

# Unaudited Interim Results for the half-year ended 30 June 2011

## Highlights



- Operating profit of R192 million up 12.5%
- Successfully listed on the Johannesburg Stock Exchange on 11 July 2011
- Net debt lower following re-capitalisation in July, prior to listing

**Mpac Limited**  
(Incorporated in the Republic of South Africa)  
(Company registration number 2004/025229/06)  
JSE Share Code: MPT JSE ISIN: ZAE00156501  
("Mpac" or "the Company")

	(Unaudited) Six months ended 30 June 2011	(Unaudited) Six months ended 30 June 2010	(Audited) Year ended 31 December 2010
	Rm	Rm	% change
Revenue	3,006.3	2,968.5	1.3
Cost of sales	(1,829.9)	(1,861.7)	(1.7)
Gross margin	1,176.4	1,106.8	6.3
Administration and other operating expenditure	(978.7)	(931.1)	5.1
Special items	(5.4)	(4.8)	12.5
Operating profit	192.3	170.9	12.5
Share of associates' profit/(loss)	1.6	(0.2)	3.4
<b>Total profit from operations and associates</b>	<b>193.9</b>	<b>170.7</b>	<b>13.6</b>
Finance costs	(200.7)	(217.1)	(7.6)
Investment income	15.9	18.6	(14.5)
Profit/(loss) before tax	9.1	(27.8)	95.9
Tax (charge)/credit	(2.9)	2.7	(46.4)
<b>Profit/(loss) for the period from continuing operations</b>	<b>6.2</b>	<b>(25.1)</b>	<b>49.5</b>
Other comprehensive income/(loss), net of taxation	(1.3)	12.0	(7.1)
Effect of options to equity holders	–	–	3.0
Effect of cash flow hedges	3.7	(5.4)	(7.5)
Actuarial gains/(losses) and surplus restrictions on post-retirement benefit schemes	(5.8)	14.4	(13.7)
Exchange differences on translation of foreign operations	0.2	–	(0.4)
Taxation on other comprehensive income	0.6	3.0	11.5
<b>Total comprehensive income/(loss)</b>	<b>4.9</b>	<b>(13.1)</b>	<b>42.4</b>
<b>Profit/(loss) attributable to:</b>			
Equity holders of Mpac Limited	1.7	(31.5)	36.8
Non-controlling interests in subsidiaries	4.5	6.4	12.7
<b>Profit/(loss) for the period</b>	<b>6.2</b>	<b>(25.1)</b>	<b>49.5</b>
<b>Comprehensive income/(loss) attributable to:</b>			
Equity holders of Mpac Limited	0.4	(19.5)	29.7
Non-controlling interests in subsidiaries	4.5	6.4	12.7
<b>Total comprehensive income/(loss)</b>	<b>4.9</b>	<b>(13.1)</b>	<b>42.4</b>
<b>Earnings/(loss) per share (cents)</b>			
Basic earnings/(loss) per share	1.0	(19.2)	22.4
Diluted earnings/(loss) per share	1.0	(19.2)	22.4
Basic headline earnings/(loss) per share	0.8	(18.4)	23.1
Diluted headline earnings/(loss) per share	0.8	(18.4)	23.1

	(Unaudited) As at 30 June 2011	(Unaudited) As at 30 June 2010	(Audited) As at 31 December 2010
	Rm	Rm	Rm
<b>Total non-current assets</b>	<b>3,107.2</b>	<b>3,156.3</b>	<b>3,125.9</b>
<b>Total current assets</b>	<b>2,225.8</b>	<b>2,225.8</b>	<b>1,959.6</b>
Assets classified as held for sale	–	–	171.0
<b>Total assets</b>	<b>5,333.0</b>	<b>5,382.1</b>	<b>5,256.5</b>
Stated capital/share capital and premium	244.3	244.3	244.3
Accumulated loss and other reserves	(138.6)	(189.3)	(136.4)
Equity attributable to the equity holders of Mpac Limited	105.7	55.0	107.9
Non-controlling interests in subsidiaries	77.4	67.2	73.2
<b>Total equity</b>	<b>183.1</b>	<b>122.2</b>	<b>181.1</b>
<b>Non-current liabilities</b>	<b>3,919.6</b>	<b>3,943.8</b>	<b>3,761.3</b>
Long-term borrowings	3,777.9	3,766.2	3,589.8
Other non-current liabilities	141.7	177.6	171.5
<b>Total current liabilities</b>	<b>1,230.3</b>	<b>1,316.1</b>	<b>1,223.4</b>
Liabilities directly associated with assets classified as held for sale	–	–	90.7
<b>Total equity and liabilities</b>	<b>5,333.0</b>	<b>5,382.1</b>	<b>5,256.5</b>

	(Unaudited) Six months ended 30 June 2011	(Unaudited) Six months ended 30 June 2010	(Audited) Year ended 31 December 2010
	Rm	Rm	Rm
<b>Net cash inflows from operating activities</b>	<b>227.5</b>	<b>258.0</b>	<b>649.4</b>
<b>Net cash outflows from investing activities</b>	<b>(76.5)</b>	<b>(131.1)</b>	<b>(274.3)</b>
<b>Net cash outflows from financing activities</b>	<b>(21.8)</b>	<b>(198.4)</b>	<b>(589.5)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>129.2</b>	<b>(71.5)</b>	<b>(214.4)</b>
Cash and cash equivalents at beginning of the period	95.8	310.2	310.2
<b>Cash and cash equivalents at end of the period<sup>^</sup></b>	<b>225.0</b>	<b>238.7</b>	<b>95.8</b>

<sup>^</sup> Cash and cash equivalents includes overdrafts

## Condensed consolidated statement of changes in equity

	Stated capital/ Share capital and premium Rm	Other reserves <sup>^</sup> Rm	Accumulated loss Rm	Total attributable to equity holders of Mpac Limited Rm	Non- controlling interest Rm	Total equity Rm
<b>Balance at 1 January 2010</b>	244.3	(73.5)	(97.2)	73.6	62.5	136.1
Total comprehensive income	–	12.0	(31.5)	(19.5)	6.4	(13.1)
Issue of shares under employee share scheme	–	(1.8)	1.8	–	–	–
Share scheme charges for the year	–	3.3	–	3.3	–	3.3
Dividends paid to non-controlling shareholders	–	–	–	–	(1.7)	(1.7)
Reclassification	–	(0.3)	0.3	–	–	–
Contribution paid to Mondi share incentive scheme	–	(2.4)	–	(2.4)	–	(2.4)
<b>Balance at 30 June 2010 (unaudited)</b>	<b>244.3</b>	<b>(62.7)</b>	<b>(126.6)</b>	<b>55.0</b>	<b>67.2</b>	<b>122.2</b>
Total comprehensive income	–	(19.1)	68.3	49.2	6.3	55.5
Share scheme charges for the year	–	3.8	–	3.8	–	3.8
Dividends paid to non-controlling shareholders	–	–	–	–	(0.3)	(0.3)
Contribution paid to Mondi share incentive scheme	–	(0.1)	–	(0.1)	–	(0.1)
<b>Balance at 31 December 2010 (audited)</b>	<b>244.3</b>	<b>(78.1)</b>	<b>(58.3)</b>	<b>107.9</b>	<b>73.2</b>	<b>181.1</b>
Total comprehensive income	–	(1.3)	1.7	0.4	4.5	4.9
Issue of shares under employee share scheme	–	(0.6)	0.6	–	–	–
Share scheme charges for the year	–	3.8	–	3.8	–	3.8
Dividends paid to non-controlling shareholders	–	–	–	–	(0.3)	(0.3)
Reclassification	–	(0.4)	0.4	–	–	–
Contribution paid to Mondi share incentive scheme	–	(6.4)	–	(6.4)	–	(6.4)
<b>Balance at 30 June 2011 (unaudited)</b>	<b>244.3</b>	<b>(83.0)</b>	<b>(55.6)</b>	<b>105.7</b>	<b>77.4</b>	<b>183.1</b>

<sup>^</sup> Other reserves consist of the option to equity holder reserves, revaluation reserves, foreign currency translation reserves, share-based payment reserves, cash flow hedge reserves, and post-retirement benefits reserves

## Directors:

**Non-Executive:** AJ Phillips (Chairman), NP Dongwana, NB Langa-Royds, TDA Ross, AM Thompson

**Executive:** BW Strong (Chief executive officer), EL Leong (Chief financial officer)

**Company secretary:** WR Somerville

## 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 786278, Sandton, 2146)

## MPACT GROUP PROFILE

The Group is one of the largest South African packaging producers, involved in the manufacture and supply of paper and plastic packaging products. The paper business is integrated across the recycled paper-based corrugated packaging value chain and comprises three divisions being recycling, packaging and industrial paper and corrugated. The plastic business manufactures rigid plastic packaging such as bottles, containers and preforms for the fast moving consumer goods markets; styrene trays and plastic jumbo bins. The Group employs approximately 3 500 people across its 29 operations in South Africa, Namibia, Mozambique and Zimbabwe. Mpac was listed on the Main Board of the securities exchange operated by the JSE Limited ("JSE") on 11 July 2011.

## GROUP PERFORMANCE REVIEW

Revenue of R3,006 million was in line with the comparable prior year period with higher average selling prices offset by lower volumes in the paper business and in Paperlink, the paper merchandising business, which was sold at the end of March 2011.

Operating profit of R192 million was 12.5% up on the comparable prior year period.

## Paper segment

Revenue was 2.2% higher at R2,169 million. Sales volumes for the first quarter exceeded the comparable prior year period but lower demand in the second quarter resulted in a net decline in external sales volumes for the half year period compared to prior year.

Operating profit of R245 million was 12.8% better than the comparable prior year period attributable mainly to higher average selling prices and cost savings.

## Plastics segment

Revenue of R715 million was 15.5% higher than the comparable prior year period due to increased volumes and higher average selling prices. Selling prices increased on the back of higher raw material costs. Operating profit for the period increased by 18.5% to R30 million which includes insurance income of R5 million. The comparable prior year period operating profit included insurance income of R17 million and an impairment charge of R4.8 million.

## Special items

Demerger and listing transaction costs reported to 30 June 2011 amount to R5.4 million. It is estimated another R43 million of demerger and listing transaction costs will be incurred in the second half of the year following the successful demerger and listing of Mpac in July.

## Finance costs

Finance costs of R201 million were lower than the comparable prior year period by 7.6%.

On 5 July 2011 net debt was substantially reduced as part of the capital restructuring prior to listing on the JSE on 11 July 2011. Consequently, net interest costs in the second half of the year will be substantially lower than the first half.

## Tax

The effective tax rate is 31.9%, which is the normal company income tax rate of 28% adjusted for non-deductible expenses.

## Earnings per share

In terms of a special resolution passed on 28 April 2011 the number of ordinary shares in issue was increased from 159,950 ordinary shares to 23,192,750 ordinary shares following a share split. Thus the number of ordinary shares in issue on 30 June 2011 was 23,192,750.

On 5 July 2011 an additional 140,853,726 ordinary shares were issued to the then shareholders as part of Mpac's capital restructuring prior to listing. Consequently the company listed on 11 July 2011 with 164,046,476 issued ordinary shares.

## Notes

### 1. Basis of preparation

This unaudited interim report has been prepared using accounting policies compliant with International Financial Reporting Standards (IFRS), the AC 500 standards as issued by the Accounting Practices Board and is in compliance with IAS 34: Interim Financial Reporting, the JSE Limited's listing requirements and the South African Companies Act. The accounting policies and methods of computation used are consistent with those applied in the preparation of the annual financial statements for the year ended 31 December 2010, except where the Group has adopted new or revised accounting standards and interpretations of those standards.

The preparation of these condensed consolidated unaudited interim financial results for the half-year ended 30 June 2011 was supervised by the Chief Financial Officer, Mr EL Leong CA(SA).

### 2. Accounting policies

The accounting policies and methods of computation used are consistent with those applied in the preparation of the annual financial statements for the year ended 31 December 2010.

The following new or revised accounting standards and interpretations, which had no impact on the Group, were adopted in the current period:

- IAS 24: Related Party Disclosure.
- IAS 32: Financial Instrument Presentation.
- IFRIC 14: IAS 19 – The Limit on a Deferred Benefit Asset, Minimum Funding Requirements and their Interaction.
- November 2009 amendments with respect to voluntary prepaid contributions.
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments.

### 3. Seasonality

The Group's operating results from normal trading activities for the second half are historically better than those from the first half.

	(Unaudited) Six months ended 30 June 2011	(Unaudited) Six months ended 30 June 2010	(Audited) Year ended 31 December 2010
	Rm	Rm	Rm
<b>4. Group segment analysis</b>			
<b>Revenue</b>			
Paper	2,169.4	2,122.3	4,428.3
Plastics	714.5	618.8	1,309.9
Corporate and other business <sup>*</sup>	131.8	236.2	542.0
<b>Total revenue</b>	<b>3,015.7</b>	<b>2,977.3</b>	<b>6,280.2</b>
Less: Inter-segment revenue	(9.4)	(8.8)	(21.5)
<b>Total revenue</b>	<b>3,006.3</b>	<b>2,968.5</b>	<b>6,258.7</b>
<b>Operating profit</b>			
Paper	244.6	216.8	526.0
Plastics	29.5	24.9	85.1
Corporate and other business <sup>*</sup>	(81.8)	(70.8)	(132.1)
Total operating profit	192.3	170.9	479.0
Share of associates profit/(loss)	1.6	(0.2)	1.4
Net finance costs	(184.8)	(198.5)	(386.5)
<b>Profit/(loss) before tax</b>	<b>9.1</b>	<b>(27.8)</b>	<b>95.9</b>
<b>Special items per segments (included in operating profit)</b>			
Paper	–	–	0.7
Plastics	–	4.8	5.6
Corporate and other business	5.4	–	–
<b>Total special items</b>	<b>5.4</b>	<b>4.8</b>	<b>6.3</b>
<b>Assets</b>			
Paper	2,712.7	2,626.7	2,577.3
Plastics	1,078.1	984.8	1,028.0
Corporate and other business <sup>^</sup>	1,542.2	1,770.6	1,651.2
<b>Total assets</b>	<b>5,333.0</b>	<b>5,382.1</b>	<b>5,256.5</b>
<sup>*</sup> Includes Paperlink its paper merchant division			
<sup>^</sup> Includes Paperlink its paper merchant division, goodwill and other intangible assets			
<b>5. Operating profit</b>			
Included in operating profit are:			
Amortisation of intangible assets	12.0	20.7	41.4
Depreciation	145.9	135.7	278.1
<b>6. Special items</b>			
Asset impairments	–	4.8	6.3
Listing transaction costs	5.4	–	–
<b>Total special items</b>	<b>5.4</b>	<b>4.8</b>	<b>6.3</b>
<b>7. Finance costs</b>			
Bank and other borrowings	191.1	207.9	416.3
Defined benefit arrangements	9.6	9.2	18.3
<b>Total finance costs</b>	<b>200.7</b>	<b>217.1</b>	<b>434.6</b>
<b>8. Pro forma earnings/(loss) per share and headline earnings/(loss) per share</b>			
<b>Basic earnings/(loss) per share (cents)</b>			
Basic	1.0	(19.2)	22.4
Diluted	1.0	(19.2)	22.4
<b>Headline earnings/(loss) per share (cents)</b>			
Basic	0.8	(18.4)	23.1
Diluted	0.8	(18.4)	23.1

On the basis of 164,046,476 issued ordinary shares, basic earnings per ordinary share for the six months ended 30 June 2011 are 1.0 cent compared to a loss per ordinary share of 19.2 cents for the six months ended 30 June 2010, and headline earnings per ordinary share for the six months ended 30 June 2011 are 0.8 cents compared to a headline loss per ordinary share of 18.4 cents for the six months ended 30 June 2010.

## Borrowings

Net debt at 30 June 2011 was R3,697 million, an increase of R50 million from 31 December 2010. Cash proceeds from the sale of Paperlink amounted to R93 million.

On 5 July 2011 the following major changes to net debt occurred pursuant to the demerger of Mpac from Mondi and the listing on the JSE:

- A further 140,853,726 ordinary shares were issued for proceeds of R2,090 million
- The Company drew down R1,790 million against new banking facilities
- Existing bank loans of R1,144 million were settled
- All outstanding shareholder loans amounting to R2,833 million were repaid.

At the date of listing, 11 July 2011, the Group's net debt amounted to R1,718 million, which is a reduction of R1,979 million compared to 30 June 2011.

## Dividends

No interim dividend is proposed.

## Audit

The information set out in the announcement has not been audited or reviewed by the Company's external auditors.

## OUTLOOK

Earnings in the second half of the year are expected to be enhanced as a result of the significant capital restructuring on 5 July 2011, in which net debt was reduced to R1,718 million (30 June 2011: R3,697 million). Due to seasonal effects, trading in the second half of the year is typically better than the first.

However, demand remains a concern due to ongoing economic weakness and consumer uncertainty. Demand is also likely to be impacted by increased competition from direct and indirect imports on the back of the continued strength of the rand.

The paper manufacturing and plastics businesses were affected by industry wide industrial action in July. While it is anticipated that some of the lost production and sales will be recovered before the end of the financial year, the full extent will only be known in due course.

## CHANGE IN DIRECTORATE

Due to the demerger from Mondi and the listing of Mpac on the JSE, the following changes to the Board of directors were made:

The following directors were appointed on 21 April 2011:

AJ Phillips (Non-executive Chairman); EL Leong (Executive director); NP Dongwana (Non-executive director); NB Langa-Royds (Non-executive director); TDA Ross (Non-executive director and Chairman of the Audit Committee)