KAP

Annual Results

30 June 2011

Agenda

• Introduction and Highlights	Paul Schouten	CEO
• Financial Performance	John Haveman	CFO
• Divisional Performance and Prospects	Paul Schouten	CEO

Goals that we set ourselves in 2008

Make KAP's profitability more predictable

- Closure of Bull Brand fresh meat division (volatile and unpredictable earnings with large investment in working capital)
- Sale of Feltex auto leathers to Seton
- Sale of fibres division to Extrupet
  - Deal in term of working capital and property
- Invested in Hosaf to double capacity in the PET growth market

Improve our debt equity ratio

- Concerns over events in Europe/USA and the effect on automotive exports
- Wanted to be in a strong position for acquisitions/organic growth
- Results speak for themselves

Focus on cost control

- Maintain flexible response in case of shocks to the system
- Maintain competitiveness as a local manufacturer
- Pursue government initiatives where applicable

Highlights

Financial

- Strong operating cash flows
- Debt/equity ratio reduced to 9.1%
- Net asset value per share R3.37
- Significant reduction in finance charges
- EPS shows steady improvement to 30.9 cents (2010: 20.6 cents and 2009: 8.8 cents loss)
- 44% increase in HEPS from continuing operations to 32.7 cents

Cash Flow

- Further improvement in operating margins
- Lower interest charge
- Lower net working capital
- Limited capex
- = R191 million reduction in borrowings

Operations

- Exceptional performance from the Hosaf plant
- Recovery in automotive vehicle build

Annual Financial Results
For the year ended 30 June 2011

Income Statement

	Jun 2011 Rm	Jun 2010 Rm	Jun 2009 Rm
Continuing operations			
Revenue	4,217.1	3,842.9	3,839.0
Operating profit before restructuring costs	**231.6**	**202.8**	**152.5**
Restructuring costs	(2.9)	(0.6)	(19.9)
Net finance costs	(25.6)	(52.8)	(63.4)
Joint ventures	2.0	3.0	2.7
Profit before taxation	**205.1**	**152.4**	**71.9**
Taxation	(59.1)	(51.4)	(20.5)
Profit after taxation	**146.0**	**101.0**	**51.4**
Net loss from discontinued operations	**(7.8)**	**(7.3)**	**(84.1)**
Minorities	(7.2)	(6.3)	(4.6)
Net profit/(loss)	**131.0**	**87.4**	**(37.3)**
HEPS – continuing operations	32.7	22.7	11.4

Balance Sheet – Assets

	Jun 2011 Rm	Jun 2010 Rm	Jun 2009 Rm
Balance sheet strengthening			
Properties valued at R530m, book value R209m			
Net asset value per share (cents)	337	313	292
Net tangible asset value per share (cents)	321	297	276

	Jun 2011 Rm	Jun 2010 Rm	Jun 2009 Rm
Fixed assets	902.6	945.7	939.9
Goodwill	66.7	66.7	66.7
Pension fund surplus	23.8	34.1	30.4
Deferred taxation assets	20.4	68.3	107.3
Joint ventures	24.4	22.7	22.1
Non-current assets	**1,037.9**	**1,137.5**	**1,166.4**
Inventories	729.8	646.3	675.8
Accounts receivable	730.0	612.0	547.3
SARS – income tax receivable	-	0.1	0.6
Cash and equivalents	128.7	101.8	58.5
Assets held for sale	9.2	12.5	60.0
Current assets	**1,597.7**	**1,372.7**	**1,342.2**
Total assets	**2,635.6**	**2,510.2**	**2,508.6**

Fixed Assets Movements

	Jun 2011 Rm	Jun 2010 Rm	Jun 2009 Rm
Opening balance	945.7	939.9	828.2
Capital expenditure	61.6	63.3	257.4
Government incentives received	(4.5)	-	-
Disposals	(15.0)	(2.6)	(17.2)
Depreciation	(69.9)	(70.8)	(59.3)
Impairment of sale assets	(15.6)	(0.3)	(19.4)
Transfers from/(to) held for sale	0.3	16.2	(49.8)
Closing balance	**902.6**	**945.7**	**939.9**
By category			
Land and buildings	189.6	193.6	192.3
Investment property	19.7	19.4	5.5
Plant and machinery	670.4	687.8	701.3
Other assets	22.9	44.9	40.8
Total	**902.6**	**945.7**	**939.9**

Capital Expenditure

Restricted to less than depreciation charge
Capex will increase in 2012 but government assistance will help

	Jun 2011 Rm	Jun 2010 Rm	Jun 2009 Rm
Industrial segment	38.3	39.7	233.5
Automotive	21.5	21.3	15.4
Industrial footwear	11.1	2.7	19.7
Hosaf	5.7	15.7	198.4
Consumer segment	23.3	23.6	23.9
Bull Brand	1.1	8.8	8.9
Brenner	10.9	4.4	4.4
Jordan	2.0	2.4	5.6
Glodina	9.3	8.0	5.0
TOTAL	**61.6**	**63.3**	**257.4**
Depreciation	**69.9**	**70.8**	**59.3**

Balance Sheet – Equity and Liabilities

Interest-bearing liabilities reducing and gearing improving

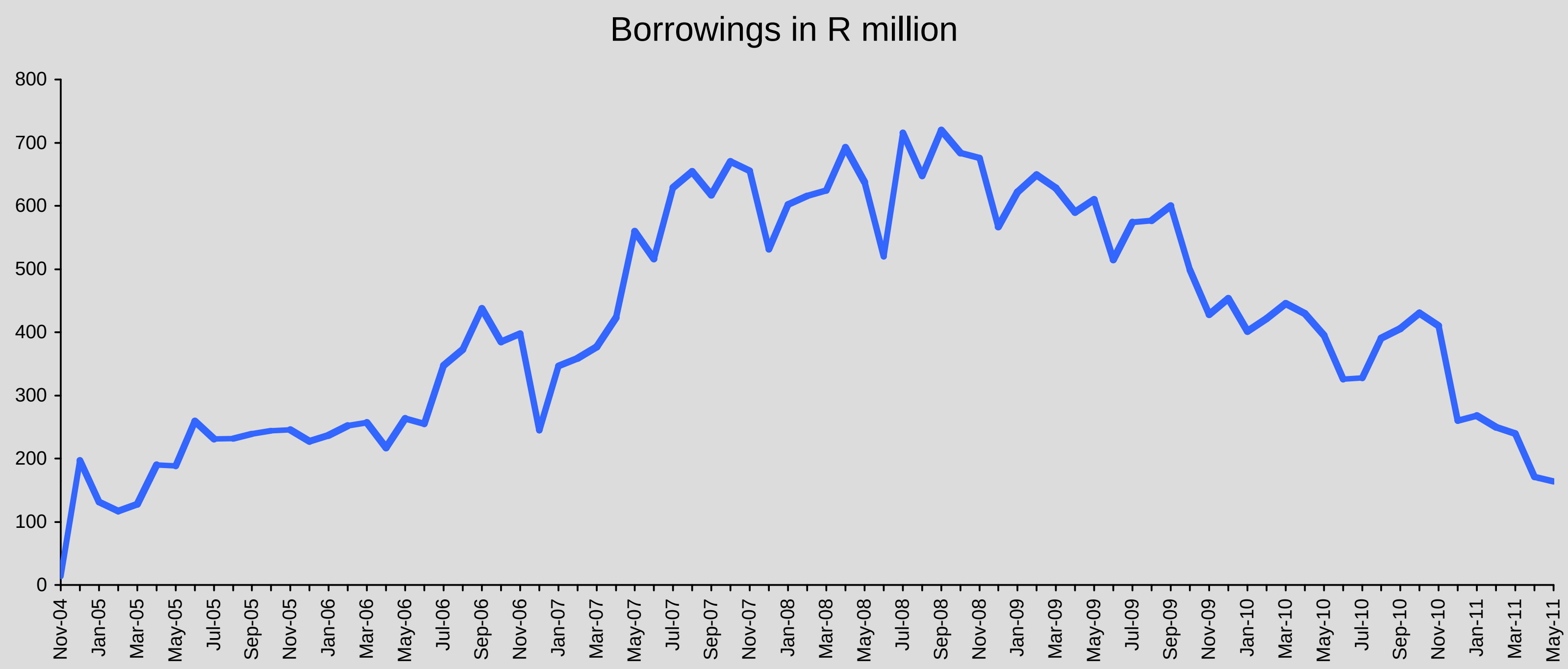
	Jun 2011 Rm	Jun 2010 Rm	Jun 2009 Rm
Equity	**1,471.8**	**1,364.7**	**1,272.1**
Interest-bearing borrowings	22.5	30.5	29.6
Deferred taxation liabilities	24.4	20.6	23.8
Retirement benefit obligations	9.7	10.6	11.3
Long-term liabilities	**56.6**	**61.7**	**64.7**
Accounts payable and provisions	865.8	683.5	625.0
SARS – income tax payable	0.6	3.4	3.0
Short-term loans and bank overdrafts	240.8	396.9	535.5
Liabilities held for sale	-	-	8.3
Current liabilities	**1,107.2**	**1,083.8**	**1,171.8**
Total equity and liabilities	**2,635.6**	**2,510.2**	**2,508.6**

Cash Flow Statement

Cash flow continues to improve
2009 cash flow included Bull Brand and Hosaf effects
Cash taxation paid in Feltex Fehrer JV
Group assessed losses R528m

	Jun 2011 Rm	Jun 2010 Rm	Jun 2009 Rm
EBITDA	321.2	269.0	125.1
Non-cash items	(32.9)	(0.4)	11.2
Change in working capital	(18.3)	28.4	231.8
Inventories	(82.6)	44.1	223.9
Accounts receivable	(118.0)	(73.7)	181.9
Accounts payable	182.3	58.0	(174.0)
Operating cash flows	**270.0**	**297.0**	**368.1**
Net finance costs	(32.7)	(54.2)	(77.5)
Cash taxation paid	(13.8)	(8.9)	(14.2)
Capital expenditure	(61.5)	(63.3)	(257.4)
Government grants received	4.5	-	-
Disposal of PPE	56.6	18.4	19.8
Other investing activities	0.4	2.4	7.1
Free cash flow	**223.5**	**191.4**	**45.9**
Dividends paid	(32.5)	(2.1)	(3.6)
Reduction in interest-bearing debt	**191.0**	**189.3**	**42.3**
Free cash flow per share (cents)	52.6	44.5	9.1

Debt History



Capital Distribution

Final cash distribution of 10 cents per share proposed

Distribution of 7 cents per share paid in 2011

	Jun 2011 Rm	Jun 2010 Rm	Jun 2009 Rm
Final distribution			
Headline earnings – continuing operations (cents per share)	32.7	22.7	11.4
Free cash flow (cents per share)	52.6	44.5	9.1
Distribution proposed per share (cents per share)	10.0	7.0	-
Total dividend proposed (R'million)	42.4	29.7	-
Dividend cover (times – free cash flow)	5.3	6.4	-


Industrial Segment

Automotive

FELTEX

UNIFRAX

autoneum

Fehrer

caravelle automotive carpets

AUTOMOTIVE TRIM

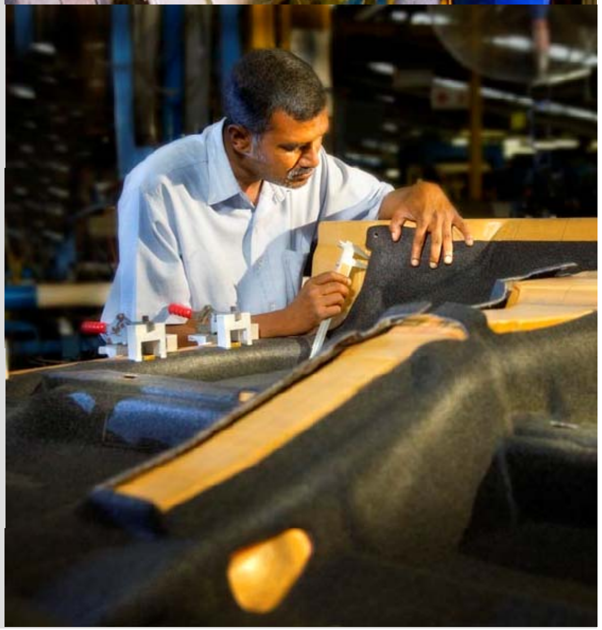
FOAM CONVERTING

FUTURIS

Automotive

Vehicle sales in South Africa are recovering

Vehicle build numbers have increased to 471,000 units (393,000 – 2010)



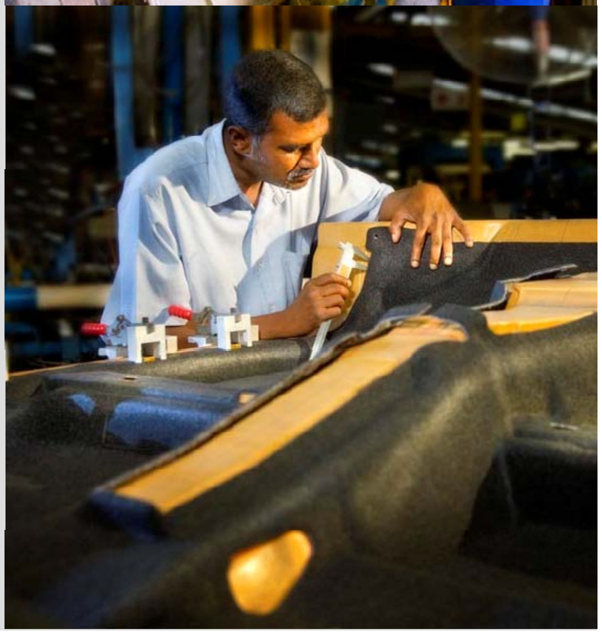
Automotive

Vehicle sales in South Africa are recovering

Vehicle build numbers have increased to 471,000 units (393,000 – 2010)

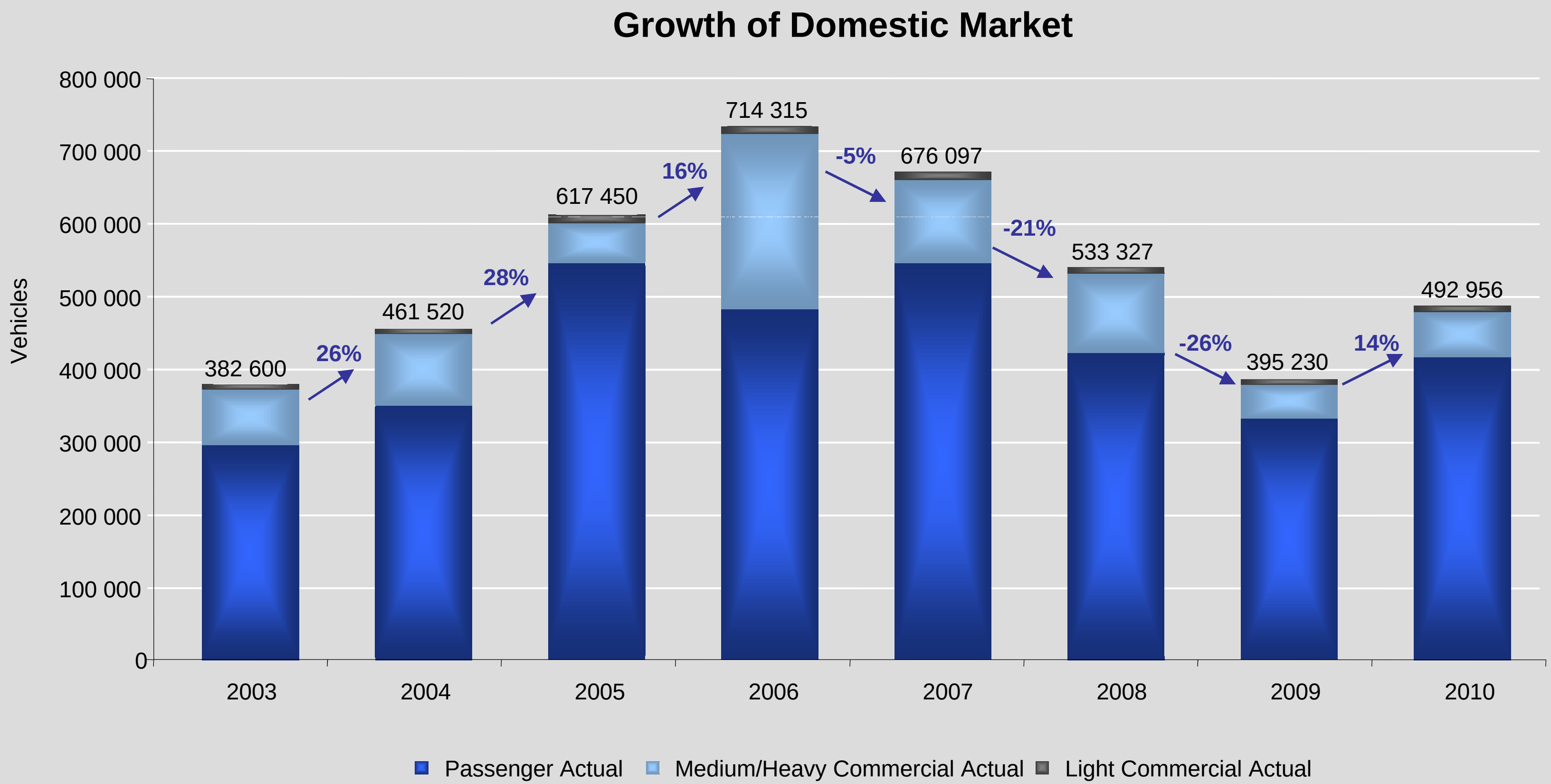
Increasing competition in local market

- Number of brands increased
- Growing market share of Korean manufacturers



Growth of SA Market

- Rapid growth in SA Market 2004 – 2006.
- 2008 Market slow down due to interest rate increase and National Credit Act implementation.
- 2009 Market slowed down even further due to Global Economic conditions.
- 2010 Market improved after adverse 2009 Economic conditions.



Motor Industry in S.A.

Number of brands in South Africa = **16**

1995

Motor Industry in S.A.

KAP

Number of brands in South Africa = **57**

2010

Japanese
TOYOTA, LEXUS, NISSAN, mazda, HONDA, MITSUBISHI MOTORS, SUBARU, DAIHATSU, SUZUKI, ISUZU

European
Mercedes-Benz, FIAT, VOLVO, PEUGEOT, SAAB, LOTUS, PORSCHE, MASERATI, RENAULT, CITROËN, ROLLS ROYCE, NOBLE AUTOMOTIVE, MINI, Audi, BENTLEY, JAGUAR, ASTON MARTIN, LAND ROVER, smart

China
CHERY, CHANA, FOTON, ZOTYE, Hafei, DFM, GWM

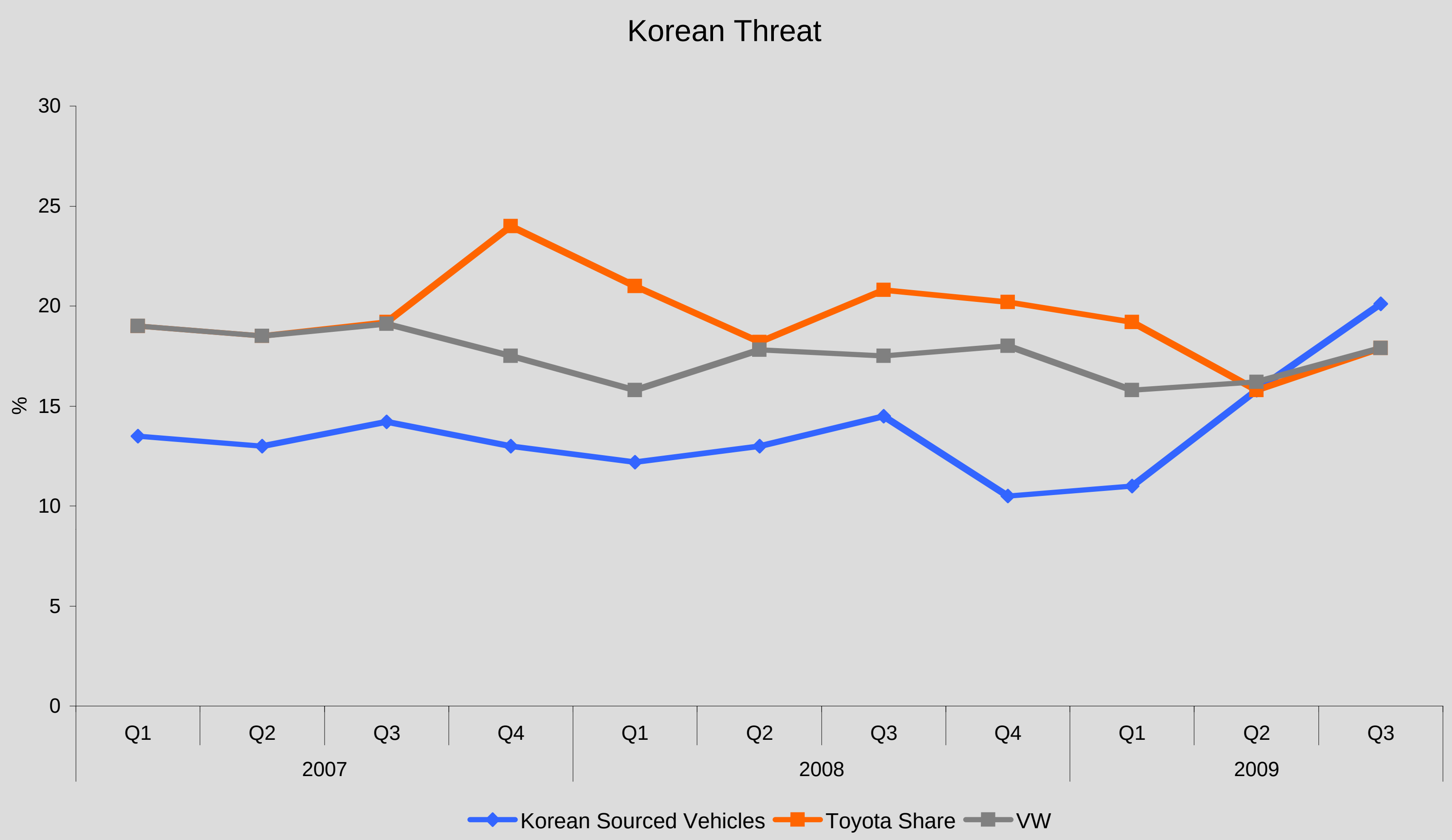
USA
Ford, CHEVROLET, Jeep, DODGE, Cadillac, HUMMER, CHRYSLER

Malaysia
PROTON

Korea
HYUNDAI, SSANGYONG, KIA MOTORS

India
TATA, Mahindra

Korean Threat



Automotive

Vehicle sales in South Africa are recovering

Vehicle build numbers have increased to 471,000 units (393,000 – 2010)

Increasing competition in local market

- Number of brands increased
- Growing market share of Korean manufacturers

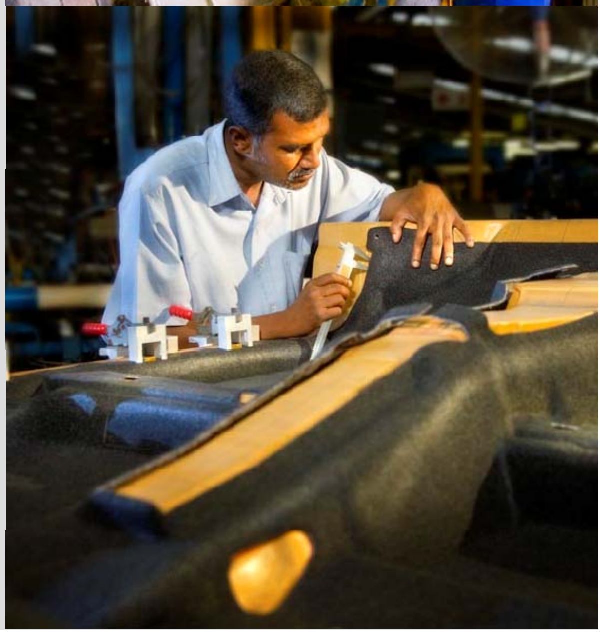
Good operating performance with strong cash flow

Our strategy is to maintain a firm grip on the cost base

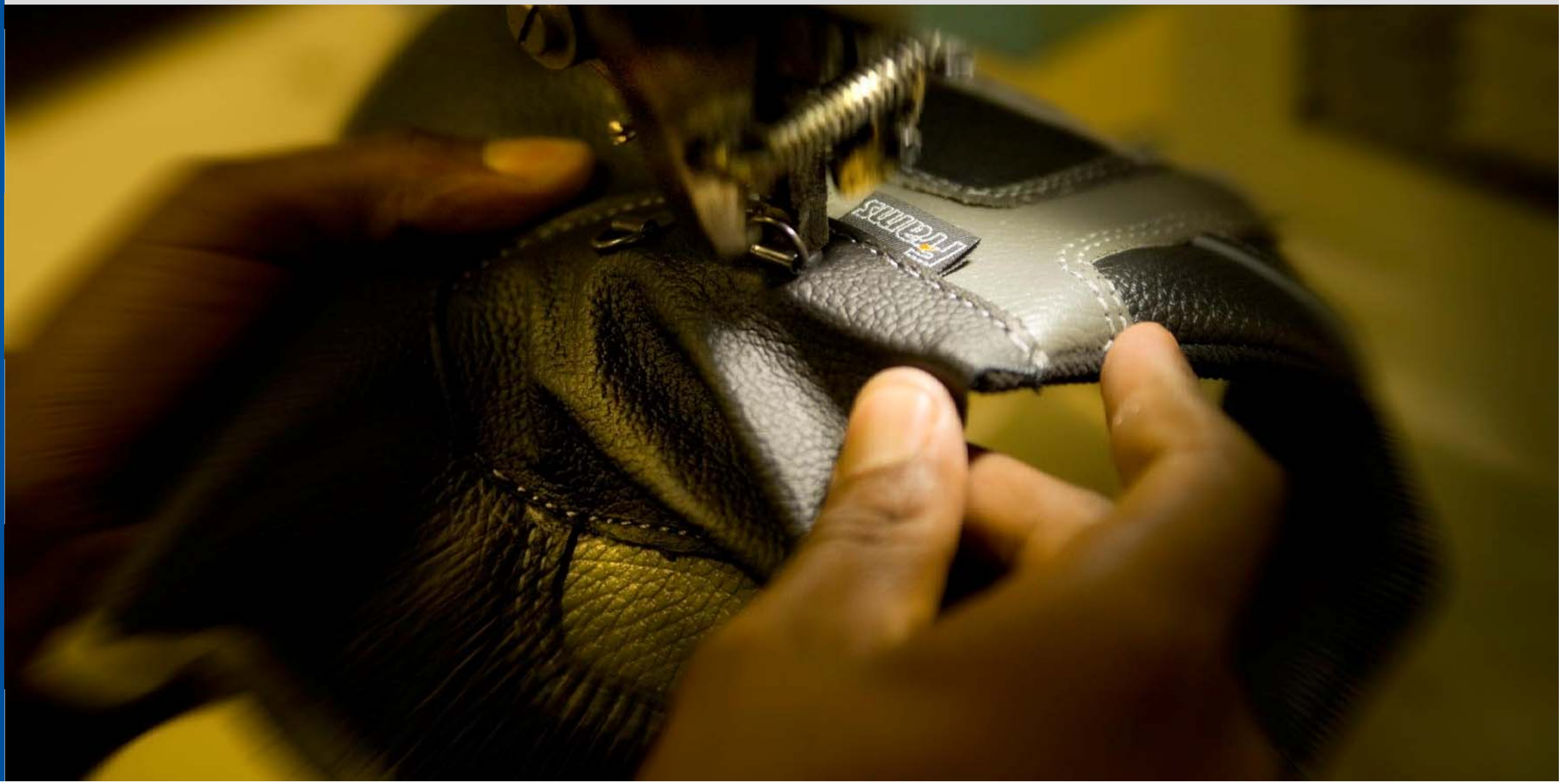
- A large number of our exports go to Europe and the US

Future opportunities

- New Ford bakkie “T6” start of production Q4 2011
- BMW to increase build
- Toyota to build taxi
- Other OEM’s to manufacture in S.A



Industrial Footwear



Industrial Footwear

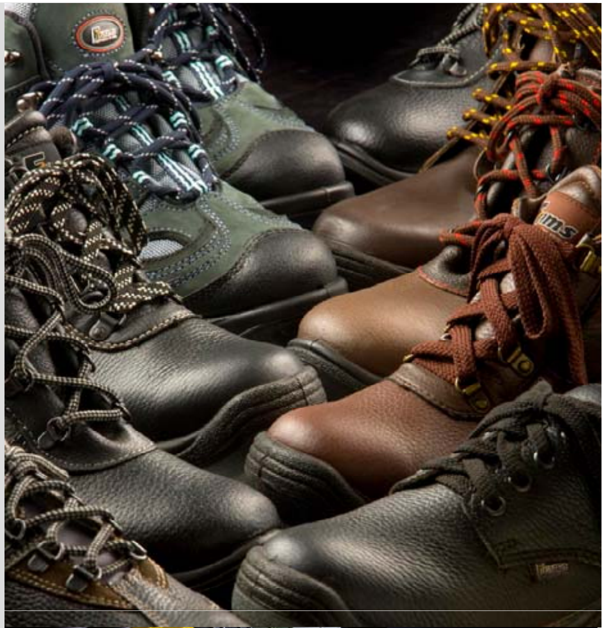
Safety footwear division struggled after the World Cup
- Lack of demand from construction
- Increased competition from the strong rand

New range of safety footwear launched Q3 2011
- New marketing team
- Focus on customer service

Gumboot division has performed well
- Export opportunities into Australia and Europe
- New machine for PU gumboots on order

Mossop also had a difficult period
- Competition from imported leather
- Extremely high raw material (hide) costs

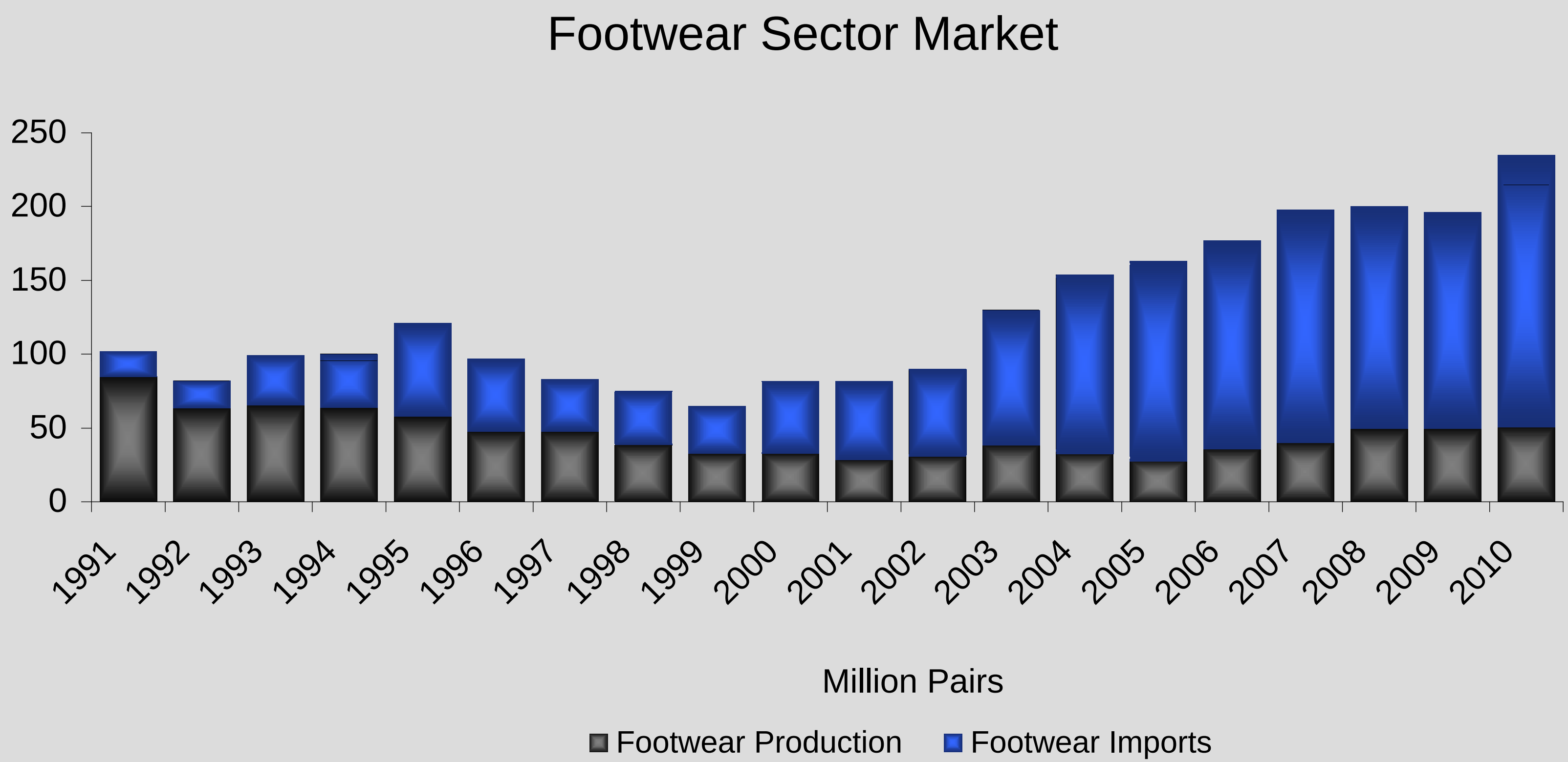
Mossop initiatives
- DTI proposal for "export tax" on hides
- Samples provided for Tektan export (UK and China)
- DTI productivity incentive (for footwear and textile companies)



SA Footwear and Leather industry association shoe sales

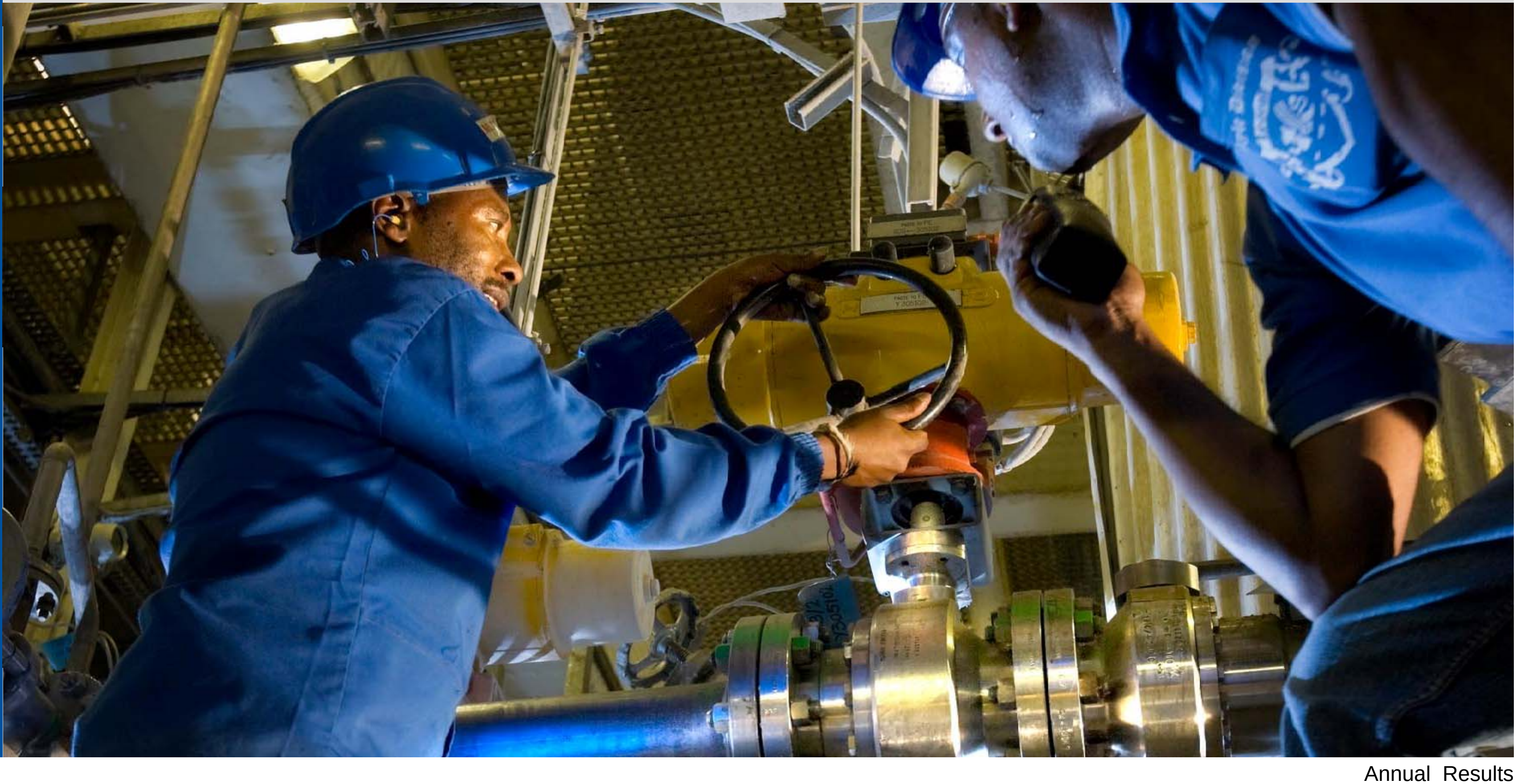
		2009	2010
Imports	Pairs	146 million	184 million
Locally produced	Pairs	50 million	51 million

Imports are soaring, but local production steady



Hosaf

Hosaf
where quality is action



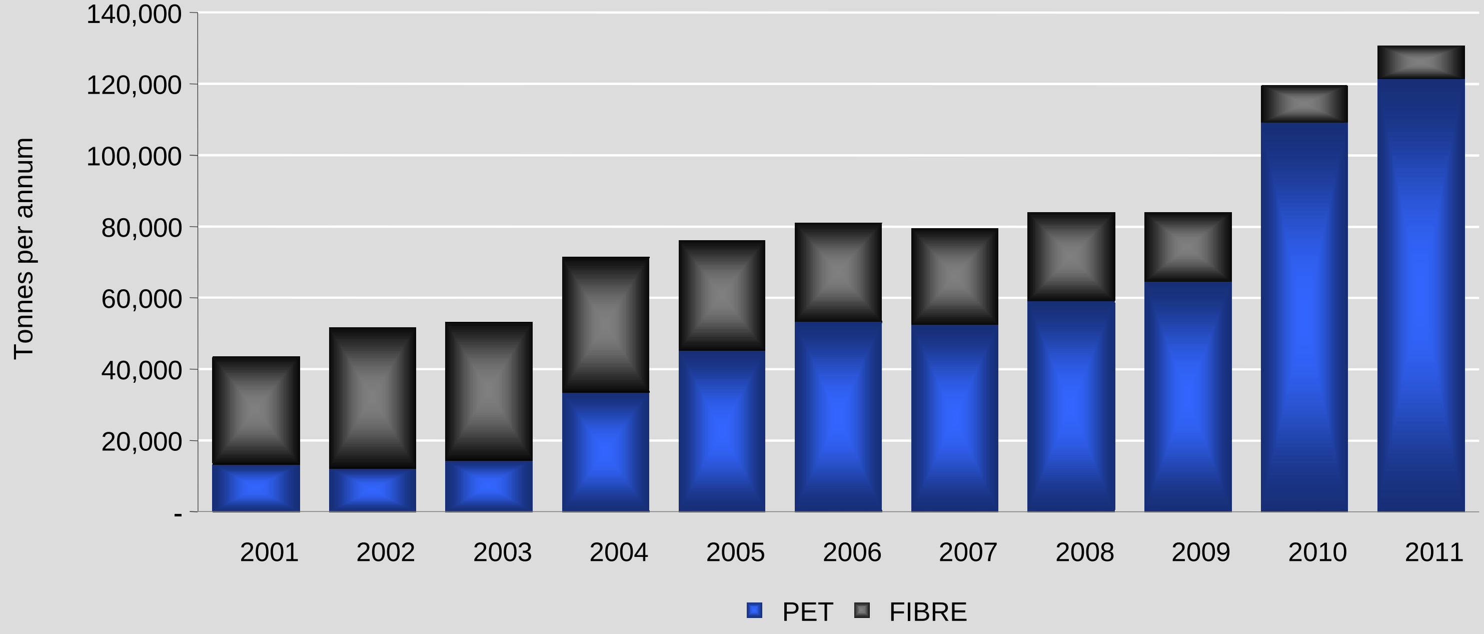
Annual Results
30 June 2011

Hosaf

- Transformation from a fibre company to a PET company is complete
- Supplement local production with imports to supply customers

Hosaf Sales Mix

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
PET	13,333	12,305	14,590	33,628	45,304	53,366	52,550	59,040	64,607	109,140	121,539
FIBRE	30,267	39,385	38,690	37,786	30,801	27,612	26,885	24,890	19,213	10,425	9,167



PET Production

Tonnes (000's)	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
SANS	85	85	85	85	85	85	85	85	-	-	-
Hosaf	13	12	15	34	45	53	53	59	65	109	122
Total local production	98	97	100	119	130	138	138	144	65	109	122
Imports			9	11	11	7	5	8	40	20	27
Total SA market	98	97	109	130	141	145	143	152	105	129	149

Hosaf

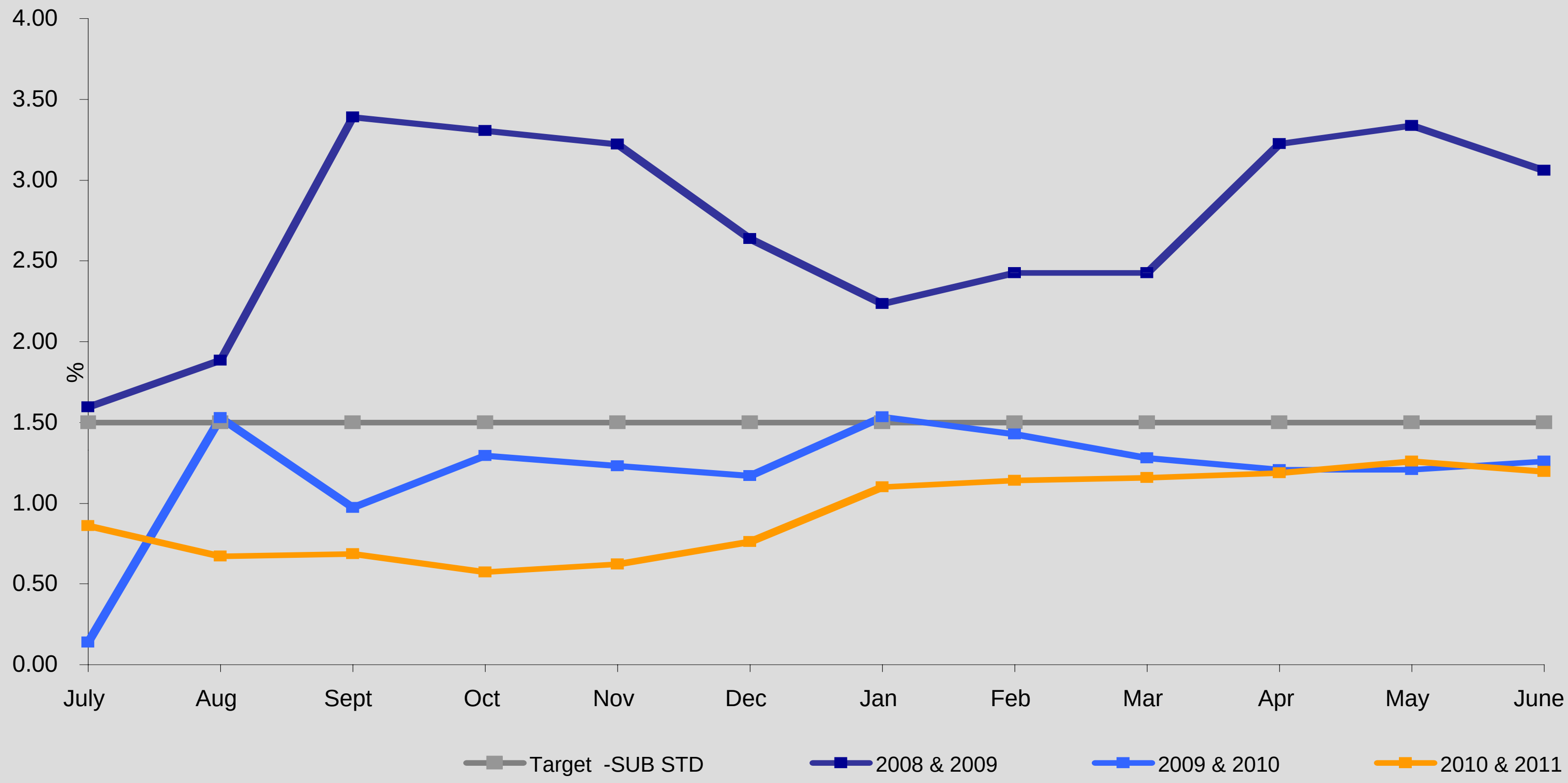
Transformation from a fibre company to a PET company is complete

Supplement local production with imports to supply customers

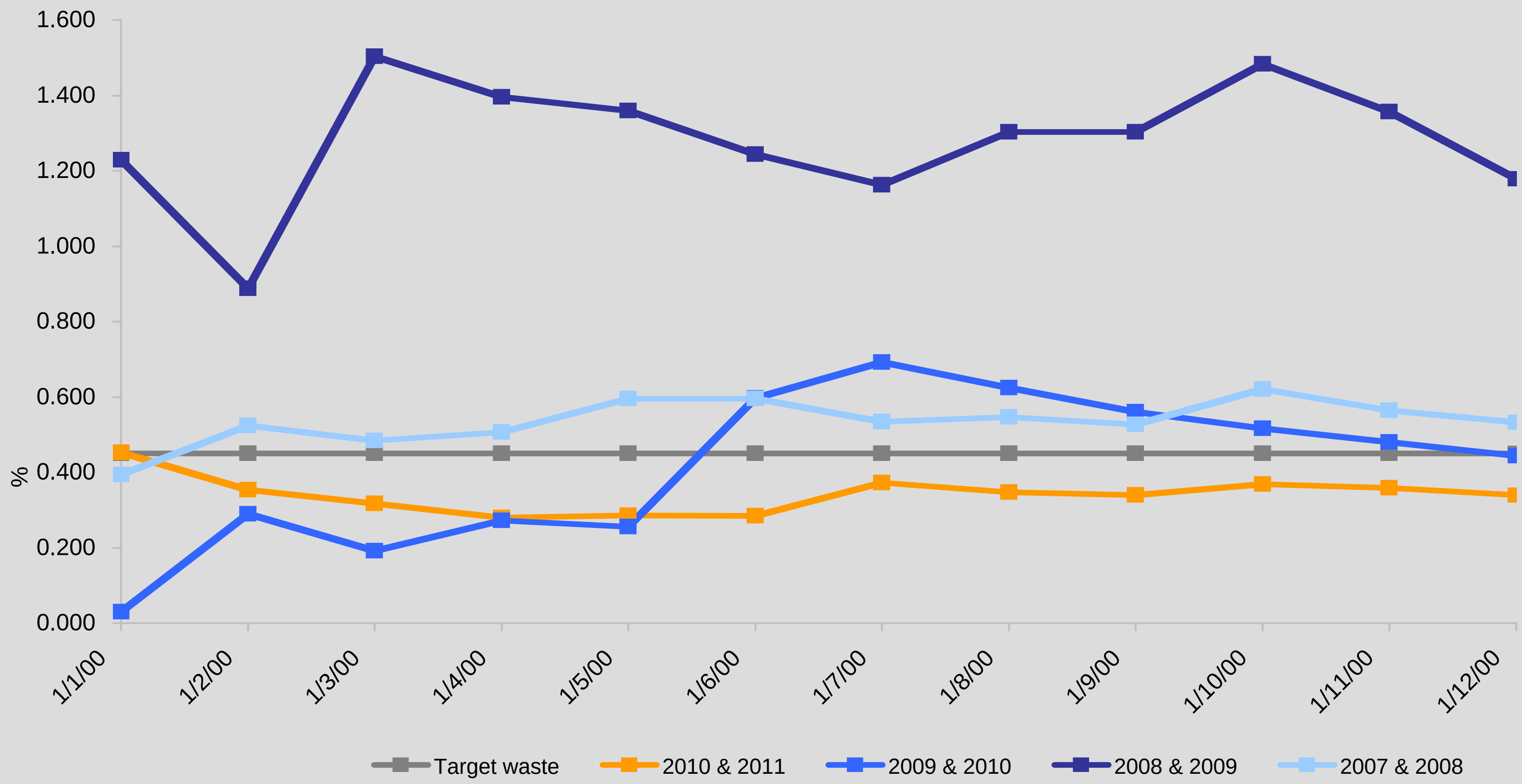
Excellent quality produced by the plant

- Most of the time production was working at max
- Very low reject rate

CP50 Substandard



CP50 Waste



1.600
1.400
1.200
1.000
0.800
0.600
0.400
0.200
0.000
%
1/1/00
1/2/00
1/3/00
1/4/00
1/5/00
1/6/00
1/7/00
1/8/00
1/9/00
1/10/00
1/11/00
1/12/00
Target waste
2010 & 2011
2009 & 2010
2008 & 2009
2007 & 2008

Hosaf

Transformation from a fibre company to a PET company is complete

Supplement local production with imports to supply customers

Excellent quality produced by the plant

- Most of the time production was working at max
- Very low reject rate – benchmarked against Indorama

Concentration on customer service

- Fast reheat chip
- Work to reduce raw material content in bottles

Capacity expansion **meets investment criteria as revenue and operating profit show substantial improvement**

Rising commodity prices will always mean better earnings

Consumer Segment

Bull Brand


Dry Wors Stick
Classic
40 g
Bull Brand
Biltong Slices
Classic
Dry Wors
Classic
GANTS
New
Chicken
chunky breast fillet
brine with lem
spicy apricot
thai sweet chilli
So Good.
So Gants.
NEW GANTS CHUNKY CHICKEN

Bull Brand

Major competition from imported fish products

- Good fishing catch
- Strong Rand

Sales were same as last year

- Cannery improved
- Value added products were down

New canned chicken (Gants) range will be launched

- Success of the Heinz range
- In store target date was August for Masscash

Cost cutting initiatives

- Retrenchment of workers
- Implementation of “lean manufacturing” as per automotive

Brenner

Brenner

Sales were slightly down in tons –
increase in competition and decrease in exports to Zimbabwe

One-off cost of brand building advertising of approximately R4 million

Restructure at the three mill locations to centralise certain functions

Maize price has now stabilised after dropping quite significantly

Jordan

Jordan

Excellent results and both sales and profit improved

Sales in pairs were well up	% increase 2011 vs 2010
• Own manufacture	10%
• Imports	25%
• Total	21%

Ladies division has started to perform well

We continue to expand our retail factory shop outlets

- 2 new stores opened in 2011 and a further 2 are planned

Asics brand is extremely strong

- Foot count in the marathons is almost 50%
- Clothing range to be launched
- New ranges for hockey/trail running/clothing

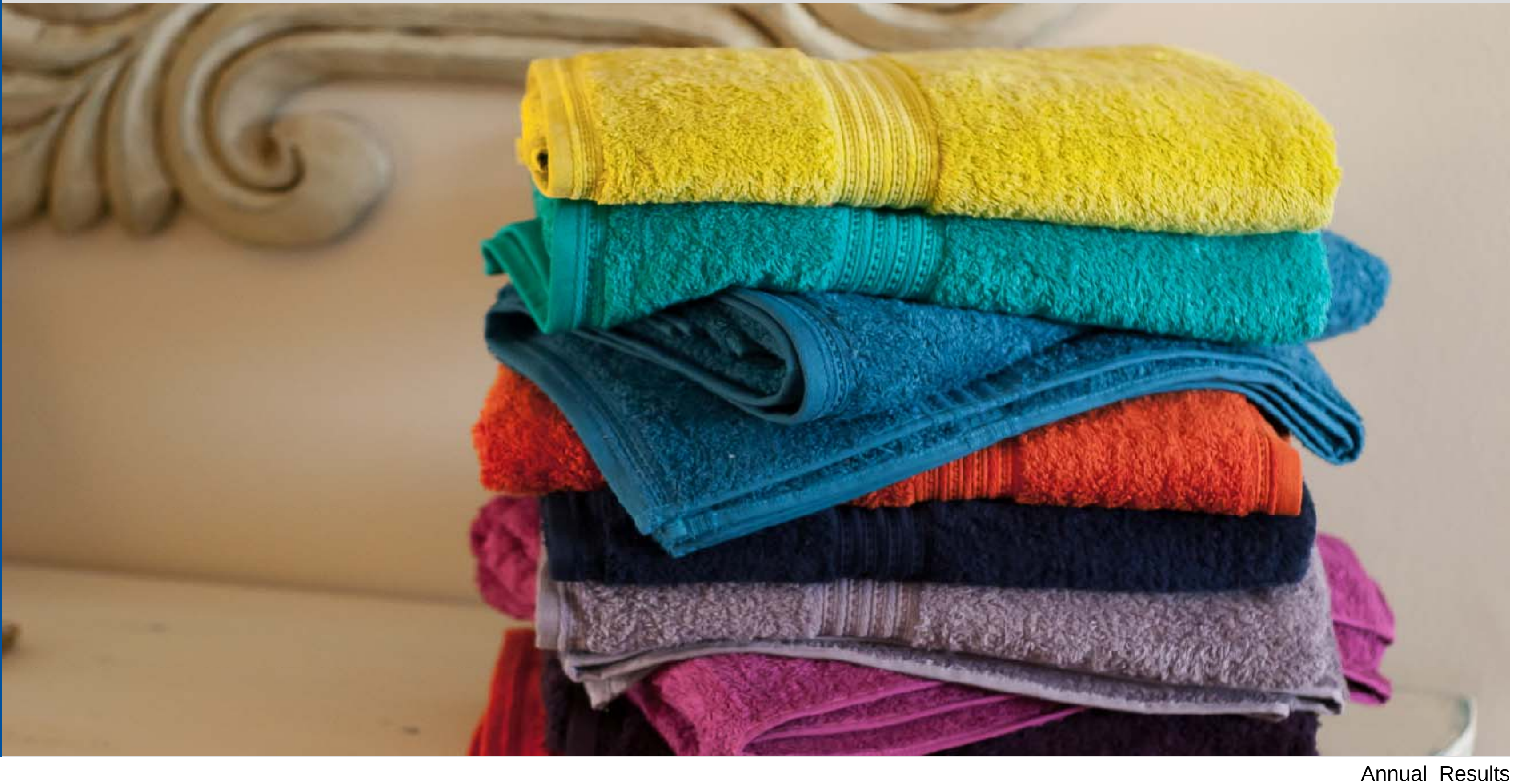
We will soon be manufacturing for Puma in South Africa

Puma

Asics Clothing

Glodina

GLODINA



Annual Results
30 June 2011

Glodina

Excellent performance in the light of all the challenges in the textile industry

Turnover flat but cost control excellent

Unfortunately more retailers are looking to source offshore

- Our response is to improve our customer service
- Exports to Australia and Mauritius
- New local customers
- Hold costs

DTI incentives have enabled us to improve productivity

- Production incentive has enabled us to upgrade our loompark
- R30m loan at prime less 5% helps with financing
- EIP on capex purchases

Customers having problems with offshore sourcing?

- Quality issues
- Lead times
- Volatility of exchange rate

Prospects Government Incentives

EIP – Enterprise investment program

- 15% on qualifying capex up to R200m

Productivity incentive

- 10% on value add sales less cost of production (locally produced goods)
- Textile and footwear companies only (including leather goods manufacturers)
- Amount to be reinvested in productivity improvements (upgrade plant facility or interest subsidy)
- 7.5% for second/fifth years

Textile company (Glodina)

- loan at prime less 5%

Prospects KAP business sectors

Automotive Components

Feltex

Short term Exports to Europe & USA

Long term New models & increased build

Ford T6, Toyota, BMW and TATA?

PET

Hosaf

Short term Impact of commodity prices

Long term Growth market – we cannot supply full local requirements

Food

Short term Defensive sector

Long term Opportunities in Africa

New product development

Footwear & Textiles

Exciting opportunities for growth

DTI incentives

Difficulties of importing

Exchange rate

Our competitive advantages

Prospects

Hosaf

- Demand remains strong

Feltex

- Increase in build – Ford T6, Toyota and BMW are all talking about increasing volumes, etc

- **Other divisions**
  - Expect a steady performance
  - Recent weakening of the rand will help
  - Use government incentives to improve efficiency

Interest charge will once again improve and over R500m tax losses still to be utilised

The group will now start to actively target expansion, organic and acquistive

Thank You