

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 2021

#### SALIENT FEATURES

- Revenue increased by 16.3% to R5.9 billion (June 2020: R5.1 billion)
- Underlying operating profit increased by 165% to R337 million (June 2020: R127 million)
- Underlying earnings per share up 13 times to 120.8 cents (June 2020: 9.0 cents)
- Successfully repurchased 10% of issued shares during the period returning R257 million to shareholders
- Return on Capital Employed (ROCE) improved to 15.6% (June 2020: 9.4%)
- Gearing improved to 27.6% (June 2020: 34.8%)
- Retained B-BBEE Level 1 rating for Mpact Operations (Pty) Ltd
- Investments of over R500 million approved to support customer focused growth, innovation and sustainability

Bruce Strong, Mpact Chief Executive Officer said: "Mpact continues to show tremendous resilience, firmly anchored in our purpose of making a difference, providing our customers with sustainable packaging and giving effect to the circular economy through our integrated business model.

This is demonstrated by the pleasing financial results for the first half of the year announced today. The Group's operating profit increased 165% to R337 million and ROCE increased to 15.6%. Underlying earnings per share increased to 121 cents from 9 cents in the same period last year.

Strong cash flow from operations resulted in net debt decreasing to R1.47 billion (30 June 2020: R1.9 billion) despite returning R257 million to shareholders in January 2021 through a successful share buy-back.

Our strong financial position and proven strategy enables us to take advantage of the significant changes in the global economy as it begins to recover from last year's slump. Customers continue to look to more sustainable solutions sourced locally, instead of relying on imports and unsustainable packaging formats. They are also demanding even higher environmental, social and governance standards from their suppliers, which positions Mpact extremely well as a customer-focused business that is resolute, trustworthy and responsible.

To take advantage of this increase in customer demand, the Board recently approved over R500 million in investments to support our growth and innovation, improve margins, and ensure the resilience and sustainability of our operations."

#### OVERVIEW

Trading for the six months ended 30 June 2021 was robust, with underlying profit exceeding pre-pandemic comparatives in both the Plastics and Paper businesses.

Group revenue for the six months increased by 16.3% compared to the same period last year to R5.9 billion, while underlying operating profit increased by 165% to R337 million. The Paper business benefited from improved global containerboard prices and increased local sales at higher average prices while the Plastics business also experienced increased demand in most sectors.

Supply chain constraints across most sectors put pressure on raw material availability and costs. Recovered paper costs increased dramatically during the period, partly offsetting the benefits of higher containerboard prices. Similarly, the Plastics business was negatively impacted by higher polymer costs and the timing of passing these cost increases to customers.

Mpact continues to operate effectively under Covid-19 related protocols and conditions, and

remains vigilant, upholding the highest standards of health and safety at our operations.

#### Paper business

Revenue of R4.6 billion was 15.8% higher than the same period last year (June 2020: R4.0 billion), with sales volumes increasing by 12.7%. Paper manufacturing benefited from strong local containerboard demand during the period, improved production performance and a favourable product mix due to low margin rolled pulp not being produced nor sold in the current period.

The recovery in the industrial and Quick Service Restaurant sectors and the continued growth in the agricultural sector benefited the Paper Converting business. Good growth in citrus volumes is anticipated in the second half, despite the late start to the season.

Underlying operating profit of R347.1 million was up 88.6%, due to improved trading and operational efficiencies. A second interim payment of R25 million relating to the Springs Mill electricity supply interruption in 2020 has been approved by insurers and included in the interim results as sundry income.

#### Plastics business

Revenue in the Plastics business increased by 18.3% to R1.3 billion with a strong recovery in sales volumes. Gross profit increased by 23% due to improved sales and a stock write-down in the prior comparable period which was not repeated.

Plastics showed a significant improvement in profitability, with underlying operating profit increasing to R34.6 million from a loss in the prior period of R17.7 million due to good improvements in most businesses.

#### Net finance costs

Net finance costs of R67.9 million (June 2020: R94.8 million) were lower by 28.3% compared to the prior comparable period due to lower interest rates and average net debt over the period.

#### Earnings per share

Headline earnings per share increased to 120.5 cents (June 2020: 8.4 cents) while basic and underlying earnings per share increased to 120.8 cents (June 2020: 9.0 cents).

#### Net debt

Cash generated from operating activities during the six months was R592 million, after a working capital outflow of R11 million. The cash generated from operating activities more than offset capital expenditure cash flows of R250 million, payment of interest of R70 million and shares repurchased of R257 million.

Net debt at 30 June 2021 was R1.465 billion with gearing improving to 27.6% (June 2020: 34.8%).

#### OUTLOOK

Strong demand experienced in the first half is expected to continue across most businesses but may be partially offset by the recent unrest experienced in KwaZulu-Natal (KZN) and parts of Gauteng as well as supply chain constraints across most sectors. Margins are expected to improve as raw material cost increases are recovered through increases in selling prices.

Working capital management will remain a key focus area, but it is anticipated that working capital levels will increase in the current period as inventories are replenished.

Decisive actions were taken by management and staff of operations affected by the unrest in July 2021. There were no injuries to employees nor any damages to Mpact's assets attributable to the unrest. All of the KZN operations were closed for up to 8 days which resulted

in lost gross profit due to reduced production of approximately R20 million. In addition, current indications are that gross profit may be negatively affected by a further R20 million due to lost sales which may be partially recovered by year-end.

The third wave of the Covid-pandemic which started early in June has had limited impact on business continuity to date. Relevant health and safety protocols are well entrenched and upheld across all of the Group's operations.

Mpact has a proven strategy, substantial financial capacity and an experienced management team. The Board recently approved over R500 million in investments to support customer focused growth, innovation and sustainability; and to build on our integrated business model which is uniquely focused on closing the loop in paper and plastic packaging, contributing to the circular economy, and benefiting society.

#### DIVIDENDS

During the past 12 months, R345 million has been returned to shareholders in the form of a share buy-back at an average price of R13.71, of which R257 million was returned during the current period, equating to 1.4 times earnings for the period. The net asset value per share at 30 June 2021 was R24.10.

The Board has therefore resolved not to declare an interim dividend.

Mpact will continue to focus on creating value for shareholders over the long-term through prudent capital allocation in the context of growth opportunities; and cash returns to shareholders by dividends, share buy-backs or a combination thereof.

#### Financial summary

R'million	Six months ended 30 June 2021	Six months ended 30 June 2020	Change %
Revenue	5,887	5,062	16.3%
Underlying operating profit (1)	337	127	165%
Underlying earnings (2)	180	15	>100%
Net debt	1,465	1,938	(24.4%)
Return of capital employed (%)	15.6%	9.4%	6.2
Basic earnings per share (cents)	120.8	9.0	>100%
Basic underlying earnings per share (cents)	120.8	9.0	>100%
Basic headline earnings per share (cents)	120.5	8.4	>100%

(1) Underlying operating profit is the Group operating profit before special items.

(2) Underlying earnings is defined as basic earnings before special items.

This short-form announcement is the responsibility of the directors and is only a summary of the information in the full unaudited announcement. Any investment decision should be based on the full unaudited announcement which is available on our website <https://www.mpact.co.za/investor-relations/financial-results/2021/HY2021.pdf>, and on <https://senspdf.jse.co.za/documents/2021/JSE/ISSE/MPT/HY2021.pdf>

The financial information on which the outlook statement is based has not been reviewed and reported on by Mpact's external auditors.

The full unaudited announcement is also available at our registered offices at no charge during office hours.

AJ Phillips  
Chairman

BW Strong  
Chief Executive Officer

5 August 2021

#### COMPANY PROFILE

Mpact is the largest paper and plastics packaging and recycling business in Southern 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 2021, Mpact employed 5,153 people (June 2020: 5,026 people) and had 46 operating sites, 22 of which are manufacturing operations, located in South Africa, Namibia and Mozambique. Sales in South Africa account for approximately 88% 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), NP Dongwana, NB Langa-Royds, PCS Luthuli, M Makanjee, TDA Ross, AM Thompson

##### 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

(Postnet Suite #179, Private Bag X1, Melrose Arch, 2076)

##### Transfer secretaries:

Computershare Investor Services Proprietary Limited  
Rosebank Towers, 15 Bierman Avenue, Rosebank, 2196  
(Private Bag x9000, Saxonworld, 2132)

##### Sponsors:

The Standard Bank of South Africa Limited  
30 Baker Street  
Rosebank  
2196  
(PO Box 61344, Marshalltown, 2107)

##### Auditors:

Deloitte & Touche  
5 Magwa Crescent, Waterfall City, Waterfall, 1685  
(Private Bag X6, Gallo Manor, 2052)