Annual Update: rPET at a Crossroads
Indiana Recycling Coalition
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rPET Flake – Recycling’s Mainstay

Perpetual (based in Richmond, IN) makes Clean Clear rPET Flake (CCF) from curbside bales

Curbside Bales from MRFs – 65% Clear PET Bottles

Clean Clear Flake (CCF) – Contamination Less than 10 PPM
rPET is endlessly recyclable if properly sorted, washed, and converted into CCF
We’ve Increased our Commitment to Recycling

• Perpetual remains one of the largest converters in the U.S. of curbside waste to rPET Flake with a very local base

• In the last year – with the engineering guidance of our Italian partner, Sorema – we *invested significantly* in our plant to further increase automation and equipment reliability and to increase capacity

• We have diversified our product line, recovering more of the post-consumer waste in our raw materials and producing many more value-added products than just Clean rPET Flake
Some Operational Challenges for 2017….

Rise in raw material costs

Bale Quality Has Declined

<table>
<thead>
<tr>
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<th>Clear PET</th>
<th>Total PET</th>
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<tbody>
<tr>
<td>2017</td>
<td>74.5%</td>
<td>80.9%</td>
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<tr>
<td>2016</td>
<td>77.9%</td>
<td>86.0%</td>
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<tr>
<td>2015</td>
<td>77.7%</td>
<td>86.9%</td>
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As Well as Market Challenges

- rPET sales depend on price advantage more than environmental concerns
- The spread is near the 3-year low – good or bad time to invest?
Will Trends Continue?

• *Bottle Collection*: industry groups suggest bottle collection is flat to down, meaning competition could remain fierce. Diversification and recovering a higher percentage of each bale is critical.

• *Bale Quality*: decline may be seasonal – must wait and see

• *Virgin Pricing*: As PET demand grows, excess capacity will shrink and pricing should return to the trendline
Wishlist for Accelerating Growth: More Bottles!

- Any decline in bottle collection could threaten the economic model of many reclaimers
  - “Deposit bills” are highly effective in improving collection. 10 deposit states, representing 28% of the population, supply over 50% of bottles.
  - Deposit bills are not the only choice. With the exception of collection, Indiana already hosts all the elements of a robust, local “circular economy” for recycled plastics. This merits some different incentives to increase collection and “close the loop”

- Brands that support recycling need to be more accountable
  - Too many bottles and other packages are designed without consideration of their recyclability, despite brand claims of supporting sustainability
  - Brands have the wherewithal and marketing clout to drive changes in consumer habits, encouraging them to use the recycling facilities already available
  - Several major brands regularly oppose bottle bills – a change in their policy would change the legislative outlook