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

UPDATE ON VARIOUS MATTERS INVOLVING CAXTON AND CTP PUBLISHERS AND PRINTERS LIMITED ("CAXTON")

Shareholders are referred to Mpact's announcement of 7 October 2022 regarding, amongst others, the decision of the Competition Tribunal ("Tribunal") in respect of Caxton's review application and the Caxton SENS announcement of 6 October 2022 ("Caxton Announcement").

Mpact wishes to ensure that shareholders are accurately informed of these matters and, accordingly, makes this announcement to provide further details regarding the Tribunal's decision and certain incorrect and misleading statements made in the Caxton Announcement. Shareholders should note, however, that as SENS is not a forum for argument, Mpact does not intend to respond to every statement or allegation made in the Caxton Announcement and will confine itself to the matters of relevance to Mpact shareholders.

As previously stated, Mpact welcomes the Tribunal's decision to deny Caxton permission to file a merger notification, and to refer the matter back to the Competition Commission to be decided afresh, starting with the threshold question of whether a proposed merger even exists.

Mpact strongly denies Caxton's allegations that it failed to disclose Price Sensitive Information and sets out below both why Mpact is unlikely to lose Golden Era as a customer in the circumstances, and why it would be irresponsible to continually update the market about potential risks that it classifies as unlikely to occur.

Mpact further reiterates its long-published position in relation to a historic (May 2016) investigation into alleged anti-competitive conduct; that it is engaging with the Commission; and that the Commission is not seeking to impose a penalty against Mpact. The historic investigation has no bearing on the current merger dispute. Caxton's alleged concern in this regard is opportunistic and unwarranted.

Mpact maintains its long-standing position that, in the absence of an offer from Caxton, the Mpact Board is unable to determine whether any such offer would be in the best interests of its shareholders and the Company, and it is likewise unable to support a joint or separate merger filing. Should an offer be made, the Board will appoint an independent board to diligently assess the merits of such an offer and to make the requisite recommendations to shareholders, in accordance with its statutory duties.

Reasons for the Tribunal's decision

On 17 August 2021, the Competition Commission ("Commission") resolved not to grant Caxton's application for a separate merger filing. Caxton subsequently instituted a review of this decision before the Tribunal. On Tuesday, 4 October 2022, the Tribunal published its decision and reasons, which did not grant Caxton permission to file a separate merger notification and which requires the Commission to reconsider the matter and make the decision afresh, taking into account the guidance and requirements of the Tribunal.

Subsequently, some media have erroneously interpreted this to mean that the Tribunal concluded that the Commission was "*wrong*" to refuse to permit Caxton to make a separate merger filing and that Caxton's actions "*are proof enough that it is serious about an offer*". These interpretations and statements to a similar effect are misleading and incorrect.

In summary, the Tribunal concluded as follows:

- The Commission's decision was flawed in certain respects, including that it did not reach a clear conclusion on whether there was indeed a proposed merger by Caxton. This is the threshold question in the enquiry that must be decided first, in considering whether a separate filing should be permitted.

- The Tribunal therefore referred the matter back to the Commission to make the decision afresh taking into account the Tribunal's comments and guidance.

- The Tribunal did not, however, conclude that the Commission reached the "*wrong*" decision or that it should have allowed Caxton to make a separate filing. On the contrary, the Tribunal expressly refused to replace the Commission's decision with an order that Caxton's separate filing should be allowed.

- Rather, the Tribunal held, among other things, that:

    - Because market conditions change over time, "*firms cannot approach the [competition] agencies for a blank cheque of competition approval based on a theoretical possibility that they might acquire control of another firm at an undetermined time in the future on terms that are non-existent*". (para 86, emphasis added)

    - "*[T]he Caxton transaction lacks details such as offer, terms and conditions and likely post-merger market strategy.*" Therefore, the Tribunal pointed out, if a merger filing were permitted, an "*incomplete filing would occur*". (para 89)

- Mpact's submissions to the effect that an offer was necessary before a merger filing could be permitted were "*not radical in any respect*" (para 79). The Tribunal stated: "*Without a firm offer on the table how is the offeree to know whether the offeror is indeed serious and committed to concluding such a transaction and whether the price or terms proposed by the offeror would be beneficial to it? In the context of listed firms, how is a Board expected to advise shareholders of an offer when there is no such offer on the table?*" (para 80)

- In previous cases (*Freeworld* and *Goldfields*) where the issue of separate filings was considered, clear offers had been made by the acquiring firm to the target firm. The Tribunal said that the facts in those two cases "*were very different from the facts in this case*" (where there is no offer, pricing or other relevant terms) and that this distinction should be a highly relevant factor in determining whether a separate filing should be permitted (para 96).

- Mpact had explained to the Commission that it would be difficult for its Board to support a separate merger filing in circumstances where it had no idea of the price, timing or manner in which Caxton sought to acquire control. Mpact had also explained that, in these circumstances, the impact of a merger investigation on its operations, employees, and management would be prejudicial to it. In this regard, the Tribunal held that "*the Commission's concern about prejudice to Mpact… is rational and justified*" and that "*[w]ithout further details of the transaction Mpact will be constrained in submitting a meaningful separate filing*" (para 144).

The Tribunal's full reasons can be accessed on its website (https://www.comptrib.co.za/case-detail/19768#).

Understanding the potential for customer flight and price sensitive information

The Caxton Announcement makes various statements about the potential customer flight risk that would arise if Caxton were permitted to make a merger filing. It also alleges that the board of directors of Mpact ("Board") failed to disclose this information to Mpact shareholders, thereby breaching Mpact's obligation to publish Price Sensitive Information (or "PSI") under the JSE Listings Requirements.

During the above-mentioned proceedings before the competition authorities, a significant customer of Mpact's paper division known as the Golden Era group ("GE"), confidentially registered its opposition to Caxton's proposed acquisition of control of Mpact. This was done on the basis that GE is a major competitor of Caxton and that, were Caxton to acquire control of Mpact, this might jeopardise the security of supply of Mpact products to GE. GE indicated that, in the event that Caxton received

permission to submit a separate merger filing, GE would start taking steps for the purpose of ultimately securing a future alternative supply of paper, as GE would need to take into account the long time frames and significant costs involved in securing alternative sources of paper supply. The Mpact group's revenue from GE was less than 10% of total revenue in 2021.

The Board considered the information about GE's possible future diversion of its purchases away from Mpact and, for the reasons set out below, the Board could not conclude, in the circumstances, that Mpact is likely to lose GE as a customer. In the absence of that likelihood, the JSE Listings Requirements do not regard the possible loss of GE as a customer as price sensitive information which must be published. On the contrary, unwarranted publication of information about a potential risk that is classified as unlikely to occur would be regarded as irresponsible. The JSE is aware of the Board's approach to this matter.

The reasons for the Board's view are to be found in the following facts relating to GE's position, which should be emphasised:

- the Commission has not given Caxton permission to submit a separate merger filing. Even now that the Tribunal has reviewed the Commission's decision, the Tribunal has not granted Caxton permission to file a merger notification and does not require the Commission to do so. Indeed, the Tribunal's reasons (referred to above) may well have the consequence that the Commission will continue to refuse Caxton permission for a separate filing when it makes its fresh decision;
- in the meantime, while the further decision of the Commission is awaited, Mpact's current and forecast supplies to GE have not decreased;
- at this point in time, alternative sources of supply of cartonboard and containerboard are significantly constrained; and
- even if the Commission gives Caxton permission to submit a separate merger filing and GE starts taking steps to secure alternative supplies, GE has explained that this would involve a costly and lengthy process for GE. GE will therefore not "*forthwith withdraw*" all of its custom from Mpact, as the Caxton Announcement states, and GE's process of developing its alternative sources is likely to be gradual and protracted. At the same time, Caxton would be seeking merger approval to acquire control of Mpact, and it is not certain that Caxton could obtain that approval, either at all or subject to conditions that could have a bearing on the possible financial impacts on Mpact.

Caxton has sought to emphasise the potential consequences of Mpact actually losing GE as a customer without having regard to the likelihood of that loss occurring, and Caxton therefore incorrectly accused Mpact of failing to announce PSI.

Mpact's submissions to the competition authorities included an assessment of the worst-case scenario if GE did in future move all or a substantial portion of its purchases from Mpact. The assessment focused

on possible consequences for Mpact's direct stakeholders as well as various other adverse effects on the public interest, which are highly relevant considerations for the competition authorities. Even though the future actions of Caxton and GE could possibly result in adverse financial effects being felt by Mpact at a future point in time, in the circumstances, the Board maintains its view that it cannot advise shareholders that there is likely to be a material adverse financial effect on Mpact.

Caxton's allegations regarding the non-disclosure of PSI are therefore strongly denied. The Board diligently reviews and assesses, on an ongoing basis, the risks and opportunities facing the business. The Board takes advice from Mpact's sponsors and legal advisors on matters relating to its reporting obligations, and the Board is confident that Mpact's disclosures to its shareholders have been, and remain, appropriate and up to date.

Allegations regarding anti-competitive behaviour

Caxton has furthermore sought to make much of the Commission's investigation, and associated risks facing Mpact, regarding alleged anti-competitive conduct between Mpact and GE prior to 2016. Mpact has made announcements in the past regarding the Commission's investigation and the current status of the matter – which the Board assesses on an ongoing basis. Although there are no new facts to report, the Board wishes to provide an overview of the relevant facts for the benefit of shareholders and to avoid further speculative and unfounded comments by Caxton.

As previously advised, Mpact is a respondent in an investigation into alleged historic anti-competitive behaviour. As soon as the alleged conduct came to the attention of the Board in 2016, the Company engaged with the Commission and has been co-operating with them since then. In so doing, the Board acted diligently in the best interests of the Company and dealt with the concerns identified cautiously and transparently through applying for corporate leniency. On 15 April 2019 the Commission referred a complaint against the Company and GE to the Tribunal which will be adjudicated in due course, and at which point it will be determined whether or not the conduct concerned contravened the Competition Act. Pursuant to its leniency policy, the Commission is not seeking the imposition of a penalty against Mpact in the complaint referral.

Caxton suggests that Mpact has not been truthful or has not fully co-operated with the Commission in its investigation, and that this may place Mpact's status as a leniency applicant in jeopardy. Caxton argues further that this, in turn, may result in Mpact having to pay a fine, and that this would affect the price Caxton is willing to pay to acquire control of Mpact. The Commission has not raised any concerns whatsoever in this regard and Mpact continues to co-operate fully with it. Caxton attempts to suggest that the fact that GE made submissions to the competition authorities in relation to Caxton's application to the Commission for a separate merger filing, and the fact that, as a customer of Mpact, GE has trading terms that are unknown to Caxton, are somehow indicative of a continuation of alleged anti-competitive conduct. This is again incorrect. As Mpact has told Caxton repeatedly, Mpact is careful to

maintain a proper relationship with GE and to ensure that it deals with GE at arm's-length. There is nothing untoward in GE making submissions to the competition authorities, and that is entirely unrelated to the allegations of historic anti-competitive conduct between the parties. There is no basis for Caxton's allegations, and Mpact regards them as no more than a contrivance to avoid making an offer to Mpact's shareholders.

Matters before the Takeover Special Committee and the Competition Tribunal

As noted in Mpact's announcement of 7 September 2022, Mpact secured an order from the Takeover Regulation Panel ("TRP") which prohibits Caxton from making any further public statements / announcements in any form and on any platform about the acquisition of Mpact without the approval of the TRP. Caxton has appealed the order of the TRP to the Takeover Special Committee ("TSC"). A hearing of the TSC has been scheduled for 22 November 2022.

Furthermore, Mpact has brought an enforcement application to the Tribunal on the basis of Caxton's and/or its Chairman's conduct in unlawfully publicly disclosing and using the confidential information (contrary to the provisions of the Competition Act and an order of the Tribunal). While Mpact has decided that it will no longer pursue an interdict because the information has now been publicly disclosed, Mpact is persisting in its application for an administrative penalty to be imposed on Caxton and its Chairman.

Fees payable to non-executive directors

Shareholders are referred to Mpact's announcement of 26 September 2022 in terms of which Mpact advised shareholders that the Mpact non-executive directors ("NEDs") had been appointed to the board of directors of the Company's main operating subsidiary, Mpact Operations Proprietary Limited ("Mpact Ops"). The appointments are in no way a circumvention of the shareholders' vote at the Company's AGM nor do they disregard the governance requirements of the Companies Act, because the NEDs will not be paid for the services rendered to Mpact Limited. They will, however, be remunerated for services legitimately required by Mpact Ops. Details of the NEDs' remuneration will be disclosed in the ordinary course as part of Mpact's annual reporting cycle.

To the extent appropriate and relevant, Mpact will keep shareholders informed of any material updates on the matters referred to in this announcement.

As previously advised to shareholders, should an offer be made by Caxton, Mpact will discharge its duties and diligently assess whether such an offer is in the best interests of the Company and all its shareholders.

The Board of Mpact accepts responsibility for the information contained in this announcement and certifies that, to the best of its knowledge and belief, the information contained in this announcement is true and that this announcement does not omit anything that is likely to affect the importance of such information.

Melrose Arch

17 October 2022

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