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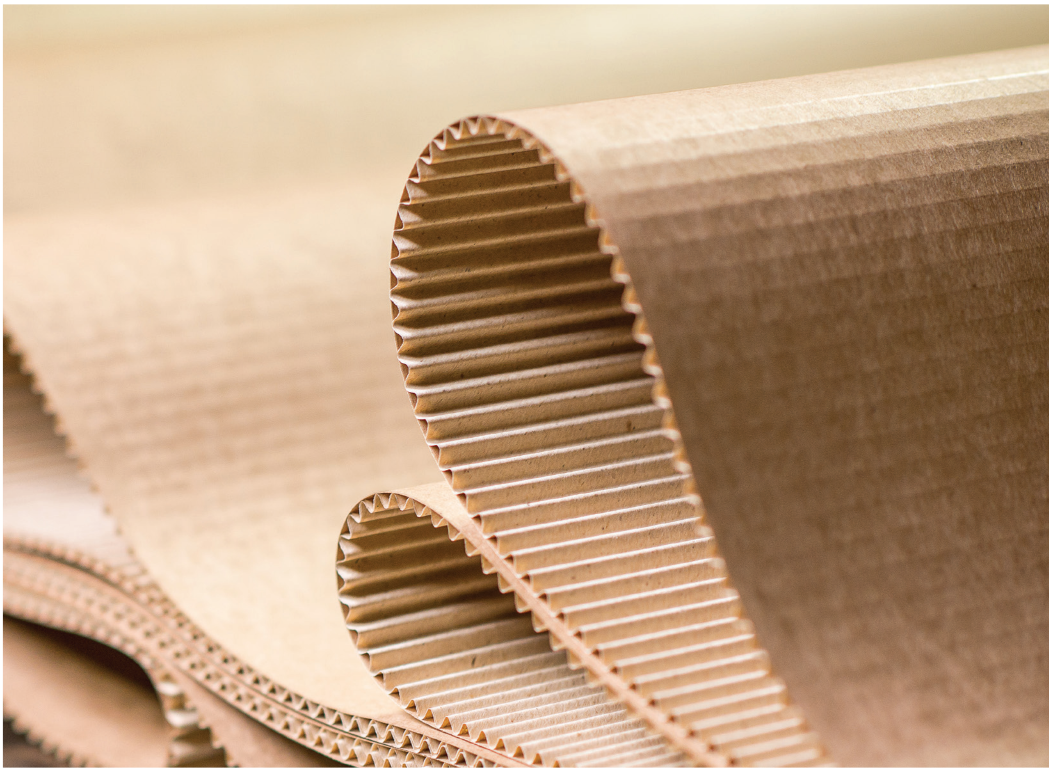

Unaudited Interim Results and declaration of scrip distribution with a cash dividend alternative

for the six months ended 30 June 2018

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")

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 AND DECLARATION OF SCRIP DISTRIBUTION WITH A CASH DIVIDEND ALTERNATIVE

SALIENT FEATURES

- Revenue increased by 2.9% to R5.0 billion (June 2017: R4.8 billion)
- EBITDA of R443 million (June 2017: R433 million)
- Underlying operating profit of R168 million (June 2017: R169 million)
- Underlying earnings per share of 31.5 cents (June 2017: 34.3 cents)
- Gearing improved to 34.4% (June 2017: 36.3%)
- Interim gross dividend of 15 cents per share (June 2017: 15 cents per share)

COMPANY PROFILE

Mpact is one of the largest paper and plastics packaging businesses in Southern Africa, with leading market positions in recovered paper collection, corrugated packaging, recycled-based cartonboard and containerboard, polyethylene-terephthalate ("PET") preforms and trays, recycled PET ("rPET") 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 40 operating sites – 21 of which are manufacturing operations – located in South Africa, Namibia and Mozambique. Sales in South Africa accounted for approximately 86% 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 2018 Mpact employed 4,963 people (December 2017: 4,889 people).

GROUP PERFORMANCE

For the six months ended 30 June 2018, the Group's Paper business delivered a pleasing performance despite the challenging market conditions. This was offset by a decline in the Plastics business which performed below expectations.

The Group benefitted from the Felixton mill upgrade as well as macro-economic factors such as Chinese policy interventions on recovered paper and a good citrus crop. These benefits were offset by overcapacity in the styrene trays sector, drought in the Eastern Cape and Western Cape and subdued consumer demand.

Group revenue of R5.0 billion was 2.9% higher than the comparable prior period, with external sales volumes decreasing by 5.1% due to lower external sales of recovered paper by Mpact Recycling. The average price increase reflects a favourable sales mix variance. Excluding the Recycling business, external sales volumes increased by 3.8%.

Earnings before interest, tax, depreciation and amortisation ("EBITDA") of R443.4 million increased by 2.5% primarily as a result of an improved gross margin and well contained fixed costs. Underlying operating profit of R168.3 million was in line with the prior comparable period (June 2017: R169.1 million).

The Group's balance sheet remains strong with its gearing ratio improving to 34.4% from 36.3% at 30 June 2017. Return on Capital Employed of 7.4% (June 2017: 10.6%) reflects recent capital investments which have not yet fully contributed to profitability.

Paper business

Revenue grew 5.3% due to higher average selling prices, with volumes declining 5.0% because of lower external recovered paper sales following the closure of a customer's newsprint machine in October 2017 and increased use of recovered paper by the Group's paper mills. Sales volumes, excluding the Recycling business, increased by 6.5% compared to the comparable prior period with growth of 9.4% in containerboard and cartonboard and 2.1% in converted paper packaging.

Sales volumes of fruit packaging increased marginally due to good growth in citrus, avocados and bananas, offsetting the declines attributable to the drought in the Eastern Cape and Western Cape.

Underlying operating profit of R219.2 million increased by 23.8%, mainly as a result of higher throughput and gross profit at the Felixton mill as well as good cost control.

The new corrugator in Port Elizabeth, which was successfully commissioned during January 2018, performed in line with expectations and the new converting equipment will be commissioned during September 2018.

Plastics business

Revenue decreased by 5.3% to R1.1 billion due to lower sales volumes, partially offset by higher average selling prices, which were up 6.4%. Sales volumes in the Plastics converting business declined by 11.7% primarily because of declines in preforms, crates and jumbo bins. Backward integration by customers and the effects of sugar tax led to lower preform sales. Crates sales reduced due to subdued demand and the end of a supply contract in January 2018, while jumbo bin sales were impacted by the drought.

Underlying operating profit in the Plastics converting business was R26.0 million compared to R56.7 million in the comparable prior period, mainly due to overcapacity in the styrene sector which resulted in lower margins.

Mpact Polymers reported an operating loss of R39.0 million (June 2017: R30.0 million), with production in line with the prior period, but below expectation. The business experienced low yields and higher maintenance costs due to dirty feedstock of PET bottles and inadequate washing facilities. New bottle washing equipment will be installed in the fourth quarter of 2018.

Mpact Polymers successfully concluded the restructure of its existing debt facilities. As part of the restructure, the IDC increased its shareholding by 10% to 31%.

Net finance costs

Net finance costs increased by 12.7% to R112.4 million (June 2017: R99.7 million). The increase in finance costs was affected by interest capitalised on the Felixton mill upgrade project in the comparable prior year period as well as higher average net debt during the period.

Tax

The effective tax rate for the period was 29.6% (June 2017: 29.8%), higher than the statutory rate of 28% mainly due to the non-recognition of deferred tax in Mpact Polymers.

Earnings per share

Basic and headline earnings per share for the period were 29.7 cents (June 2017: 34.3 cents) and 30.5 cents (June 2017: 33.9 cents), respectively. Underlying earnings per share of 31.5 cents (June 2017: 34.3 cents) was achieved.

Net debt

Net debt decreased to R2.2 billion (June 2017: R2.3 billion), mainly due to improved working capital movements and lower capital expenditure during the period.

OUTLOOK

Benefits from the capital investments and lower recovered paper prices are expected to deliver growth and improve operating margins in the Paper business.

The difficult trading conditions affecting the Plastics converting business during the first half of 2018 are expected to persist.

Mpact Polymers should benefit from higher selling prices, increased throughput and lower finance costs compared to the second half of 2017. Profitability will continue to be under pressure until the bottle washing equipment has been installed.

The Group's effective tax rate is anticipated to be higher than the prior year due to a non-recurring S12i tax incentive of R114 million recognised in 2017.

While the last two years has been very challenging, our significant investments are expected to bear fruit in the second half of the year and beyond.

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 2018, 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, 7 September 2018.

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 12:00 on Friday, 7 September 2018 ("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 is 172,645,908. Mpact's income tax reference number is 9003862175.

2. Terms of the Scrip Distribution

The number of Scrip Distribution shares to which each Shareholder 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, 7 September 2018) 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, 27 August 2018. 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, 5 September 2018 (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, 6 September 2018.

3. Foreign

The distribution of the Circular, and the rights to receive the Scrip Distribution shares in jurisdictions other than the Republic of South Africa, may be restricted by law and any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions. Accordingly, Shareholders will not be entitled to receive the Scrip Distribution shares, directly or indirectly, in those jurisdictions and shall be deemed to have elected the Cash Dividend alternative. Such non-resident Shareholders should inform themselves about and observe any applicable legal requirements in such jurisdictions. It is the responsibility of non-resident Shareholders to satisfy themselves as to the full observance of the laws and regulatory requirements of the relevant jurisdictions in respect of the Scrip Distribution, including the obtaining of any governmental, exchange control or other consents or the making of any filing which may be required, compliance with other necessary formalities and payment of any issue, transfer or other taxes or other requisite payments due in such jurisdictions. Shareholders who have any doubts as to their position, including, without limitation, their tax status, should consult appropriate adviser in the relevant jurisdictions without delay.

4. **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 Wednesday, 8 August 2018. The salient dates and events thereafter are as follows:

	2018
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, 27 August 2018, by 11:00 on	Tuesday, 28 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, 27 August 2018 on	Wednesday, 29 August
Last day to trade in order to be eligible to receive the Scrip Distribution or the Cash Dividend alternative on	Tuesday, 4 September
Ordinary shares trade "ex" the Scrip Distribution and the Cash Dividend alternative on	Wednesday, 5 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, 5 September
Announcement released on SENS in respect of the cash payment applicable to fractional entitlements, based on the volume weighted average price on Wednesday, 5 September 2018, discounted by 10%, by 11:00 on	Thursday, 6 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 12:00 on	Friday, 7 September
Record Date in respect of the Scrip Distribution and the Cash Dividend alternative on	Friday, 7 September
Scrip Distribution certificates posted and Cash Dividend payments made, CSDP/broker accounts credited/updated, as applicable, on	Monday, 10 September
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative released on SENS on	Monday, 10 September
Announcement relating to the results of the Scrip Distribution and the Cash Dividend alternative published in the press on	Tuesday, 11 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, 12 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, 5 September 2018 and Friday, 7 September 2018, both days inclusive.

CHANGE IN DIRECTORATE

There has been no change to the Board of Directors for the period ended 30 June 2018.

AJ Phillips
Chairman

BW Strong
Chief Executive Officer

8 August 2018

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Unaudited Six months ended 30 June 2018 R'm	Unaudited Six months ended 30 June 2017 R'm	Audited Year ended 31 December 2017 R'm
Revenue	4	**4,976.0**	4,833.9	10,119.7
Cost of sales		**(3,194.0)**	(3,118.3)	(6,473.8)
Gross margin		**1,782.0**	1,715.6	3,645.9
Administration and other operating expenditure		**(1,617.8)**	(1,546.5)	(3,202.2)
Operating profit	5	**164.2**	169.1	443.7
Share of profit from equity accounted investees		**11.4**	5.1	20.0
Profit on sale of equity accounted investee		**2.0**	–	–
Profit from operations and equity accounted investees		**177.6**	174.2	463.7
Net finance costs		**(112.4)**	(99.7)	(202.6)
Investment income		**5.4**	4.5	11.4
Finance costs	6	**(117.8)**	(104.2)	(214.0)
Profit before tax		**65.2**	74.5	261.1
Income tax (expense)/income		**(19.6)**	(22.2)	26.4
Profit for the period		**45.6**	52.3	287.5
Other comprehensive income/(loss)				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains on post-retirement benefit schemes		**–**	–	4.9
Tax effect		**–**	–	(1.4)
Items that may be reclassified subsequently to profit or loss				
Effect of cash flow hedges		**4.0**	(3.6)	(5.1)
Tax effect		**(1.1)**	1.0	1.4
Exchange differences on translation of foreign operations		**0.8**	1.3	1.8
Other comprehensive income/(loss) for the period net of tax		**3.7**	(1.3)	1.6
Total comprehensive income for the period		**49.3**	51.0	289.1
Profit/(loss) attributable to:				
Equity holders of Mpact		**50.5**	58.0	275.2
Non-controlling interests		**(4.9)**	(5.7)	12.3
Profit for the period		**45.6**	52.3	287.5
Total comprehensive income/(loss) attributable to:				
Equity holders of Mpact		**54.2**	56.5	276.6
Non-controlling interests		**(4.9)**	(5.5)	12.5
Total comprehensive income for the period		**49.3**	51.0	289.1
Earnings per share (EPS) for profit attributable to equity holders of Mpact	7			
Basic EPS (cents)		**29.7**	34.3	162.1
Diluted EPS (cents)		**29.6**	34.3	162.0

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited as at 30 June 2018 R'm	Unaudited as at 30 June 2017 R'm	Audited as at 31 December 2017 R'm
ASSETS				
Goodwill and other intangible assets		**1,106.7**	1,119.3	1,110.2
Property, plant and equipment		**3,760.2**	3,652.4	3,822.0
Investments in equity accounted investees		**106.0**	99.5	102.0
Financial asset investments		**42.1**	41.4	50.0
Deferred tax assets		**6.4**	10.2	6.9
Non-current assets		**5,021.4**	4,922.8	5,091.1
Inventories		**1,542.7**	1,438.8	1,431.2
Trade and other receivables		**2,262.5**	2,082.3	2,266.2
Cash and cash equivalents		**441.4**	104.8	350.6
Derivative financial instruments		**3.6**	1.1	2.1
Current tax receivable		**20.8**	34.0	40.4
Disposal group asset		**29.1**	3.9	–
Current assets		**4,300.1**	3,664.9	4,090.5
Total assets		**9,321.5**	8,587.7	9,181.6
EQUITY AND LIABILITIES				
Capital and reserves				
Stated capital	8	**2,653.9**	2,605.6	2,621.4
Retained earnings		**1,460.5**	1,285.8	1,470.7
Other reserves		**48.9**	52.7	41.3
Total attributable to equity holders of Mpact		**4,163.3**	3,944.1	4,133.4
Non-controlling interests in subsidiaries		**98.1**	116.4	109.5
Total equity		**4,261.4**	4,060.5	4,242.9
Interest and non-interest-bearing borrowings	9	**1,390.5**	1,431.9	1,387.6
Retirement benefits obligation		**49.8**	52.7	48.9
Deferred tax liabilities		**211.1**	320.0	212.2
Deferred income		**20.8**	26.3	23.5
Derivative financial instruments		**5.5**	8.0	9.5
Non-current liabilities		**1,677.7**	1,838.9	1,681.7
Short-term portion of borrowings	9	**1,268.0**	963.7	1,206.7
Trade and other payables		**2,080.2**	1,691.7	2,021.7
Other current liabilities		**–**	14.5	–
Provisions		**4.3**	4.4	4.6
Deferred income		**5.5**	5.5	5.5
Derivative financial instruments		**5.1**	0.7	17.1
Current tax liabilities		**–**	4.7	1.4
Disposal group liability		**19.3**	3.1	–
Current liabilities		**3,382.4**	2,688.3	3,257.0
Total liabilities		**5,060.1**	4,527.2	4,938.7
Total equity and liabilities		**9,321.5**	8,587.7	9,181.6

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	Stated capital R'm	Share-based payment reserve R'm	Cash flow hedge reserve R'm	Post-retirement benefit reserve R'm	Other reserves[1] R'm	Retained earnings R'm	Total attributable to equity holders of Mpact Limited R'm	Non-controlling interest R'm	Total equity R'm
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
Total comprehensive income for the period	–	–	(2.6)	–	1.1	58.0	56.5	(5.5)	51.0
Dividends paid[2]	72.9	–	–	–	(0.6)	(109.0)	(36.7)	–	(36.7)
Share plan charges for the period	–	13.4	–	–	–	–	13.4	–	13.4
Increase in shareholding by non-controlling interest	–	–	–	–	–	–	–	8.6	8.6
Issue/exercise of shares under employee share scheme	–	(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
Total comprehensive income for the period	–	–	(1.1)	3.5	0.5	217.2	220.1	18.0	238.1
Dividends paid[2]	15.8	–	–	–	–	(25.6)	(9.8)	–	(9.8)
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	(6.5)	(6.5)
Share plan charges for the period	–	14.1	–	–	–	–	14.1	–	14.1
Issue/exercise of shares under employee share scheme	–	(0.1)	–	–	0.1	0.1	0.1	–	0.1
Purchase of treasury shares	–	–	–	–	(50.1)	–	(50.1)	–	(50.1)
Put option held by non-controlling shareholder of subsidiary	–	–	–	–	21.7	(7.1)	14.6	–	14.6
Purchase of non-controlling interest	–	–	–	–	–	0.3	0.3	(18.4)	(18.1)
Balance at 31 December 2017 (audited)	2,621.4	47.7	(6.9)	18.8	(18.3)	1,470.7	4,133.4	109.5	4,242.9
Total comprehensive income for the period	**–**	**–**	**2.9**	**–**	**0.8**	**50.5**	**54.2**	**(4.9)**	**49.3**
Dividends paid[2]	**32.5**	**–**	**–**	**–**	**(0.8)**	**(67.8)**	**(36.1)**	**–**	**(36.1)**
Dividend paid to non-controlling interest	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6.5)**	**(6.5)**
Share plan charges for the period	**–**	**14.5**	**–**	**–**	**–**	**–**	**14.5**	**–**	**14.5**
Issue/exercise of shares under employee share scheme	**–**	**(25.0)**	**–**	**–**	**15.2**	**7.1**	**(2.7)**	**–**	**(2.7)**
Balance at 30 June 2018 (unaudited)	**2,653.9**	**37.2**	**(4.0)**	**18.8**	**(3.1)**	**1,460.5**	**4,163.3**	**98.1**	**4,261.4**

1 *Other reserves consist of foreign currency translation reserve and treasury shares. During the prior financial year, the put option held by non-controlling interest had expired and therefore was derecognised.*

2 *Dividends declared amounted to R67.8 million (30 June 2017: R109.0 million, 31 December 2017: R134.6 million) of which R32.5 million (30 June 2017: R72.9 million, 31 December 2017: R88.7 million) related to a capitalisation issue, of which R0.8 million (30 June 2017: R0.6 million, 31 December 2017: R0.6 million) were issued to the Mpact Incentive Share Trust.*

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	Note	Unaudited Six months ended 30 June 2018 R'm	Unaudited Six months ended 30 June 2017 R'm	Audited Year ended 31 December 2017 R'm
Cash flows from operating activities				
Operating cash flows before movements in working capital		**439.5**	431.8	1,019.4
Net (increase)/decrease in working capital		**(43.1)**	(140.8)	5.6
Cash generated from operations	14	**396.4**	291.0	1,025.0
Dividends from equity accounted investees		**5.4**	7.7	20.1
Taxation paid		**(5.7)**	(47.1)	(113.6)
Net cash inflows from operating activities		**396.1**	251.6	931.5
Cash flows from investing activities				
Additions to property, plant and equipment and intangibles assets		**(241.6)**	(410.8)	(856.4)
Other investing activities		**14.3**	9.6	24.6
Net cash outflows from investing activities		**(227.3)**	(401.2)	(831.8)
Cash flows from financing activities				
Net borrowings raised/(paid)		**86.7**	(1.0)	196.3
Finance costs paid		**(117.3)**	(113.2)	(232.0)
Purchase of treasury shares		**–**	–	(50.1)
Dividends paid to Mpact shareholders		**(36.1)**	(36.7)	(46.5)
Other financing activities		**(6.5)**	–	(24.6)
Net cash outflows from financing activities		**(73.2)**	(150.9)	(156.9)
Net increase/(decrease) in cash and cash equivalents		**95.6**	(300.5)	(57.2)
Net cash and cash equivalents at beginning of year[1]		**342.8**	400.0	400.0
Net cash and cash equivalents at end of year[1]		**438.4**	99.5	342.8

1 *Net cash and cash equivalents comprise of cash and cash equivalents of R441.4 million (30 June 2017: R104.8 million, 31 December 2017: R350.6 million) and bank overdrafts of R3.0 million (30 June 2017: R5.3 million, 31 December 2017: R7.8 million).*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements have been prepared in accordance and contain information required by 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 Listings 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 financial 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 2017.

The preparation of the Group's consolidated results for the half year ended 30 June 2018 was supervised by the Chief Financial Officer, BDV Clark CA(SA). These results are unaudited and unreviewed.

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 consolidated financial statements for the year ended 31 December 2017.

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

- *IFRIC 22 – Foreign currency transactions and advance considerations*
  The amendment clarifies the exchange rate to use in transactions that involve advance consideration paid or received in foreign currency.
- *IFRS 2 – Share-based payment*
  The amendment addresses the classification and measurement of share-based payment transactions.
- *IFRS 9 – Financial Instruments*
  There was no impact on the remeasurement of financial instruments. The standard will result in additional disclosures to the year-end annual financial statements.
- *IFRS 15 – Revenue*
  There was no impact to the timing and recognition of revenue. The standard will result in additional disclosures to the year-end annual financial statements. The Group has disclosed external revenue by product type and by location of customer in note 4: Segment information.

The following standard will become effective for the financial year beginning on 1 January 2019.

IFRS 16 – Leases
A preliminary assessment has been completed. Land and buildings are the most significant lease agreements that will affect the Group. The Group is quantifying the impact of operating leases to be capitalised. The capitalised right of use asset and liability will approximate the net present value of the future lease payments of the operating lease commitments as at 31 December 2018. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to adoption.

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 2017.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

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: operating segments adhere to the recognition and measurement criteria presented in the Group's accounting policies. All goods sold to customers occur at a point in time.

	Unaudited Six months ended 30 June 2018 R'm	Unaudited Six months ended 30 June 2017 R'm	Audited Year ended 31 December 2017 R'm
Group segment analysis			
Revenue			
Paper	**3,916.1**	3,720.3	7,744.9
Plastics	**1,090.1**	1,157.4	2,454.7
Revenue before inter-segment revenue	**5,006.2**	4,877.7	10,199.6
Less: Inter-segment revenue	**(30.2)**	(43.8)	(79.9)
Total	**4,976.0**	4,833.9	10,119.7
External revenue by product type			
Recycled containerboard, cartonboard and other materials	**1,975.6**	1,773.5	3,662.1
Corrugated packaging, bags and sacks	**1,910.4**	1,903.0	4,003.0
Plastic packaging solutions	**1,090.0**	1,157.4	2,454.6
Total	**4,976.0**	4,833.9	10,119.7
External revenue by location of customer			
South Africa (country of domicile)	**4,302.0**	4,322.4	9,012.0
Rest of Africa	**573.7**	419.3	958.7
Rest of World	**100.3**	92.2	149.0
Total	**4,976.0**	4,833.9	10,119.7
Operating segment underlying operating profit/(loss)			
Paper	**219.2**	177.0	443.0
Plastics	**(12.8)**	27.2	69.7
Corporate	**(38.1)**	(35.1)	(56.1)
Operating profit before special items	**168.3**	169.1	456.6
Special items[1]	**(4.1)**	–	(12.9)
Share of equity accounted investee's profit	**11.4**	5.1	20.0
Profit on sale of equity accounted investee	**2.0**	–	–
Net finance cost	**(112.4)**	(99.7)	(202.6)
Profit before tax	**65.2**	74.5	261.1
Assets			
Paper	**5,246.9**	4,913.7	5,144.5
Plastics	**1,903.9**	1,992.2	1,954.7
Corporate[2]	**2,170.7**	1,681.8	2,082.4
Total assets	**9,321.5**	8,587.7	9,181.6

1 *30 June 2018: Consist of impairment of property, plant and equipment of R4.1 million (31 December 2017: Consist of impairment of property, plant and equipment of R4.9 million, impairment on foreign cash balance of R4.8 million and impairment on goodwill and intangible assets of R3.2 million).*

2 *Includes intangible and other non-operating assets.*

	Unaudited Six months ended 30 June 2018 R'm	Unaudited Six months ended 30 June 2017 R'm	Audited Year ended 31 December 2017 R'm
5. OPERATING PROFIT			
Included in operating profit are:			
Amortisation of intangible assets	**5.8**	6.8	13.3
Depreciation of property, plant and equipment	**269.3**	256.7	534.1
Impairment of goodwill and intangible assets	**–**	–	3.2
Impairment of property, plant and equipment	**4.1**	–	4.9
Impairment of foreign cash balances	**–**	–	4.8
Net foreign currency (gain)/losses	**(14.1)**	6.2	19.3
6. FINANCE COSTS			
Bank and other borrowings	**115.3**	113.5	235.6
Defined benefit arrangements	**2.5**	2.5	5.1
Interest capitalised to qualifying assets	**–**	(12.6)	(27.5)
Interest on contingent purchase consideration	**–**	0.8	0.8
Total	**117.8**	104.2	214.0
7. EARNINGS PER SHARE			
Earnings per share (EPS)			
Basic EPS (cents)	**29.7**	34.3	162.1
Diluted EPS (cents)	**29.6**	34.3	162.0
Underlying earnings per share[1]			
Basic underlying EPS (cents)	**31.5**	34.3	164.5
Diluted underlying EPS (cents)	**31.5**	34.3	164.4
Headline earnings per share[2]			
Basic headline EPS (cents)	**30.5**	33.9	166.3
Diluted headline EPS (cents)	**30.4**	33.9	166.2

1 Underlying earnings is the profit for the period attributable to equity holders of Mpact less the impact of special items after tax. At 30 June 2018, the special item was an expense of R4.1 million and the related tax effect was R0.9 million income (31 December 2017: expenses of R12.9 million and the related tax effect was a R5.8 million income).

2 The presentation of headline EPS is mandated by the JSE Listings Requirements. Headline earnings has been calculated in accordance with Circular 4/2018, "Headline Earnings", issued by the South African Institute of Chartered Accountants.

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

	Unaudited Six months ended 30 June 2018 R'm	Unaudited Six months ended 30 June 2017 R'm	Audited Year ended 31 December 2017 R'm
Profit for the period attributable to equity holders of Mpact	**50.5**	58.0	275.2
Impairment of property, plant and equipment	**4.1**	–	4.9
Impairment of goodwill and other intangible assets	**–**	–	3.2
Profit on disposal of tangible and intangible assets	**(0.6)**	(1.0)	(3.3)
Profit on sale of equity accounted investee	**(2.0)**	–	–
Related tax	**(0.1)**	0.3	(0.8)
Headline earnings for the period	**51.9**	57.3	279.2

	Number of shares	Number of shares	Number of shares
Basic number of shares outstanding	**170,308,325**	169,106,287	169,746,140
Effect of dilutive potential ordinary shares	**215,504**	136,924	78,066
Diluted number of ordinary shares outstanding[3]	**170,523,829**	169,243,211	169,824,206

3 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

	Unaudited Six months ended 30 June 2018 R'm	Unaudited Six months ended 30 June 2017 R'm	Audited Year ended 31 December 2017 R'm
8. STATED CAPITAL			
Authorised			
217,500,000 shares of no par value	**–**	–	–
Issued			
172,645,908 shares (30 June 2017: 170,882,251; 31 December 2017: 171,461,623) of no par value.	**2,653.9**	2,605.6	2,621.4
On 3 April 2018, 1,184,285 (3 April 2017: 2,396,891, 11 September 2017: 579,372) 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[1]	**1,384.1**	1,403.1	1,365.5
– Finance lease liability	**3.6**	10.0	4.9
– Instalment loan facility	**2.8**	18.8	17.2
Non-current borrowings	**1,390.5**	1,431.9	1,387.6
– Secured interest-bearing borrowings[1]	**1,215.0**	900.0	1,143.1
– Unsecured non-interest-bearing borrowings	**45.4**	49.0	48.6
– Finance lease liability	**3.9**	6.6	4.3
– Instalment loan facility	**0.7**	2.8	2.9
– Bank overdraft	**3.0**	5.3	7.8
Current borrowings	**1,268.0**	963.7	1,206.7
Total borrowings	**2,658.5**	2,395.6	2,594.3
The Company's borrowing powers are not restricted. The current portion of borrowings is expected to be repaid from operational cash flows and other borrowings.			
1 The Group has pledged certain assets as collateral against certain borrowings.			
10. CAPITAL COMMITMENTS			
– Contracted capital commitments	**144.7**	286.1	142.4
– Approved capital commitments	**384.4**	517.8	590.9
Capital commitments	**529.1**	803.9	733.3

Commitments of R521.0 million (30 June 2017: R770.4 million; 31 December 2017: R733.3 million) will be spent in the next 12 months. The balance of R8.1 million (30 June 2016: R33.5 million; 31 December 2016: Rnil) will be spent in one to two years.
These commitments will be met from existing cash resources and borrowing facilities available to the Group.

	Unaudited Six months ended 30 June 2018 R'm	Unaudited Six months ended 30 June 2017 R'm	Audited Year ended 31 December 2017 R'm

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 2018 R'm	Unaudited Six months ended 30 June 2017 R'm	Audited Year ended 31 December 2017 R'm
Financial instruments by category			
Financial assets			
Trade receivables[1] (Loans and receivables)	**2,262.5**	2,082.3	2,266.2
Loan receivables (Level 2 – Loans and receivables)	**21.6**	20.9	29.5
Available-for-sale investments (Level 3 – Available for sale)	**20.5**	20.5	20.5
Derivative financial instruments (Level 2 – At fair value through profit or loss)	**3.6**	1.1	2.1
Cash and cash equivalents[1] (Loans and receivables)	**441.4**	104.8	350.6
Total	**2,749.6**	2,229.6	2,668.9
Financial liabilities			
Borrowings (Level 2 – At amortised cost)	**2,658.5**	2,395.6	2,594.3
Trade payables[1] (At amortised cost)	**2,080.2**	1,691.7	2,021.7
Derivative financial instrument (Level 2 – At fair value through profit or loss)	**10.6**	8.7	26.6
Total	**4,749.3**	4,096.0	4,642.6

1 *The carrying value approximates the fair value.*

12. NET ASSET PER SHARE

Net asset value per share (cents)	**2,468.3**	2,376.2	2,474.5

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

13. DISPOSAL OF EQUITY ACCOUNTED INVESTEES

During the current financial period, the Group disposed of its entire interest in Rusmar Packaging (Pty) Limited for proceeds of R4.0 million and a carrying value of R2.0 million. A profit of R2.0 million has been recognised in the statement of profit or loss. At 30 June 2018, the proceeds had not yet been received.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS CONTINUED

	Unaudited Six months ended 30 June 2018 R'm	Unaudited Six months ended 30 June 2017 R'm	Audited Year ended 31 December 2017 R'm
14. CASH GENERATED FROM OPERATIONS			
Profit before taxation	**65.2**	74.5	261.1
Depreciation, amortisation and impairments	**279.2**	263.5	555.5
Share-based payments	**14.5**	13.4	27.5
Net finance costs	**112.4**	99.7	202.6
Share of equity accounted investee profit	**(11.4)**	(5.1)	(20.0)
Profit on sale of equity accounted investee	**(2.0)**	–	–
Decrease in provisions	**(2.3)**	(6.8)	(8.0)
Increase in inventories	**(111.9)**	(47.5)	(40.6)
Decrease/(increase) in receivables	**7.7**	20.5	(155.5)
Increase/(decrease) in payables	**61.1**	(113.6)	201.7
Profit on disposal of tangible assets	**(0.6)**	(1.0)	(3.3)
Fair value change on transactions not qualifying as hedges	**(13.6)**	(6.2)	9.3
Amortisation of government grant	**(2.8)**	(2.8)	(5.5)
Other non-cash items	**0.9**	2.4	0.2
Cash generated from operations	**396.4**	291.0	1,025.0

15. 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, purchase 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 2018 R'm	Unaudited Six months ended 30 June 2017 R'm	Audited Year ended 31 December 2017 R'm
Sales to related parties	**366.6**	377.0	824.9
Purchases from related parties	**–**	0.2	0.4
Interest expense relating to minority shareholder loans	**4.5**	12.5	25.2
Receivables due from related parties	**167.5**	207.4	213.9
Payables due to related parties	**13.8**	20.7	17.9
Minority shareholder loans	**305.7**	292.1	304.7
Loans to related parties	**7.1**	1.2	6.8

16. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) Contingent liabilities for the Group comprise aggregate amounts at 30 June 2018 of R10.8 million (2017: R10.0 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 years 2017 to 2018, subject to a maximum amount of R1.9 million (2017: R1.9 million).

(d) There were no significant contingent assets for the Group at 30 June 2018.

(e) As advised to the shareholders on 26 May 2016, 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.

17. SUBSEQUENT EVENTS

Subsequent to 30 June 2018, Mpact Polymers concluded an agreement with the IDC for the restructure of its equity and loan financing. As a result of the restructure, the IDC will acquire an additional 10% investment in Mpact Polymers.

Other than the above, the directors are not aware of any matters or circumstances arising subsequent to 30 June 2018 that require any additional disclosure or adjustment to the condensed consolidated 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: ZAE000156501
("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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(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)

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