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

TRADING STATEMENT

In terms of the JSE Limited Listings Requirements, 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.

Continuing operations

Trading performance

For the year ended 31 December 2019, the Group expects revenue to be up approximately 5% on the prior year to R11.1 billion. It is anticipated that earnings before interest, tax, depreciation and amortisation (EBITDA), before taking into account the effects of IFRS 16 will be at similar levels to the financial year ended 31 December 2018, with underlying earnings before interest and tax (EBIT) expected to decline by approximately 4%.

Impairment of goodwill, plant and equipment

The trading environment in which the Group operates has further deteriorated over the past year due to subdued growth, overcapacity in certain sectors and unreliable electricity supply. This, together with Mpact's share price trading below its net asset value during most of the past year, necessitated the test for possible impairment for each cash generating unit in the Group.

Consequently, an impairment of R1.3 billion comprising R549 million of goodwill and R742 million of property, plant and equipment was raised against the Springs and Piet Retief paper mills as well as the trays and films business. This non-cash charge equates to approximately 633.2 cents per share and is excluded from headline and underlying earnings per share. Notwithstanding the impairments these businesses remain operational.

Earnings per share

Based on the above, shareholders are advised that for the year ended 31 December 2019 earnings per share from the Group's continuing operations are expected to be as follows:

- Headline earnings per share (HEPS) to be between 195 cents and 175 cents, a decrease of between 17.1% and 25.6%. when compared to prior period HEPS of 235.3 cents.

- Underlying earnings per share (EPS) to be between 200 cents and 185 cents, a decrease of between 19.3% and 25.3% when compared to the prior period underlying EPS of 247.7 cents.

- Basic loss per share to be between 435 cents and 455 cents, a decrease of between 293.5% and 302.4% when compared to the prior year basic earnings per share of 224.8 cents.

Discontinued operation

Discontinuation of Mpact's polyethylene terephthalate (PET) recycling operation (Mpact Polymers (Pty) Limited)
As announced to shareholders on the JSE Stock Exchange News Service (SENS) on 14 November 2019, the Board of Mpact approved a decision to discontinue its Mpact Polymers operation. Following from that announcement, on 10 December 2019, Mpact Polymers (Pty) Limited commenced voluntary business rescue proceedings. As at 31 December 2019, the Mpact Polymers balance sheet was deconsolidated from the Group and therefore its profit and loss statement for the reporting period will be presented separately as a discontinued operation.

The loss per share attributable to Mpact Polymers as a discontinued operation is expected to be as follows:

- Headline loss per share of 36.7 cents, a decrease of 7.6% when compared to prior year headline loss per share of 39.7 cents.

- Basic loss per share of 37.1 cents, a decrease of 6.6% when compared to the prior year basic loss per share of 39.7 cents.

Total operations (continuing and discontinued operations)

For the year ended 31 December 2019, earnings from total operations are expected to be as follows:

- HEPS to be between 158 cents and 138 cents, a decrease of between 19.2% and 29.5% when compared to prior period HEPS of 195.6 cents.

- Underlying EPS to be between 163 cents and 148 cents, a decrease of between 21.6% and 28.8% when compared to the prior period underlying EPS of 208 cents.

- Basic loss per share to be between 472 cents and 492 cents, a decrease of between 355.0% and 365.8% when compared to the prior year basic earnings per share of 185.1 cents.

Shareholders are advised that the financial information on which this trading statement is based has not been reviewed nor reported on by the Company's external auditor.

Mpact's audited results for the year ended 31 December 2019 will be released on SENS on or about 4 March 2020.

Melrose Arch

17 February 2020

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