UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 June 2017 and declaration of scrip distribution with a cash dividend alternative

mpact

smarter, sustainable solutions

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 AND DECLARATION OF SCRIP DISTRIBUTION WITH A CASH DIVIDEND ALTERNATIVE

SALIENT FEATURES

- *Revenue increased by 3.1% to R4.8 billion (June 2016: R4.7 billion)*
- *EBITDA of R433 million (June 2016: R552 million)*
- *Underlying operating profit of R169 million (June 2016: R322 million)*
- *Underlying earnings per share of 34.3 cents (June 2016: 95.2 cents)*
- *Return on Capital Employed ("ROCE") of 10.6% (June 2016: 16.7%)*
- *Gearing at 36.3% (June 2016: 33.8%)*
- *Interim gross dividend of 15 cents per share (June 2016: 30 cents per share)*

COMPANY PROFILE

Mpact is one of the leading paper and plastics packaging businesses in southern Africa, listed on the JSE's Main Board in the Industrial - Paper and Packaging sector. The Group has leading market positions in southern Africa in recovered paper collection, corrugated packaging, recycled-based cartonboard and containerboard, polyethylene-terephthalate ("PET") preforms and trays, recycled PET ("rPET"), styrene trays 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 the various operations.

Mpact has 42 operating sites, of which 21 are manufacturing operations, in South Africa, Namibia, Mozambique and Botswana. Sales in South Africa account for approximately 89% of Mpact's total revenue for the current period while the balance was predominantly to customers in the rest of Africa.

As at 30 June 2017 Mpact employed 4,994 people. (December 2016: 4,998 people)

COMMENTARY

Mpact's results for the six months ended 30 June 2017 reflect challenging trading and macro-economic conditions. When compared to the same period last year, profitability was negatively impacted by lower sales volumes in both the Paper and Plastics businesses and higher recovered paper costs. In addition, the scheduled downtime for the R765 million Felixton paper mill upgrade project, which is due to be completed as planned during the second half of 2017, resulted in lost contribution of R24 million for the period.

GROUP PERFORMANCE

Group revenue of R4.8 billion was 3.1% higher than the comparable prior year period. Excluding Remade, which was acquired in May 2016, Group revenue increased 0.3% with external sales volumes declining 1.8% on the back of lower domestic demand and increased competition, partially offset by increased exports.

Earnings before interest, tax, depreciation and amortisation (EBITDA) of R432.6 million declined by 21.7% due to lower domestic sales volumes in the Paper and Plastics businesses and higher recovered paper costs.

Underlying operating profit of R169.1 million declined by 47.4% on the back of higher depreciation when compared to the prior year period.

Return on Capital Employed of 10.6% (June 2016: 16.7%) reflects the weaker trading environment and recent capital investments which have not yet contributed to profitability

Paper business

Revenue in the Paper business grew 7.4% to R3.7 billion. Revenue excluding Remade increased 3.7% while external sales volumes declined 1.7%.

A combination of increased competition, the effects of drought on fruit packaging and subdued consumer demand resulted in lower domestic sales volumes compared to the prior year period. Lower domestic containerboard sales were offset by increased exports.

Higher international recovered paper prices and increased local demand resulted in higher recovered paper costs which could not be recovered in the selling prices of containerboard or cartonboard.

Underlying operating profit of R177.0 million was down 39.4%, on the back of lower domestic sales volumes, higher recovered paper costs and R24 million lost contribution related to the planned project downtime at the Felixton paper mill

Plastics business

Revenue in the Plastics business decreased by 8.5% to R1.2 billion due to lower sales volumes and lower average selling prices.

Total external sales volumes declined 1.3% due to subdued consumer demand, the closure of the Zimbabwe operation in December 2016 and increased competition, particularly in the trays and films sector. Plastic Converting business sales volumes declined 5%. Despite Mpact Polymers' throughput being constrained during the first five months as a result of insufficient grinding capacity, 3,896 tonnes of Savuka™ PET (June 2016: 2,361 tonnes) were sold during the six months ended 30 June 2017 of which 2,393 tonnes was to external customers (June 2016: 643 tonnes).

Underlying operating profit of R27.2 million declined 61.0% from the comparable prior year period due to lower volumes and average prices.

Net finance costs

Net finance costs increased by 9.7% to R99.7 million (June 2016: R90.9 million) due to higher interest rates on higher net debt during the period. Interest capitalised on Phase 2 of the Felixton mill upgrade amounted to R12.6 million.

Tax

The effective tax rate for the period was 29.8% (June 2016: 34.4%) which is higher than the statutory rate of 28%, mainly due to the non-recognition of deferred tax on certain tax losses in Mpact Polymers.

In deriving the effective tax rate, Mpact has not included any recognition of the Section 12i tax incentive relating to the Felixton mill upgrade project, which is conditional upon meeting certain requirements following commissioning. It is estimated that once recognised, the Section 12i tax incentive would increase earnings per share by 70 cents. The recognition of these benefits will be reconsidered during the second half of the financial year.

Earnings per share

Basic and headline earnings per share for the period were 34.3 cents (June 2016: 95.2 cents) and 33.9 cents (June 2016: 94.9 cents), respectively.

Net debt

Net debt increased to R2.3 billion (June 2016: R1.9 billion) after investing R411 million in property, plant and equipment and utilising R141 million to fund working capital. The gearing ratio was 36.3% (June 2016: 33.8%).

Mpact has successfully refinanced R950 million of committed interest-bearing borrowings, which were to fall due in December 2017, for an additional four years.

OUTLOOK

Prevailing trading conditions indicate that consumer spending will remain subdued for the second half of the reporting period and competition will remain intense across most of the Group's product segments. The effects of the prolonged drought in several fruit growing regions will also continue to negatively affect the Group's fruit packaging volumes.

Mpact Polymers is expected to show an improved full year trading performance compared to the prior year with improved quality, increased throughput and products which are well accepted in the market

The R765 million Felixton paper mill upgrade project is progressing well. The paper machine was successfully commissioned as scheduled during July 2017. Initial indications regarding quality, throughput and cost are encouraging with the mill planning to ramp up to full capacity by the end of 2018. The final major construction concerns the automated finished goods warehouse which is planned for completion in December 2017.

The Group is nearing the end of an extensive capital investment program with many of the investments expected to reflect positively in the Group's earnings and returns from 2018. We remain confident in our ability to weather the storm and to realise profitable growth over the medium term.

Scrip Dividend and Cash Dividend alternative

1. Introduction

Notice is hereby given that the Board has declared an interim distribution for the six months ended 30 June 2017, by way of the issue of fully-paid Mpact ordinary shares of no par value each ("the Scrip Distribution") as a scrip distribution payable to ordinary shareholders ("Shareholders") recorded in the register of the Company at the close of business on the Record Date, being Friday, 8 September 2017.

Shareholders will be entitled, in respect of all or part of their shareholding, to elect to receive a gross cash dividend of 15 cents per ordinary share instead of the Scrip Distribution, which will be paid only to those Shareholders who elect to receive the cash dividend, in respect of all or part of their shareholding, on or before 12h00 on Friday, 8 September 2017 ("the Cash Dividend").

The Cash Dividend has been declared from income reserves. A dividend withholding tax of 20% will be applicable to all Shareholders not exempt therefrom, after deduction of which the net Cash Dividend is 12 cents per Mpact ordinary share.

The new ordinary shares will, pursuant to the Scrip Distribution, be settled by way of capitalisation of the Company's distributable retained profits.

The Company's total number of issued ordinary shares as at 8 August 2017 is 170,882,251. Mpact's income tax reference number is 9003862175.

2. Terms of the Scrip Distribution

The number of Scrip Distribution shares to which each of the Shareholders will become entitled pursuant to the Scrip Distribution (to the extent that such Shareholders have not elected to receive the Cash Dividend) will be determined by reference to such Shareholder's ordinary shareholding in Mpact (at the close of business on the Record Date, being Friday, 8 September 2017) in relation to the ratio that 15 cents bears to the volume weighted average price ("VWAP") of an ordinary Mpact share traded on the JSE during the 30-day trading period ending on Monday, 28 August 2017. Details of the ratio will be announced on the Stock Exchange News Service ("SENS") of the JSE in accordance with the timetable below.

Where a Shareholder's entitlement to new Mpact ordinary shares calculated in accordance with the above formula gives rise to a fraction of a new ordinary share, such fraction of a new ordinary share will be rounded down to the nearest whole number, resulting in allocations of whole ordinary shares and a cash payment for the fraction.

The applicable cash payment will be determined with reference to the VWAP of an ordinary Mpact share traded on the JSE on Wednesday, 6 September 2017, (being the day on which an ordinary Mpact share begins trading 'ex' the entitlement to receive the Scrip Distribution or the Cash Dividend alternative), discounted by 10%.

The applicable cash payment will be announced on SENS on Thursday, 7 September 2017.

3. **Circular and salient dates**

A circular providing Shareholders with full information on the Scrip Distribution and the Cash Dividend alternative, including a Form of Election to elect to receive the Cash Dividend alternative will be posted to Shareholders on or about Tuesday, 15 August 2017. The salient dates of events thereafter are as follows:

	2017
Announcement released on SENS in respect of the ratio applicable to the Scrip Distribution, based on the 30-day volume weighted average price ending on Monday, 28 August 2017, by 11h00 on	**Tuesday, 29 August**
Announcement published in the press of the ratio applicable to the Scrip Distribution, based on the 30-day volume weighted average price ending on Monday, 28 August 2017 on	**Wednesday, 30 August**
Last day to trade in order to be eligible to receive the Scrip Distribution or the Cash Dividend alternative	**Tuesday, 5 September**
Ordinary shares trade "ex" the Scrip Distribution and the Cash Dividend alternative on	**Wednesday, 6 September**
Listing and trading of maximum possible number of ordinary shares on the JSE in terms of the Scrip Distribution from the commencement of business on	**Wednesday, 6 September**
Announcement released on SENS in respect of the cash payment applicable to fractional entitlements, based on the volume weighted average price on Wednesday, 6 September 2017, discounted by 10%, by 11h00 on	**Thursday, 7 September**
Last day to elect to receive the Cash Dividend alternative instead of the Scrip Distribution, Forms of Election to reach the Transfer Secretaries by 12h00 on	**Friday, 8 September**
Record Date in respect of the Scrip distribution and the Cash Dividend alternative	**Friday, 8 September**
Scrip Distribution certificates posted and Cash Dividend payments made, CSDP/broker accounts credited/updated, as applicable, on	**Monday, 11 September**
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative released on SENS on	**Monday, 11 September**
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative published in the press on	**Tuesday, 12 September**
JSE listing of ordinary shares in respect of the Scrip Distribution adjusted to reflect the actual number of ordinary shares issued in terms of the Scrip Distribution at the commencement of business on or about	**Wednesday, 13 September**

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

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 September 2017 and Friday, 8 September 2017, both days inclusive.

CHANGE IN DIRECTORATE

There has been no change to the Board of directors for the period ended 30 June 2017.

AJ Phillips
Chairman

BW Strong
Chief Executive Officer

8 August 2017

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	Notes	Unaudited Six months ended 30 June 2017 Rm	Unaudited Six months ended 30 June 2016 Rm	Audited Year ended 31 December 2016 Rm
Revenue	4	**4,833.9**	4,687.7	10,098.6
Cost of sales		**(3,118.3)**	(2,892.4)	(6,281.4)
Gross margin		**1,715.6**	1,795.3	3,817.2
Administration and other operating expenditure		**(1,546.5)**	(1,473.6)	(3,070.9)
Operating profit	5	**169.1**	321.7	746.3
Share of equity accounted investees' profit		**5.1**	5.9	16.2
Profit on sale of equity accounted investees'		**–**	–	0.8
Profit from operations and equity accounted investees		**174.2**	327.6	763.3
Net finance costs		**(99.7)**	(90.9)	(191.0)
Finance costs	6	**(104.2)**	(101.5)	(209.4)
Investment income		**4.5**	10.6	18.4
Fair value gain		**–**	–	7.2
Profit before tax		**74.5**	236.7	579.5
Income tax expense		**(22.2)**	(81.5)	(182.7)
Profit for the period		**52.3**	155.2	396.8
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains on post-retirement benefit schemes		**–**	–	3.6
Tax effect		**–**	–	(1.0)
Items that may be reclassified subsequently to profit or loss				
Effect of cash flow hedges		**(3.6)**	(16.1)	(18.3)
Tax effect		**1.0**	4.5	5.1
Exchange differences on translation of foreign operations		**1.3**	(1.2)	(5.6)
Other comprehensive income for the period net of tax		**(1.3)**	(12.8)	(16.2)
Total comprehensive income for the period		**51.0**	142.4	380.6
Profit/(loss) attributable to:				
Equity holders of Mpact		**58.0**	157.8	391.1
Non-controlling interests		**(5.7)**	(2.6)	5.7
Profit for the period		**52.3**	155.2	396.8
Comprehensive income/(loss) attributable to:				
Equity holders of Mpact		**56.5**	144.8	374.3
Non-controlling interests		**(5.5)**	(2.4)	6.3
Total comprehensive income		**51.0**	142.4	380.6
Earnings per share (EPS) attributable to equity holders of Mpact	7			
Basic EPS (cents)		**34.3**	95.2	234.6
Diluted EPS (cents)		**34.3**	94.9	234.0

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited As at 30 June 2017 Rm	Unaudited As at 30 June 2016 Rm	Audited As at 31 December 2016 Rm
ASSET				
Non-current assets		**4,922.8**	4,625.4	4,763.6
Property, plant and equipment		**3,652.4**	3,368.5	3,489.0
Goodwill and other intangible assets		**1,119.3**	1,132.3	1,126.1
Investment in equity accounted investees		**99.5**	95.6	102.1
Financial asset investments		**41.4**	15.0	41.5
Deferred tax assets		**10.2**	14.0	4.9
Current assets		**3,664.9**	3,811.4	3,948.6
Inventories		**1,438.8**	1,503.5	1,393.2
Trade and other receivables		**2,082.3**	1,932.6	2,103.1
Derivative financial instruments		**1.1**	5.7	2.9
Current tax receivable		**34.0**	9.8	30.9
Cash and cash equivalents		**104.8**	359.8	405.7
Disposal group asset		**3.9**	–	12.8
Total assets		**8,587.7**	8,436.8	8,712.2
EQUITY AND LIABILITIES				
Capital and reserves				
Stated capital	8	**2,605.6**	2,505.0	2,532.7
Other reserves		**52.7**	45.1	28.3
Retained earnings		**1,285.8**	1,167.8	1,346.3
Equity attributable to the equity holders of Mpact		**3,944.1**	3,717.9	3,907.3
Non-controlling interests		**116.4**	98.3	113.3
Total equity		**4,060.5**	3,816.2	4,020.6
Non-current liabilities		**1,838.9**	1,791.4	1,844.5
Interest and non-interest bearing borrowings	9	**1,431.9**	1,379.8	1,417.0
Retirement benefit obligations		**52.7**	54.4	51.6
Deferred tax liabilities		**320.0**	301.5	342.5
Derivative financial instruments		**8.0**	2.2	4.4
Deferred income		**26.3**	31.8	29.0
Other non-current liabilities		**–**	21.7	–
Current liabilities		**2,688.3**	2,829.2	2,847.1
Short-term portion of borrowings	9	**963.7**	923.0	990.0
Trade and other payables		**1,691.7**	1,874.4	1,772.1
Derivative financial instruments		**0.7**	12.7	8.6
Short-term portion of deferred income		**5.5**	5.5	5.5
Provisions		**4.4**	3.8	5.1
Current tax liabilities		**4.7**	9.8	3.3
Other current liabilities		**14.5**	–	51.8
Disposal group liability		**3.1**	–	10.7
Total equity and liabilities		**8,587.7**	8,436.8	8,712.2

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Stated capital Rm	Share-based payments reserves Rm	Cash flow hedge reserves Rm	Post-retirement benefits reserves Rm	Other reserves[1] Rm	Retained Earnings Rm	Total attributable to equity holders of Mpact Rm	Non-controlling interests Rm	Total equity Rm
Balance at 31 December 2015 (audited)	**2,426.2**	**33.8**	**10.0**	**12.7**	**(48.7)**	**1,170.8**	**3,604.8**	**107.0**	**3,711.8**
Dividends paid[2]	78.8	–	–	–	(0.6)	(132.1)	(53.9)	–	(53.9)
Total comprehensive income	–	–	(11.6)	–	(1.4)	157.8	144.8	(2.4)	142.4
Share scheme charges for the period	–	11.1	–	–	–	–	11.1	–	11.1
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	(6.3)	(6.3)
Issue/exercise of shares options	–	(19.5)	–	–	59.3	(28.7)	11.1	–	11.1
Balance at 30 June 2016 (unaudited)	**2,505.0**	**25.4**	**(1.6)**	**12.7**	**8.6**	**1,167.8**	**3,717.9**	**98.3**	**3,816.2**
Dividends paid[2]	27.7	–	–	–	–	(50.3)	(22.6)	–	(22.6)
Total comprehensive income	–	–	(1.6)	2.6	(4.8)	233.3	229.5	8.7	238.2
Purchase of treasury shares	–	–	–	–	(25.0)	–	(25.0)	–	(25.0)
Share scheme charges for the period	–	12.0	–	–	–	–	12.0	–	12.0
Issue/exercise of shares options	–	–	–	–	–	0.1	0.1	–	0.1
Increase in shareholding in subsidiary	–	–	–	–	–	–	–	6.3	6.3
Deferred settlement charge	–	–	–	–	–	(4.6)	(4.6)	–	(4.6)
Balance at 31 December 2016 (audited)	**2,532.7**	**37.4**	**(3.2)**	**15.3**	**(21.2)**	**1,346.3**	**3,907.3**	**113.3**	**4,020.6**
Dividends paid[2]	**72.9**	**–**	**–**	**–**	**(0.6)**	**(109.0)**	**(36.7)**	**–**	**(36.7)**
Total comprehensive income	**–**	**–**	**(2.6)**	**–**	**1.1**	**58.0**	**56.5**	**(5.5)**	**51.0**
Share scheme charges for the period	**–**	**13.4**	**–**	**–**	**–**	**–**	**13.4**	**–**	**13.4**
Increase in shareholding in subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**8.6**	**8.6**
Issue/exercise of shares options	**–**	**(17.1)**	**–**	**–**	**30.2**	**(9.5)**	**3.6**	**–**	**3.6**
Balance at 30 June 2017 (unaudited)	**2,605.6**	**33.7**	**(5.8)**	**15.3**	**9.5**	**1,285.8**	**3,944.1**	**116.4**	**4,060.5**

[1] *Other reserves consist of the option to equity holder reserves, revaluation reserves, foreign currency translation reserves and treasury shares.*

[2] *Dividends declared amounted to R109 million (30 June 2016: R132.1 million, 31 December 2016: R182.4 million) of which R72.9 million (30 June 2016: R78.8 million, 31 December 2016: R106.5 million) related to a capitalisation issue, of which R0.6 million (30 June 2016: R0.6 million, 31 December 2016: R0.6 million) were issued to the Mpact Incentive Share Trust.*

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Notes	Unaudited Six months ended 30 June 2017 Rm	Unaudited Six months ended 30 June 2016 Rm	Audited Year ended 31 December 2016 Rm
Operating cash flows before movements in working capital		**431.8**	568.7	1,275.6
Net increase in working capital		**(140.8)**	(147.2)	(288.9)
Cash generated from operations	13	**291.0**	421.5	986.7
Taxation paid		**(47.1)**	(63.2)	(142.3)
Dividends received from equity accounted investees		**7.7**	2.0	5.6
Net cash inflows from operating activities		**251.6**	360.3	850.0
Investment in property, plant and equipment and intangible assets		**(410.8)**	(444.8)	(836.5)
Acquisition of business	14	**–**	(96.3)	(89.8)
Other investing activities		**9.6**	22.6	11.2
Net cash outflows from investing activities		**(401.2)**	(518.5)	(915.1)
Purchase of treasury shares		**–**	–	(25.0)
Net proceeds from borrowings		**(1.0)**	170.6	307.4
Finance costs paid		**(113.2)**	(101.9)	(212.7)
Dividends paid to Mpact shareholders		**(36.7)**	(53.9)	(76.5)
Other financing activities		**–**	(6.3)	(10.9)
Net cash (outflows)/inflows from financing activities		**(150.9)**	8.5	(17.7)
Net decrease in cash and cash equivalents		**(300.5)**	(149.7)	(82.8)
Net cash and cash equivalents at beginning of the period[1]		**400.0**	482.8	482.8
Net cash and cash equivalents at end of the period[1]		**99.5**	333.1	400.0

[1]Net *cash and cash equivalents comprise of cash and cash equivalents of R104.8 million (30 June 2016: R359.8 million, 31 December 2016: R405.7 million) and bank overdrafts of R5.3 million (30 June 2016: R26.7 million, 31 December 2016: R5.7 million).*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared and presented in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (IASB). The condensed consolidated interim financial statements are in compliance with the JSE Limited's Listing Requirements, the South African Companies Act, 2008, the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council.

The condensed consolidated interim financial statements are presented in South African Rand, which is the Group's functional currency.

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for derivative financials instruments, financial instruments at fair value through profit or loss and available for sale financial assets. The results of the interim period should be read in conjunction with the audited financial statements for the year ended 31 December 2016.

The preparation of the Group's consolidated results for the half year ended 30 June 2017 was supervised by the Chief Financial Officer, BDV Clark CA(SA). These results are unaudited.

2. SIGNIFICANT ACCOUNTING POLICIES, ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant accounting policies

The accounting policies and methods of computation used are in terms of International Financial Reporting Standards (IFRS) and are consistent with those applied in the preparation of the annual financial statements for the year ended 31 December 2016.

The following revised accounting standards, which had no significant impact on the Group, were adopted in the current period:

- IAS 7 – Statement of cash flows
- IAS 12 – Income taxes

The following standards will become effective for the financial year beginning on 1 January 2018 except for IFRS 16: Leases which is effective on 1 January 2019:

IFRS 9 – Financial Instruments

A preliminary assessment has been completed and no impact is expected in respect of the measurement of financial instruments. The revised financial instrument categories will result in some changes in classification and additional disclosures will be required.

IFRS 15 – Revenue from Contracts with Customers

A preliminary assessment has been completed and the Group does not expect any significant changes to the timing and recognition of revenue. During the assessment it was noted that additional performance obligations would need to be recognised. It is not envisaged that the recognition will significantly affect the statement of profit or loss. Additional disclosures will be required once IFRS 15 is adopted.

IFRS 16 – Leases

A preliminary assessment has been completed. The Group envisage that all significant lease agreements will result in an increase in non-current assets and non-current liabilities as these leases will be capitalised as well as an increase in EBITDA, offset by an increase in amortisation charge and finance costs.

Significant accounting judgements, estimates and assumptions

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 31 December 2016.

3. SEASONALITY

Seasonal effects in the Group's markets have historically resulted in higher revenue and operating profits for the second half, when compared to the first half.

4. SEGMENT INFORMATION

The Group's operating segments are reported in a manner consistent with the internal reporting provided to the Group's executive committee, being the chief operating decision-making body. The Group has two reportable segments namely, Paper and Plastics.

Management has regard to certain operating segment measures in making resource allocation decisions and monitoring segment performance. The operating segment measures required to be disclosed under IFRS 8 adhere to the recognition and measurement criteria presented in the Group's accounting policies.

	Unaudited Six months ended 30 June 2017 Rm	Unaudited Six months ended 30 June 2016 Rm	Audited Year ended 31 December 2016 Rm
Group segment analysis			
Revenue			
Paper	**3,720.3**	3,462.5	7,425.0
Plastics	**1,157.4**	1,264.5	2,752.1
Revenue before inter-segment revenue	**4,877.7**	4,727.0	10,177.1
Less: Inter-segment revenue	**(43.8)**	(39.3)	(78.5)
Revenue	**4,833.9**	4,687.7	10,098.6
Operating segment underlying operating profit/(loss)			
Paper	**177.0**	292.1	664.1
Plastics	**27.2**	69.7	168.4
Corporate	**(35.1)**	(40.1)	(48.1)
Operating profit before special items	**169.1**	321.7	784.4
Special items[1]	**–**	–	(38.1)
Share of equity accounted investee's profit	**5.1**	5.9	16.2
Net finance cost	**(99.7)**	(90.9)	(191.0)
Fair value gain	**–**	–	7.2
Profit on sale of equity accounted investee	**–**	–	0.8
Profit before tax	**74.5**	236.7	579.5
Assets			
Paper	**4,913.7**	4,605.6	4,763.5
Plastics	**1,992.2**	1,989.4	2,009.2
Corporate[2]	**1,681.8**	1,841.8	1,939.5
Total assets	**8,587.7**	8,436.8	8,712.2
5. Operating profit			
Included in operating profit are:			
Amortisation of intangible assets	**6.8**	5.1	11.9
Depreciation of property, plant and equipment	**256.7**	225.5	476.2
Impairment of property, plant and equipment	**–**	–	15.9
Net foreign currency losses	**6.2**	20.5	35.6
6. Finance costs			
Bank and other borrowings	**113.5**	101.9	212.5
Defined benefit arrangements	**2.5**	2.8	5.6
Interest capitalised to qualifying assets	**(12.6)**	(3.6)	(10.3)
Interest on contingent purchase consideration	**0.8**	0.4	1.6
	104.2	101.5	209.4
7. Earnings per share	**Cents**	Cents	Cents
Earnings per share (EPS)			
Basic EPS	**34.3**	95.2	234.6
Diluted EPS	**34.3**	94.9	234.0
Underlying earnings per share[3]			
Basic underlying EPS	**34.3**	95.2	252.7
Diluted underlying EPS	**34.3**	94.9	252.0
Headline earnings per share[4]			
Basic headline EPS	**33.9**	94.9	242.0
Diluted headline EPS	**33.9**	94.6	241.4

[1] *31 December 2016: Consist of impairment of PPE of R15.9 million and restructuring costs of R22.2 million.*

[2] *includes intangible and other non-operating assets*

[3] *Underlying EPS excludes the impact of special items.*

[4] *The presentation of Headline EPS is mandated by the JSE Listing requirements. Headline earnings has been calculated in accordance with Circular 2/2015, 'Headline Earnings', issued by the South African Institute of Chartered Accountants.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

The calculation of headline earnings, based on basic earnings is as follows:

	Unaudited Six month ended 30 June 2017 Rm	Unaudited Six months ended 30 June 2016 Rm	Audited Year ended 31 December 2016 Rm
Profit for the period attributable to equity holders of Mpact	**58.0**	157.8	391.1
Impairment of property, plant and equipment	**–**	–	15.9
Profit on disposal of tangible and intangible assets	**(1.0)**	(0.7)	(1.1)
Profit on sale of equity accounted investees	**–**	–	(0.8)
Related tax	**0.3**	0.2	(1.6)
Headline earnings for the period	**57.3**	157.3	403.5
	Number of shares	Number of shares	Number of shares
Basic number of shares outstanding	**169,106,287**	165,721,399	166,734,753
Effect of dilutive potential ordinary shares	**136,924**	576,663	436,392
Diluted number of ordinary shares outstanding[1]	**169,243,211**	166,298,062	167,171,145

	Unaudited Six months ended 30 June 2017 Rm	Unaudited Six months ended 30 June 2016 Rm	Audited Year ended 31 December 2016 Rm
8. Stated capital			
Authorised			
217,500,000 shares of no par value	–	–	–
Issued			
170,882,251 shares (30 June 2016: 167,657,426; 31 December 2016: 168,485,360) of no par value.	**2,605.6**	2,505.0	2,532.7
On 3 April 2017, 2,396,891 (20 April 2016: 1,678,807, 12 September 2016: 847,934) new ordinary shares were issued to shareholders who elected to receive capitalisation shares in terms of the capitalisation issue in lieu of a cash dividend.			
9. Interest and non-interest bearing borrowings			
– Secured interest bearing borrowings[2]	**1,403.1**	1,318.8	1,368.0
– Finance lease liability	**10.0**	37.7	28.4
– Instalment loan facility	**18.8**	23.3	20.6
Non-current borrowings	**1,431.9**	1,379.8	1,417.0
– Secured interest bearing borrowings[2]	**900.0**	800.0	902.7
– Unsecured non-interest bearing borrowings	**49.0**	70.0	61.9
– Finance lease liability	**6.6**	18.4	16.9
– Instalment loan facility	**2.8**	7.9	2.8
– Bank overdraft	**5.3**	26.7	5.7
Current borrowings	**963.7**	923.0	990.0
Total borrowings	**2,395.6**	2,302.8	2,407.0

The Company's borrowing powers are not restricted.
The current portion of borrowings is expected to be repaid from operational cash flow and other borrowings.

[1]*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.*
[2]*The Group has pledged certain assets as collateral against certain borrowings.*

	Unaudited Six months ended 30 June 2017 Rm	Unaudited Six months ended 30 June 2016 Rm	Audited Year ended 31 December 2016 Rm
10. Capital commitments			
– Contracted capital commitments	**286.1**	561.2	361.9
– Approved capital commitments	**517.8**	530.5	572.5
Capital commitments	**803.9**	1,091.7	934.4

Commitments of R770.4 million (30 June 2016: R733 million; 31 December 2016: R889.5 million) will be spent in the next 12 months. The balance of R33.5 million (30 June 2016: R358.7 million; 31 December 2016: R44.9 million) will be spent in 1 to 5 years.

These commitments will be met from existing cash resources and borrowing facilities available to the Group.

11. 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 were 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.

	Unaudited Six months ended 30 June 2017 Rm	Unaudited Six months ended 30 June 2016 Rm	Audited Year ended 31 December 2016 Rm
Financial instruments by category			
Financial assets			
Trade receivables (Level 2 – Loans and receivables)	**2,082.3**	1,932.6	2,103.1
Loans and receivables (Level 2 – Loans and receivables)	**20.9**	15.0	21.0
Available-for-sale investments (Level 3 – Available for sale)	**20.5**	–	20.5
Derivative financial instruments (Level 2 – At fair value through profit or loss)	**1.1**	5.7	2.9
Total	**2,124.8**	1,953.3	2,147.5
Financial liabilities			
Borrowings (Level 2 – At amortised cost)	**2,395.6**	2,302.8	2,407.0
Trade payables (Level 2 – At amortised cost)	**1,691.7**	1,874.4	1,772.1
Derivative financial instrument (Level 2 – At fair value through profit or loss)	**8.7**	14.9	13.0
Total	**4,096.0**	4,192.1	4,192.1

12. Net asset value per share

Net asset value per share is defined as net assets divided by the number of ordinary shares in issue as at the period-end.

Net asset value per share (cents)	**2,376.2**	2,276.5	2,386.32

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

	Unaudited Six months ended 30 June 2017 Rm	Unaudited Six months ended 30 June 2016 Rm	Audited Year ended 31 December 2016 Rm
13. Cash generated from operations			
Profit before taxation	**74.5**	236.7	579.5
Depreciation, amortisation and impairments	**263.5**	230.6	504.0
Share-based payments	**13.4**	11.1	23.1
Net finance costs	**99.7**	90.9	183.8
Share of equity accounted investee profit	**(5.1)**	(5.9)	(16.2)
Decrease in provisions	**(6.8)**	(5.9)	(1.7)
Increase in inventories	**(47.5)**	(224.6)	(115.5)
Increase/(decrease) in receivables	**20.5**	108.7	(75.3)
Decrease in payables	**(113.6)**	(31.2)	(98.1)
Profit on disposal of tangible assets	**(1.0)**	(0.7)	(1.1)
Fair value change on transactions not qualifying as hedges	**(6.2)**	15.2	13.8
Other non-cash items	**2.4**	(0.6)	(3.3)
Amortisation of government grant	**(2.8)**	(2.8)	(5.5)
Profit on sale of equity accounted investee	**–**	–	(0.8)
Cash generated from operations	**291.0**	421.5	986.7

14. Business combinations

Properties

On 1 May 2016, the Group acquired a 100% interest in six property companies at fair value for a total cash purchase consideration of R38.6 million. The properties acquired are to be held for use for normal trading of the Group.

Remade Holdings Proprietary Limited

On 1 May 2016, the Group acquired a 100% interest in Remade Holdings Proprietary Limited for a purchase consideration of R89.1 million. The acquisition of Remade Holdings Proprietary Limited complements a number of initiatives by Mpact Recycling to expand its own collections of paper, plastics and to increase recycling rates of these materials in South Africa. These initiatives increase the material available for the Felixton Mill, Mpact Polymers and the recently commissioned liquid packaging recycling plant at the Springs Paper Mill.

15. Contingent liabilities and contingent assets

a. Contingent liabilities for the Group comprise aggregate amounts at 30 June 2017 of R7.2 million (30 June 2016: R7.9 million; 31 December 2016: R7.1 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. In 2013, a settlement was reached in respect of a dispute relating to the valuation of put options in a group subsidiary. The settlement agreement provides for a deferred payment contingent upon the achievement of certain EBITDA and ROCE levels for the financial years 2017 to 2018, subject to a maximum amount of R1.9 million.

d. There were no significant contingent assets for the Group at 30 June 2017.

e. As advised to the shareholders in the prior financial year, the Company is subject to a Competition Commission investigation. The directors are unable at this stage to determine what the outcome of the investigation will be.

16. Related parties

The Group has a related party relationship with non-controlling shareholders of subsidiaries, its associates, joint ventures and directors.

The Group, in the ordinary course of business, enter into various sales, purchases 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:

	Unaudited Six months ended 30 June 2017 Rm	Unaudited Six months ended 30 June 2016 Rm	Audited Year ended 31 December 2016 Rm
Sales to related parties	**377.0**	364.8	785.0
Purchases from related parties	**0.2**	0.2	2.5
Interest expenses	**12.5**	11.5	20.6
Minority shareholder loans	**292.1**	290.2	292.6
Loans to related parties	**1.2**	0.9	1.4
Receivables due from related parties	**207.4**	192.9	244.1
Payables due to related parties	**20.7**	23.4	19.1

17 Subsequent events

The directors are not aware of any matters or circumstances arising subsequent to 30 June 2017 that require any additional disclosure or adjustment to the interim financial statements.

COMPANY INFORMATION

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")

DIRECTORS:

Independent Non-Executive:

AJ Phillips (Chairman), NP Dongwana, NB Langa-Royds, M Makanjee, TDA Ross, AM Thompson

Executive:

BW Strong (Chief Executive Officer), BDV Clark (Chief Financial Officer)

COMPANY SECRETARY:

MN Sepuru

REGISTERED OFFICE:

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TRANSFER SECRETARIES:

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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, 2146)

Disclaimer

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