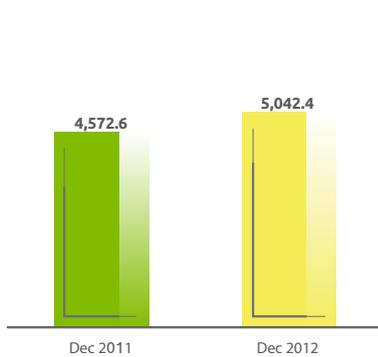


REVIEW OF OPERATIONS

PAPER BUSINESS

FINANCIAL REVIEW

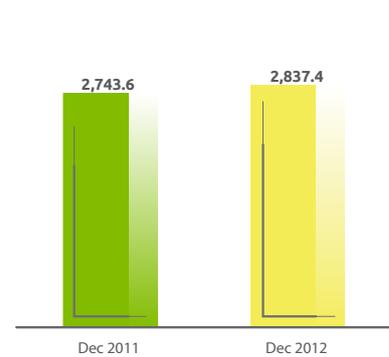
REVENUE (R'million)



OPERATING PROFIT (R'million)



OPERATING ASSETS (R'million)



ACTIVITIES

Recycling

Mpact is the largest paper recycler in South Africa, recycling approximately 45% of all paper recovered annually in the country. Recovered paper sources include pre- and post-consumer material sourced from a multitude of paper pickup programmes including commercial, kerbside, schools, communities, housing complexes, offices and an extensive network of agents and dealers.

The rebranding to Mpact Recycling was completed during the year under review.

Of the 457,000 tonnes (2011: 450,000 tonnes) recovered paper collected by the Group in 2012, 73% (2011: 70%) was consumed internally in the production of packaging and industrial papers, while the remaining portion was sold to external customers, including Mondi Shanduka Newsprint, for its newsprint production. Mondi has a 25% interest in Mpact Recycling.

Paper Manufacturing

The Paper Manufacturing division manufactures recycled-based packaging and industrial paper grades such as containerboard and cartonboard. Between 20% and 40% of the containerboard manufactured by the Group is consumed internally in the production of corrugated board and the remaining portion is sold to other producers of corrugated packaging products.

The actual proportion of internally or externally sourced containerboard consumed in any period by the Corrugated division depends upon the grade required for the final product.

In addition, Mpact sells Baywhite™ ProVantage, a premium quality white top kraftliner produced by Mondi Limited, for which the Group has exclusive distribution rights in South Africa and the rest of sub-Saharan Africa.

The combined sales of recycled containerboard and cartonboard for the year ended 31 December 2012 amounted to 407,297 tonnes (2011: 379,249 tonnes).

The containerboard produced comprises, on average, approximately 35% hardwood, softwood and bagasse pulp and 65% recycled fibre-based pulp. The main market for these products is the corrugated packaging industry.

The Group's customers for packaging and industrial paper include corrugated board and box producers which require containerboard, such as the Corrugated division and other containerboard converters. Cartonboard is sold to folding carton and other producers of industrial products, as well as for other uses such as cards and book covers.

The top 10 external packaging and industrial paper customers represented approximately 66% of external sales in 2012 (2011: 67%). Approximately 12% (2011: 12%) of the cartonboard and containerboard produced by the Group in 2012 was exported, predominantly to other African countries.

Corrugated

The Corrugated division manufactures and sells a comprehensive range of printed and unprinted converted corrugated products, including board, which are used to manufacture corrugated packaging, corrugated boxes, die-cut cases, folded glued cases, trays and point-of-sale displays. All packaging is custom-made to specific customer needs and can be printed as required on site. The aim of the Corrugated division is to manufacture top-end quality corrugated packaging products and provide high graphic printing capabilities. As a result, the Group has maintained its leading market position by focusing on investments in modern technology and training, customer relationship management and a decentralised operating structure to provide constant improvements to the products the Group supplies.

In addition to the corrugated box plants, each with corrugator and converting facilities, and the corrugated sheet plants in Mozambique and Namibia, the Group has an interest in several corrugated sheet plants throughout South Africa.

¹ In the current year the internal cost re-allocation basis between the Paper business and Corporate Office was changed to provide a more meaningful representation of the segment's performance. Had this change been effected in the prior year, the operating profit for the Paper business would have been R510.7 million. Corporate costs for the same period would have decreased as a result of the re-allocation

PAPER BUSINESS (continued)

The Corrugated division had sales of 413 million m² of corrugated packaging in 2012 (2011: 391 million m²).

Corrugated customers include producers of agricultural, FMCG and other durable and non-durable goods that use packaging primarily for the protection of products in transit and for point-of-sale display. Converted packaging products generally have a localised customer base. Each of the corrugated packaging operations has a large number of customers located within approximately 160km.

The top 10 corrugated packaging customers represented approximately 27% (2011: 26%) of the Group's external corrugated packaging sales in 2012.

RESULTS FOR 2012

The Paper business achieved an increase in revenue of 10.3% to R5 042 million (December 2011: R4 573 million) and underlying operating profit was up 10.1% to R562 million (December 2011: R511 million). The results were achieved on the back of improved sales of fruit packaging and market share gains against imported product. Sales volumes for the second half of the year also exceeded the first half, in line with the seasonal trends experienced by this business. The underlying operating profit margin was maintained at 11.2% due to stringent cost containment and increased productivity.

The Recycling division performed well and reported a slight increase in volumes, meeting the fibre requirements for Mpact's paper mills.

The Paper Manufacturing division delivered a stable performance, but experienced margin pressure as a result of the competitive environment and not being able to fully recover the increases in input costs. Volumes increased primarily as a result of displaced imports as well as improved trade with the Group's cross-border customers.

The Corrugated division reported a good set of results. Improved sales volumes to the agricultural sector were partially offset by disappointing growth in the FMCG sector due to the strain on consumer spending.

During the year, Mpact won four awards at the 2012 Flexographic Technical Association of South Africa's Flexographic Print Excellence Awards. Mpact Corrugated Western Cape (Epping and Kuils River) also received a WorldStar Award for the Parmalat/KFC freezer transit pack.

STRATEGY AND OBJECTIVES

The strategy for the Recycling division is to increase the amount and proportion of directly sourced recovered paper for use in the manufacturing of paper products. This will allow further input cost management and improved quality throughout the paper packaging value chain, as well as securing the source of a key raw material into the Paper Manufacturing operations. Mpact is also investigating various plastic recycling opportunities.

Mpact strives to maintain its leading market position in the Corrugated and Paper Manufacturing divisions by continuously improving the quality and design of its products while increasing the efficiency of production. This will be achieved by sustained investment in plant and equipment to ensure that the business remains at the forefront of technological advances and cost competitiveness in the industry.

RISK AND SUSTAINABILITY

Specific risks

The major risks that could specifically influence the Paper business and which are managed on a continuous basis are disclosed in the Risk Management section on pages 32 to 35 of this Integrated Report.

Sustainability

The social and environmental initiatives undertaken by the Paper business are set out in the Sustainability Review, which is available on the company's website, www.mpact.co.za. Included in the Sustainability Review are product initiatives and accreditations of all the manufacturing operations.

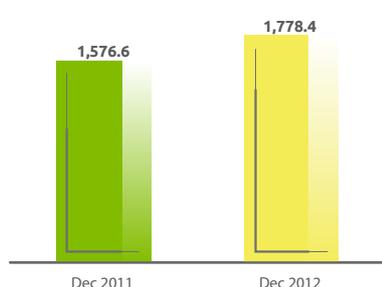
Industry associations

- ▼ Paper Recycling Association of South Africa (PRASA)
- ▼ Paper Manufacturing Association of South Africa (PAMSA)
- ▼ Packaging Council of South Africa (PACSA)
- ▼ Printing South Africa – Statutory Council
- ▼ Institute of Packaging

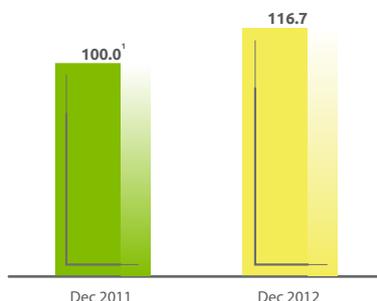
PLASTICS BUSINESS

FINANCIAL REVIEW

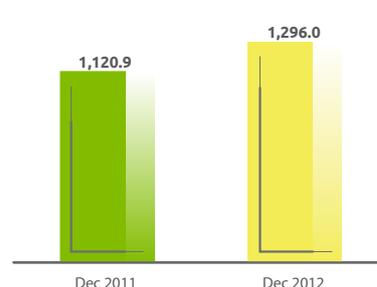
REVENUE (R'million)



OPERATING PROFIT (R'million)



OPERATING ASSETS (R'million)



ACTIVITIES

The Plastics business manufactures a range of plastic packaging products for the food, beverage, personal care, homecare, pharmaceutical, agricultural and retail markets primarily in South Africa. Mpact is one of the leading producers of rigid plastic packaging in southern Africa.

The products include:

- ▼ PET preforms, bottles and jars;
- ▼ closures for carbonated soft drinks and water;
- ▼ plastic jumbo bins, wheelie bins and plastic crates;
- ▼ plastic FMCG containers, such as bottles, jars and closures, with in-mould labelling; and
- ▼ styrene and PET trays, fast food containers and clear plastic films.

Mpact converted 82,886 tonnes (2011: 78,694 tonnes) of plastics in 2012, including the production of 1.2 billion (2011: over one billion) preforms for PET bottles.

Styrene trays, fast food containers and clear plastic films are produced at two sites, in Paarl and Harare. Large injection moulded plastic jumbo bins for the agricultural market, "wheelie" bins and plastic crates are produced at the Group's plants in Atlantis and Brits. The other four sites, situated in Robertville, Wadeville, Pinetown and Atlantis manufacture injection and blow-moulded preforms, bottles, containers and closures for the food, beverage, personal care, homecare and pharmaceutical industries.

The Plastics business sources raw materials from a number of South African and international suppliers. This business serves a diverse customer base from multi-nationals to regional manufacturers in the FMCG sector (such as carbonated soft drink makers and producers of personal care, homecare, pharmaceuticals and food products), fast food producers, agricultural producers and retail chains.

The top 10 plastics customers represented 39% (2011: 43%) of the Plastics business' sales in 2012.

RESULTS FOR 2012

The Plastics business experienced a satisfactory year despite coming off a low base, with revenue increasing by 12.8% to

R1,778 million. The growth in revenue was attributable to organic growth of 9.8% and 3.0% to the RA Plastics acquisition concluded in February 2012. Underlying operating profit was up 16.7% to R117 million with the underlying operating profit margin increasing to 6.6% from 6.3% in the previous financial year. Improvement in the operating profit margin was mainly as a result of volume growth and higher average selling prices in the existing businesses. Agreements for the supply of preforms and closures to ABI until 2017 were concluded during 2012.

The relocation of the closures plant to Wadeville was successfully completed during the period and the integration of the PET tray business has progressed well.

STRATEGY AND OBJECTIVES

The Plastics business has strong potential for growth as producers continue to substitute packaging such as glass and metals with rigid plastics. Mpact intends to seek both strategic growth opportunities as well as organic growth through optimisation and new projects where management identifies convincing business opportunities. Additionally, the manufacturing facilities will be utilised to ensure that production is closer to customers in order to improve service levels and reduce transport costs.

RISK AND SUSTAINABILITY

Specific risks

The major risks that could specifically influence the Plastics business and which are managed on a continuous basis are disclosed in the Risk Management section on pages 32 to 35 of this Integrated Report.

Sustainability

The social and environmental initiatives undertaken by the Plastics division are set out in the Sustainability Review, which is available on the company's website, www.mpact.co.za. Included in the Sustainability Review are product initiatives and accreditations of all the manufacturing operations.

Industry associations

- ▼ PETCO
- ▼ Plastics SA
- ▼ Polystyrene Packaging Council

¹ In the current year the internal cost re-allocation basis between the Plastics business and Corporate Office was changed to provide a more meaningful representation of the segment's performance. Had this change been effected in the prior year, the operating profit for the Plastics business would have been R510.7 million. Corporate costs for the same period would have decreased as a result of the re-allocation



BEYOND PACKAGING

At Mpact, we go beyond the ordinary, everyday functional aspect of packaging. For us, packaging is about our passion for exceeding the unique needs of each customer; it's about being smarter in our approach to exceptional, lightweight packaging design and it's about being sustainable and environmentally aware in doing what is best for our planet. But mostly, it's about integrity and forging relationships, ensuring we deliver on our promises and that our customers' brands remain competitive.

We think beyond packaging; just a smarter way of doing business.



PAPER | PLASTICS | CORRUGATED | RECYCLING

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