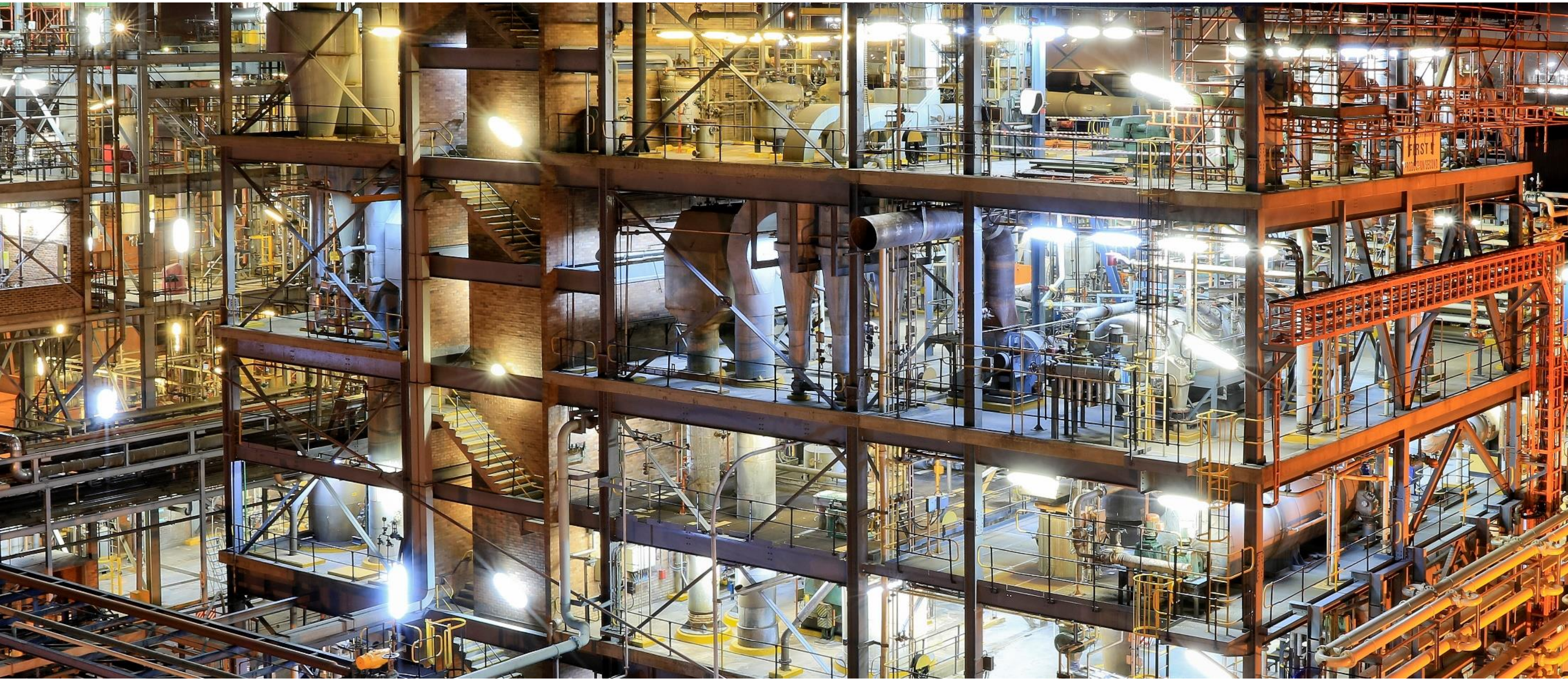
KAP INDUSTRIAL HOLDINGS LIMITED (KAP)

UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2017



KAP

WELCOME

JAAP DU TOIT

CHAIRMAN

AGENDA

WELCOME	JAAP DU TOIT / JO GROVÉ
STRATEGY IMPLEMENTATION	GARY CHAPLIN
DIVISIONAL HIGHLIGHTS	GARY CHAPLIN
FINANCIAL ANALYSIS	FRANS OLIVIER
OUTLOOK	GARY CHAPLIN

KAP.

STEINHOFF RELATIONSHIP

GARY CHAPLIN

CHIEF EXECUTIVE OFFICER

KAP/STEINHOFF RELATIONSHIP

SHAREHOLDING

- Steinhoff's 43% equity interest remains unchanged

BOARD POSITIONS

- Steinhoff occupies three non-executive positions out of 12 board positions
- Independently review terms of reference to maintain independence and manage potential conflict of interests

CORPORATE SERVICES AGREEMENT

- Terminate by mutual agreement effective 1 March 2018

RENTAL OF OFFICE SPACE

- Terminated effective 31 March 2018 (Stellenbosch)

PRODUCT SALES TO STAR (Steinhoff Africa Retail Limited)

- Approximately 3% of KAP revenue, continued based on the independent merits of STAR

PRODUCT PURCHASES FROM UNITRANS MOTORS

- Approximately R250 million trucks, based on market prices

INTERNAL RISK REVIEW

Management's internal risk review revealed:

- No loans from KAP to Steinhoff entities
- No loans from Steinhoff to KAP entities
- No material exposure to guarantees or cross-company security on Steinhoff debt
- No 'off balance sheet structures' in KAP
- No transactions with Steinhoff entities on preferential terms

SENS announcement, 6 December 2017:

"…KAP is independently managed, controlled and funded…"

STRATEGY IMPLEMENTATION

GARY CHAPLIN

CHIEF EXECUTIVE OFFICER

STRATEGY IMPLEMENTATION

KAP

STRATEGIC DRIVERS

Market leadership	Being the leader in the markets we serve
High barriers to entry	High barrier to entry industries
Industry diversification	Sustainable earnings through diversity
Adding value through specialisation	Sustainable margins through specialisation
Leveraging our African base	Leveraging our African base

Resulting in strong cash flow generation

STRATEGY IMPLEMENTATION

KAP

STRATEGIC EXECUTION TIMELINE

KAP acquires Steinhoff's industrial assets

Strategic realignment and operational improvements

Disposal of non-core assets (food, footwear and sawmilling)

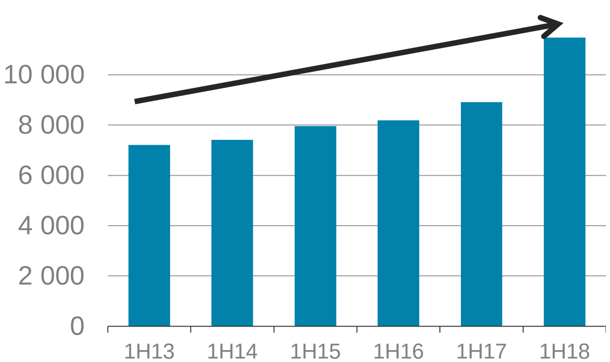
Complementary acquisitions and investments facilitate growth

Continued growth through organic investment and acquisition

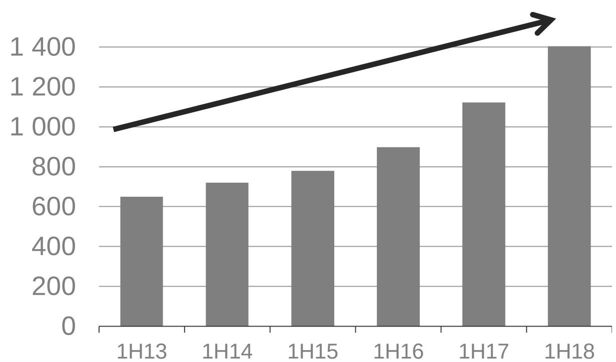
2012

2018 onwards

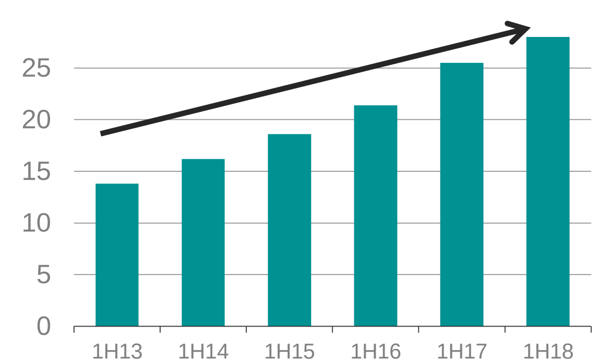
Revenue (Rm)
CAGR* 10%



Operating profit (Rm)
CAGR* 17%



HEPS (cents)
CAGR* 15%



* Compound annual growth rate of continuing operations

STRATEGY IMPLEMENTATION

GROUP OPERATIONAL STRUCTURE

DIVERSIFIED INDUSTRIAL

INTEGRATED TIMBER
Forestry and timber manufacturing operations with primary and secondary processing

AUTOMOTIVE COMPONENTS
Manufacture of vehicle accessories and components used in new vehicle assembly

INTEGRATED BEDDING
Manufacture of foam, fabrics, springs, bed bases and mattresses

DIVERSIFIED CHEMICAL

POLYMERS
Manufacture of high-density polyethylene (HDPE), polypropylene (PP) and polyethylene terephthalate (PET)

RESINS
Manufacture of urea formaldehyde (UF) resins and impregnated paper

DIVERSIFIED LOGISTICS

CONTRACTUAL LOGISTICS
Specialised contractual supply chain and logistics services

PASSENGER TRANSPORT
Personnel, commuter, intercity and tourism transport

STRATEGY IMPLEMENTATION

KAP

GROUP SEGMENTAL ANALYSIS

REVENUE

Diversified industrial	**28%**
Diversified chemical	**33%**
Diversified logistics	**39%**

OPERATING PROFIT

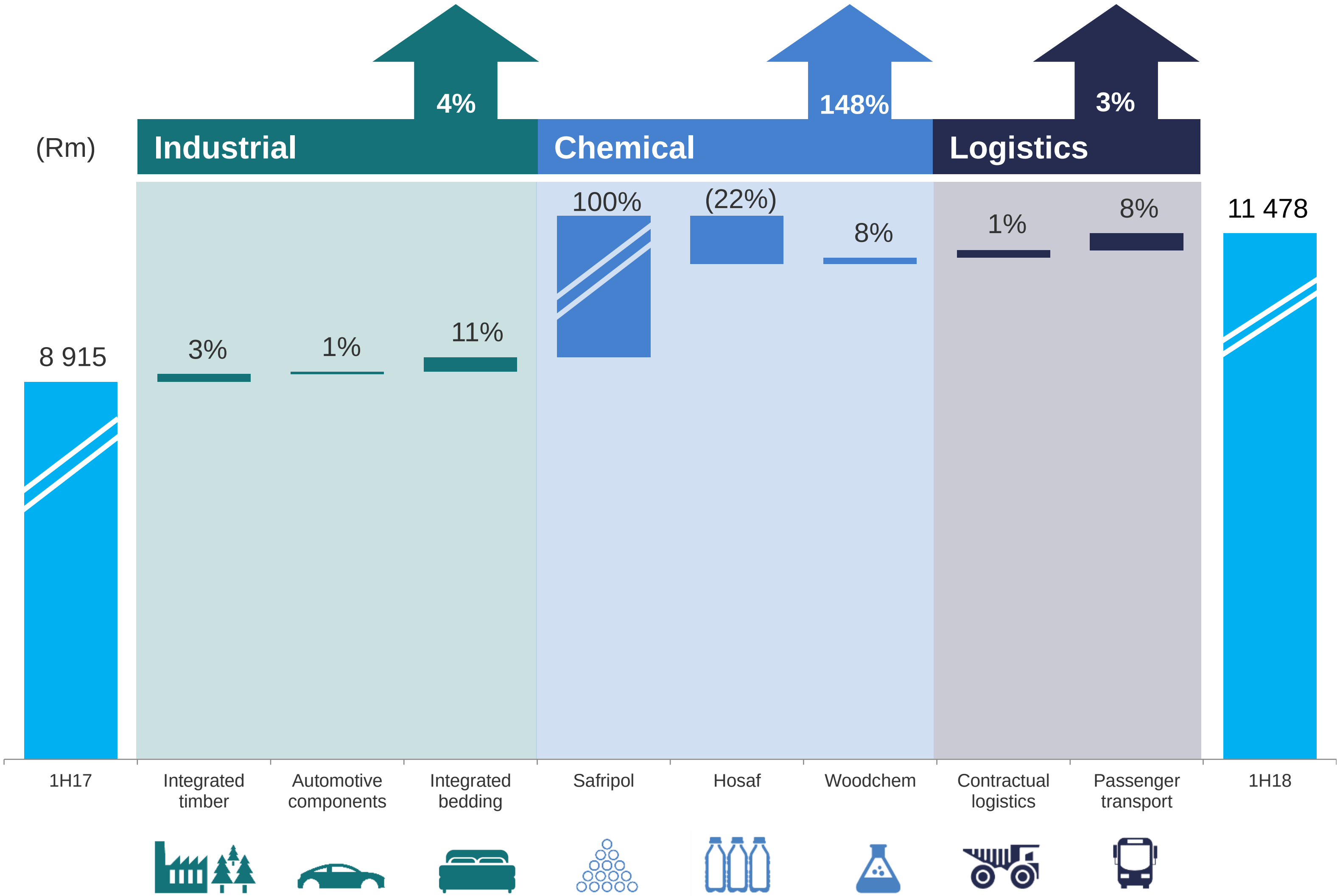
Diversified industrial	**37%**
Diversified chemical	**27%**
Diversified logistics	**36%**

TOTAL ASSETS

Diversified industrial	**37%**
Diversified chemical	**34%**
Diversified logistics	**29%**

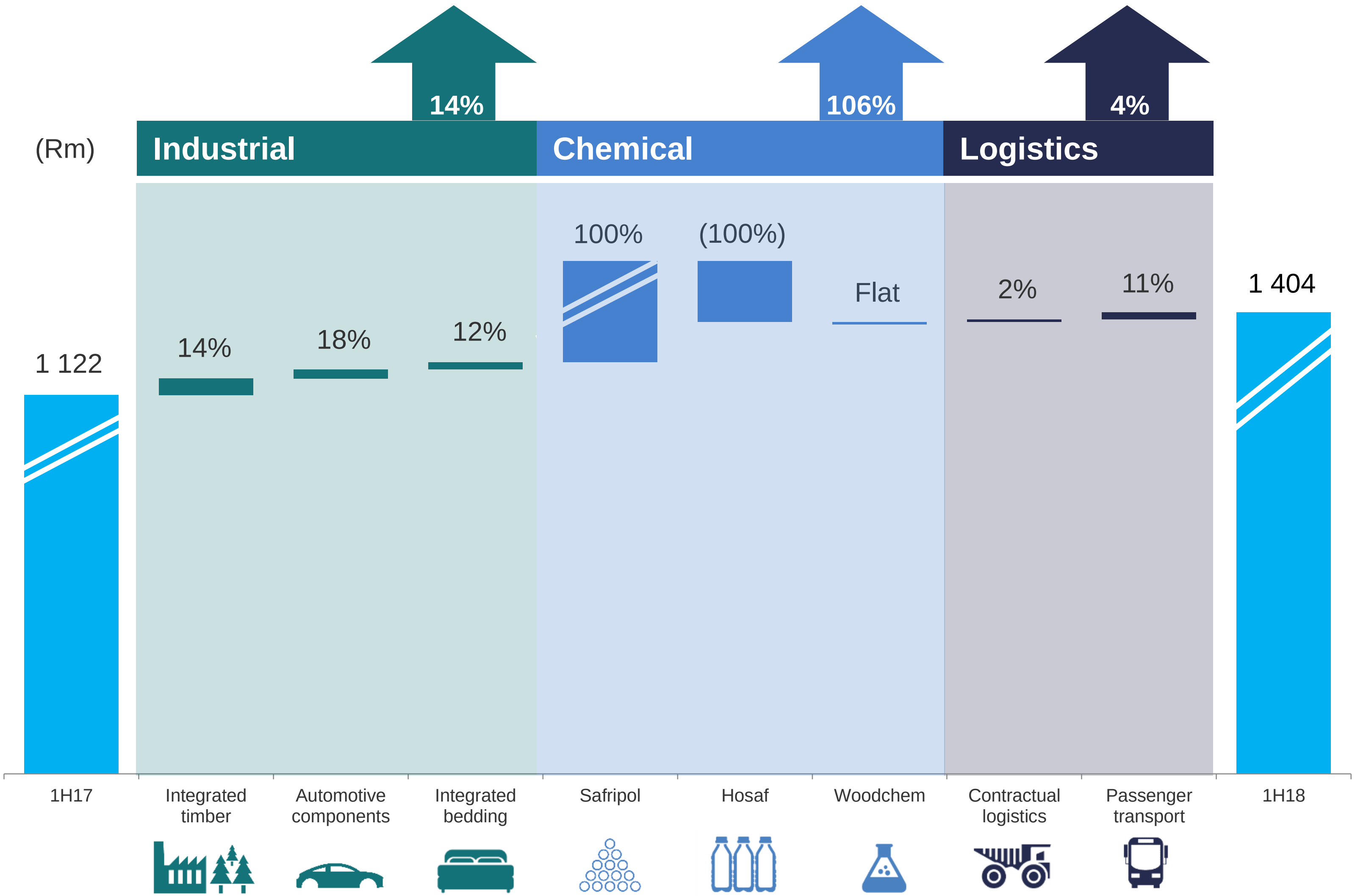
STRATEGY IMPLEMENTATION

REVENUE ANALYSIS



STRATEGY IMPLEMENTATION

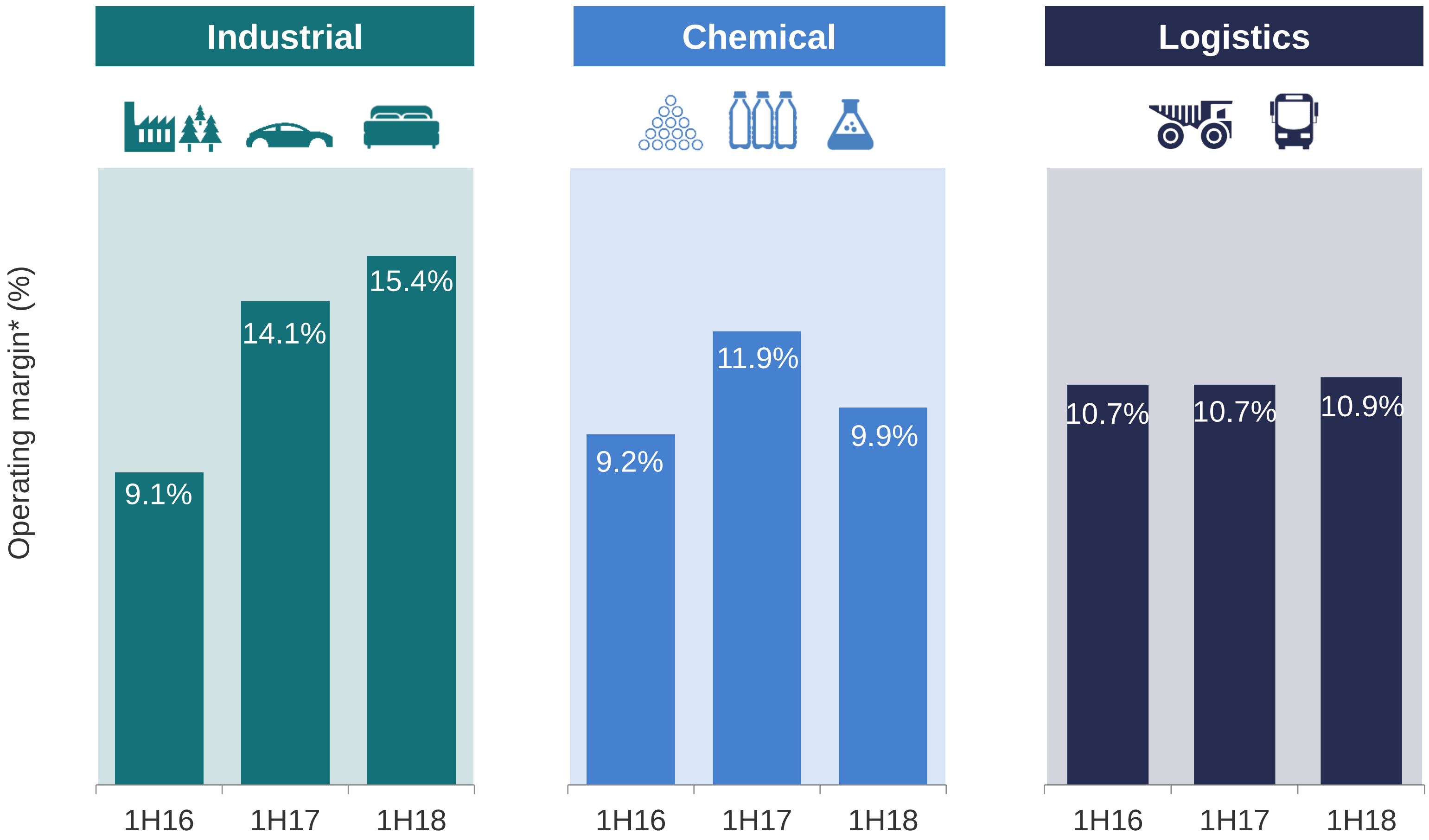
OPERATING PROFIT ANALYSIS



STRATEGY IMPLEMENTATION

MARGIN ANALYSIS

KAP operating profit margin decreased by 40 bps to 12.2%



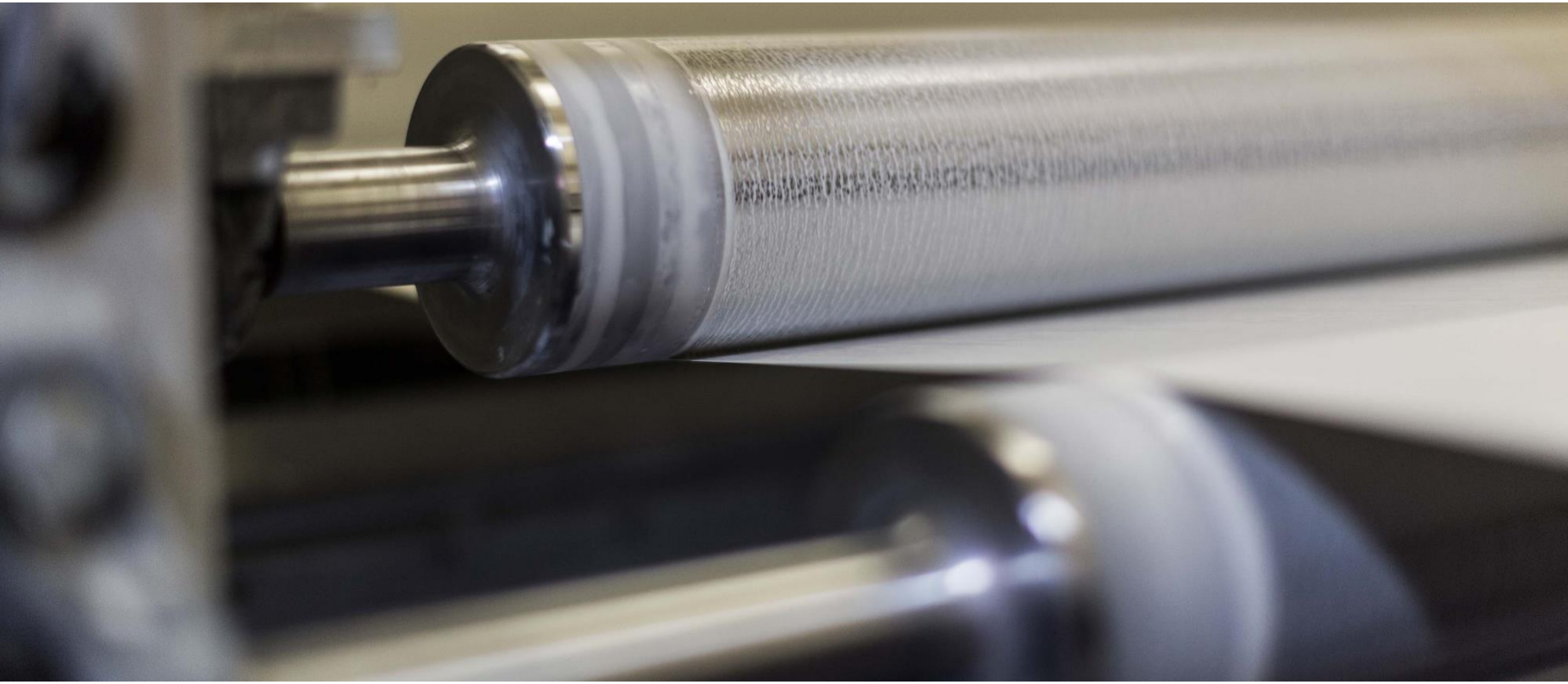
* Prior year operating margin has been restated to reflect discontinued operations as well as the new segments in which the group is now structured.

KAP

DIVISIONAL HIGHLIGHTS

GARY CHAPLIN

CHIEF EXECUTIVE OFFICER



DIVERSIFIED INDUSTRIAL

REVENUE INCREASED BY **4%**

R3 363m (1H17: R3 233m)

OPERATING PROFIT INCREASED BY **14%**

R519m (1H17: R455m)

TOTAL ASSETS INCREASED BY **5%**

R9 478m (1H17: R9 038m)

INTEGRATED TIMBER

PG BISON

- Market structure continues to support value-add strategy
- Continued increase in ratio of higher margin value-added products:
  – Fifth MFB press commissioned and operating well (sixth press available)
  – Gloss line now operating three shifts
- Piet Retief phase one upgrade performing ahead of expectation
- Boksburg MDF phase three upgrade completed in January 2018
- Continued improvement in forestry and sawmilling operations
- Southern Cape fire salvage operations in line with expectations
- Pole operations impacted by drought-related lower demand

Revenue
3% ↑

Operating profit
14% ↑

BISONBORD SUPAWOOD MELAWOOD MELAWOOD SUPAGLOSS SURFACE INNOVATIONS FORMICA THESEN WOODLINE

AUTOMOTIVE COMPONENTS

- Revenue stable despite 3% reduction in new vehicle assembly volumes linked to new model introductions – good startup of new VW Polo
- Strong sales of historic models supported revenue and continued to improve margin
- Automation initiatives and technology investments linked to new models also continued to improve margin
- Integration and restructure of Autovest completed
- Impact of explosion in East London and storms in Durban had limited impact on customers and was covered by insurance

Revenue
1% ↑

Operating profit
18% ↑

INTEGRATED BEDDING

- Competitive furniture retail sector continued to drive higher volumes at lower selling prices – supportive of fully integrated bedding model
- New integrated bedding facility, manufacturing from key raw materials to final product, improved operating efficiencies
- Technology investments through the value chain continued to drive backward integration, margin improvement and improved product quality
- Intragroup trade continued to drive operating profit growth and margin improvement
- Acquisition of Support-a-Paedic, effective 1 December 2017, will provide access to new brands, markets and further integration benefits

Revenue
11% ↑

Operating profit
12% ↑

DIVERSIFIED CHEMICAL

REVENUE INCREASED BY 148%

R3 901m (1H17: R1 575m)

OPERATING PROFIT INCREASED BY 106%

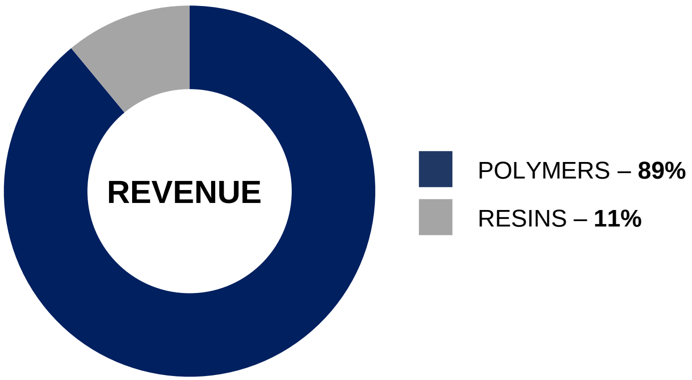
R385m (1H17: R187m)

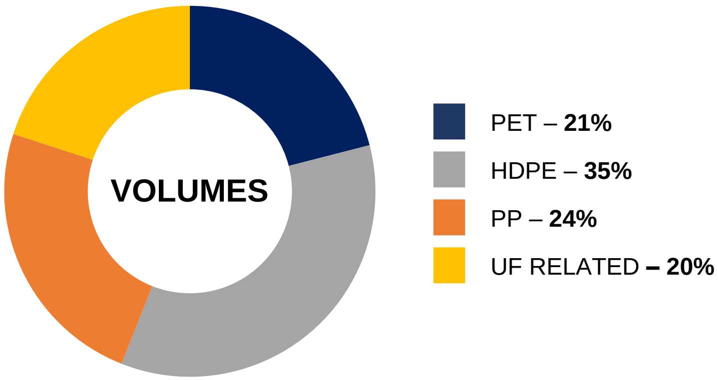
TOTAL ASSETS INCREASED BY 347%

R8 854m (1H17 R1 982m)

CHEMICAL

Safripol preferred polymer partner · Hosaf where quality is action · WOODCHEM





CHEMICAL

- Safripol performed to expectation and in line with acquisition parameters – EBITDA R721 million
- Following a year of ownership KAP remains pleased with its investment in Safripol
- Woodchem performance was stable in spite of subdued demand
- Hosaf performance disappointing as a result of delayed project startup
- Construction phase of Hosaf expansion project completed and commissioned
- Ramp-up of Hosaf to full capacity an absolute priority
- Consolidation of operations under the Safripol brand with a single management structure covering key functional areas completed

Revenue
148% ↑

Operating profit
106% ↑

DIVERSIFIED LOGISTICS

REVENUE INCREASED BY **3%**

R4 605m (1H17: R4 473m)

OPERATING PROFIT INCREASED BY **4%**

R500m (1H17: R480m)

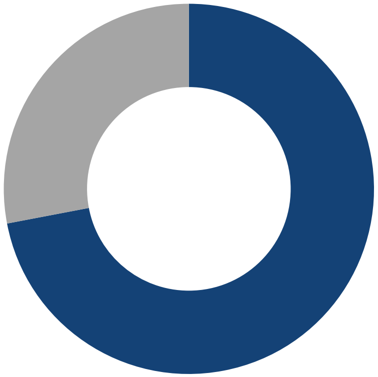
TOTAL ASSETS INCREASED BY **7%**

R7 600m (1H17: R7 099m)

CONTRACTUAL LOGISTICS

DIVERSE REVENUE BASE

- FUEL – **27%**
- FOOD – **23%**
- FREIGHT & WAREHOUSING – **18%**
- AGRICULTURE – **12%**
- CEMENT – **9%**
- CHEMICAL – **6%**
- MINING (MATERIALS HANDLING) **– 5%**



- SOUTH AFRICA – **72%**
- REST OF AFRICA – **28%**

- Continued focus on non-discretionary goods and services
- Customer base largely represents blue chip companies and multinationals
- Contractual nature of the business continues to provide support through economic cycles

CONTRACTUAL LOGISTICS

- Positive momentum shift in the business with 28% operating profit growth from 2H17 to 1H18, including the effect of seasonality
- New management structure performing well
- Certain material contracts renewed during the period
- KAP intergroup trade continued to increase
- Food, Mining & Cement, Agriculture, General Freight and Chemicals businesses showed operating profit growth, while Fuel operations remained stable
- Performance of the Warehousing business below expectation
- Operating margins stabilised in line with previous guidance
- B-BBEE transaction nearing completion for South African operations
- Southern Star Logistics formed in Swaziland to facilitate local ownership

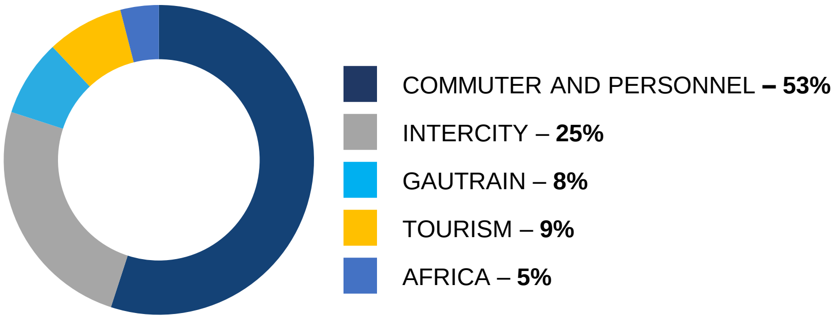
Revenue
1% ⬆

Operating profit
2% ⬆

PASSENGER TRANSPORT

REVENUE ANALYSIS

Focus remains on increasing long-term contractual revenue base and focused growth in the rest of Africa



PASSENGER TRANSPORT

- Good performance in the commuter and personnel transport divisions
- Personnel transport contract in Mozambique continued to perform ahead of expectations
- Activity in the tourism sector remained stable
- Gautrain bus feeder contract performed to expectations
- Intercity operations remained under pressure in a competitive environment

Revenue
8% ↑

Operating profit
11% ↑

FINANCIAL ANALYSIS

FRANS OLIVIER

CHIEF FINANCIAL OFFICER

FINANCIAL HIGHLIGHTS

KAP

STRATEGY IMPLEMENTATION PRODUCES SUSTAINABLE, QUALITY EARNINGS

Results from continuing operations	1H18	1H17	Variance
Revenue (Rm)	**11 478**	8 915	↑ 29%
Operating profit before capital items (Rm)	**1 404**	1 122	↑ 25%
Operating margin	**12.2%**	12.6%	↓ 40 bps
Headline earnings per share (cents)	**28.3**	25.5	↑ 11%
Cash generated from operations before working capital	**1 974**	1 584	↑ 25%
Net asset value per share (cents)[1]	**420**	387	↑ 9%

[1] Includes assets held for sale

FINANCIAL ANALYSIS

KAP

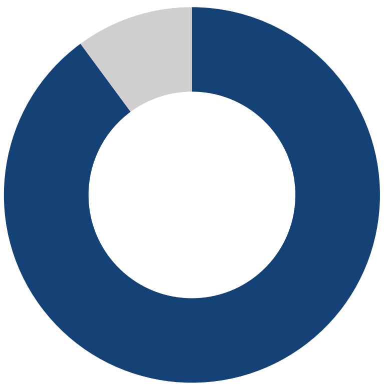
INCOME STATEMENT

Continued operations	1H18 Rm	1H17 Rm	Increase
Revenue	**11 478**	8 915	29%
Operating profit before capital items	**1 404**	1 122	25%
Capital items	**(26)**	4	
Net finance costs	**(328)**	(197)	66%
Finance costs	**(345)**	(277)	
Investment income	**17**	80	
Associate companies and joint ventures	**13**	10	
Taxation	**(297)**	(274)	
Minorities	**(32)**	(28)	
Profit attributable to owners of the parent	**734**	637	
Add back capital items net of taxation	**21**	(3)	
Headline earnings	**755**	634	19%
Weighted average number of ordinary shares (m)	**2 664**	2 487	7%
Headline earnings per share (cents)	**28.3**	25.5	11%

FINANCIAL ANALYSIS

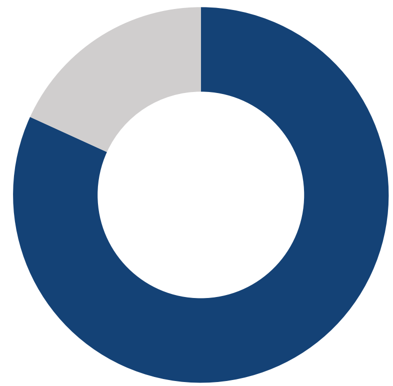
GEOGRAPHIC MARKETS – REVENUE AND PROFITABILITY BREAKDOWN

Revenue



SOUTH AFRICA – **91%**
NON-SOUTH AFRICA – **9%**

Operating profit[1]



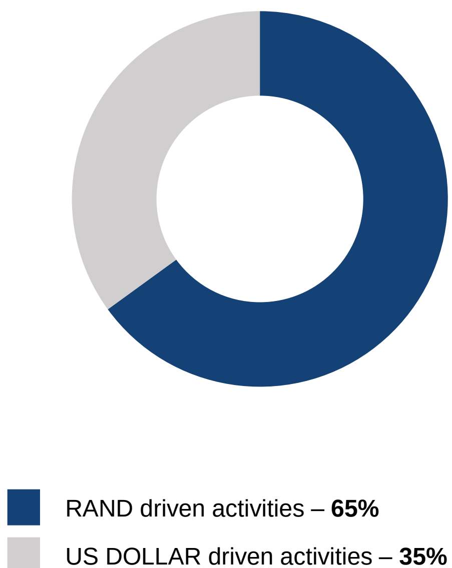
SOUTH AFRICA – **84%**
NON-SOUTH AFRICA – **16%**

- Provides diversity in markets and broader growth opportunities
- Provides improved margins to compensate for sovereign risk where relevant
- Spread across divisions

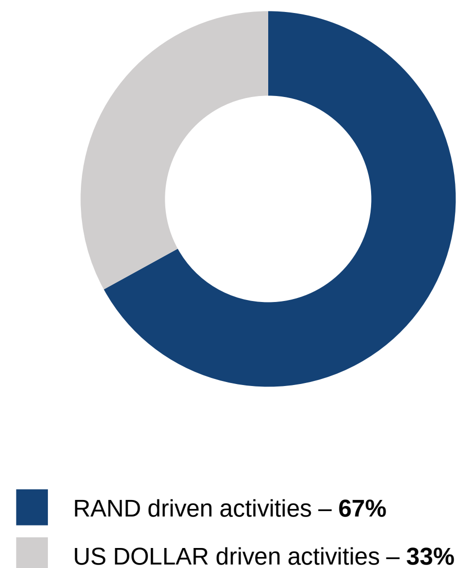
[1] Before capital items

CURRENCY DRIVERS OF REVENUE AND PROFITABILITY

Revenue



Operating profit[1]



- Dollar-driven activities impact revenue and raw material prices, therefore representing ‘dollar margin’ businesses
- Provides currency diversity without the complexity of doing business in foreign jurisdictions

[1] Before capital items

FINANCIAL ANALYSIS

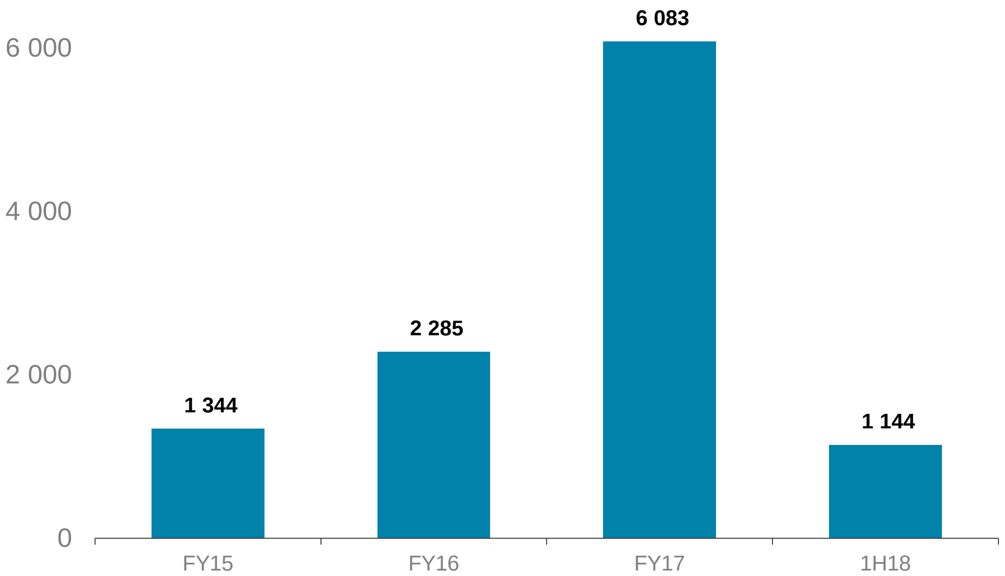
BALANCE SHEET

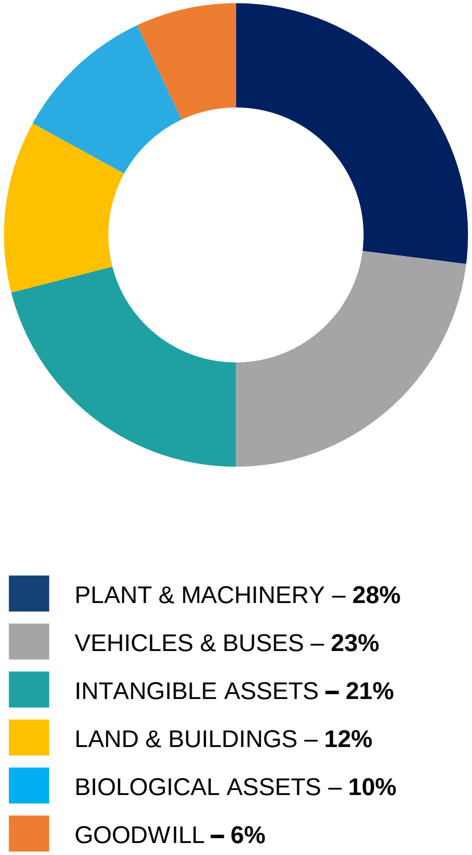
Improved quality of net asset value

	31 Dec 17 Rm	31 Dec 16 Rm
Property, plant, equipment and investment properties	**12 384**	9 404
Intangible assets	**4 108**	1 193
Goodwill	**1 284**	1 011
Biological assets	**1 926**	1 971
Net working capital	**2 143**	1 125
Other assets	**446**	230
Assets	**22 291**	14 934
Total equity	**11 571**	10 608
Net interest bearing liabilities	**7 460**	2 617
Other liabilities	**3 260**	1 709
Equity and liabilities	**22 291**	14 934
Net asset value per share (cents)	**420**	387

SIGNIFICANT CONTINUED INVESTMENTS RESULT IN STRONG ASSET BASE OF NEW TECHNOLOGY ASSETS

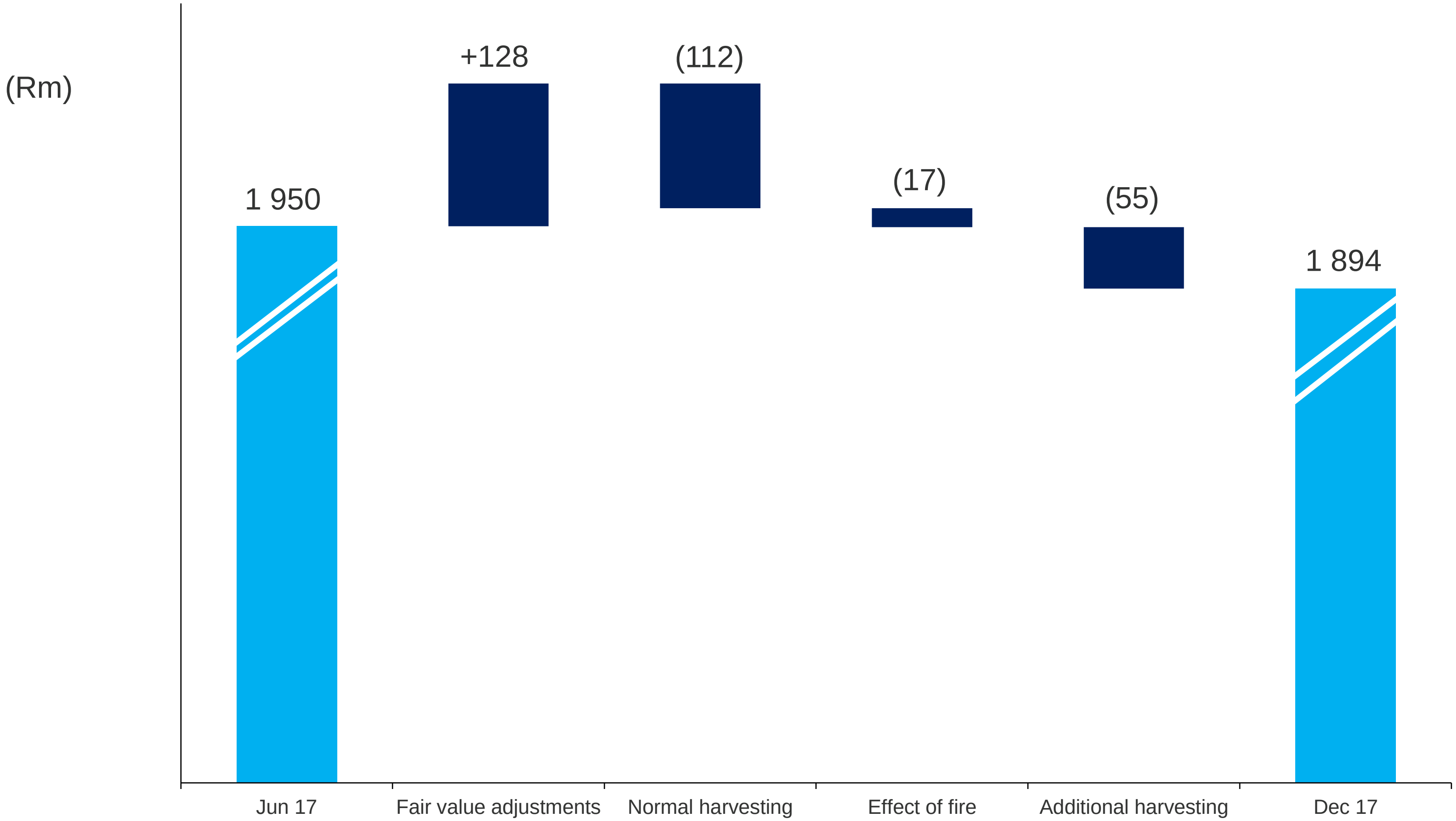
Capex and acquisition investments (Rm)





FINANCIAL ANALYSIS

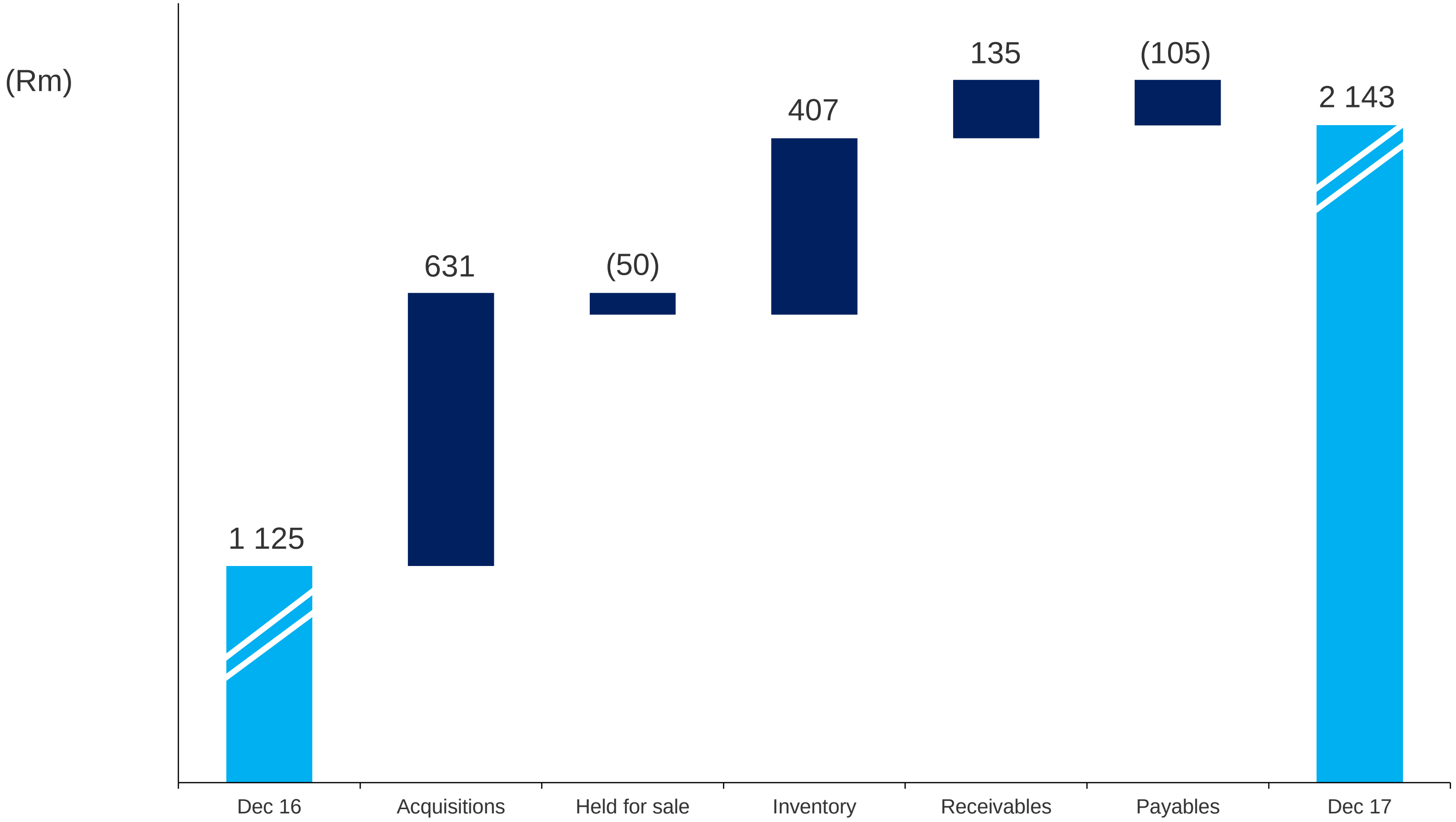
PLANTATION REVALUATION



- Net impact from fire on valuation (post salvage) is R57 million, which is covered in full by insurance (FY17 – R40 million and 1H18 – R17 million)
- Inventory on water deck R55 million

FINANCIAL ANALYSIS

WORKING CAPITAL BREAKDOWN



- Acquisitions relate primarily to Safripol (effective 1 January 2017)
- Inventory increase relates primarily to the delay in the start-up of Hosaf

FINANCIAL ANALYSIS

CASH FLOW

	1H18 Rm	1H17 Rm
Operating profit from continuing operations	**1 404**	1 122
Depreciation and amortisation	**501**	437
EBITDA	**1 905**	1 559
Net revaluation of biological assets	**56**	(4)
Discontinued operations	**(17)**	(7)
Other non-cash adjustments	**30**	36
Cash generated before working capital changes	**1 974**	1 584
Working capital changes	**(1 495)**	(1 089)
Inventory	**(363)**	(74)
Receivables	**(296)**	(296)
Payables	**(836)**	(719)
Cash generated from operations	**479**	495
Net finance charges	**(384)**	(225)
Taxation	**(165)**	(120)
Net dividends	**(576)**	(452)
Cash flow from operating activities	**(646)**	(302)

FINANCIAL ANALYSIS

KAP

CASH FLOW – CONTINUED

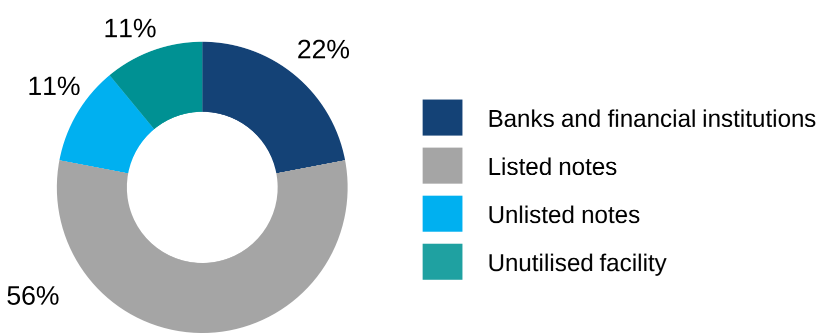
	1H18 Rm	1H17 Rm
Cash flow from operating activities	**(646)**	(302)
Investing activities	**(1 144)**	(1 446)
Expansion capex	**(483)**	(554)
Replacement capex	**(486)**	(640)
Acquisition of investments	**(121)**	(227)
Other investing activities	**(54)**	(25)
Cash flow after investing activities	**(1 790)**	(1 748)
Financing activities	**436**	3 686
Movement in cash and cash equivalents	**(1 354)**	1 938

DEBT STRUCTURE AND CAPACITY RATIOS

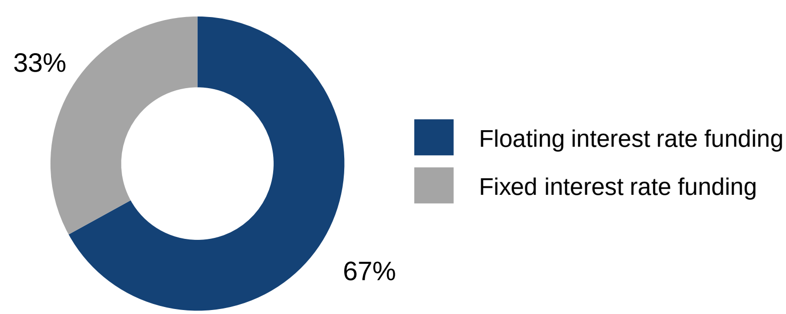
DEBT SERVICEABILITY RATIOS REFLECTIVE OF STRONG CASH GENERATION

	31 Dec 17	30 Jun 17	31 Dec 16
Net interest-bearing debt (Rm)	**7 460**	5 777	2 617
Equity excluding non-controlling interest (Rm)	**11 245**	11 035	10 294
Gearing: net debt:equity	**66%**	52%	25%
Net debt to EBITDA (times) < 3.2	**2.0**	1.7	0.9
EBITDA interest cover (times) > 4.5	**5.7**	6.5	8.5

FUNDING STRUCTURE

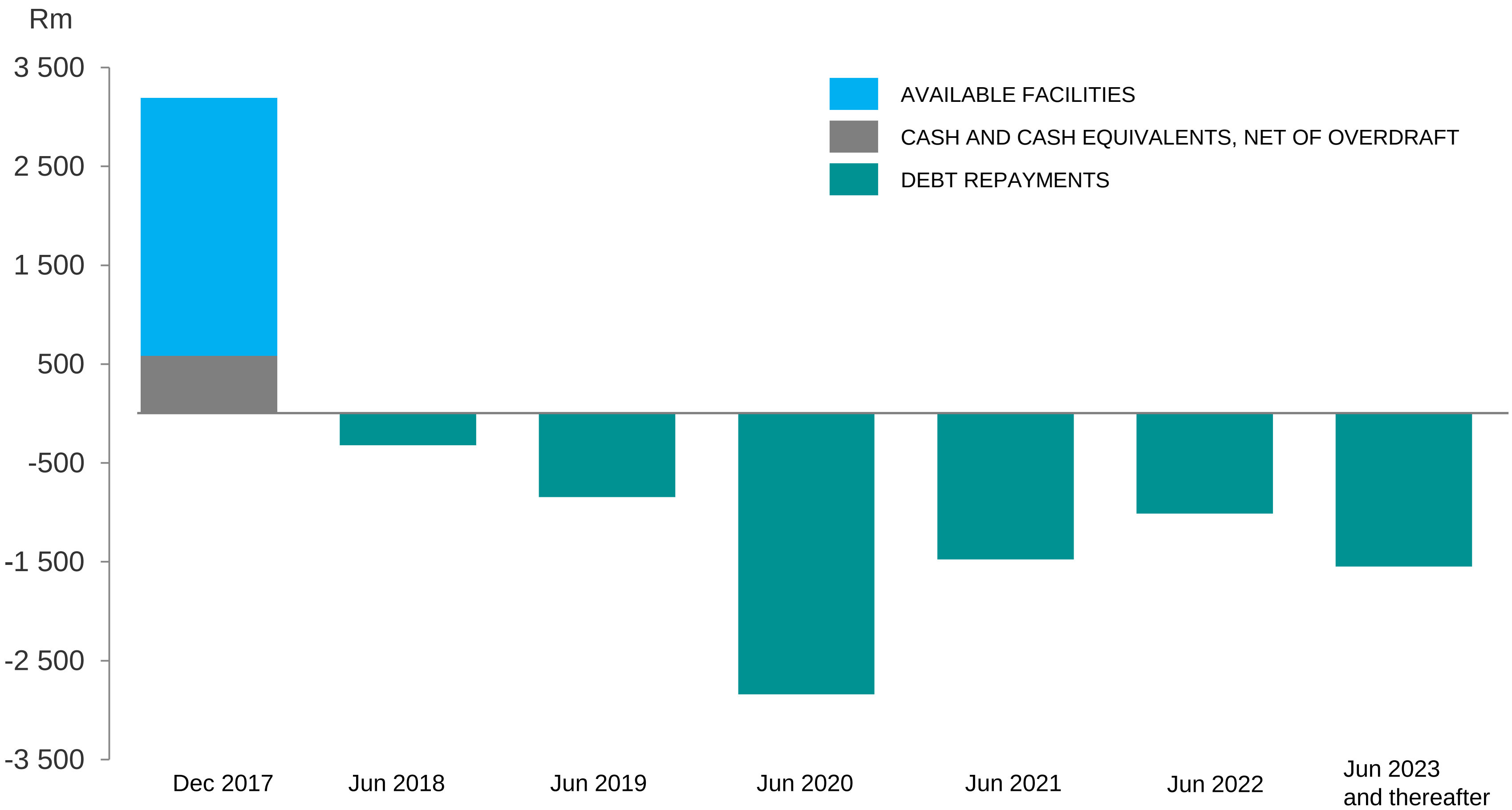


FIXED VS FLOATING INTEREST RATE FUNDING



TREASURY ACTIVITY

NET INTEREST-BEARING DEBT MATURITY AS AT 31 DECEMBER 2017



OUTLOOK

GARY CHAPLIN

CHIEF EXECUTIVE OFFICER

DIVERSIFIED INDUSTRIAL

Integrated timber

- PG Bison well structured for current market conditions (low cost base, strong market focus) with a clear growth strategy
- With Piet Retief particleboard phase one upgrade complete and operating well, the business now has three Siempelkamp new generation continuous press lines, each with on-site upgrading facilities, enhancing capacity and efficiency
- Third phase of MDF upgrade completed January 2018

Automotive components

- Contractual vehicle assembly volumes expected to remain low as a result of two new model introductions in FY2018
- Historic new model introductions are, however, performing well

Integrated bedding

- New bedding facility in Johannesburg operating well with approximately 50% of new technology plant and equipment commissioned, with the balance expected by June 2018
- Acquisition of Support-a-Paedic, effective 1 December 2017, will provide access to new brands, markets and further integration benefits
- Continued investment in fabric, foam and bedding technology will facilitate new mattress construction and brands

DIVERSIFIED CHEMICAL

- Strong demand for PET, HDPE, PP and UF resin expected to continue
- Management structures for the new segment in place
- Sales, marketing and distribution project under way to extract greater value from polymers
- Cost reduction programme progressing well, including raw material procurement
- Delays in Hosaf expansion project remain a concern
    - Construction of the plant delayed by insolvency of primary equipment supplier, now complete
    - Nameplate capacity of 237 000 tonnes per annum
    - Commissioning was also delayed due to various factors
    - Commissioning is complete and ramp-up now in progress – currently operating at 70% capacity
    - Additional specialist resources on site
    - Absolute priority of management to get to 100% capacity

DIVERSIFIED LOGISTICS

Contractual logistics

- Economic activity in relevant logistics sectors appears to be improving
- Certain major contract renewals support sustainability of earnings
- Reduced cost structure and improved efficiencies support competitive position
- B-BBEE transaction in contractual logistics progressing well
- Improved B-BBEE rating expected to support growth and market share gain
- Rest of Africa to receive increased focus in contractual logistics and passenger divisions

Passenger transport

- Specific management focus to continue on improvement in intercity operations

THANK YOU