gives confidence that the Group will be able to navigate these challenges

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