

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")

## FURTHER TRADING STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

Shareholders are referred to the trading statement released on the JSE Limited's Stock Exchange News Service (SENS) on 23 June 2020, advising that Mpact expected its basic earnings per share (EPS), headline earnings per share (HEPS) and underlying earnings per share (Underlying EPS) from continuing and total operations for the six months ended 30 June 2020 (the period), to be at least 80% lower than those reported for the corresponding six-month period ended 30 June 2019 (the prior period). In the same announcement, the Company undertook to issue a further trading statement once there was clarity on the specific range by which EPS, HEPS and Underlying EPS will differ from the prior period.

### Continuing operations

Group revenue is expected to decrease by 1.4% from R5.1 billion for the prior period. This is as a result of lower average selling prices in the Paper business, and declines in sales attributable to the national lockdown following the outbreak of the coronavirus disease (Covid-19) towards the end of March 2020.

Earnings before interest, taxation, depreciation and amortisation (EBITDA) and earnings before interest and taxation (EBIT) are expected to decrease respectively by approximately 31% from R575 million and approximately 50% from R255 million in the prior period.

The decreases in EBITDA and EBIT are mainly attributable to weak economic conditions in South Africa, combined with lower margins in the Paper business due to weak international demand for recycled containerboard and lower average selling prices, which were already evident at the beginning of the period. Profits were also adversely impacted by persistent electricity supply interruptions at several operations. Most notably, the Springs paper mill lost 22 production days in the period, at a cost of approximately R27 million, due to the catastrophic failure of a municipal sub-station in Ekurhuleni. While an insurance claim has been submitted, no insurance proceeds have been received or accounted for in the results to date.

The measures imposed by Government since the end of March to curb the spread of the Covid-19 pandemic further reduced overall demand for most products. Sales to the quick-service restaurant, beverage, tobacco and recycling sectors declined significantly. Despite our best efforts, it was not possible to reduce costs in proportion to the lost revenue in the affected businesses, thus further impacting profitability. Additionally, provisions for the write-down of inventories and doubtful debts were R34 million higher than the prior period.

Despite the challenging trading conditions, Mpact generated R417 million of cash before the repayment of borrowings compared to a cash outflow of R301 million in the prior period, through strict working capital management, postponing non-essential capital expenditure and stringent cost-containment initiatives. The Group's net debt as at 30 June 2020 was approximately R1.94 billion (30 June 2019: R2.70 billion; 31 December 2019: R2.29 billion). In July 2020, Mpact secured an additional R210 million general banking facility from Nedbank, bringing the Group's total borrowing facilities to approximately R2.8 billion.

Net finance costs for the period decreased by approximately 23%, mainly due to lower interest rates and lower average net debt when compared to the prior period. The Group is still meeting all its debt covenants.

## Continuing operations and total operations

Based on the above, Mpact expects EPS, HEPS and Underlying EPS to be as follows:

	For the period ended 30 June 2020		For the period ended 30 June 2019	
	Continuing operations	Total operations	Continuing operations	Total operations
	Cents per share (cps)		Cents per share (cps)	
EPS	Between 5 and 11 cps, a decrease of between 91.3% and 81.0%	Between 5 and 11 cps, a decrease of between 87.6% and 72.6%	57.8	40.2
HEPS	Between 5 and 11 cps, a decrease of between 91.2% and 80.6%	Between 5 and 11 cps, a decrease of between 87.2% and 71.8%	56.6	39.0
Underlying EPS	Between 5 and 11 cps, a decrease of between 91.2% and 80.7%	Between 5 and 11 cps, a decrease of between 87.3% and 72.1%	57.0	39.4

Through this uncertain and challenging time, Mpact's priority remains providing and maintaining a safe and healthy work environment for all its employees. To this end, a comprehensive plan of action with stringent safety and hygiene practices to mitigate the risks associated with Covid-19 has been implemented across all operations in addition to the strict pre-existing health and safety measures.

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 unaudited interim results for the six months ended 30 June 2020 will be released on SENS on or about 5 August 2020.

Melrose Arch

27 July 2020

Sponsor

RAND MERCHANT BANK (A division of FirstRand Bank Limited)