

Mpact Limited
(Incorporated in the Republic of South Africa)
(Registration number 2004/025229/06)
JSE share code: MPT ISIN: ZAE000156501
("Mpact" or "the Company")

TRADING STATEMENT

In terms of the Listings Requirements of the JSE Limited ("JSE"), companies are required to publish a trading statement as soon as they are satisfied that a reasonable degree of certainty exists that the financial results for the period to be reported on next will differ by 20% or more from the financial results of the previous corresponding reporting period.

When compared to the same period last year, Mpact's results for the six months ending 30 June 2017 ("the period") are expected to be negatively impacted by lower sales volumes in the Paper and Plastics converting businesses, lower domestic containerboard and cartonboard sales volumes and higher recovered paper costs. In addition, the scheduled downtime of the R765 million Felixton paper mill upgrade project, which is due to be completed as planned during the second half of 2017, will result in non-recurring additional costs and lost contribution.

The decline in sales volumes in the converting businesses is attributable to muted consumer demand across most sectors as well as the impact of the drought on fruit volumes. Lower domestic containerboard sales are a continuing consequence of certain customers reducing their purchases from Mpact after increasing capacity in their own paper mills during the second quarter of 2016. Their increased capacity also resulted in a shortage of recovered paper in the domestic market and consequential higher market prices, which could not be recovered in selling prices.

Based on the above factors, shareholders are advised that Mpact expects:

- Basic earnings per share ("EPS") for the six months ending 30 June 2017 to be between 42.8 cents and 24.7 cents, a decrease of between 55.0% and 74.1% when compared to the EPS of 95.2 for the six months ended 30 June 2016.
- Headline earnings per share ("HEPS") for the six months ending 30 June 2017 to be between 42.7 cents and 24.7 cents, a decrease of between 55.0% and 74.0% when compared to the HEPS of 94.9 for the six months ended 30 June 2016.

In estimating the effective tax rate and the resulting EPS and HEPS for the period, Mpact has not included any recognition of the unrecognised assessed losses pertaining to the Mpact Polymers business or the Section 12i tax incentive relating to the Felixton mill upgrade project, which is conditional upon meeting certain requirements following commissioning.

At 31 December 2016 the unrecognised assessed losses attributable to Mpact Polymers (Pty) Ltd, in which Mpact has a 79% shareholding, amounted to R265 million. It is estimated that once recognised, the Section 12i tax incentive for the Felixton mill upgrade project would increase earnings per share by 69.7 cents. The recognition of these benefits will be reconsidered during the second half of the financial year.

Once complete, the Felixton upgrade project will significantly improve Mpact's cost competitiveness, product quality and product offering in the recycled containerboard and corrugated markets, offering products that currently have limited availability in South Africa.

Steady progress has been made at Mpact Polymers despite throughput being constrained for the first five months of the period by insufficient grinding capacity, which has now been addressed. Customer demand for Mpact Polymers' Savuka™ PET is good.

Notwithstanding the very difficult trading environment, the Board remains confident that the Group's strategic direction, its capital investment programme as well as other cost reduction and profit enhancement initiatives will yield good results and sustainable growth in the medium term.

Shareholders are advised that the financial information on which this trading statement is based has not been reviewed and reported on by the Company's external auditors.

Mpact's unaudited interim results for the six months ending 30 June 2017 will be released on SENS on or about 8 August 2017.

Melrose Arch
19 June 2017

Sponsor
RAND MERCHANT BANK (A division of FirstRand Bank Limited)