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

DISCONTINUATION OF MPACT PET RECYCLING OPERATION, MPACT POLYMERS PROPRIETARY LIMITED ("MPACT POLYMERS")

On 14 November 2019, the Board of Mpact approved a decision to discontinue its polyethylene terephthalate ("PET") recycling operation, which is included in the Plastics reporting segment.

The reason is that the current recycled PET ("rPET") selling price is below Mpact Polymers' cash cost of production and is expected to remain so for the foreseeable future.

Recycled PET production and the purchases of post-consumer PET bottles stopped on 30 August 2019 and a Section 189 process under the Labour Relations Act is underway.

To date, rPET has been sold at a discount to virgin material in South Africa to encourage its adoption and usage in food and beverage packaging. In many other countries rPET is sold at a premium to virgin PET, recognising its environmental benefits and the fact that the total cost of production is often higher than that of virgin material.

The virgin PET price has declined significantly due to an oversupply globally. Recycled PET selling prices in South Africa have declined in-line with the virgin price due to substitutability, even though there is a shortage of rPET supply. The price is currently below Mpact Polymers' cash cost of production and no agreement could be reached with major customers to increase prices.

The shareholders of Mpact Polymers, being Mpact (69%) and the Industrial Development Corporation of South Africa Limited ("IDC") (31%), are in the process of evaluating various options for the business and its stakeholders.

The key unaudited financial information relating to Mpact Polymers as at the six months ended 30 June 2019 is as follows:

- Gross borrowings of R512.2 million, comprising IDC senior debt and shareholder loans of R300.7 million, and Mpact inter-group shareholder loans of R211.5 million which are eliminated on consolidation of the Group
- Net book value of property, plant and equipment of R222.3 million
- Current assets of R49.4 million (comprising inventories, trade and other receivables and cash and cash equivalents)
- Current liabilities of R17.3 million (comprising trade and other payables)
- Revenue of R52.0 million
- Loss before tax of R43.4 million

The Group has not guaranteed the external borrowings of Mpact Polymers. However, the IDC has security over the majority of Mpact Polymers' assets. The Group's financial exposure is thus limited to Mpact Polymers' inter-company trade creditors, which are considered immaterial, and a likely impairment of property, plant and equipment.

Melrose Arch
14 November 2019
Sponsor: RAND MERCHANT BANK (A division of FirstRand Bank Limited)