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Key metrics



Revenue of
R10.6bn

(2017: R10.1 billion)



Underlying operating profit of
R672m

(2017: R457 million)



Total gross dividend per share of
70c

(2017: 55 cents)



Return on capital employed (ROCE) of
10.7%

(2017: 7.7%)



Serious injury frequency rate
0.65

per 200 000 man hours
(2017: 0.60)



Recovered recyclables
630kt

(2017: 662kt)



CSI spend
R3.5m

(2017: R4.9 million)



Water consumption
5.5kℓ/t

(2017: 5.7kℓ/t)



Energy consumption
6.5GJ/t

(2017: 6.6GJ/tonne)



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on the new Codes
(2017: Level 3 on the old Codes)



Scope 1 and 2 greenhouse gas emissions
0.963 tCO₂e/t

(2017: 1.032 tCO₂e/t)



Training and skills development
63,031 man-hours

(2017: 70,257 man-hours)

19 fully-funded university bursaries awarded through the Mpac Foundation Trust (2017: 22)

Innovation Awards

During the year, Mpack's focus on innovative packaging solutions was recognised with five awards at the Gold Pack 2018 awards and six Fta SA Flexographic Print Excellence Awards:



Gold Pack Awards

- Gold (Transit and Other Category) for the Fishaways family sharing meal carton
- Silver (Best in Paper Packaging Category)
- Gold (Sustainability Category) for the Fishaways family sharing meal carton
- Silver (Transit and Other Category) for the Devil's Peak promotional beer pack
- Bronze (Transit and Other Category) for the Steers Perfect Four Sharing pack



Supplier of the Year Awards

Mpack was recognised at the Famous Brands Annual Supplier of the year Awards and Kaap AGRI. Mpack won the following awards:

Famous Brands:

- Supplier of the year – Packaging
- Supplier of the year – Overall
- Best innovator Kaap AGRI
- Supplier of the Year Award 2018



Fta SA Flexographic Print Excellence Awards

- Gold (Corrugated – Uncoated (process) inline casemaker or printer/die-cutter Category) for the Safari Lager 24 x 500ml pack
- Gold (Corrugated – Coated (line/ tone) inline casemaker or printer/die-cutter Category) for the Budweiser 24 x 330ml pack
- Silver (Corrugated – Coated (line/ tone) inline casemaker or printer/die-cutter Category) for the Stella Artois 24 x 330ml pack
- Joint Gold (Corrugated – Coated (process) inline casemaker or printer/ die-cutter Category) for the Phoenix Beer 15 x 330ml and Phoenix Beer 20 x 330ml packs
- Gold (Corrugated – Coated (process) inline casemaker or printer/die-cutter Category) for the Konduto Tomato Triturado 5l pack
- Gold (Corrugated – Coated (process) offline printer Category) for the ZZ2 Karas Dates 5kg pack

16th Annual National Business Awards



Winner of the 2018 Sustainability Award

Corporate profile

Mpact is the largest paper and plastics packaging and recycling business in Southern Africa with customers that include packaging converters, fruit producers, FMCG companies and other consumer and industrial packaging companies.

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

Our 40 operating sites employed 5,062 employees in South Africa, Namibia and Mozambique during 2018, generating revenue of R10.6 billion. Our national footprint, leading market positions and proximity to customers contribute to faster response times, reduced transport costs and economies of scale.

Innovation lies at the heart of our strategy to anticipate the needs of our customers and create structural and graphic solutions, as well as value-added services. Some of the recognitions received for these designs during 2018 are shown on page 5.

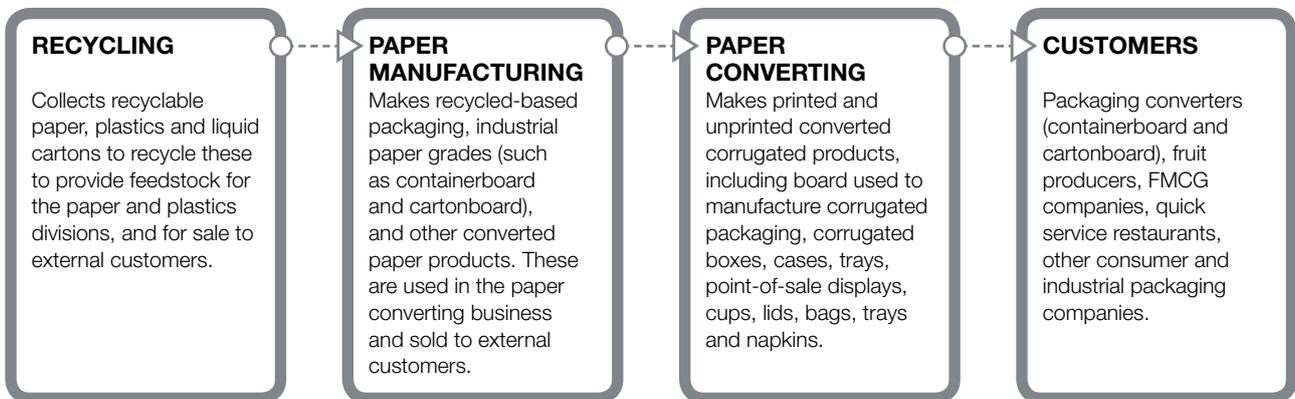
Mpact is South Africa's largest collector of recyclable packaging (paper, plastic, glass, etc.) and in 2018 we collected over 630,111 tonnes of paper and plastic recyclables from pre- and post-consumer sources. By closing the loop on paper and plastic, we reduce the amount of

material going to landfill, promote local beneficiation of raw materials and support the development of more than 50 small businesses.

Our liquid packaging recycling plant can recycle 24,000 tonnes of used liquid cartons a year, saving 65,240m³ of landfill space and approximately 11,400 tonnes of carbon emissions.

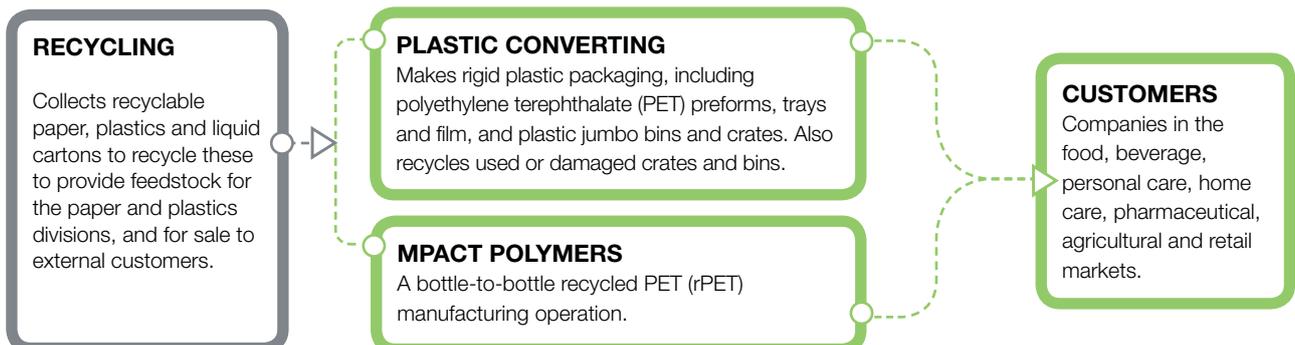
Mpact's PET recycling plant is designed to process 29,000 tonnes of used PET bottles per annum saving around 180,000m³ of landfill space and supporting the global drive to reduce plastic waste. It is the first plant in Africa to meet The Coca-Cola Company's full certification for PET bottles to package its company's soft drinks, while the recycling process complies with European Union (EU) Food Safety Authority specifications.

Paper division



See page 32 for more information on our Paper Business.

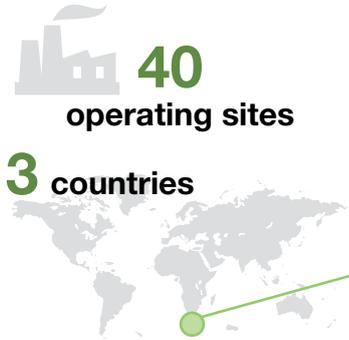
Plastics division



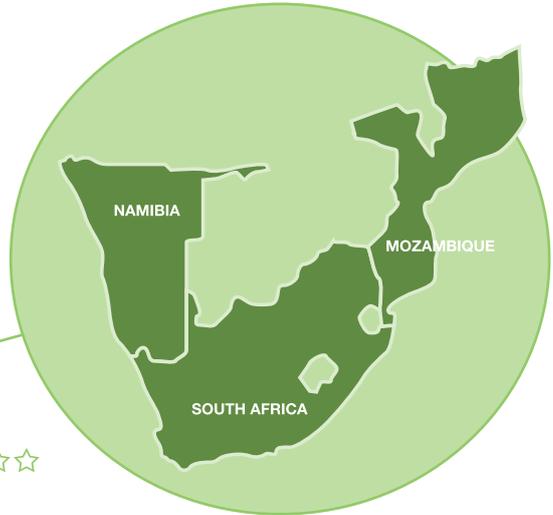
See page 40 for more information on our Plastics Business.

We have a national operating footprint

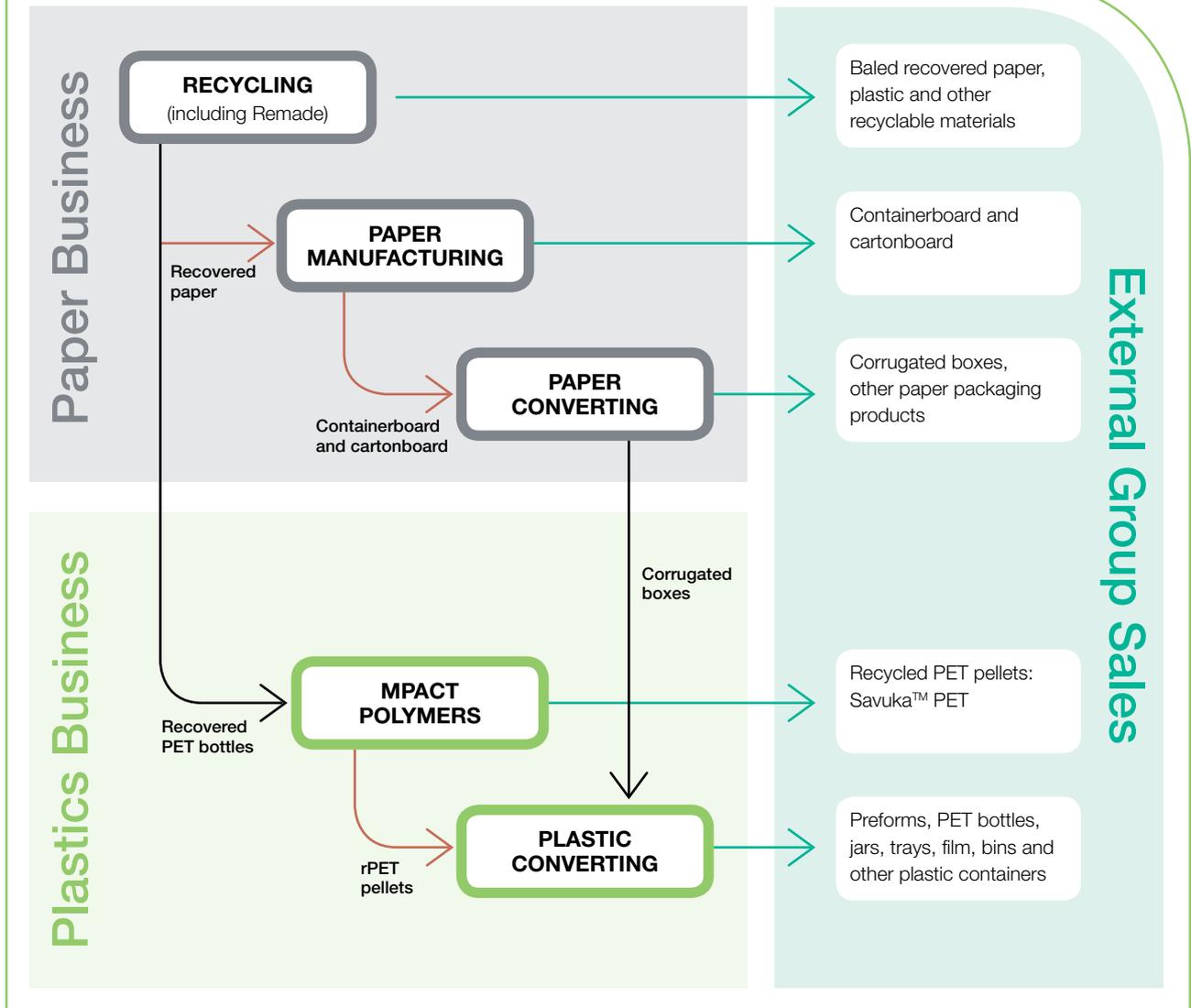
Mpact's national footprint, and therefore proximity to its customers, contributes to faster response times and reduced transport costs.



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Mpact Group



— External sales — Inter-segmental sales — Inter-divisional sales

Our vision and values

Building a sustainable business and contributing to society through innovation

Southern Africa's largest recycler, paper and packaging producer, Mpact is committed to:

- acting as a responsible employer and corporate citizen and managing natural resources with care, sensitivity and expertise;
- meeting and exceeding customers' requirements for product and service quality, innovation as well as cost competitiveness;
- providing a safe and secure working environment in which employees can fulfil their ambitions and aspire to continually improve their circumstances; and
- achieving sustainable, profitable growth through a focus on business excellence and strategic expansion in chosen markets.

Vision

Mpact's vision is to be a leading packaging business with the highest ethical standards, delivering exceptional value for customers, employees, communities and shareholders.

Values

At Mpact we are differentiated by our people who are:

Trustworthy

- Ethical
- Transparent
- Honouring commitments

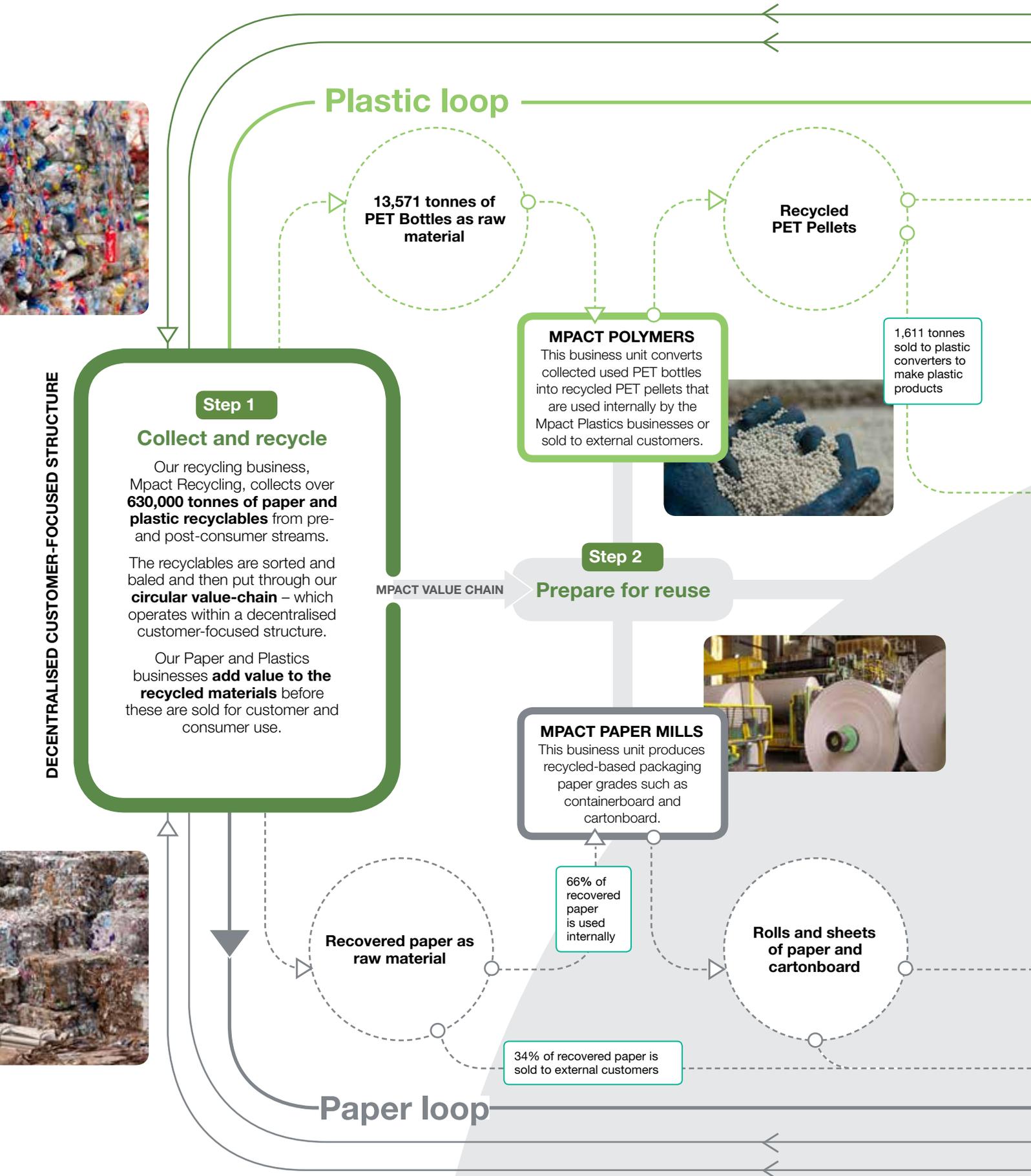
Resolute

- Setting and achieving challenging targets
- Continuously identifying innovative ways to do things
- Accountable, especially in the face of adversity

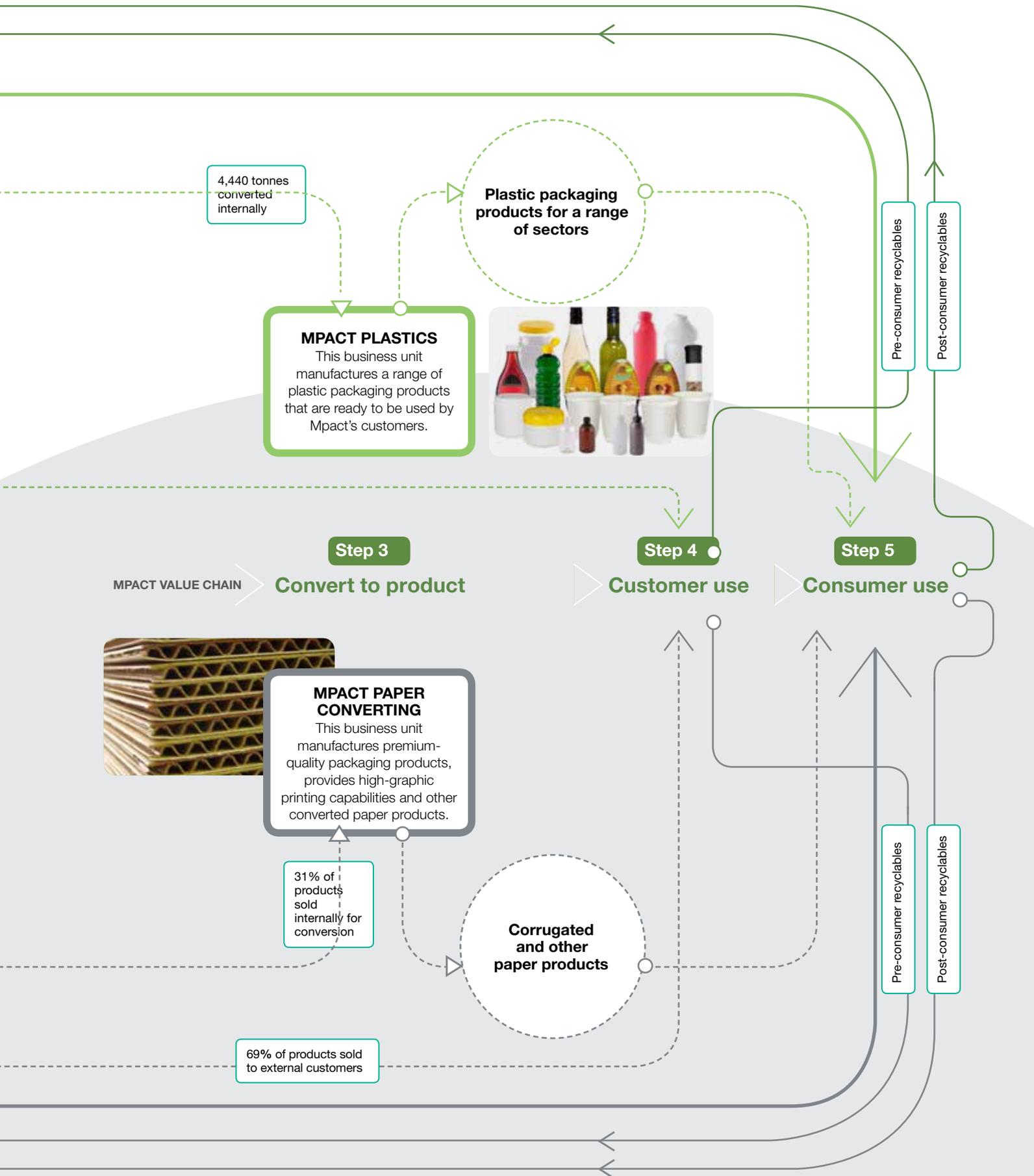
Responsible

- Taking care of their safety, health and personal development as well as that of their colleagues
- Striving to meet or exceed our customers' requirements (internal and external) for product quality, excellent service and cost competitiveness
- Treating our natural resources with care and sensitivity
- Doing what it takes to ethically deliver good sustainable returns to our shareholders

Our operating model



Mpact's business model epitomises the circular economy, creating value beyond our immediate operations. Our closed-loop system includes the collection of pre-consumer and post-consumer recyclable materials which are used to create plastic, paper and innovative packaging products.



Business model

INPUTS



Financial capital

Funds available to the business, including in the form of retained earnings and debt.
Net debt – R2.1 billion.
Equity – R4.5 billion.



Manufacturing capital

40 operating sites across South Africa, Mozambique and Namibia. Manufacturing equipment, plastic polymers, PET, plastic waste and paper waste.



Human capital

5,062 employees.
63,031 man-hours spent training.
191 PDI learners and apprentices.



Intellectual capital

The accumulated experience and in-depth understanding of the packaging industry in our management team and employees.

Research and development centre and creative assets create innovative customer-focused product offerings.



Social and relationship capital

Our strong relationships with our key stakeholders and commitment to community development.



Natural capital

Pulp, eucalyptus logs, pine, recyclable waste, chips and water.
6.52GJ/tonne of energy consumed.
5.47kl/tonne of water used.

ACTIVITIES

What we do to create value

While the bulk of our capital investment cycle was completed in 2017, there was some investment in 2018 at various manufacturing facilities, including the PE Corrugator and the ongoing investments in improving the performance of the Polymers PET recycling facility.

There was increased investment of financial capital in the corrugated division to drive the development of intellectual capital in the form of innovation in paper packaging. The Plastics division made similar investments in lightweighting their packaging and also invested in upgrading their design centre to ensure that their design capabilities remain world-class.

Our empowerment partnership with Dalisu is based on developing intellectual capital around converting an effluent stream from the paper manufacturing business into a valuable product. This can be sold to increase financial capital, while reducing our environmental impact by reducing effluent disposal and supporting social and relationship capital through the partnership's transformation aspect.

Mpact Recycling ran a number of initiatives to improve waste paper collection during 2018, including their annual schools competition and a competition that challenged the Top 100 Mrs South Africa semi-finalists to work alongside Mpact Recycling on community projects with the aim of promoting recycling awareness, supporting fundraising initiatives and increasing recycling volumes. By sponsoring these initiatives, Mpact increases awareness about recycling and the Mpact brand, building social and relationship capital, while reducing the impact of waste on the environment.

Financial investments in our manufacturing facilities have significantly increased the efficiency with which we use water and energy. We have also invested in solar PV plants at two operations to reduce our reliance on electricity derived from fossil fuels, and we installed air chillers to reduce water usage.

 Refer to page 12 for our business model.

OUTPUTS



Financial capital

Group revenue of R10.6 billion.
Underlying operating profit of R672 million.
Underlying earnings per share of 208 cents.
ROCE of 10.7%.



Manufacturing capital

438 million m³ of saleable corrugated packaging.
430,673 tonnes of paper.
83,550 tonnes of plastics converted.



Natural capital

Scope 1 and Scope 2 carbon emissions of 774,818 tCO₂e.
38,043 tonnes of waste generated.



OUTCOMES



Financial capital

R3.0 billion in value created for stakeholders.
R45.7 million distributed to shareholders as dividends.
R232.1 million distributed to providers of capital.
R281.3 million reinvested in the Group.



Manufacturing capital

Capital expenditure of R534 million invested to improve manufacturing equipment.
R566 million depreciation and amortisation as a proxy for the decrease in the value for tangible and intangible assets.



Human capital

R1,749.8 million distributed to employees as remuneration and benefits.
R12.5 million invested in skills development.
SIFR declined to 0.65.



Intellectual capital

Increased skills and know-how.
R33 million invested in research and development.
Five Gold Pack awards, including the IPSA Gold Pack Trophy and six Fta SA Flexographic awards.



Social and relationships capital

R3.5 million invested in communities through the CSI programme.
R96.9 million distributed to government as taxes.
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Natural capital

13,571 tonnes of plastic waste diverted from landfill for recycling.
498,952 tonnes of waste paper recycled.



Case Study

Collecting waste. Collecting data.

Many people do not consider the implications of their waste after they have thrown it away and their municipality or collection service has picked it up. The harsh reality is that the exponential rise of consumerism has resulted in an equal (if not greater) rise in waste generated. And we are running out of landfill space.

But simply by providing accurate and reliable data, our waste management systems can be made more effective and become better designed.

Our radio frequency identification (RFID) system is designed to do just that. A passive RFID tag installed in our 240-litre wheelie bins is read by the transponders integrated into the combs of the lifting gear on waste removal trucks. This innovative system tracks all sorts of real-time data, leading to smarter, more efficient and effective waste management.

Using this system leads to more effective collection rounds through better route planning. Households that put out additional bins can be easily identified and billed, and fleet management becomes more efficient, eliminating non-emergency overtime. The system provides a baseline that links municipal revenue and services rendered, helping to reduce and eventually eradicate illegal dumping while ensuring that recycling initiatives are being employed.

The Mpact RFID system allows for new reports to be developed and made available as new data needs are identified.

Because municipal refuse trucks are the only municipal vehicle to visit households weekly, the system gives municipalities the ability to create baseline data for more than just the waste department. The data can also be used to reconcile the billings of other services like water, sewage, housing and electricity.

Mpact's RFID system is another innovation that supports municipal sustainability, benefits the environment and helps to reduce waste as we consistently work towards a true circular economy.



