INTERIM RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

AGENDA

INTRODUCTION	JAAP DU TOIT
STRATEGY IMPLEMENTATION	GARY CHAPLIN
DIVISIONAL OPERATIONAL REVIEW	GARY CHAPLIN
FINANCIAL ANALYSIS	FRANS OLIVIER
OUTLOOK	GARY CHAPLIN
Q&A	GARY CHAPLIN / FRANS OLIVIER
ANNEXURES	

INTRODUCTION

JAAP DU TOIT

CHAIRMAN

STRATEGY IMPLEMENTATION

GARY CHAPLIN

CHIEF EXECUTIVE OFFICER

INTEGRATED INTO EVERY DAY

OPERATING ENVIRONMENT

KAP

Macroeconomic and sociopolitical environment remains depressed:

> Poor policy certainty and execution capability

> Unreliable electricity

> Escalating social unrest

> Low business and consumer confidence

> Increasing unemployment

> Covid-19 economic shock

Covid-19 accelerated changes in consumer behaviour:

> Travel, entertainment and alcohol spend redirected to ‘home improvement spend’

> Accelerated health and hygiene spend

> Disrupted import supply chains increase demand for local production

> Increased unpredictability

Covid-19-related operational constraints:

> Severely disrupted supply chains constrain raw material availability

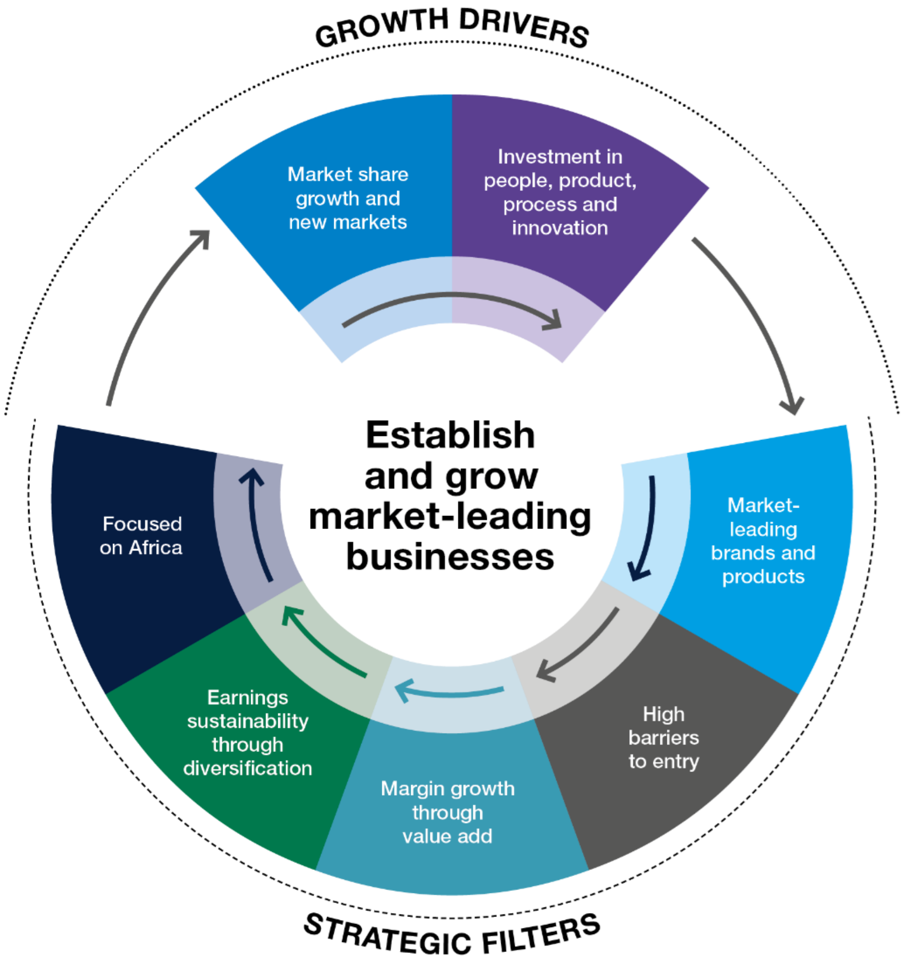
> Covid-19 restrictions, safety protocols and infections impact our operational efficiencies

> Certain markets restricted

> Growth opportunities constrained

OUR STRATEGY

STRONG CASH GENERATION
We aspire to own businesses with strong cash generation in order to facilitate growth and to ensure the sustainability of the company through economic cycles.



INVESTMENT OUTCOMES
Our success in executing our strategy is measured according to the following metrics:

- **Real growth in HEPS**
- **RoE > WACC**
- **Free cash flow**

Strategy provides resilience through lockdown and speed of recovery post-lockdown

OUR STRATEGY

WHAT WE DO

> Identify sectors and markets with meaningful growth opportunities

> Develop strategies to establish leadership positions in these markets

> Select leadership teams and empower them to successfully implement these strategies

> Allocate capital to optimise returns and growth

> Provide appropriate governance and corporate services framework

DIVISIONAL OPERATIONAL REVIEW

GARY CHAPLIN

CHIEF EXECUTIVE OFFICER

INTEGRATED INTO EVERY DAY

INTEGRATED TIMBER

PG BISON

- Strong demand across all categories drove revenue growth of 10%
- Recent product launch supported demand creation activities
- Value-added product ratio increased to 67% (1H20: 61%) in line with strategy and investment
- Production facilities operated at full available capacity, enabling scale benefits and margin improvement
- Reduced sawlog prices and flat pulpwood prices reduced the plantation valuation but provided procurement benefits
- eMkhondo 50% capacity expansion on track for December 2021
- Infrastructure and engineering design for new MDF plant progressing well with good government support

* Trading profit – operating profit before capital items and the effect of non-cash fair value adjustments of consumable biological assets.

REVENUE
R2 069m
UP 10%

TRADING PROFIT*
R452m
UP 31%

TRADING PROFIT MARGIN
21.8%

AUTOMOTIVE COMPONENTS

- Revenue down 13% as a result of new vehicle assembly volumes falling 20% and retail sales volumes falling 23%
- Scheduled new model introductions were postponed by at least three months
- Successful restructure completed in Q1 – improved margins in Q2
- Operational performance in line with expectations
- Maxe moved to new production premises
- Division is well positioned for new APDP programme, achieving the required B-BBEE Level 4

REVENUE
R957m
DOWN 13%

OPERATING PROFIT
R74m
DOWN 42%

OPERATING MARGIN
7.7%

INTEGRATED BEDDING

- Revenue grew 20% supported by robust consumer demand
- Integrated supply chain was critical to mitigate raw material supply constraints
- Promotional peak volumes were well executed following production automation and logistics investments
- Production facilities operated at full capacity, enabling scale benefits and margin improvement through the integrated value chain
- Recycling-related activities continued to expand for both internal consumption and sales to adjacent markets
- New markets were entered in the agricultural and health sectors, providing revenue growth and margin expansion

REVENUE
R1 011m
UP 20%

OPERATING PROFIT
R183m
UP 37%

OPERATING MARGIN
18.1%

POLYMERS

- The following factors impacted significantly on the global polymers sector:
  - General consumption levels
  - Major petrochemical sector capacity expansions in the US
  - Oil price volatility
  - Regional petrochemical demand/capacity imbalances
  - Regional trade flows and associated duty structures
  - Covid-19-related supply chain disruptions
- Margin drivers of Safripol:
  - Import parity price of PET, HDPE and PP, which is driven by global supply/demand
  - Indexed US dollar pricing of ethylene and propylene raw material
  - Indexed PTA, MEG and PIA raw material US dollar commodity pricing
  - Rand/US dollar exchange
  - Commodity and currency changes during ‘procurement to sales cycle’
- Margin impact on Polymers division, reflected as follows:

	Margin variance 1H21 vs 1H20	Margin variance 1H21 vs 2H20
PET	61%	49%
HDPE	3%	60%
PP	4%	18%

PET – Polyethylene terephthalate | HDPE – High density polyethylene | PP – Polypropylene

POLYMERS

	PET		HDPE		PP	
	1H21	1H20	1H21	1H20	1H21	1H20
Sales volume (tonnes)	96 581	108 027	82 919	77 715	56 782	58 757
Production volumes (tonnes)	80 040	103 572	81 076	79 074	60 669	59 825
Average R/USD exchange	16.26	14.69	16.26	14.69	16.26	14.69

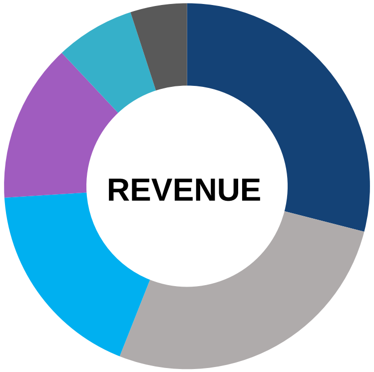
- Revenue down 6% as a result of lower volumes and weaker average polymer prices
- Market demand was strong across all product categories
- Sales volumes limited to production capacity and inventory availability
- PET production volumes impacted for 43 days due to five-year statutory maintenance shut and debottlenecking project
- Good progress made toward increasing higher margin, non-single-use co-polymer PP grades to 58% (1H20: 52%)
- Migration toward higher margin, non-single use bimodal HDPE products initiated
- Nexant global benchmark study nearing completion
- Successful launch of 'Let's plastic responsibly' campaign

REVENUE
R3 767m
DOWN 6%

OPERATING PROFIT
R176m
UP 21%

OPERATING MARGIN
4.7%

CONTRACTUAL LOGISTICS – SOUTH AFRICA



FOOD – **29%**
GENERAL FREIGHT – **27%**
PETROLEUM – **18%**
CHEMICALS – **14%**
INDUSTRIAL – **7%**
MINING – **5%**

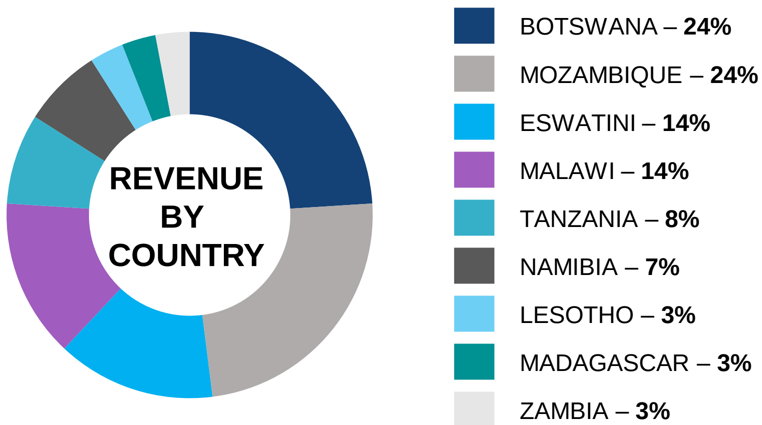
- The division performed well, with revenue down only 1%, in spite of subdued market conditions resulting from Covid-19 restrictions
- Food, petroleum, chemicals and mining operations showed operating profit growth, while general freight and industrial operations were down due to subdued demand
- Control tower enabled margin improvement
  - Improved fleet utilisation and efficiency
  - Improved driver performance
  - Accident-avoidance technology reduces accidents and near misses
  - Value added to customers through business intelligence
- Annualised revenue of renewals: R419 million; new contracts: R200 million; and contracts lost: R72 million, reflecting net market share gain

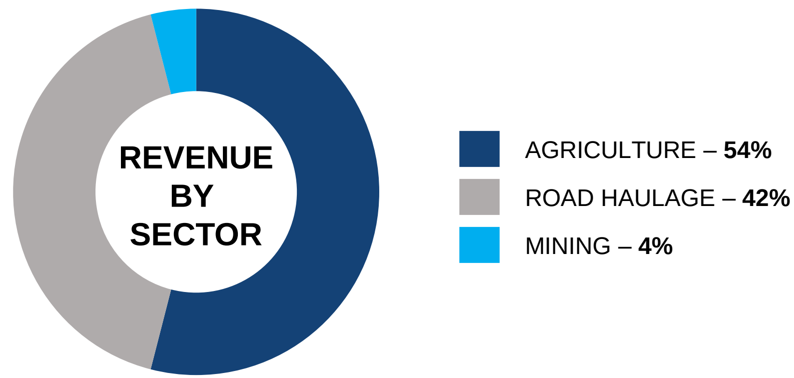
REVENUE
R2 630m
DOWN 1%

OPERATING PROFIT
R146m
FLAT

OPERATING MARGIN
5.6%

CONTRACTUAL LOGISTICS – AFRICA





- Revenue up 3% due to recent contract expansions and new contract implementation
- Botswana impacted by severe Covid-19 restrictions and resultant border delays, which significantly impacted revenue and operating profit
- Remaining territories showed growth in operating profit, with the exception of Lesotho, which was marginally lower
- Good progress was made in expanding technology-driven precision farming operations and expanding road haulage operations into other commodities, in addition to fuel
- Annualised revenue of contract renewals: R130 million; new contracts: R116 million; no contracts were lost during the period, reflecting market share gains

REVENUE
R1 060m
UP 3%

OPERATING PROFIT
R120m
DOWN 15%

OPERATING MARGIN
11.3%

PASSENGER TRANSPORT

- Revenue down 7% due to lower passenger numbers in personnel and commuter sectors and restricted load factors due to Covid-19
- Management were effective in reducing operating costs during the period
- Gautrain operations were supported by concession partner
- Mozambican operations continued to perform well
- Formal sale process of Intercity and Tourism operations conducted during the period but proved unsuccessful during January 2021
- Consultations initiated on 1 February 2021 for potential closure and services suspended on 14 February 2021
- Intercity and Tourism operations reported as discontinued operations

REVENUE
R814m
DOWN 7%

OPERATING PROFIT
R101m
DOWN 13%

OPERATING MARGIN
12.4%

FINANCIAL ANALYSIS

FRANS OLIVIER
CHIEF FINANCIAL OFFICER

FINANCIAL HIGHLIGHTS

From continuing operations	1H21	1H20	Variance
Revenue (Rm)	**12 114**	12 243	↓ 1%
Trading profit (Rm)*	**1 252**	1 156	↑ 8%
Trading profit margin	**10.3%**	9.4%	↑ 90 bps
Operating profit before capital items (Rm)	**1 104**	1 175	↓ 6%
Headline earnings per share (cents)	**23.0**	22.5	↑ 2%
Cash generated from operations (Rm)	**1 717**	571	↑ 201%
Gearing (net debt:equity)	**67%**	58%	↑ 9%

* Trading profit – operating profit before capital items and the effect of non-cash fair value adjustments of consumable biological assets.

FINANCIAL ANALYSIS

INCOME STATEMENT

From continuing operations	1H21 Rm	1H20 Rm	Variance
Revenue	**12 114**	12 243	(1%)
Trading profit*	**1 252**	1 156	8%
Net revaluation of biological assets	**(148)**	19	
Capital items	**38**	(3)	
Operating profit	**1 142**	1 172	(3%)
Net finance costs	**(241)**	(329)	(27%)
Associate companies and joint ventures	**16**	16	
Taxation	**(252)**	(229)	
Minorities	**(37)**	(29)	
Earnings attributable to owners of the parent	**628**	601	4%
Add back capital items net of taxation	**(36)**	1	
Headline earnings	**592**	602	(2%)
Weighted average number of ordinary shares (m)	**2 571**	2 676	(4%)
Headline earnings per share (cents)	**23.0**	22.5	2%

* Trading profit – operating profit before capital items and the effect of non-cash fair value adjustments of consumable biological assets.

KAP

BALANCE SHEET

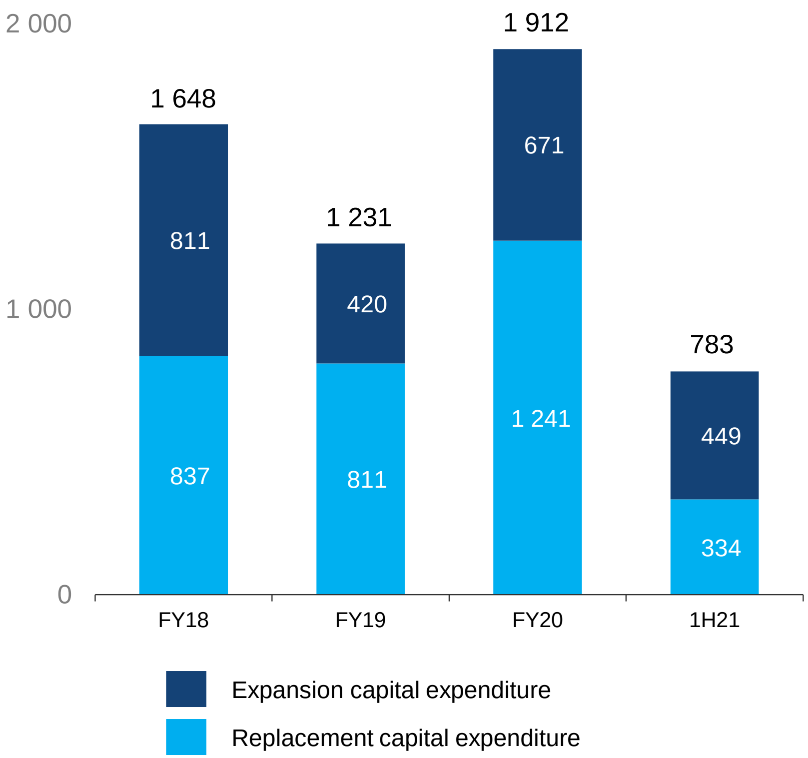
Balance sheet underpinned by quality assets

	31 Dec 20 Rm	30 Jun 20 Rm	31 Dec 19 Rm
Property, plant, equipment and investment property	**12 658**	12 630	13 152
Right-of-use assets	**409**	438	441
Intangible assets	**2 033**	2 046	3 986
Goodwill	**641**	641	1 258
Biological assets	**1 607**	1 754	1 922
Net working capital	**2 048**	1 911	2 396
Other assets	**188**	187	208
Assets	**19 584**	19 607	23 363
Total equity	**10 105**	9 770	12 642
Net interest-bearing liabilities	**6 639**	7 041	7 161
Other liabilities	**2 840**	2 796	3 560
Equity and liabilities	**19 584**	19 607	23 363
Net asset value per share (cents)	**386**	372	474

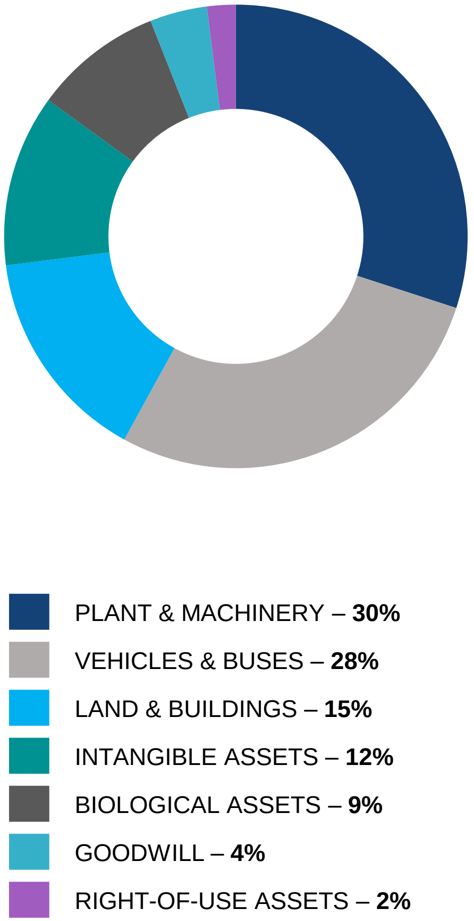
FINANCIAL ANALYSIS

STRONG ASSET BASE OF NEW TECHNOLOGY ASSETS

Capital expenditure (Rm)

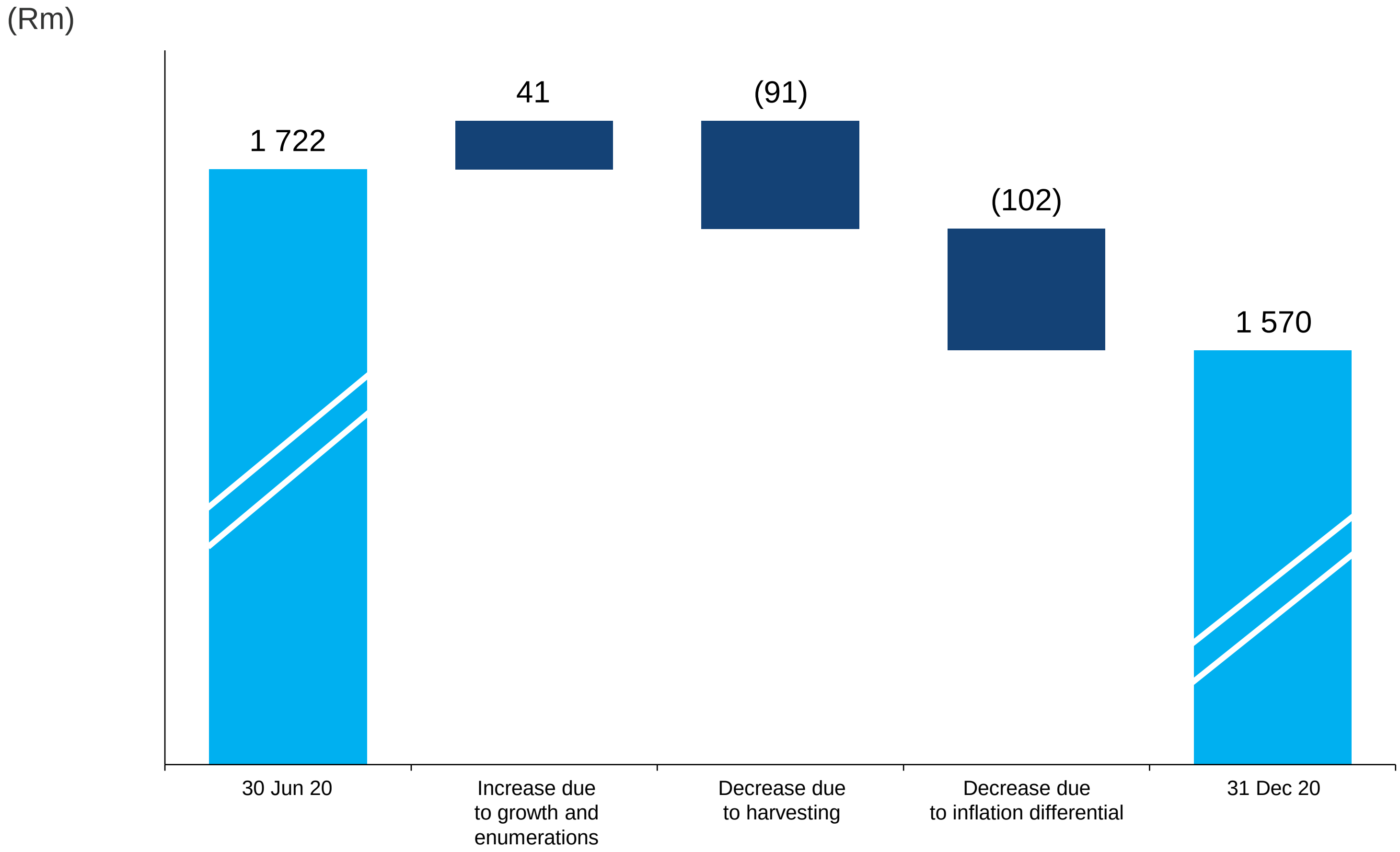


Asset base at 31 December 2020



FINANCIAL ANALYSIS

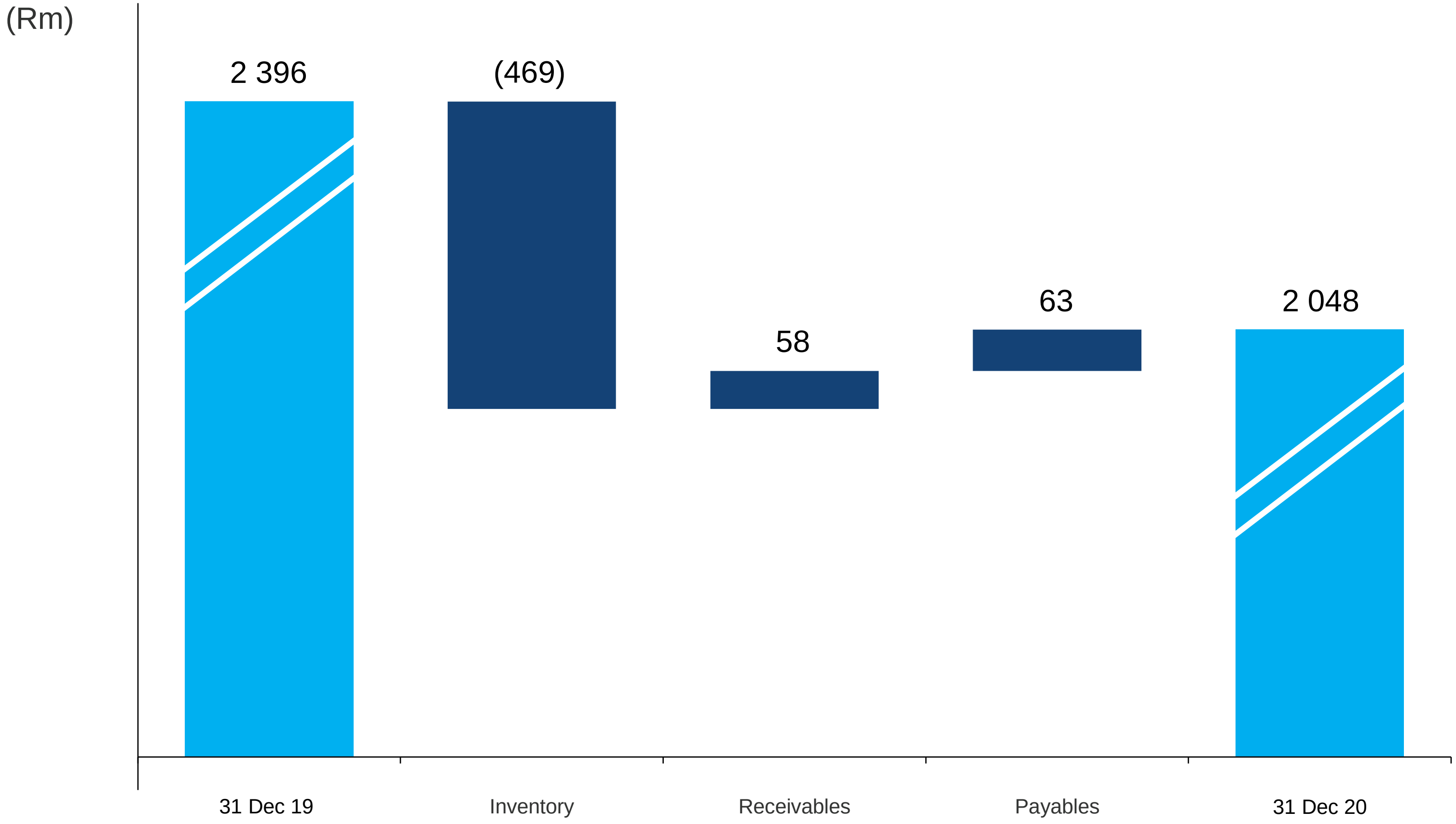
PLANTATION REVALUATION



- Effect of a reduction in sawlog prices, flat pulpwood prices and inflationary cost increases

FINANCIAL ANALYSIS

WORKING CAPITAL BREAKDOWN (12 MONTHS)



- Polymer inventory reduced by R398 million after PET maintenance shut

FINANCIAL ANALYSIS

CASH FLOW

	1H21 Rm	1H20 Rm
EBITDA	**1 762**	1 805
Net revaluation of biological assets	**148**	(19)
Discontinued operations	**(60)**	7
Other non-cash adjustments	**29**	15
Cash generated before working capital changes	**1 879**	1 808
Working capital changes	**(162)**	(1 237)
Inventory	**268**	(25)
Receivables	**(593)**	153
Payables	**163**	(1 365)
Cash generated from operations	**1 717**	571
Net finance charges	**(252)**	(345)
Taxation	**(157)**	(154)
Cash flow from operating activities	**1 308**	72
Cash conversion ratio*	**101%**	32%

* Conversion of EBITDA (from continuing and discontinued operations) to cash generated from operations

FINANCIAL ANALYSIS

CASH FLOW (CONTINUED)

	1H21 Rm	1H20 Rm
Cash flow from operating activities	**1 308**	72
Investing activities	**(781)**	(1 209)
Expansion capex	**(449)**	(320)
Replacement capex	**(334)**	(868)
Net acquisition/disposal of investments	**–**	(13)
Other investing activities	**2**	(8)
Free cash flow before dividends	**527**	(1 137)
Dividends paid	**(19)**	(647)
Shares repurchased	**–**	(373)
Other financing activities	**(615)**	1 043
Movement in cash and cash equivalents	**(107)**	(1 114)

TREASURY ACTIVITY

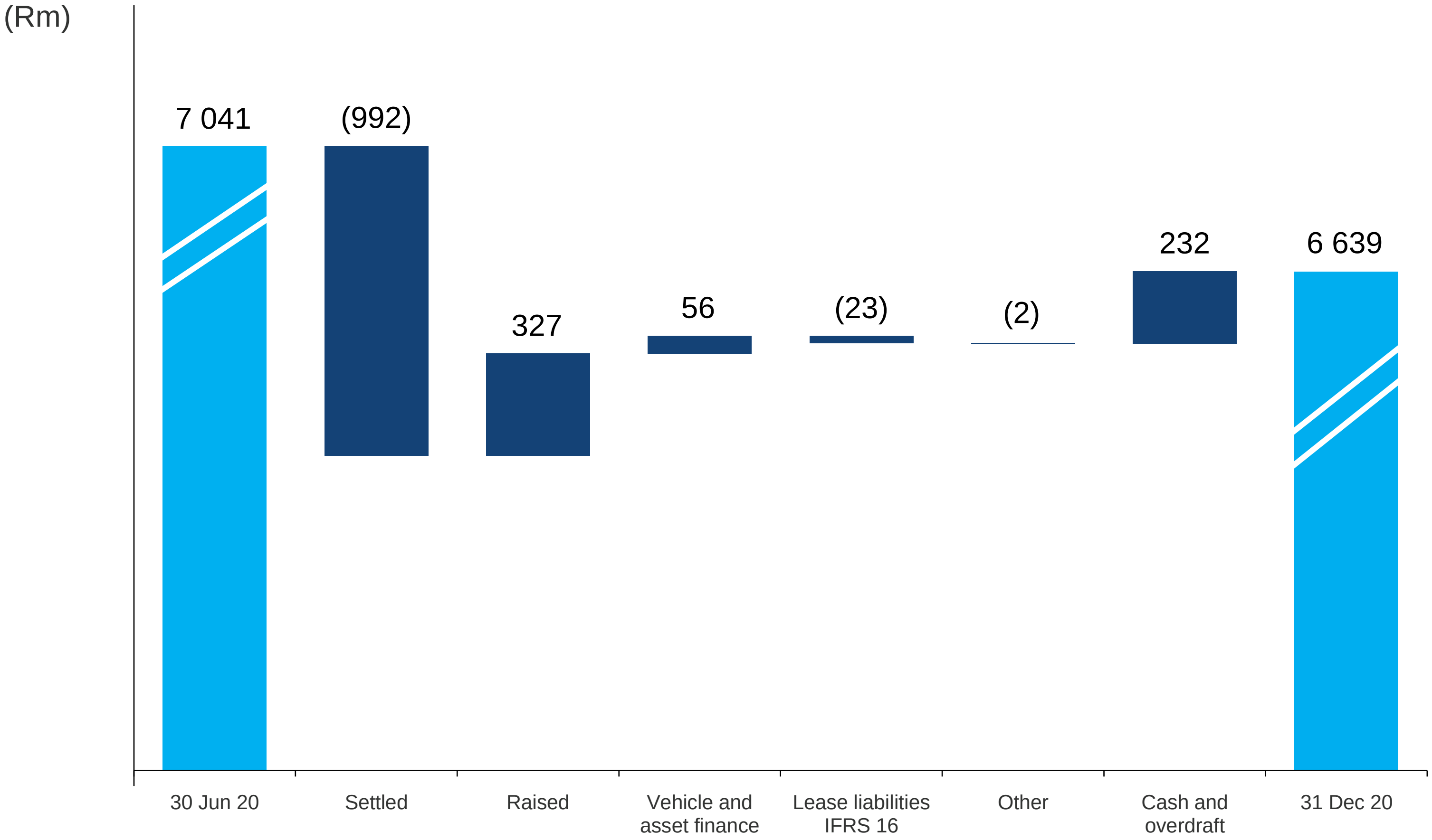
SHARE BUY-BACKS

Number of shares (million)	Six months ended 31 Dec 2020	Year ended 30 Jun 2020
Ordinary shares in issue at beginning of the period	**2 571**	2 704
Shares repurchased and held as treasury shares	**–**	(36)
Shares repurchased and cancelled	**–**	(97)
Ordinary shares in issue	**2 571**	2 571
Weighted average ordinary shares in issue	**2 571**	2 630

- 40 million share buy-back programme commenced post 31 December 2020 to facilitate KAP share rights scheme

TREASURY ACTIVITY

MOVEMENT IN NET INTEREST-BEARING DEBT



TREASURY ACTIVITY

SIGNIFICANT DEBT FUNDING ACTIVITIES FOR THE PERIOD

The following significant funding activities were concluded during the period:

- Corporate bonds settled at maturity:
  - KAP010 – Listed: R500 million

- Corporate bonds issued during the year with three-year tenure:
  - KAP017 – Listed: R327 million

- Uncompetitive fixed rate term loan of R450 million settled

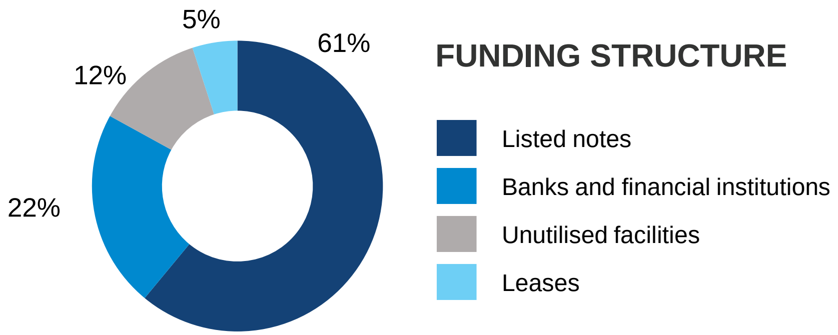
- Global Credit Rating confirmed KAP's rating as A+(za) with a stable outlook (20 November 2020)

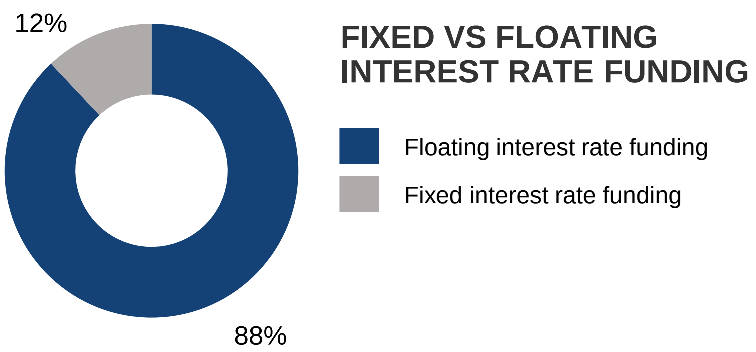
TREASURY ACTIVITY

DEBT SERVICEABILITY RATIOS REFLECTIVE OF RESILIENT BUSINESS MODEL

	31 Dec 20	30 Jun 20	31 Dec 19
Gross interest-bearing debt (Rm)	**7 483**	8 042	7 828
Net interest-bearing debt (Rm)	**6 639**	7 041	7 161
Equity excluding non-controlling interest (Rm)	**9 926**	9 566	12 420
Gearing (net debt:equity)	**67%**	74%	58%
Net debt: EBITDA (times) < 3.2*	**2.5**	2.6	2.0
EBITDA: interest cover (times) > 3.5*	**4.7**	4.1	5.4

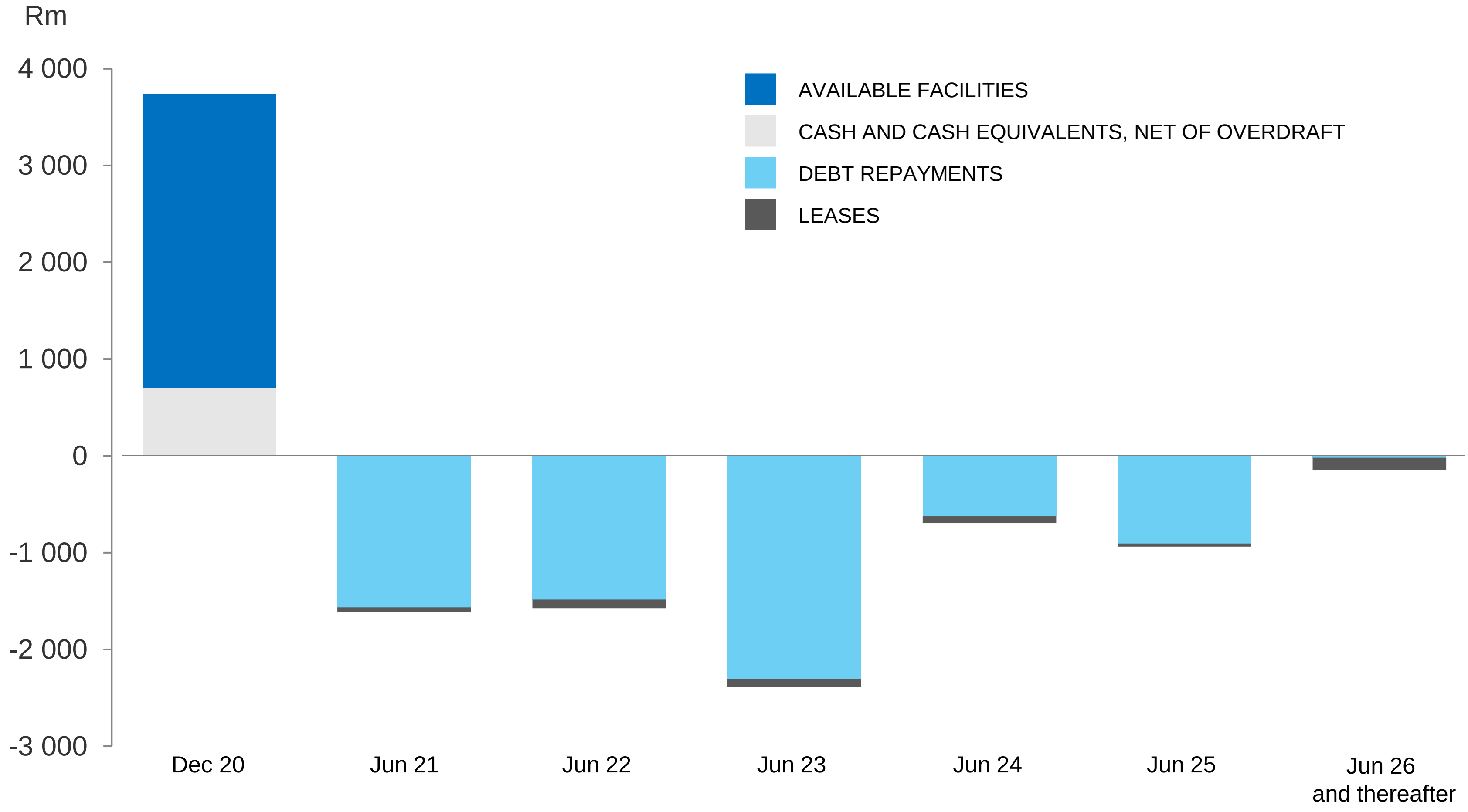
* From continuing operations for rolling 12 months





TREASURY ACTIVITY

NET INTEREST-BEARING DEBT MATURITY AS AT 31 DECEMBER 2020



OUTLOOK

GARY CHAPLIN

CHIEF EXECUTIVE OFFICER

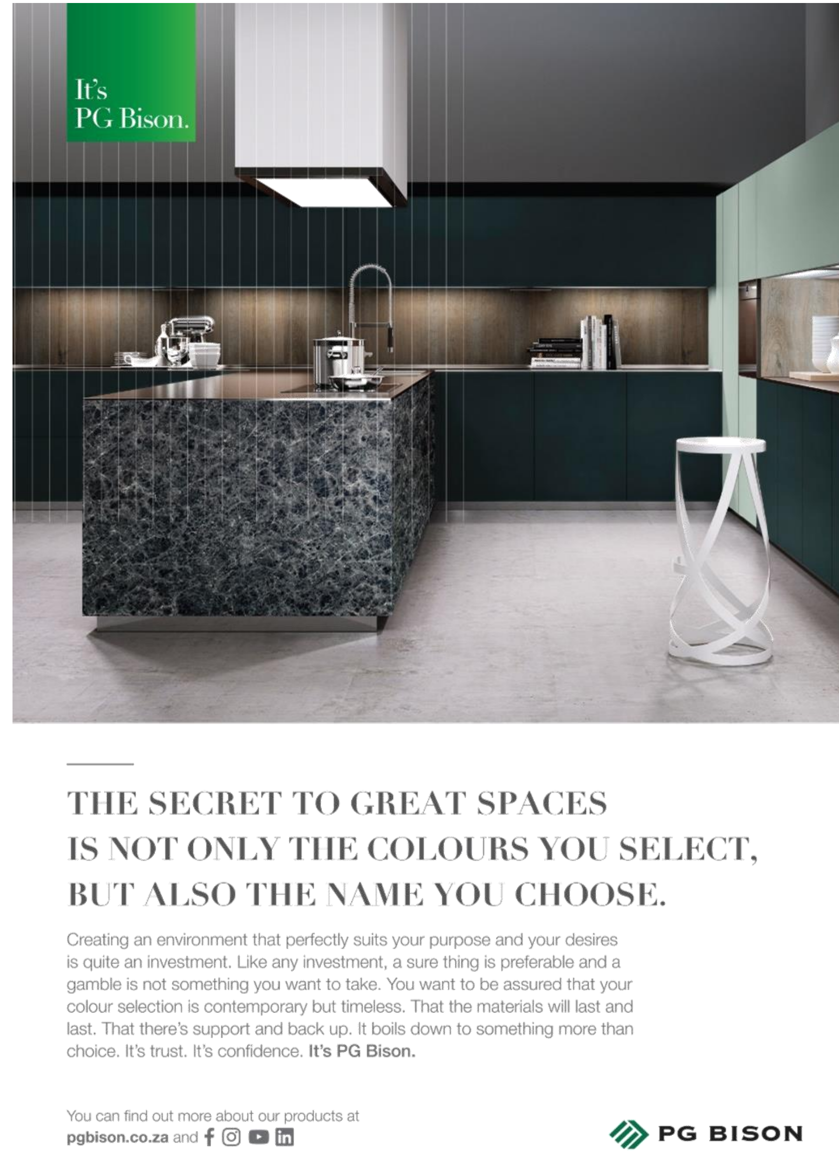
INTEGRATED TIMBER

Outlook for FY21

- Market demand remains robust
- Continued focus on range development and demand creation to support continued growth
- All plants and value-adding facilities operating at full production capacity
- 21-day maintenance shut for Ugie and 10-day maintenance shut for Boksburg, both scheduled for June 2021

Focus beyond FY21

- Evolution to ‘market’ and ‘product’ at our core
- Demand creation amongst consumers
- Empowerment of our customers
- Technology driven execution platform with the lowest cost of product to market
- Capacity expansion



“Our purpose is to inspire and facilitate the creation of beautiful spaces.”
Gerhard Victor

AUTOMOTIVE COMPONENTS

Outlook for FY21

- Vehicle build and LCV sales volumes expected to remain subdued with a slow and steady recovery
- Recent restructure provides lower cost base in line with lower demand
- Well prepared for model change during July 2021
- Maxe relocated to new production site, increasing scale and improving efficiencies

Focus beyond FY21

- Automotive sector remains at our core, supported by significant OEM investments
- APDP renewal provides further support with strong emphasis on localisation
- Product development and new model introductions present continued growth opportunities
- Core competencies to be leveraged to explore adjacent opportunities

"We use leading technology and globally competitive manufacturing capabilities to be the automotive component supplier of choice."
Ugo Frigerio

INTEGRATED BEDDING

Outlook for FY21

- Demand for sleep products remains buoyant
- Order lead times seasonally shorter
- Integrated supply chain continues to mitigate raw material constraints
- Capacity expansions in raw materials and recycling in progress
- Foam activities to focus on key markets

Focus beyond FY21

- Primary focus on sleep sector, with market, product and brand at our core
- Demand creation among consumers
- Technology and integration to enable sustainability and scale at the lowest cost
- Logistics capability to enable growth
- Pharmaceutical, geotechnical, agricultural and packaging sector opportunities to be separately pursued

"Our purpose is to help people live healthier lifestyles through better sleep."
Mike Metz

POLYMERS

shaping your world, responsibly

Outlook for FY21

- 2H21 will be dominated by global supply chain disruptions and inventory rebalancing – supportive of local manufacture
- IHS medium-term margin trend remains, however no short-term margin predictability
- Market demand for PET, HDPE and PP remains robust
- Growth of co-polymers (PP) and bimodal (HDPE) will continue to improve margin

Focus beyond FY21

- Sustainability at our core
  - Influence consumer behaviour and perception – ‘Let’s plastic responsibly’
  - Product range evolution toward higher specification, higher margin, non-single-use applications
  - R&D toward new markets and applications
  - Enable recycling
- Operational excellence – Nexant

“Our purpose is to make polymers the sustainable choice of material for a wide range of applications.”
Nico van Niekerk

WE CAN’T RECYCLE WITHOUT IT.

Let’s plastic responsibly

Plastic containers play an important role in our lives; everything from the packaging that keeps our food fresh and safe to the bins we put all our recycling into. Let’s all stand for the correct use, disposal and recycling of plastic.

responsible polymer partner

CONTRACTUAL LOGISTICS – SOUTH AFRICA

Outlook for FY21

- Recovery in market demand expected to continue, with normal seasonal fluctuations
- New contracts and renewals progressing well
- Satisfactory pipeline of new opportunities being pursued
- Control tower technology will continue to yield efficiency benefits

Focus beyond FY21

- Sector, market and customer focus to drive optimal capital allocation
- Business intelligence to drive customer value
- Execution efficiency enabled through technology (control tower)
- Road safety at our core

"Our purpose is to provide safe, efficient and cost-effective logistics solutions to our customers, utilising leading technology and thereby adding value to their supply chains."
Terry Bantock

CONTRACTUAL LOGISTICS – AFRICA

Outlook for FY21

- Continued growth in agriculture operations with normal seasonal fluctuations
- Reallocation of Botswana fleet to mitigate slow recovery
- Commodity road haulage showing slow, steady growth
- Khoemacau mining contract commences March 2021
- New executive team fully constituted

Focus beyond FY21

- Sector, market and customer focus drives growth:
    - Agriculture – technology-driven precision farming
    - Mining – materials handling and on-site logistics
    - Corridor road haulage to complement in-country and cross-border activities
    - Participate in evolution of rail
- Business intelligence platforms improve efficiencies and enhance customer value

"Our purpose is to deliver innovative solutions to our customers in Africa through the use of leading global technologies."
Rob Hayworth

PASSENGER TRANSPORT

Outlook for FY21

- Increased unemployment and continuing Covid-19 restrictions expected to result in subdued performance in commuter and personnel operations
- Gautrain expected to remain stable
- Further expansion targeted in Mozambique
- Exit from Intercity and Tourism operations will significantly improve asset allocation and management focus

Focus beyond FY21

- Contracted commuter and personnel transport at our core
- Bolt-on opportunities onto existing infrastructure
- Continued expansion into Mozambique

"Our purpose is to unite families safely by being the preferred passenger transport service, differentiated by high standards of safety, reliability and affordability."
Nico Boshoff

APPRECIATION

- **Customers**, for your loyalty and support, and your understanding in relation to recent capacity constraints as demand accelerated
- **Suppliers and service providers**, for your ongoing support and reliability
- **Shareholders, debt capital markets and banking partners**, for your continued support in the funding of our operations
- **Employees**, for your incredible resilience and determination through the challenges of Covid-19 and amazing enthusiasm and positivity to drive our recovery

Q&A

GARY CHAPLIN / FRANS OLIVIER

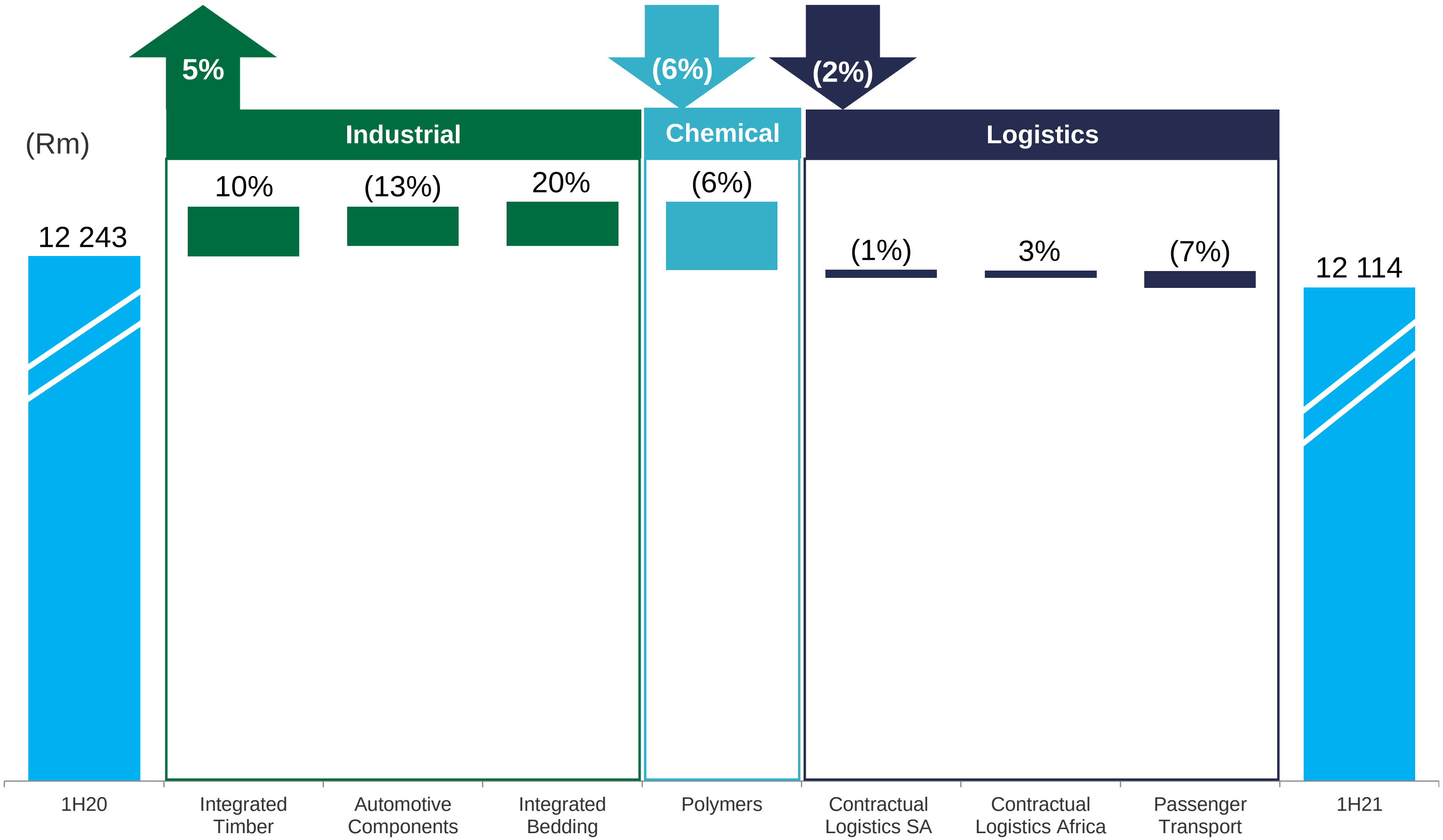
CHIEF EXECUTIVE OFFICER / CHIEF FINANCIAL OFFICER

Webcast Q&A
Participants can submit written questions by clicking on the tab on the left-hand side of the screen.

ANNEXURES

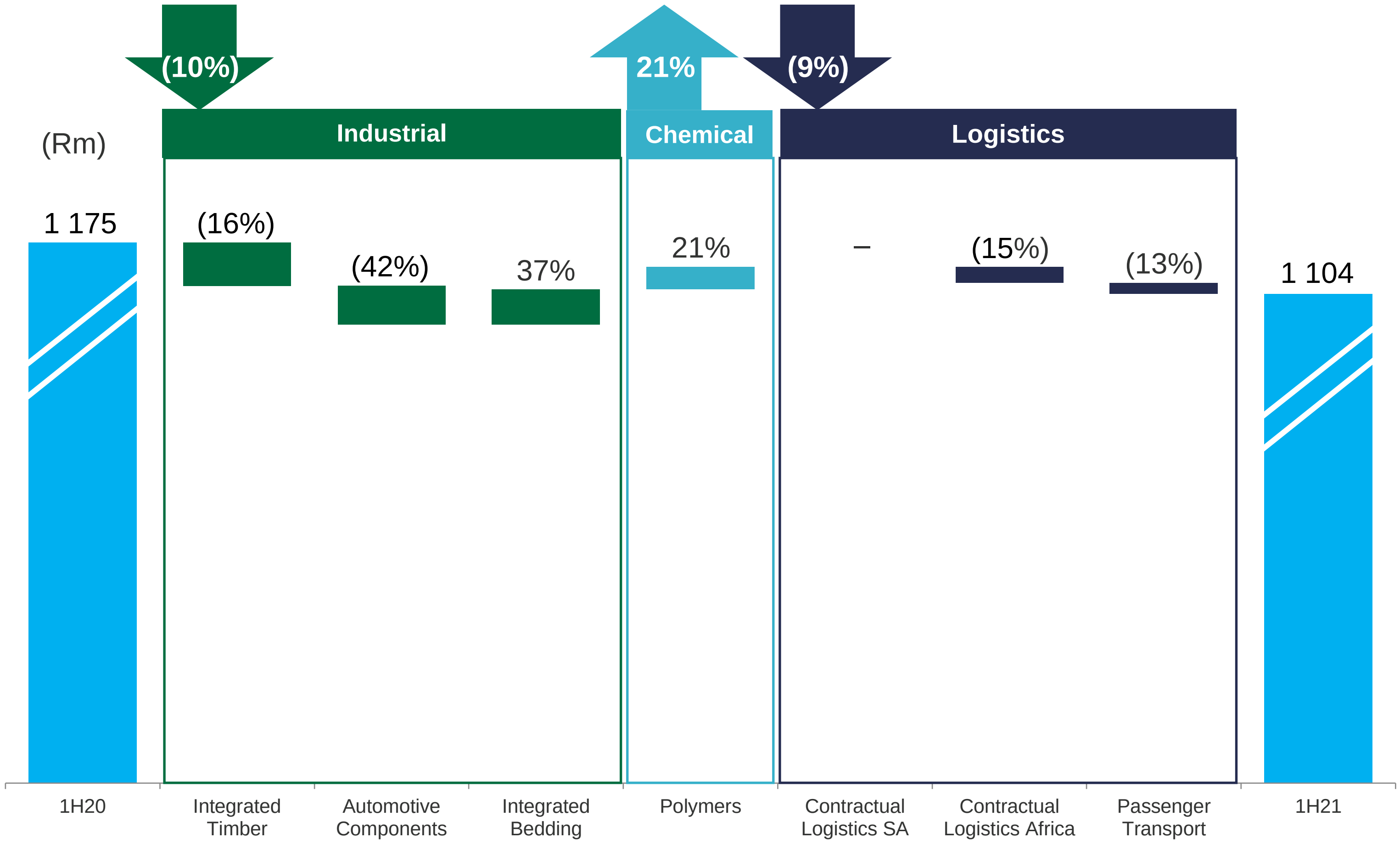
INTEGRATED INTO EVERY DAY

GROUP REVENUE ANALYSIS*



* From continuing operations

GROUP OPERATING PROFIT ANALYSIS*



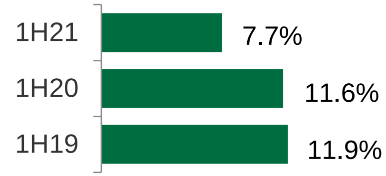
* From continuing operations

GROUP MARGIN ANALYSIS*

KAP operating profit margin reduced 50 bps to 9.1%

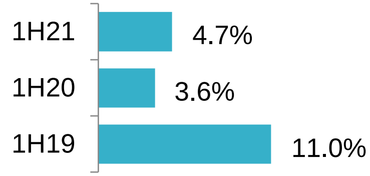
Integrated Timber

Automotive Components

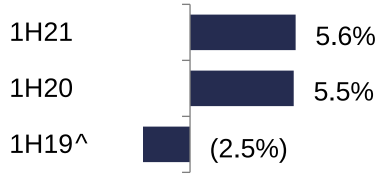


Integrated Bedding

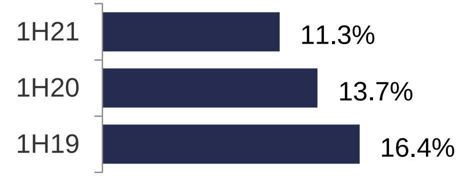
Polymers



Contractual Logistics – South Africa



Contractual Logistics – Africa



Passenger Transport

* From continuing operations
^ Including cost of R194 million relating to the Unitrans B-BBEE transaction

THANK YOU