



smarter, sustainable solutions

A large, abstract graphic composed of several overlapping, curved bands that form a circular shape. The bands are in various shades of green, purple, and blue, with a gradient effect. The central area is white and contains the text 'Circular thinking in any shape'.

Circular thinking
in any shape

2023

**UNAUDITED INTERIM RESULTS
AND CASH DIVIDEND DECLARATION**

FOR THE SIX MONTHS ENDED 30 JUNE 2023

Highlights from continuing operations



Operating profit of R531 million

up 37%

(June 2022: R387 million)



Headline earnings per share of 188 cents

up 33%

(June 2022: 142 cents)



Return on capital employed ("ROCE") improved to

18.7%

(June 2022: 18.0%)



Interim dividend of 45 cents per share declared

up 12.5%

(June 2022: 40 cents per share)

Strategic growth projects contributed positively to results

Implementation of strategic projects on track

Commentary from continuing operations

Overview

Mpact reported a strong performance for the six months ended 30 June 2023 with operating profit increasing by 37% to R530.7 million when compared to the prior period.

Bruce Strong, Mpact Chief Executive Officer, said: *"It's been a very pleasing performance despite the tough economic conditions. Our revenues, profits and interim dividend are all up, which validates our investment thesis, and our prudent growth strategy. All operations reported improved performances, underpinned by our successful investments in both new capacity and alternative power and water supplies, which have increased our operational resilience. Executing on our value-enhancing strategy, and deliberately pursuing innovation, has enabled the Group's expansion into new, higher-margin product areas domestically and for the offshore market. We have strategically positioned Mpact and our products to capitalise on the global push towards a circular economy. Our unwavering commitment to closing the loop in paper and packaging places us at the forefront of this transformative movement and is improving profitability while giving the Group a sustainable growth trajectory."*

While inflation has reduced from the high levels of last year, costs still remain elevated. Towards the end of the period, there was some relief in the cost of some plastic polymers, recovered paper and pulp, which partially offset the increases in other costs, such as electricity, coal, fuel, and certain imported raw materials that were affected by the weaker rand. The significant global supply chain constraints that hindered the sourcing of raw materials last year, have now improved.

Load shedding has increased considerably compared to the first half of last year. As previously advised, Mpact's paper mills and most converting operations have demand curtailment agreements with Eskom rather than being subject to load shedding schedules. The required curtailment is linked to load shedding stages implemented by Eskom, but thanks to our installed solar generation capacity and process designs we have been able to respond to the curtailment requirements up to stage 6 load shedding without materially reducing production. Some converting operations remain affected by load shedding and still need to amend production schedules. To mitigate these effects, where feasible, generators are used to meet customer requirements.

New solar generation installations totalling 6.7 Megawatts peak (MWp) at our Springs mill and Castlevue factory are on schedule to be completed during the second half of this year. They will bring the Group's solar capacity to approximately 16.1 MWp.

Mpact Operations (Pty) Ltd, the Group's main trading entity in South Africa, retained its Level 1 B-BBEE status.

Financial review

Group revenue for the six months increased by 8.7% to R6.2 billion compared to the prior period, despite sales volumes decreasing by 10.2%.

Operating profit (EBIT) increased by 37.1% to R530.7 million (June 2022: R387.1 million) mainly due to an improvement in profitability of the Plastics business, higher selling prices in the Paper business implemented in October 2022, and the benefits of recently completed investment projects.

Paper business

Revenue of R5.3 billion was 7.2% higher than the same prior period (June 2022: R4.9 billion), due to higher selling prices which were partly offset by lower sales volumes in both paper manufacturing and converting.

Paper manufacturing sales volumes decreased, due to subdued consumer demand and to the late arrival of imports of containerboard and cartonboard ordered by customers last year when there were global shortages. The slowdown in containerboard sales and high customer inventories necessitated production downtime at the containerboard mills to avoid unnecessarily locking up cash in working capital. As such, the Mkhondo and Felixton Mills took commercial downtime amounting to approximately 13% of their capacity during the period.

In Paper Converting, both agricultural and industrial sales volumes were down compared to the prior period. In the agricultural sector, good growth in citrus, avocado, tomato, and banana packaging volumes was offset by declines in grapes, pome fruit and stone fruit which were affected by adverse weather in the Western and Eastern Cape growing areas in late 2022. Industrial sector volumes declined due to subdued consumer demand and the negative effects of load shedding.

Despite this, the business performed well with operating profit up 19.8% to R548.3 million as a result of higher selling prices and a recovery from the impact of the 2022 floods in KwaZulu-Natal (KZN). While there were no insurance proceeds received in the current period, the prior period included insurance proceeds of R47 million.

During July, the Springs Mill experienced 18 days of production downtime due to supply interruptions of water and electricity from the City of Ekurhuleni, which have since been resolved.

Commentary from continuing operations (continued)

Plastics business

Revenue in the Plastics business of R992.5 million increased by 17% (June 2022: R848.6 million) with operating profit increasing to R63.2 million (June 2022: R3.5 million). This was on the back of recent investments in the Bins & Crates business and the consolidation of the Preforms & Closures sites in 2022. This strong performance was achieved despite lower volumes in FMCG, and Preform & Closures businesses due to lower consumer demand as the financial health of the consumer continues to deteriorate.

Insurance proceeds of R6.5 million associated with the KZN floods were recognised in June 2023. In the prior comparable period, R11.6 million was incurred for asset impairments and other costs relating to the floods.

Net finance costs

Net finance costs increased to R131.7 million (June 2022: R81.8 million) due to higher average net debt and interest rates compared to the comparable prior period.

Earnings per share

Headline earnings per share increased 32.5% to 188.2 cents (June 2022: 142.0 cents), while basic earnings per share increased 37.3% to 190.7 cents (June 2022: 138.9 cents).

Net debt

Net debt increased to R2,640 million (December 2022: R2,327 million) with strong cash generation from operations offset by outflows of R843 million for capital investments, in line with the Group's strategy.

Discontinued operations

As previously advised, Mpact's Board will sell its Plastics' Trays & Films business, Versapak, as a going concern. Versapak currently forms part of the Plastics Division of Mpact Operations. Mpact's Group results include separate disclosures in the financial statements for discontinued operations and assets and liabilities held-for-sale. As at 30 June 2023, the sale of Versapak was still in progress.

For the six months ended 30 June 2023, Versapak reported revenue of R545 million (June 2022: R510 million), and net earnings of R34 million (June 2022: R28 million), which equates to basic earnings per share of 23.4 cents (June 2022: 19.3 cents). In December 2022, a decision was taken to exclude Versapak's trade receivables, cash balances and trade payables from the assets and liabilities held-for-sale in order to reduce the complexity of a transaction. This has resulted in Versapak's net asset held-for-sale decreasing to R173 million (June 2022: R337 million).

Outlook

Globally, the supply chain constraints that affected our business during 2022 have improved, and we expect the related cost inflation to continue declining. However, in South Africa, input costs are likely to remain elevated with consumer demand expected to be muted due to factors such as Eskom load shedding and the weakening of the rand compared to 2022. These factors could, in turn, affect demand for some of our products and put pressure on margins.

Despite the challenges, our strategy of investing in innovative, higher-margin, and sustainable products is expected to consistently yield tangible benefits for the business, leading to improved returns for our shareholders. We have strategically targeted sectors that are projected to grow in the foreseeable future, and these sectors are also somewhat insulated from South African consumer spending patterns. Some of our key areas of focus include fruit exports, convenience shopping, recycling, and waste management.

For the rest of this financial year, the Plastics business is expected to benefit further from recent investments in the Bins & Crates business, and continued portfolio optimisation and cost improvement initiatives.

The Paper business' profitability during the second half of the year will be affected by planned downtime at the Felixton Mill and the Mbombela paper converting plant for the implementation of capital projects, which will benefit the business in future. The Felixton Mill upgrade project is aimed at increasing the production of quality lightweight recycled containerboard by an additional 16,000 tonnes per annum and is expected to be commissioned by the end of September. The Mbombela paper converting project, which is scheduled to be completed by the end of December, entails equipment upgrades to meet the growing needs of our fruit customers in the region, who are expanding.

Our management team is dedicated to executing our value-enhancing strategy, designed to optimise our business portfolio and drive both organic and inorganic growth. We will continue to focus on the management of costs and working capital, including through carefully calibrated commercial downtime if and when necessary.

Commentary from continuing operations (continued)

Board changes

Ms Neo Phakama Dongwana retired by rotation at the Annual General Meeting of Mpact on 1 June 2023. The Board would like to thank Neo for her valuable contribution, dedication, and commitment to Mpact during her tenure.

Dividends

The Board has resolved to declare an interim gross cash dividend of 45 cents for the six months ended 30 June 2023 (36 cents net of dividend withholding tax) per ordinary share (June 2022: 40 cents per ordinary share). A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt. The dividend has been declared from income reserves.

The Company's total number of issued ordinary shares at the date of this announcement is 149,453,688. Mpact's income tax reference number is 9003862175.

Salient dates for the cash dividend distribution

Event	2023
Publication of dividend declaration	Thursday, 3 August
Last day of trade to receive a dividend	Tuesday, 29 August
Shares commence trading "ex" dividend	Wednesday, 30 August
Record date	Friday, 1 September
Payment date	Monday, 4 September

All times provided are South African local time.

Share certificates may not be dematerialised or rematerialised between Wednesday, 30 August 2023 and Friday, 1 September 2023, both days inclusive.

AJ Phillips
Chairman

BW Strong
Chief Executive Officer

3 August 2023

Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income

for the six months ended 30 June 2023

	Notes	Unaudited six months ended 30 June 2023 R'm	Unaudited six months ended 30 June 2022 R'm	Audited year ended 31 December 2022 R'm
CONTINUING OPERATIONS				
Revenue from contracts with customers	4	6,240.3	5,743.4	12,373.2
Material, energy and fixed overhead recovery		(3,298.6)	(3,165.1)	(6,662.1)
Variable selling expenses		(457.0)	(450.4)	(962.7)
Other net operating expenses ¹		(1,687.6)	(1,489.8)	(3,075.8)
Depreciation, amortisation and impairment		(266.4)	(251.0)	(508.4)
Operating profit	5	530.7	387.1	1,164.2
Share of profit from equity accounted investees		9.5	5.6	15.5
Profit from operations and equity accounted investees		540.2	392.7	1,179.7
Net finance costs		(131.7)	(81.8)	(183.8)
Investment income		6.3	3.7	8.6
Finance costs	6	(138.0)	(85.5)	(192.4)
Foreign currency translation reserve reclassified from other comprehensive income		–	–	29.8
Profit before taxation from continuing operations		408.5	310.9	1,025.7
Tax expense	7	(111.3)	(96.6)	(292.5)
Profit for the period from continuing operations		297.2	214.3	733.2
DISCONTINUED OPERATION				
Profit for the period from discontinued operation	12	34.2	28.0	64.6
Profit for the period		331.4	242.3	797.8
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains on post-retirement benefit schemes		–	–	2.3
Tax effect		–	–	(0.6)
Items that may be reclassified subsequently to profit or loss				
Effect of cash flow hedges		–	17.3	17.7
Tax effect		–	(4.8)	(5.0)
Cash flow hedge reclassified to profit or loss		–	–	1.7
Tax effect		–	–	(0.4)
Exchange differences on translation of foreign operations		(1.0)	–	0.4
Other comprehensive (loss)/income for the period		(1.0)	12.5	16.1
Total comprehensive income for the period		330.4	254.8	813.9
Profit attributable to:				
Equity holders of Mpact		312.8	229.8	727.3
Non-controlling interests		18.6	12.5	70.5
Profit for the period		331.4	242.3	797.8
Total comprehensive income attributable to:				
Equity holders of Mpact		311.8	242.3	743.4
Non-controlling interests		18.6	12.5	70.5
Total comprehensive income for the period		330.4	254.8	813.9
Earnings per share (EPS) for profit attributable to equity holders of Mpact				
Basic EPS (cps) from continuing operations	8	190.7	138.9	455.7
Diluted EPS (cps) from continuing operations		189.8	135.4	444.2
Basic EPS (cps) from discontinued operation		23.4	19.3	44.4
Diluted EPS (cps) from discontinued operation		23.3	18.8	43.3

1. Other net operating expenses include an expected credit loss on financial assets of R16.7 million (30 June 2022: R8.1 million; 31 December 2022: R20.9 million).

Condensed Consolidated Interim Statement of Financial Position

as at 30 June 2023

	Notes	Unaudited as at 30 June 2023 R'm	Unaudited as at 30 June 2022 R'm	Audited as at 31 December 2022 R'm
ASSETS				
Goodwill and other intangible assets		531.6	543.9	537.6
Property, plant and equipment		4,279.2	3,503.8	3,685.7
Right-of-use assets		138.6	182.2	165.9
Investments in equity accounted investees		115.2	52.6	113.5
Financial assets		32.6	79.5	31.4
Deferred tax assets		10.8	13.4	3.7
Non-current assets		5,108.0	4,375.4	4,537.8
Inventories		2,092.9	1,748.0	1,979.4
Trade and other receivables		2,946.8	2,509.3	2,910.6
Other financial assets		6.5	11.0	6.4
Derivative financial instruments		10.2	1.2	3.7
Current tax receivables		22.9	14.7	18.2
Cash and cash equivalents		565.5	202.5	612.1
Current assets		5,644.8	4,486.7	5,530.4
Assets held for sale	12	172.6	502.4	191.3
Total assets		10,925.4	9,364.5	10,259.5
EQUITY AND LIABILITIES				
Capital and reserves				
Stated capital	9	2,360.9	2,323.6	2,323.6
Retained earnings		2,301.0	1,722.0	2,162.1
Reserves		5.0	–	(3.9)
Total attributable to equity holders of Mpact		4,666.9	4,045.6	4,481.8
Non-controlling interests in subsidiaries		405.0	332.4	386.4
Total equity		5,071.9	4,378.0	4,868.2
Interest and non-interest-bearing borrowings	10	2,900.4	1,800.7	2,700.6
Lease liabilities		133.2	167.7	151.0
Retirement benefits obligation		33.6	35.0	33.1
Deferred tax liabilities		199.3	219.9	227.1
Deferred income		–	0.7	0.4
Provisions		4.8	5.8	4.7
Derivative financial instruments		–	1.1	–
Non-current liabilities		3,271.3	2,230.9	3,116.9
Interest and non-interest-bearing borrowings	10	125.1	377.9	26.3
Lease liabilities		46.5	62.0	60.9
Trade and other payables		2,367.7	2,113.7	2,150.2
Provisions		12.2	14.0	15.1
Deferred income		0.7	3.6	1.6
Derivative financial instruments		3.0	6.8	4.2
Current tax liabilities		27.0	12.5	16.1
Current liabilities		2,582.2	2,590.5	2,274.4
Liabilities held for sale	12	–	165.1	–
Total liabilities		5,853.5	4,986.5	5,391.3
Total equity and liabilities		10,925.4	9,364.5	10,259.5

Condensed Consolidated Interim Statement of Changes in Equity

for the six months ended 30 June 2023

	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 2021 (audited)	2,323.6	57.6	(14.0)	32.4	(56.5)	1,567.0	3,910.1	329.5	4,239.6
Total comprehensive income for the period	–	–	12.5	–	–	229.8	242.3	12.5	254.8
Dividend paid ²	–	–	–	–	–	(74.1)	(74.1)	–	(74.1)
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	(9.6)	(9.6)
Purchase of treasury shares	–	–	–	–	(49.7)	–	(49.7)	–	(49.7)
Share plan charges for the period	–	16.8	–	–	–	–	16.8	–	16.8
Issue/exercise of shares under employee share scheme	–	(29.9)	–	–	30.8	(0.7)	0.2	–	0.2
Balance at 30 June 2022 (unaudited)	2,323.6	44.5	(1.5)	32.4	(75.4)	1,722.0	4,045.6	332.4	4,378.0
Total comprehensive income for the period	–	–	1.5	1.7	0.4	497.5	501.1	58.0	559.1
Dividend paid ²	–	–	–	–	–	(57.3)	(57.3)	–	(57.3)
Dividend paid to non-controlling interest	–	–	–	–	–	–	–	(4.0)	(4.0)
Foreign currency translation reserve reclassified from other comprehensive income	–	–	–	–	(29.8)	–	(29.8)	–	(29.8)
Share plan charges for the period	–	22.3	–	–	–	–	22.3	–	22.3
Issue/exercise of shares under employee share scheme	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Balance at 31 December 2022 (audited)	2,323.6	66.8	–	34.1	(104.8)	2,162.1	4,481.8	386.4	4,868.2
Total comprehensive income for the period	–	–	–	–	(1.0)	312.8	311.8	18.6	330.4
Dividends paid ²	–	–	–	–	–	(109.5)	(109.5)	–	(109.5)
Purchase of treasury shares	–	–	–	–	(59.3)	–	(59.3)	–	(59.3)
Share plan charges for the period	–	18.5	–	–	–	–	18.5	–	18.5
Issue/exercise of shares under employee share scheme	37.3	(35.1)	–	–	85.8	(64.4)	23.6	–	23.6
Balance at 30 June 2023 (unaudited)	2,360.9	50.2	–	34.1	(79.3)	2,301.0	4,666.9	405.0	5,071.9

1. Other reserves consist of foreign currency translation reserve, treasury shares and fair value adjustments to equity investments.

2. The dividend per share paid to equity holders of Mpact Limited was 75c per share (30 June 2022: 50c per share, 31 December 2022: 90c per share).

Condensed Consolidated Interim Statement of Cash Flows

for the six months ended 30 June 2023

	Notes	Unaudited six months ended 30 June 2023 R'm	Unaudited six months ended 30 June 2022 R'm	Audited year ended 31 December 2022 R'm
Cash flows from operating activities				
Operating cash flows before movements in working capital		828.7	688.3	1,770.7
Net decrease/(increase) in working capital		102.1	(207.9)	(753.8)
Cash generated from operations	16	930.8	480.4	1,016.9
Dividends from equity accounted investees		7.8	–	–
Taxation paid		(116.4)	(91.7)	(271.8)
Net cash inflows from operating activities		822.2	388.7	745.1
Cash flows from investing activities				
Additions to property, plant and equipment and intangible assets		(842.9)	(594.6)	(1,005.8)
Other investing activities		16.5	13.6	33.2
Net cash outflows from investing activities		(826.4)	(581.0)	(972.6)
Cash flows from financing activities				
Repayment of borrowings		(701.0)	(1,352.8)	(1,973.8)
Proceeds from borrowings raised		1,000.0	1,650.0	2,820.0
Repayment of lease liabilities ¹		(35.2)	(39.4)	(74.7)
Finance costs paid ²		(137.5)	(84.1)	(189.1)
Purchase of treasury shares		(59.3)	(49.7)	(49.7)
Dividends paid to Mpac shareholders		(109.5)	(74.1)	(131.4)
Other financing activities		–	(9.7)	(13.6)
Net cash (outflows)/inflows from financing activities		(42.5)	40.2	387.7
Net (decrease)/increase in cash and cash equivalents		(46.7)	(152.1)	160.2
Effect of movements in exchange rates on cash held		0.6	–	0.1
Net cash and cash equivalents at beginning of period		594.8	434.5	434.5
Net cash and cash equivalents at end of period³		548.7	282.4	594.8

1. The total cash outflow for leases recognised under IFRS 16 is R43.1 million (30 June 2022: R48.9 million, 31 December 2022: R93.1 million).

2. Finance costs paid includes R7.9 million (30 June 2022: R9.5 million, 31 December 2022: R18.4 million) from lease liabilities.

3. Net cash and cash equivalents comprise cash and cash equivalents of R565.5 million (30 June 2022: R202.5 million, 31 December 2022: R612.1 million), cash and cash equivalents per assets held for sale of Rnil million (30 June 2022: R98.0 million, 31 December 2022: Rnil million) and bank overdrafts of R16.8 million (30 June 2022: R18.1 million, 31 December 2022: R17.3 million).

Notes to Condensed Consolidated Interim Financial Statements

for the six months ended 30 June 2023

1. Basis of preparation

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards 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 Mpac’s functional currency and have been prepared on the historical cost basis, with the exception of certain financial instruments measured at fair value. The results for the interim period should be read in conjunction with the audited financial statements for the year ended 31 December 2022.

The presentation of headline EPS is mandated under the JSE Listings Requirements and is calculated in accordance with Circular 1/2023, “Headline Earnings”, as issued by the South African Institute of Chartered Accountants.

The preparation of Mpac’s consolidated results for the half year ended 30 June 2023 was supervised by the Chief Financial Officer, BDV Clark CA(SA). The interim condensed consolidated financial statements have not been audited or reviewed by Mpac’s external auditor.

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 2022.

The following amendments were adopted in the current period:

- IAS 1: Classification of Liabilities as current or non-current
- IAS 1 and IFRS practice statement 2: Disclosure of Accounting Policies
- IAS 8: Definition of Accounting Estimates
- IAS 12: Deferred Tax related to Assets and Liabilities arising from a single transaction

These amendments had no impact on the condensed consolidated interim financial statements on adoption.

Significant accounting judgements, estimates and assumptions

The significant judgements made by management in applying Mpac’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 2022.

3. Seasonality

Seasonal effects in Mpac’s markets have historically resulted in higher revenue and operating profits for the second half, when compared to the first half of the financial year.

Notes to Condensed Consolidated Interim Financial Statements (continued)

for the six months ended 30 June 2023

4. Segment information

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

Management has oversight to certain operating segment measures in making resource allocation decisions and monitoring segment performance. The operating segment measures that are required to be disclosed under IFRS 8 adhere to the recognition and measurement criteria presented in Mpact's accounting policies. All goods sold to customers occur at a point in time.

	Unaudited six months ended 30 June 2023 R'm	Unaudited six months ended 30 June 2022 R'm	Audited year ended 31 December 2022 R'm
Mpact's segment analysis of revenue			
Paper	5,269.3	4,914.9	10,373.0
Plastics	992.5	848.6	2,041.4
Revenue before inter-segment revenue	6,261.8	5,763.5	12,414.4
Less: Inter-segment revenue	(21.5)	(20.1)	(41.2)
Total	6,240.3	5,743.4	12,373.2
External revenue by product type			
Paper solutions	5,247.8	4,894.8	10,332.6
Recycled containerboard, cartonboard and other materials	2,281.0	2,374.9	4,784.6
Corrugated packaging, bags and sacks	2,966.8	2,519.9	5,548.0
Plastic packaging solutions	992.5	848.6	2,040.6
Total	6,240.3	5,743.4	12,373.2
External revenue by location of customer			
South Africa (country of domicile)	5,660.1	5,094.7	11,056.3
Rest of Africa	514.4	579.4	1,175.4
Rest of world	65.8	69.3	141.5
Total	6,240.3	5,743.4	12,373.2
Significant external components of operating profit			
Material, energy and fixed overhead recovery			
Paper	(2,762.3)	(2,706.0)	(5,594.9)
Plastics	(524.2)	(457.3)	(1,064.9)
Corporate	(12.1)	(1.8)	(2.3)
Total	(3,298.6)	(3,165.1)	(6,662.1)
Variable selling expenses			
Paper	(392.0)	(403.0)	(843.1)
Plastics	(65.0)	(47.4)	(119.6)
Total	(457.0)	(450.4)	(962.7)
Other net operating expenses			
Paper	(1,293.1)	(1,099.0)	(2,313.4)
Plastics	(241.6)	(250.0)	(472.2)
Corporate	(152.9)	(140.8)	(290.2)
Total	(1,687.6)	(1,489.8)	(3,075.8)
Depreciation and amortisation			
Paper	(148.4)	(139.8)	(287.4)
Plastics	(79.6)	(78.1)	(152.0)
Corporate	(38.4)	(33.1)	(69.0)
Total	(266.4)	(251.0)	(508.4)

Notes to Condensed Consolidated Interim Financial Statements (continued)

for the six months ended 30 June 2023

4. Segment information (continued)

	Unaudited six months ended 30 June 2023 R'm	Unaudited six months ended 30 June 2022 R'm	Audited year ended 31 December 2022 R'm
Operating segment operating profit/(loss)			
Paper	548.3	457.6	1,109.2
Plastics	63.2	3.5	197.8
Corporate	(46.8)	(38.8)	(80.5)
Inter-segment elimination	(34.0)	(35.2)	(62.3)
Operating profit	530.7	387.1	1,164.2
Share of equity accounted investee's profit	9.5	5.6	15.5
Foreign currency translation reserve reclassified from other comprehensive income	-	-	29.8
Net finance costs	(131.7)	(81.8)	(183.8)
Profit before tax and discontinued operation	408.5	310.9	1,025.7
Assets			
Paper	6,809.4	5,907.8	6,077.8
Plastics	2,004.5	1,564.1	2,050.1
Corporate ¹	2,111.5	1,892.6	2,131.6
Total assets	10,925.4	9,364.5	10,259.5

1. Includes intangible, other non-operating assets and assets held for sale.

5. Operating profit

	Unaudited six months ended 30 June 2023 R'm	Unaudited six months ended 30 June 2022 R'm	Audited year ended 31 December 2022 R'm
Included in operating profit are:			
Depreciation, amortisation and impairments	266.4	251.0	508.4
Amortisation of intangible assets	6.1	6.1	12.3
Depreciation of property, plant and equipment	230.0	207.2	424.8
Depreciation of right-of-use assets	30.3	37.7	71.3
Net foreign currency (gains)/losses	(29.3)	3.0	(12.4)
Increase in expected credit loss provision	16.7	8.1	20.9
Increase in provision for net write-down of inventories ¹	18.5	5.0	23.7
Net proceeds from insurance claim ²	(6.5)	(46.7)	(68.2)

1. The amount includes provisions raised during the period less reversals of prior period provisions. The inventories are disclosed net of provisions in the statement of financial position.

2. In the current year, proceeds were received by Mpac from the insurers relating to the KZN floods. In the prior year, a final settlement was received by Mpac from the insurers relating to the Springs municipal electricity supply interruption in 2020.

Notes to Condensed Consolidated Interim Financial Statements (continued)

for the six months ended 30 June 2023

6. Finance costs

	Unaudited six months ended 30 June 2023 R'm	Unaudited six months ended 30 June 2022 R'm	Audited year ended 31 December 2022 R'm
Bank overdrafts and loans	130.5	74.2	170.4
Borrowing costs capitalised	(2.2)	–	–
Lease liabilities	7.9	9.5	18.4
Defined benefit arrangements	1.8	1.8	3.6
Total	138.0	85.5	192.4

7. Tax expense

	Unaudited six months ended 30 June 2023 R'm	Unaudited six months ended 30 June 2022 R'm	Audited year ended 31 December 2022 R'm
Profit before tax from continuing operations	408.5	310.9	1,025.7
Taxation	(111.3)	(96.6)	(292.5)
Effective tax rate on profit before tax from continuing operations	27.2%	31.1%	28.5%

The effective tax rate for the period ended 30 June 2022 was higher than the South African corporate tax rate due to the non-deductibility of certain expenses.

8. Earnings per share

	Unaudited six months ended 30 June 2023 cents	Unaudited six months ended 30 June 2022 cents	Audited year ended 31 December 2022 cents
Continuing operations earnings per share (EPS)			
Basic EPS	190.7	138.9	455.7
Diluted EPS	189.8	135.4	444.2
Basic headline EPS	188.2	142.0	430.1
Diluted headline EPS	187.3	138.5	419.2
Discontinued operations earnings per share (EPS)			
Basic EPS	23.4	19.3	44.4
Diluted EPS	23.3	18.8	43.3
Basic headline EPS	23.4	19.3	44.4
Diluted headline EPS	23.3	18.8	43.3
Total operations earnings per share (EPS)			
Basic EPS	214.1	158.2	500.1
Diluted EPS	213.1	154.2	487.5
Basic headline EPS	211.6	161.3	474.5
Diluted headline EPS	210.6	157.3	462.5

Notes to Condensed Consolidated Interim Financial Statements (continued)

for the six months ended 30 June 2023

8. Earnings per share (continued)

	Unaudited six months ended 30 June 2023 R'm	Unaudited six months ended 30 June 2022 R'm	Audited year ended 31 December 2022 R'm
Continuing operations			
Profit for the period	297.2	214.3	733.2
Less: Profit attributable to non-controlling interest	(18.6)	(12.5)	(70.5)
Profit for the period attributable to equity holders of Mpact	278.6	201.8	662.7
Continuing operations			
Profit for the period attributable to equity holders of Mpact	278.6	201.8	662.7
Gain on acquisition of business	–	–	(29.8)
(Profit)/loss on disposal of tangible assets	(5.2)	0.1	–
Write off of tangible assets	–	6.3	–
Insurance proceeds received in relation to plant and equipment written off	–	–	(10.4)
Related tax	1.5	(1.8)	2.9
Headline earnings for the period	274.9	206.4	625.4
Discontinued operation			
Profit for the financial period attributable to equity holders of Mpact	34.2	28.0	64.6
Headline earnings for the financial period	34.2	28.0	64.6

Weighted average number of shares

	Unaudited six months ended 30 June 2023	Unaudited six months ended 30 June 2022	Audited year ended 31 December 2022
Basic number of shares outstanding	146,064,963	145,332,197	145,415,555
Effect of dilutive potential ordinary shares	700,656	3,699,927	3,761,575
Diluted number of ordinary shares outstanding¹	146,765,619	149,032,124	149,177,130

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.

9. Stated capital

	Unaudited six months ended 30 June 2023 R'm	Unaudited six months ended 30 June 2022 R'm	Audited year ended 31 December 2022 R'm
Authorised			
217,500,000 shares of no par value	–	–	–
Issued and fully paid			
149,453,688 shares (30 June 2022: 148,175,363; 31 December 2022: 148,175,363) of no par value	2,360.9	2,323.6	2,323.6

On 3 May 2023, Mpact Limited issued 1,278,325 shares to participants under the Mpact Share Incentive Scheme, as part of the 2020 share award vesting.

Notes to Condensed Consolidated Interim Financial Statements (continued)

for the six months ended 30 June 2023

10. Interest and non-interest-bearing borrowings

	Unaudited six months ended 30 June 2023 R'm	Unaudited six months ended 30 June 2022 R'm	Audited year ended 31 December 2022 R'm
– Secured interest-bearing borrowings ¹	2,900.0	1,800.0	2,700.0
– Instalment loan facility	0.4	0.7	0.6
Non-current borrowings	2,900.4	1,800.7	2,700.6
– Secured interest-bearing borrowings ¹	100.0	350.0	–
– Unsecured non-interest-bearing borrowings	7.4	8.6	7.4
– Instalment loan facility	0.9	1.2	1.6
– Bank overdraft	16.8	18.1	17.3
Short-term portion of borrowings	125.1	377.9	26.3
Total borrowings	3,025.5	2,178.6	2,726.9

1. Mpact has pledged certain items of property, plant and equipment, inventories, cash and cash equivalents and trade receivables as collateral against certain borrowings. Certain inter-company loans have been subordinated in favour of the debt holders.

The current portion of borrowings is expected to be repaid from operational cash flows and other borrowings.

11. Capital commitments

	Unaudited six months ended 30 June 2023 R'm	Unaudited six months ended 30 June 2022 R'm	Audited year ended 31 December 2022 R'm
– Contracted capital commitments	886.9	739.0	629.2
– Approved capital commitments	1,285.0	426.7	2,245.4
Capital commitments	2,171.9	1,165.7	2,874.6

Commitments of R1,711.6 million (30 June 2022: R959.9 million; 31 December 2022: R1,603.0 million) will be spent in the next 12 months on condition of available cash resources. The balance of R460.3 million (30 June 2022: R205.8 million; 31 December 2022: R1,271.6 million) will be spent in one to five years. These commitments will be met from existing cash resources and borrowing facilities available to Mpact.

Notes to Condensed Consolidated Interim Financial Statements (continued)

for the six months ended 30 June 2023

12. Discontinued operation

Plastics Trays & Films

Following a strategic review in a prior year, Mpac's Board had decided to sell its Plastic Trays & Films business, Mpac Versapak, as a going concern. Versapak currently forms part of the Plastics Division of Mpac Operations Proprietary Limited.

Versapak is a leading producer of plastic trays and film with a well-established brand, blue-chip customers and a solid asset base. The reason for the decision is that Versapak's products are not fully aligned with Mpac's strategy.

At the end of December 2022, a decision was taken to exclude the trade receivables and payables from the discontinued operation to reduce complexity in the envisaged transaction structure. Management's intentions are to collect the outstanding receivables from its debtors and any cash balances post the effective date, and settle any outstanding creditors balances when they fall due. At the end of June 2023, negotiations with prospective parties were still ongoing and additional prospective buyers are being actively sought. Management is still committed to the plan of disposing of Versapak and a sale is likely to occur.

At 30 June 2023, Versapak is presented as a disposal group held for sale and as a discontinued operation. The results for the period are presented below:

	Unaudited six months ended 30 June 2023 R'm	Unaudited six months ended 30 June 2022 R'm	Audited year ended 31 December 2022 R'm
Revenue from contracts with customers	544.8	509.9	1,107.4
Expenses	(511.2)	(482.1)	(1,043.3)
Operating profit	33.6	27.8	64.1
Net finance income	0.6	0.2	0.5
Profit for the period from discontinued operation¹	34.2	28.0	64.6
The major classes of assets and liabilities that were reclassified are as follows:			
Assets			
Property, plant and equipment	60.6	39.3	44.6
Inventories	112.0	165.4	146.7
Trade and other receivables	-	198.7	-
Current financial assets	-	1.0	-
Cash and cash equivalents	-	98.0	-
Assets held for sale	172.6	502.4	191.3
Liabilities			
Trade and other payables	-	165.1	-
Liabilities held for sale	-	165.1	-
The net cash flows are as follows:			
Operating activities	106.5	8.4	(0.1)
Investing activities	(14.7)	(8.3)	(12.6)
Net cash inflow/(outflow)	91.8	0.1	(12.7)

1. Profit for the period is after eliminating inter-company transactions where they were recognised without further adjustment.

Notes to Condensed Consolidated Interim Financial Statements (continued)

for the six months ended 30 June 2023

13. 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 available and rely as little as possible on Mpact's specific estimates.

The significant inputs required to fair value all of Mpact'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 2023 R'm	Unaudited six months ended 30 June 2022 R'm	Audited year ended 31 December 2022 R'm
Financial instruments by category			
Financial assets			
Trade receivables ¹ (At amortised cost)	2,889.9	2,485.8	2,838.3
Loan receivables ¹ (At amortised cost)	39.1	89.9	37.8
Equity investments (Level 3 – At fair value through OCI)	–	0.6	–
Derivative financial instruments (Level 2 – At fair value through profit or loss)	10.2	1.2	3.7
Cash and cash equivalents ¹ (At amortised cost)	565.5	202.5	612.1
Asset held for sale (Level 2 – At fair value through profit or loss)	–	1.0	–
Asset held for sale ¹ (At amortised cost)	–	284.8	–
Total	3,504.7	3,065.8	3,491.9
Financial liabilities			
Borrowings (Level 2 – At amortised cost)	3,025.5	2,178.6	2,726.9
Lease liabilities (Level 2 – At amortised cost)	179.7	229.7	211.9
Trade payables ¹ (At amortised cost)	2,367.7	2,113.7	2,150.2
Derivative financial instrument (Level 2 – At fair value through profit or loss)	3.0	7.9	4.2
Liabilities held for sale ¹ (At amortised cost)	–	165.1	–
Total	5,575.9	4,695.0	5,093.2

1. The carrying value approximates the fair value.

14. Net asset per share

Net asset value per share (cents)	3,122.6	2,730.3	3,024.7
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Net asset value per share is defined as net assets attributable to equity holders of Mpact divided by the number of ordinary shares in issue as at the end of the period.

15. Contingent liabilities and contingent assets

- Contingent liabilities for Mpact comprise aggregate amounts at 30 June 2023 of R21.8 million (30 June 2022: R31.7 million, 31 December 2022: R31.7 million) in respect of loans and guarantees given to banks and other third parties.
- As advised to shareholders on 26 May 2016, the Company is subject to a Competition Commission investigation. On 15 April 2019 the Competition Commission referred a complaint to the Competition Tribunal which will be adjudicated in due course. The commission is not seeking the imposition of a penalty against Mpact.

Notes to Condensed Consolidated Interim Financial Statements (continued)

for the six months ended 30 June 2023

16. Cash generated from operations

The notes to the condensed consolidated interim statement of cash flows include cash flows for discontinued operation. This differs to the notes to the condensed consolidated interim statement of profit or loss which excludes amounts for the discontinued operation.

	Unaudited six months ended 30 June 2023 R'm	Unaudited six months ended 30 June 2022 R'm	Audited year ended 31 December 2022 R'm
Profit before tax from total operations	442.7	338.9	1,090.3
Profit before taxation from continuing operations	408.5	310.9	1,025.7
Profit from discontinued operation	34.2	28.0	64.6
Depreciation, amortisation and impairments	266.4	251.0	508.4
Foreign currency translation reserve reclassified from other comprehensive income	-	-	(29.8)
Share-based payments	18.5	16.8	39.2
Net finance costs	131.0	81.6	183.8
Share of profit from equity accounted investees	(9.5)	(5.6)	(15.5)
Decrease in finance lease asset	-	2.0	4.2
Decrease in provisions	(4.2)	(4.9)	(6.3)
Increase in inventories	(77.6)	(310.3)	(521.8)
Increase in receivables	(34.2)	(135.1)	(339.1)
Increase in payables	213.9	237.5	107.1
(Profit)/loss on disposal of tangible assets	(5.2)	0.1	-
Write off of tangible assets	-	6.3	-
Fair value change on transactions not qualifying as hedges	(9.7)	4.7	1.4
Amortisation of government grant	(1.3)	(2.6)	(5.0)
Cash generated from operations	930.8	480.4	1,016.9

17. Related parties

Mpact has a related party relationship with its associates and joint ventures. Mpact, in the ordinary course of business, enters into various sales, purchase and services transactions with joint ventures and associates and others in which Mpact 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 Mpact and related parties are disclosed below:

	Unaudited six months ended 30 June 2023 R'm	Unaudited six months ended 30 June 2022 R'm	Audited year ended 31 December 2022 R'm
Sales to related parties	202.1	142.3	386.4
Purchases from related parties	0.4	0.1	3.2
Interest received from related parties	0.1	0.1	0.1
Receivables due from related parties	78.2	44.7	88.3
Payables due to related parties	1.7	10.2	16.2
Loans to related parties	2.4	53.2	4.8

Notes to Condensed Consolidated Interim Financial Statements (continued)

for the six months ended 30 June 2023

18. Going concern

As part of the directors' consideration of the appropriateness of adopting the going concern basis in preparing the condensed consolidated interim financial statements for the period ended 30 June 2023, liquidity and solvency tests were performed based on Mpact's budgets for the next 12 months.

Mpact's net debt as at 30 June 2023 was approximately R2.6 billion (30 June 2022: R2.2 billion; 31 December 2022: R2.3 billion).

Mpact is subject to two financial covenant conditions, namely the interest cover ratio, defined as EBITDA divided by total net interest; and the net debt to EBITDA ratio, defined as net debt, excluding finance liabilities divided by EBITDA.

	Threshold	At 30 June 2023
Interest cover ratio	greater than or equal to 3.5 times	7.9 times
Net debt to EBITDA	less than or equal to 3.0 times	1.3 times

Mpact has met these covenants with sufficient headroom and therefore minimal risk exists for any breach of triggers.

The directors consider it appropriate that the condensed consolidated interim financial statements are prepared on a going concern basis.

19. Subsequent events

The Board declared an ordinary dividend of 45 cents per share on 2 August 2023 payable on 4 September 2023 to shareholders registered on 1 September 2023.

The directors are not aware of any other matters or circumstances arising subsequent to 30 June 2023 that require any additional disclosure or adjustment to the condensed consolidated interim financial statements.

Corporate 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")

Company profile

Mpact is the largest paper and plastics packaging and recycling business in Africa with customers that include packaging converters, fruit producers and FMCG companies. Mpact's integrated business model is uniquely focused on closing the loop in plastic and paper packaging through recycling and beneficiation of recyclables.

As at 30 June 2023, Mpact employed 5,194 people (June 2022: 5,106 people) and had 42 operating sites, 24 of which are manufacturing operations, located in South Africa, Namibia and Mozambique. Sales in South Africa account for approximately 91% of Mpact's total revenue for the current period while the balance was predominantly to customers in the rest of Africa.

Directors

Independent Non-Executive

AJ Phillips (Chairman)

PCS Luthuli

M Makanjee

TDA Ross

DG Wilson

ABA Conrad

Executive

BW Strong (Chief Executive Officer)

BDV Clark (Chief Financial Officer)

Company secretary

DM Dickson

Registered office

4th Floor, No. 3 Melrose Boulevard, Melrose Arch, 2196

Transfer secretaries

Computershare Investor Services Proprietary Limited

Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

(Private Bag X9000, Saxonwold, 2132)

Sponsors

The Standard Bank of South Africa Limited

30 Baker Street, Rosebank, 2196

(PO Box 61344, Marshalltown, 2107)

Auditors

PricewaterhouseCoopers Inc. (PWC)

4 Lisbon Lane, Waterfall City, Jukskei View, 2090

(Private Bag X36, Sunninghill, 2157)

