It's PG Bison.

PG BISON MKHONDO

Investor and analyst site visit

1 June 2023

It's PG Bison.

AGENDA

Opening and welcome	Gary Chaplin, KAP CEO
Who we are and what we do	Gerhard Victor, PG Bison CEO
Our customers and markets	Gerhard Victor, PG Bison CEO
Our manufacturing facilities	Gerhard Victor, PG Bison CEO
Sustainability	Sibusiso Dlamini, PG Bison human capital and stakeholder relations executive
Our financial performance	Gerhard Victor, PG Bison CEO
Mkhondo cluster overview	Gerhard Victor, PG Bison CEO
Q&A	PG Bison management team, Gary Chaplin, KAP CEO and Frans Olivier, KAP CFO

Who we are
and what we do

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WHO WE ARE AND WHAT WE DO

We are a leading manufacturer of decorative wood-based panels

Timber — Panel production — Finished kitchen

- Largest integrated wood-based decorative panel manufacturer in Africa with 120 years of experience, Level 3 B-BBEE
- Current panel production capacity of c. 830 000 m^3 per annum, with another c. 274 000 m^3 to be added in FY25
- Own plantations supply c. 32% of internal timber requirements
- Employs more than 2 000 people and supplies an industry that employs over 40 000 people directly and indirectly
- Globally competitive cost base and production efficiencies on par with global peers
- Three ISO 9001-certified panel manufacturing facilities in South Africa, servicing African and select international markets

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WHO WE ARE AND WHAT WE DO

We have high aspirations, which drives everything we do

Our aspiration	Our purpose	Our strategy

To be recognised as the global leader in wood-based decorative panels

What this means:

- We must be globally cost and margin competitive
- The quality of our products needs to be superior
- The reputation of our brand must be unparalleled
- We should offer a differentiated, non-commoditised product basket

To inspire and enable beautiful living spaces

What this means:

- We create demand at a consumer level
- We enable our customers to meet consumer demand (their customers)
- We create brand equity by delivering quality products and trend-leading product ranges

To secure profitable and sustainable growth

What this means:

- We must gain market share in existing and new markets, including exports
- We must pursue constant innovation in product, process and people

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WHO WE ARE AND WHAT WE DO

We have developed a holistic strategy to deliver a unique customer value proposition

	Strategic focus	Theme	Audience
2011	# 1 manufacturer with lowest cost of product to market	Our investments	Stakeholders
2013	“Solution Selling” – Brick-walling the customer	Our products	Direct customers
2015	“Project Rapala” – Know our customers’ customers	Our product in application	Indirect customers
2020 (NEW)	Inspiring and enabling beautiful living spaces	Emotional connections	Consumers

A cumulative process, building on past work to create a holistic strategy with **six pillars**

- **#1** Global lifestyle trends
- **#2** Product design and Innovation
- **#3** Consumer inspiration
- **#4** Enable channel to market
- **#5** Lowest cost of product
- **#6** Sustainability

WHO WE ARE AND WHAT WE DO

We have developed a holistic strategy to deliver a unique customer value proposition *continued*

Our strategic pillars	What we offer our customers
#1 Global lifestyle trends	Quality brands and products, produced sustainably • We invest in our brands and develop new products that consider consumer preferences as well as local and global trends
#2 Product design and Innovation	Consumer and customer demand creation • We have targeted marketing campaigns (push and pull strategy) to create demand across the channel, which also creates demand for our customers

#3 Consumer inspiration	Customer enablement
	• We connect consumers to customers through a bespoke digital enablement platform (in development)
	• We offer comprehensive, customer-specific end-to-end supply chain solutions, which enable our customers to fulfill consumer demand
	  – Efficient supply chain with reduced lead times, rapid response to changing market dynamics, resulting in lower working capital for our customers
	  – Lowest 'cost to serve' through efficiency, optimised stock management and outsourced warehouse and distribution
	  – Strategic partnership across the supply chain
	  – Technology to improve efficiency and agility

#4 Enable channel to market	
#5 Lowest cost of product	Globally competitive • World-class facilities with the latest technology, integrated value chain
#6 Sustainability	

Our customers and markets

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OUR CUSTOMERS AND MARKETS

Our panels are distributed to a diverse customer base in formal and informal markets

- More than 50% of our sales volumes are to resellers
- Increased fragmentation and our consumer demand creation and customer enablement activities have resulted in increased growth in the informal markets in South Africa

Key direct and indirect customers

- Resellers, cut-and-edge manufacturers
- Office furniture manufacturers
- Kitchen manufacturers
- Furniture manufacturers
- DIY trade chains
- Upgraders
- Shopfitting

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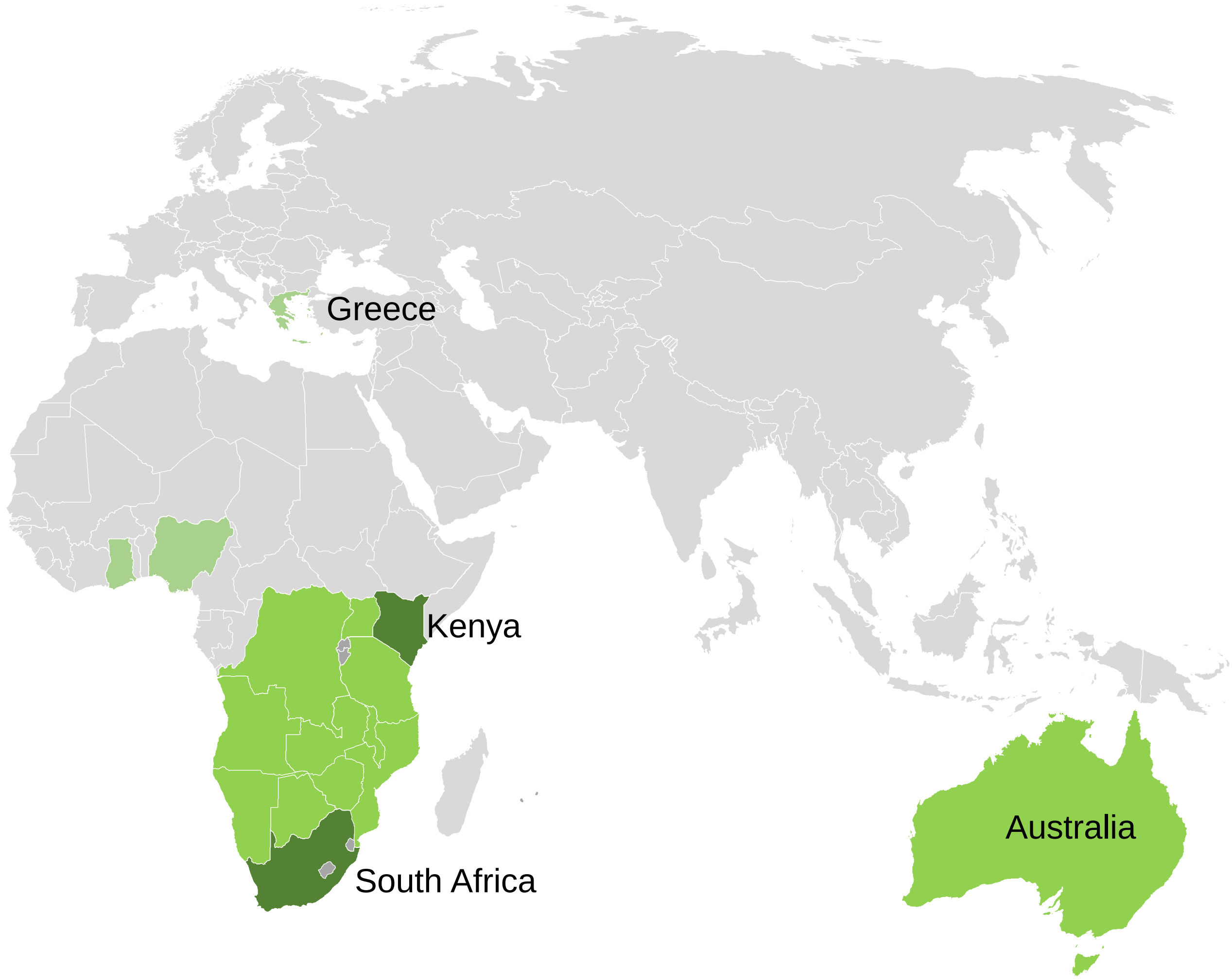
OUR CUSTOMERS AND MARKETS

Our primary market is Africa, with select markets where we have an advantage providing further growth opportunities



Operations

- Kenya, JV with Kenyan investors, secondary processing (20 years)
- South Africa, primary processing, including c. 44 000 ha of FSC* certified afforested plantations that supply c. 32% of our timber requirements

Sales and distribution

- Angola, Botswana, DRC, Ghana, Kenya, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Tanzania, Uganda, Zambia, Zimbabwe, Australia, Greece

Market selection for exports

- Country gross domestic product, growth potential
- Ease of doing business
- Logistics advantage
- Panel (particleboard and MDF) market demand
- Value-add opportunities
- Brand recognition
- Existing market converting capability
- Pricing and margin competitiveness

* Forestry Stewardship Council (FSC), c. 77% certified

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OUR CUSTOMERS AND MARKETS

Our primary market is Africa, with select markets where we have an advantage providing further growth opportunities continued

	Consumption, m^3 (2021)	5-y CAGR (2016–2021)	Imports, m^3 (2021)
Particleboard			
South Africa PG Bison total* PG Bison value-add*	0.9 million	0.2% 1.5% 5.2%	0.06 million
Sub-Saharan Africa#	0.3 million	6.1%	0.2 million
Australia	1 million	0%	0.05 million
Europe	40 million	0.5%	14 million
MDF			
South Africa PG Bison total* PG Bison value-add*	0.2 million	3.2% 3.1% 17.9%	0.07 million
Sub-Saharan Africa#	0.5 million	15.4%	0.6 million
Australia	0.6 million	1.6%	0.1 million
Europe	18 million	3.7%	8 million

Sources: Food and Agricultural Organisation of the United Nations (FAO) (data only available to 2021 and includes FAO estimates, calculations and imputed values), KAP calculations and estimates
Imports and market size include raw board and value-add capacity
* Sales volumes
# Excludes South Africa

Country-specific demand and supply themes

South Africa

- Fragmentation in traditional furniture retail
- Growth in informal markets (no formal statistics)
- SA furniture master plan (c. R3 billion furniture imports)
- Competitors: local (1 large and 2 smaller), importers

Africa

- Decreased availability of hardwood
- Cost-effective vs other materials (solid timber)
- Competitors: mainly importers
- Increased investment in panel converting capacity

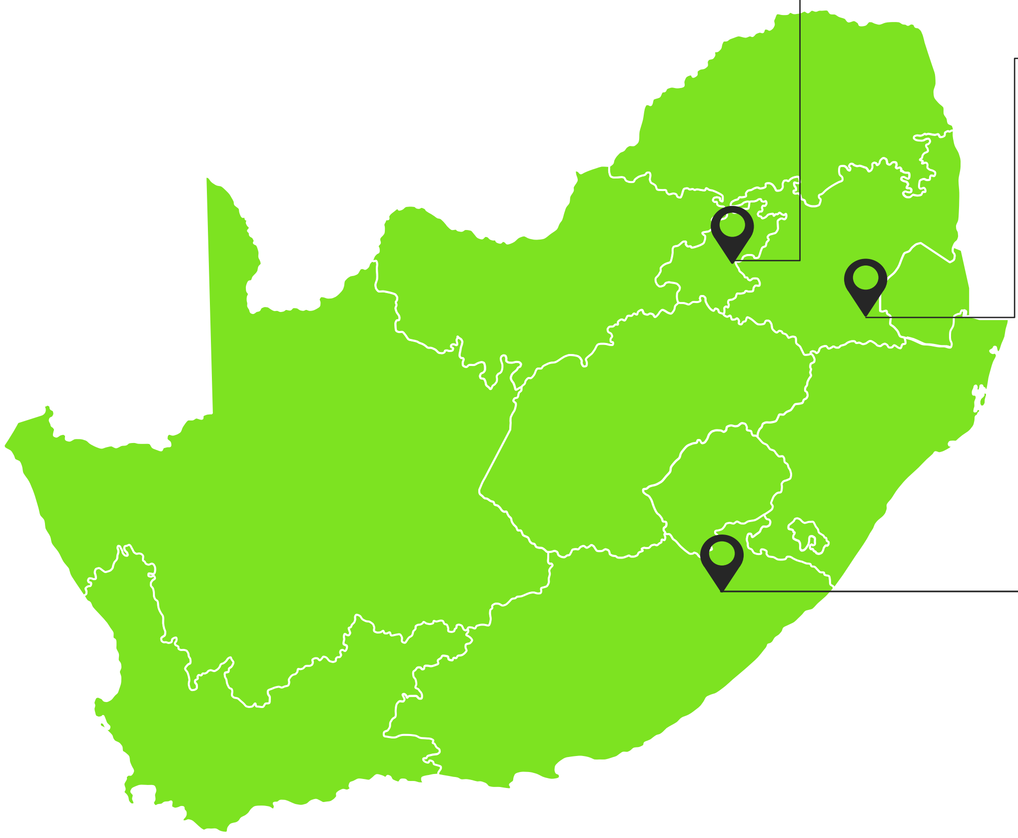
Australia/Europe

- Increased demand for sustainable building materials
- Demand for quality imported products
- Declining competitiveness of some domestic producers
- Competitors: local (country dependent) and importers
- Leveraging market leading technologies (hot coating)

Our manufacturing facilities

OUR MANUFACTURING FACILITIES

We are a proudly South African business, with world-class facilities equipped with the latest European technology



PG Bison, Boksburg

MDF# plant
2 x MFB* upgrading
Foil press
2 x hot coating line for gloss and matt

SUPAWOOD, MELAWOOD, MELAWOOD SUPAGLOSS, MELAWOOD SUPAMATT, MELAWOOD SUPATEXTURE

PG Bison, Mkhondo

Resin plant
2 x paper treatment plants
Particleboard plant
3 x MFB* upgrading

WOODCHEM, BISONBORD, MELAWOOD

North Eastern Cape Forests

Forestry activities

PG Bison, Ugie

Particleboard plant
2 x MFB* upgrading
Laminate worktop line

BISONBORD, MELAWOOD, FORMICA, LIFESEAL WORKTOPS

* MFB: Melamine-faced board
\# MDF: Medium-density fibreboard

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OUR MANUFACTURING FACILITIES

We have consistently invested in our facilities, which has supported global competitiveness

Key developments for PG Bison

- **1897**: Humble beginnings as glass and timber merchant
- **2012**: KAP acquired PG Bison

  Restructuring of panel operations
- **2013**: Boksburg: MDF line and Centre of Excellence
- **2014**: Ugie: second MFB upgrading press commissioned
- **2015**: Mkhondo: Paper treatment plant commissioned
- **2017**: Mkhondo: Particleboard continuous press + second MFB upgrading press commissioned
- **2019**: Boksburg: Hot coating line commissioned
- **2021**: Mkhondo: Third MFB upgrading press commissioned
- **2022**: Mkhondo: Particleboard line front-end capacity upgrade

  Boksburg: Second hot coating line commissioned
- **2023**: Boksburg: Second MFB upgrading press commissioned

Sustainability

SUSTAINABILITY

Sustainability by virtue of what we do, with intentions to do more

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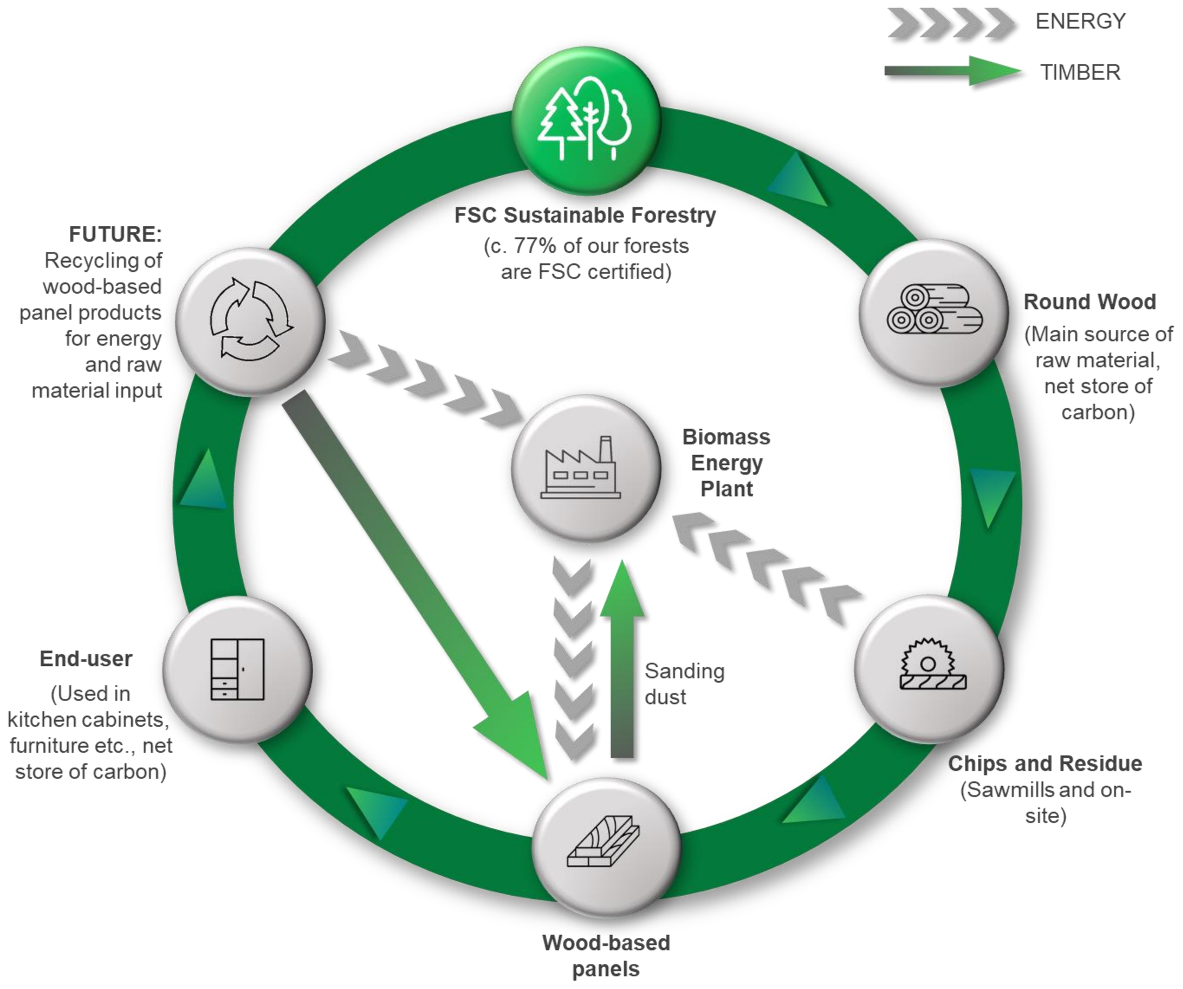

Annual tCO_2e sequestered (2021): c. 600 000*

Annual tCO_2e emitted (FY21): c. 200 000

(Scope 1 & 2 GHG)

PG Bison, through its operations, acts as a 'carbon sink'

SDGs impacted and prioritised through our day-to-day actions

7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 13 CLIMATE ACTION

- **Affordable and clean energy:** Investment in solar photovoltaic (PV), 9.8 MW approved.
- **Decent work and economic growth:** Systematic, year-on-year business growth, providing manufacturing and forestry positions in areas of low employment. Currently, we provide 50 learnerships and 35 apprenticeships.
- **Industry, innovation and infrastructure:** We invest in leading-edge equipment and technologies across the value chain, including digital design technology for customers.
- **Responsible consumption and production:** Continuous investment in world-class technologies and process improvements that allow improved material usage and efficiencies.
- **Climate action:** Further increasing our ability to be a 'carbon sink' through various improvement projects. We are executing energy, waste and water strategies.

* As approved by Department of Forestry, Fisheries and Environment (DFFE) for the 2021 calendar year

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SUSTAINABILITY

We are committed to communities, with several initiatives to support long-term sustainability

PG Bison is committed to over 20 social responsibility programmes across the communities we operate in

Infundo Project

Teaches Math, Science, Accounting and English to help improve overall standard of education.

Knockout Cup

Facilitates a collaborative and supportive environment where communities can thrive and reach their potential.

Safe Hub

Offers youth development programmes through sports, cultural activities and education.

Vegetable Project

Provides training in farming, food production and land preservation.

Build-up of employees for new MDF plant

- Recruitment and training are tracking well according to the human capital development plans, aligned to the start-up date
- Extensive on-the-job and expert training is planned to ensure smooth start-up

Employee retention and attraction strategies

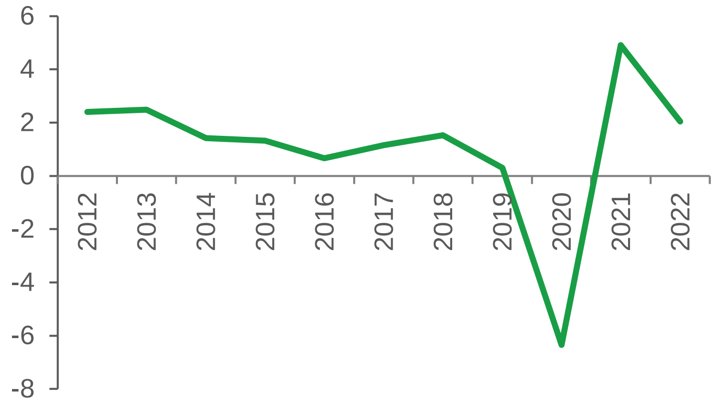
- There is a housing shortage in Mkhondo and as such, a process to purchase land and develop housing units has commenced
- We provide support to municipal services in Mkhondo

Our financial performance

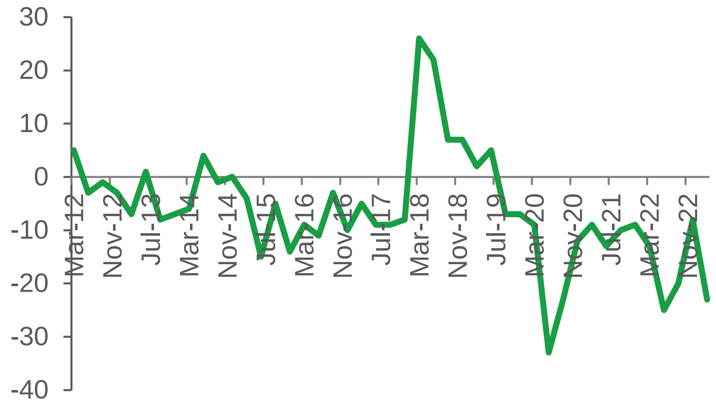
OUR FINANCIAL PERFORMANCE

Key macroeconomic indicators influencing domestic market demand for our panels

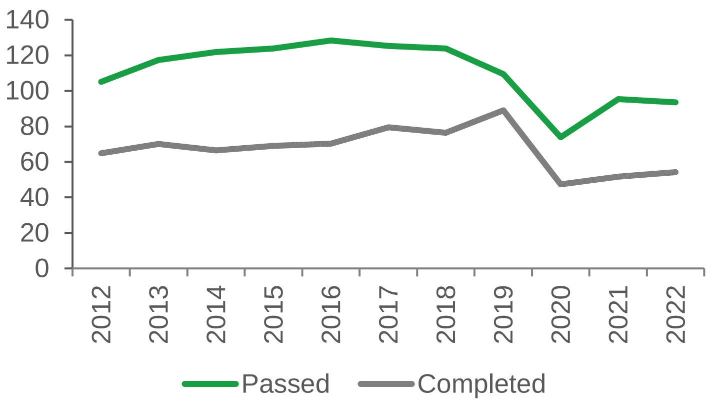
South Africa real GDP growth (%)



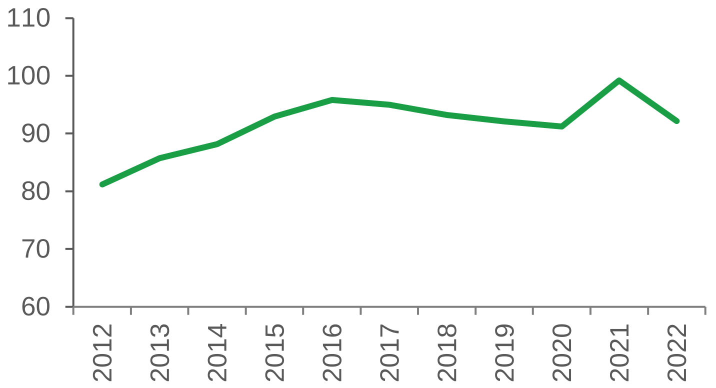
FNB/BER consumer confidence index



Building plans, constant prices (Rbn)



Retail sales hardware, paint and glass (Rbn)



Excluded or partially captured by formal statistics

- Renovation activity
- Informal market spending (new construction, renovation)
- Independent retail

Key consumer demand drivers

- Residential and commercial construction activity
- Residential and commercial renovation and improvements
- Increased demand for more sustainable building materials (trend in international markets and corporate specifications)
- Lifestyle and consumer aspirations

Other indicators

- Growing middle income consumer base
- Trends compressing furniture life cycle

Sources: Statistics South Africa, FNB/Bureau of Economic Research

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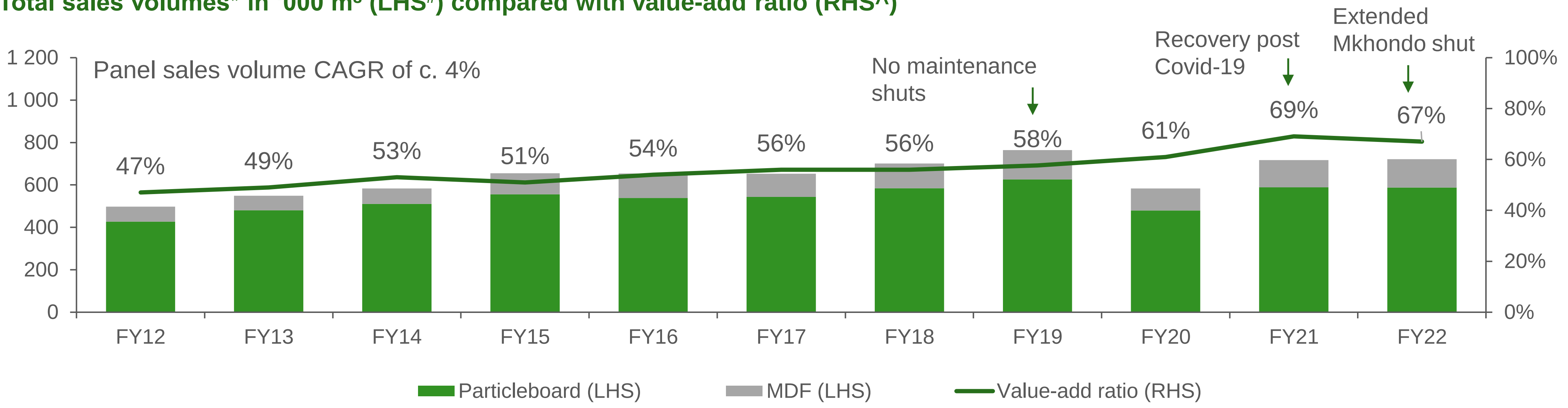
OUR FINANCIAL PERFORMANCE

Sales volumes increased by c. 45% over the past decade

Total sales volumes* in '000 m³ (LHS#) compared with value-add ratio (RHS^)



Drivers of sales volume growth (FY12–FY22)

- **Unique customer value proposition:** supporting consumer demand creation and customer enablement
- **Increased value-add products:** 47% to 67% of total sales volumes (CAGR of c. 8%)
- **Increased capacity:** total raw board capacity from c. 600 000 m^3 in FY12 to c. 740 000 m^3 during FY22 (CAGR of c. 2%) and c. 830 000 m^3 at the end of FY22
- **General market growth:** particleboard and MDF CAGR of c. 3%[Ŧ]

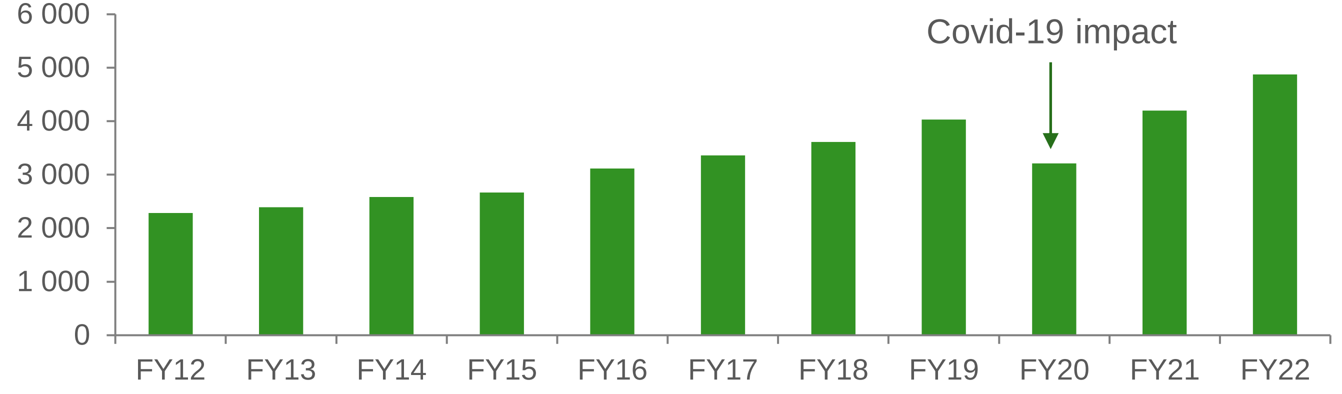
* Sales volumes exclude allied products, as per divisional accounts
[#] Left-hand side
^ Right-hand side
[Ŧ] FAO, KAP estimates

KAP BEING THE CHANGE | PG BISON

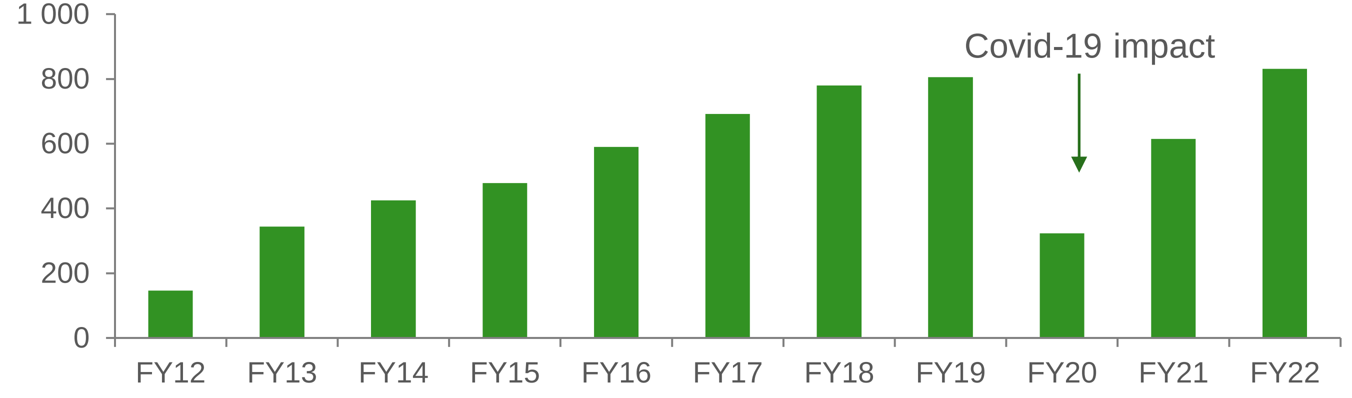
OUR FINANCIAL PERFORMANCE

Supported by higher sales volumes and increased value-add, revenue and operating profit showed good growth

Revenue* (Rm)



Operating profit* (Rm)



Key financials (FY12–FY22)

- Revenue CAGR of c. 8%
- Operating profit CAGR of c. 19%
- Revenue, trading profit and operating profit growth outpaced growth implied by formal statistics due to (i) capacity expansions, (ii) investments in technology, (iii) market share gains and (iv) growth in value-add.
  - Building plans# passed and completed CAGR of -1% (constant prices) and 4% (current prices)
  - PG Bison value-add sales volume CAGR of c. 8%

* Revenue and operating profit as per divisional accounts

Statistics South Africa

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OUR FINANCIAL PERFORMANCE

Our operating profit margin is influenced by raw material costs, plant efficiencies, volumes, sales mix and market dynamics

Costs

- Raw materials c. 58% of total product costs*
    - Urea (priced in dollar), melamine and raw paper (priced in euro) are imported
    - Methanol is locally sourced (priced in rand, referenced to euro price)
    - Timber is locally sourced from own plantations and third parties (priced in rand and impacted by dollar export prices)
- Overheads c. 42% of total costs, illustrating scale benefits

Pricing

- Recovery of inflationary increases (including raw materials)
- Sales mix (particleboard vs MDF vs value-add)
- Local sales volumes versus exports (c. 90% of sales volumes in 1H23 were local)
- Regional exports versus deep-sea exports

Market dynamics

- Local and global supply and demand
- Customer enablement and consumer demand creation activities

* Three-year average estimate, refers to panel operations

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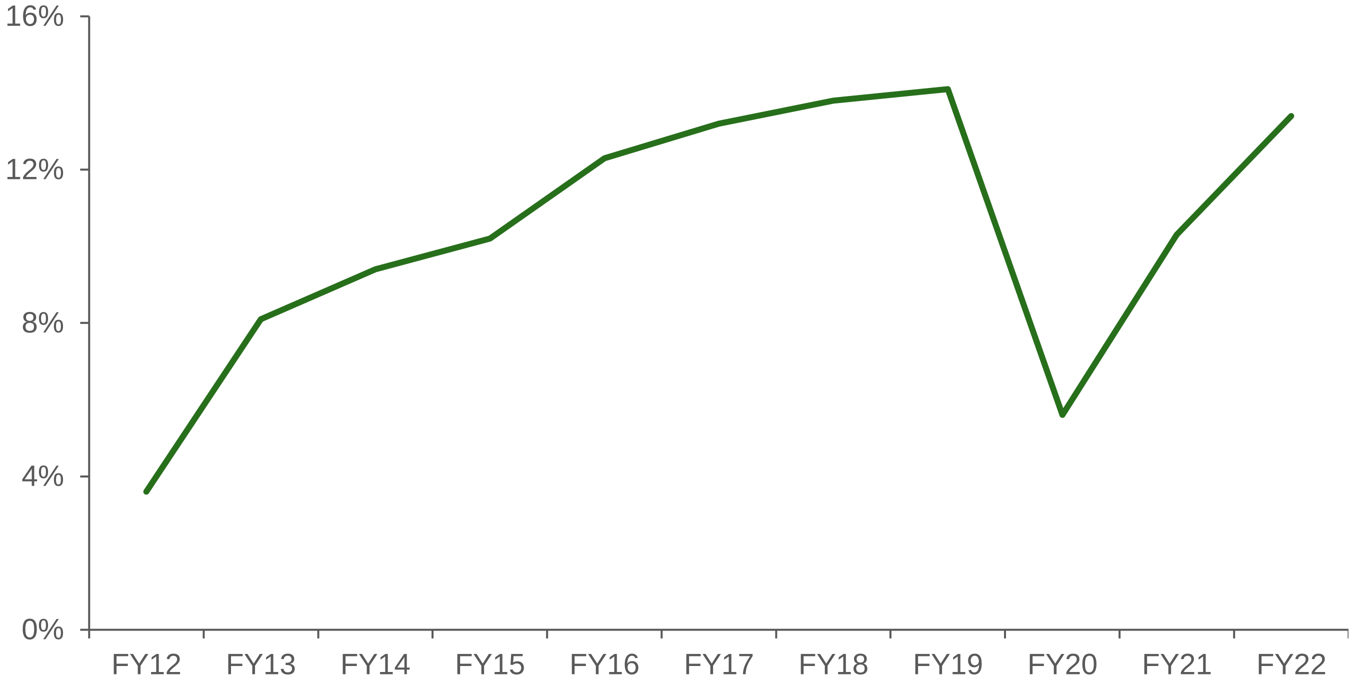
OUR FINANCIAL PERFORMANCE

Our returns are improving as we continue to execute our strategy

Return on capital employed (ROCE)*



Drivers of improved returns (FY12–FY22)

- Increased sales volumes and capacity utilisation
- Improved efficiencies (technology investments)
- Increased value-add sales

Composition of capital employed#

- Manufacturing facilities
  - Significant replacement and expansion capital expenditure over the past decade (c. R3 billion)
  - Long-term assets; useful life c. 30 years
- Biological assets c. R1.5 billion

* ROCE: Operating profit from continuing operations divided by average net operating assets, as per divisional accounts
# Capital employed: Operating assets – operating liabilities

Mkhondo cluster overview

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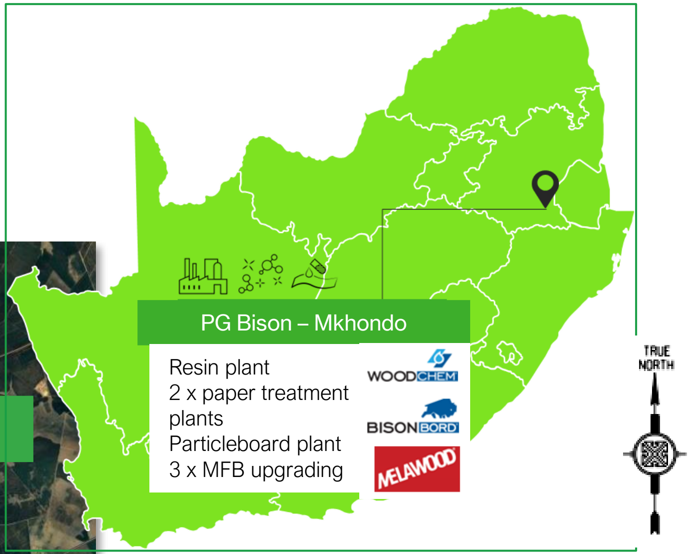
MKHONDO CLUSTER

Positioning and site overview

N2 towards Johannesburg



Fibre supply: within 100 km radius of the plant, c. 130 000 hectares of planted land

N2 towards Richards Bay

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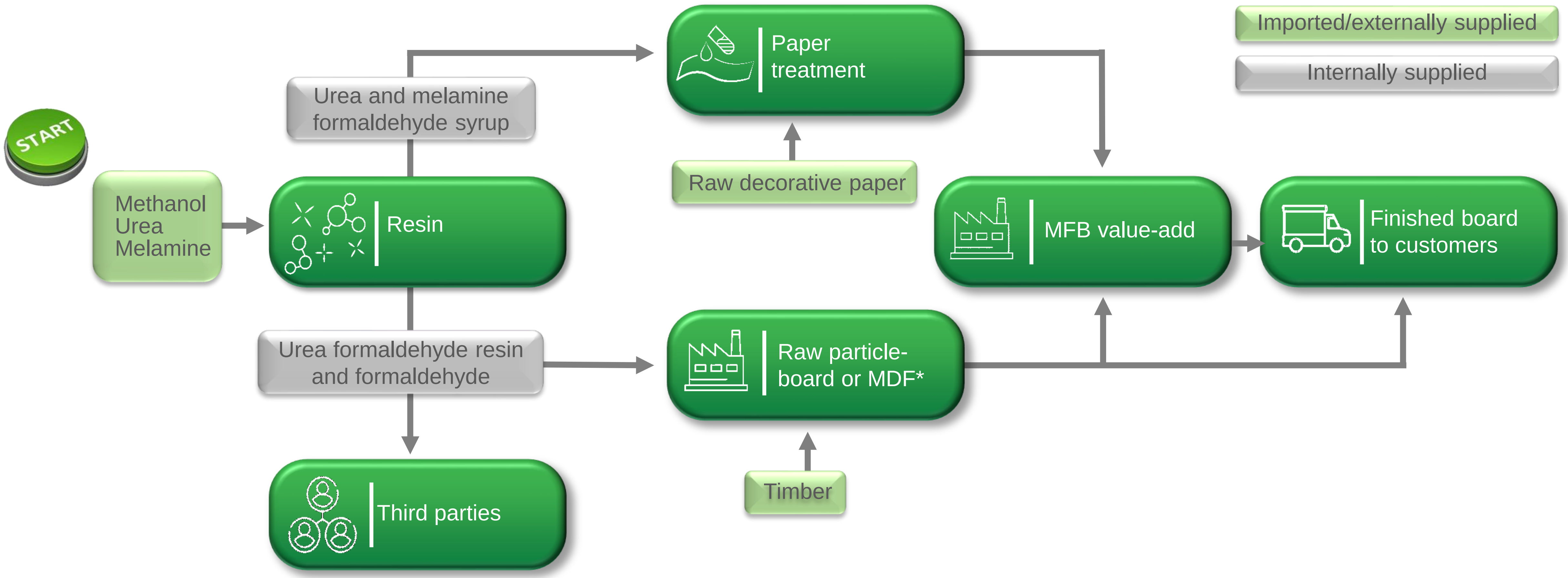
MKHONDO CLUSTER

The site is integrated, with key raw materials produced in-house



* MDF plant scheduled for commissioning in July 2024 (FY25)

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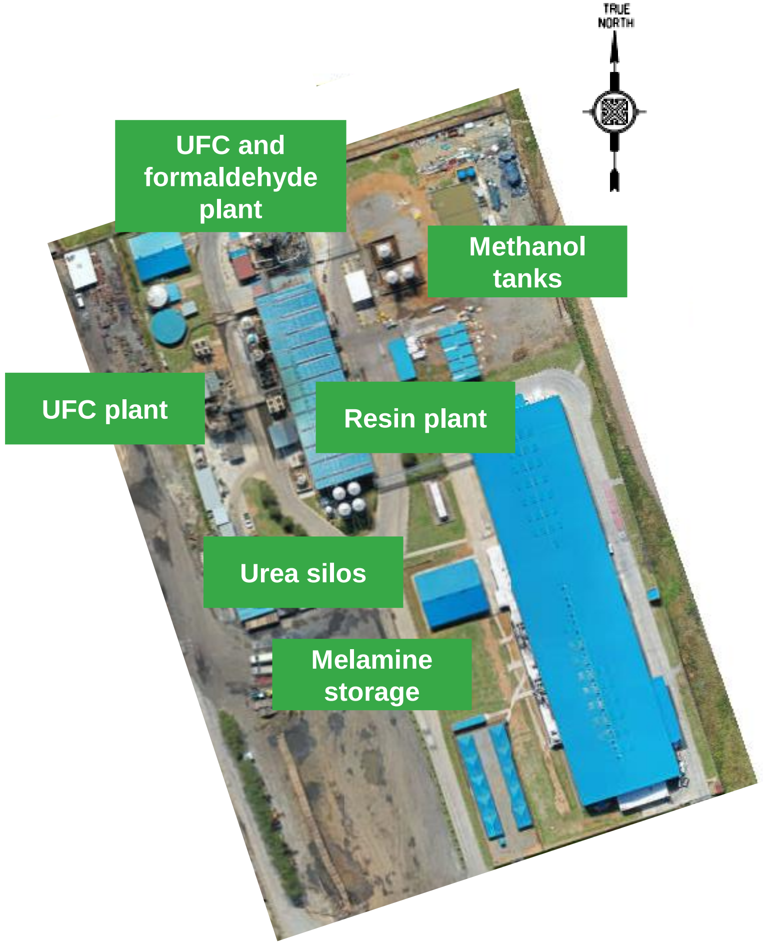
MKHONDO CLUSTER

Resin plant



Overview

- Largest urea formaldehyde resin and formaldehyde producer in sub-Saharan Africa region
- Founded in 2000 and supplies over 30 industries throughout sub-Saharan Africa
- 90 permanent employees
- Consists of formaldehyde, urea-formaldehyde concentrate (UFC) and resin plants (2001: UFC + formaldehyde plant, 2015: UFC plant)
- Capacity to produce c. 123 000 tonnes of resin or c. 77 000 tonnes of 45% formaldehyde per annum
- Supplies resin internally to Mkhondo, Boksburg and Ugie panel plants (c. 80%) and to third parties

Production: Three-step process

- First process: **formaldehyde production**: methanol + oxygen = formaldehyde
- Second process: **UFC production**: formaldehyde + urea water = UFC
- Third processes: **Resin production**: UFC + urea = urea formaldehyde resin

  Syrup production: Urea + formaldehyde = urea formaldehyde syrup

  Melamine + formaldehyde = melamine formaldehyde syrup

MKHONDO CLUSTER

Paper treatment plant

Overview

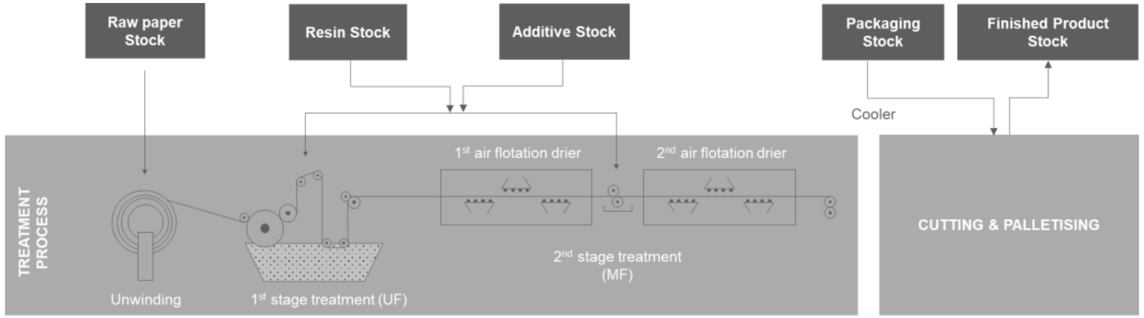
- Commissioned in 2015, replaced imported treated paper
- Two European (VITS) production lines, with capacity to produce 80 million m^2 per annum
- Supplies internally to Mkhondo, Boksburg and Ugie value-add plants

Benefits of a local paper treatment plant

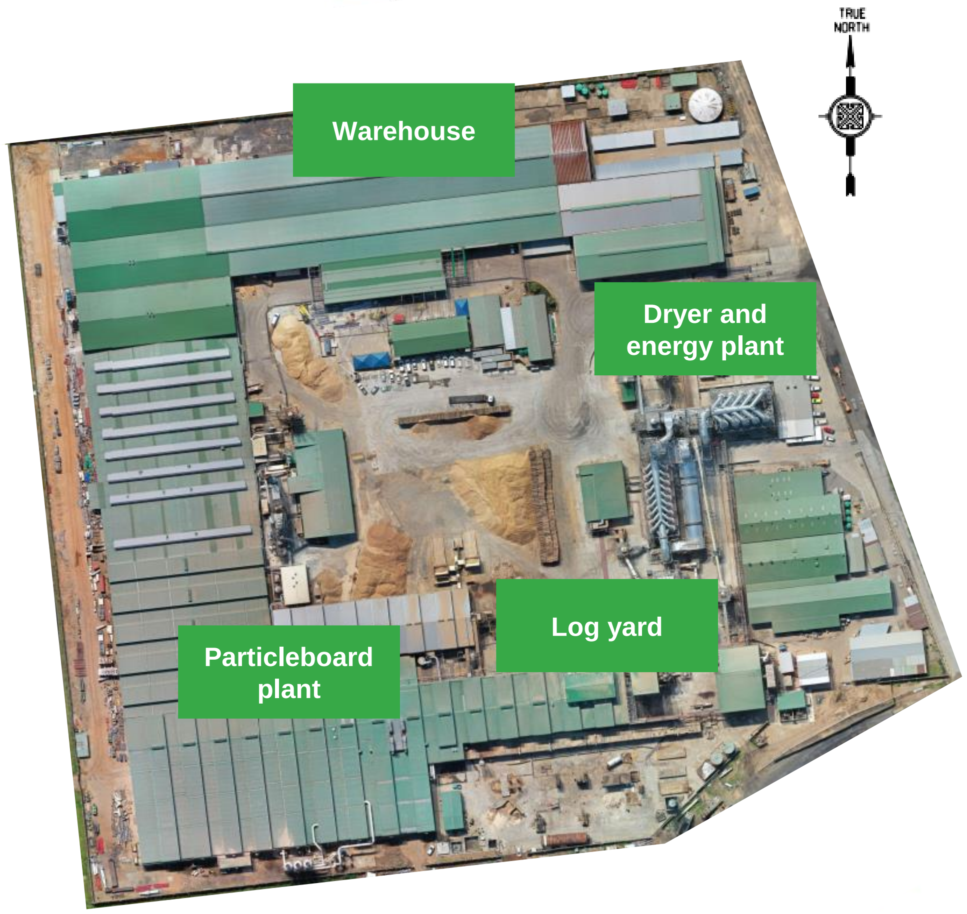
- Reduced risk in supply chain and longer useful raw decorative paper shelf life
- Reduced working capital
- Increased flexibility and improved quality
- Use of adjacent resin plant (own more of value chain)

Production process overview

- Multi-stage treatment



MKHONDO CLUSTER
Particleboard plant



Particleboard plant

- Established in 1966, with a single daylight press
- Recent investments to replace old technology (daylight press) and equipment to deliver increased reliability, improved efficiencies and increased capacity to meet local demand (c. R1.1 billion):
  - Phase 1: installation of continuous press (April 2017)
  - Phase 1.5: upgrade of fibre preparation equipment
  - Phase 2 and 3: drier upgrade and new equipment for capacity upgrade (March 2022)
- Raw board production 1 000 m^3 per day, c. 344 000 m^3 per annum
- 89 permanent employees

General

- Logistic and technical support benefit of resin and paper treatment plants
- Located within close proximity to sawmills for chip (panelboard) and biomass (energy plant) supply

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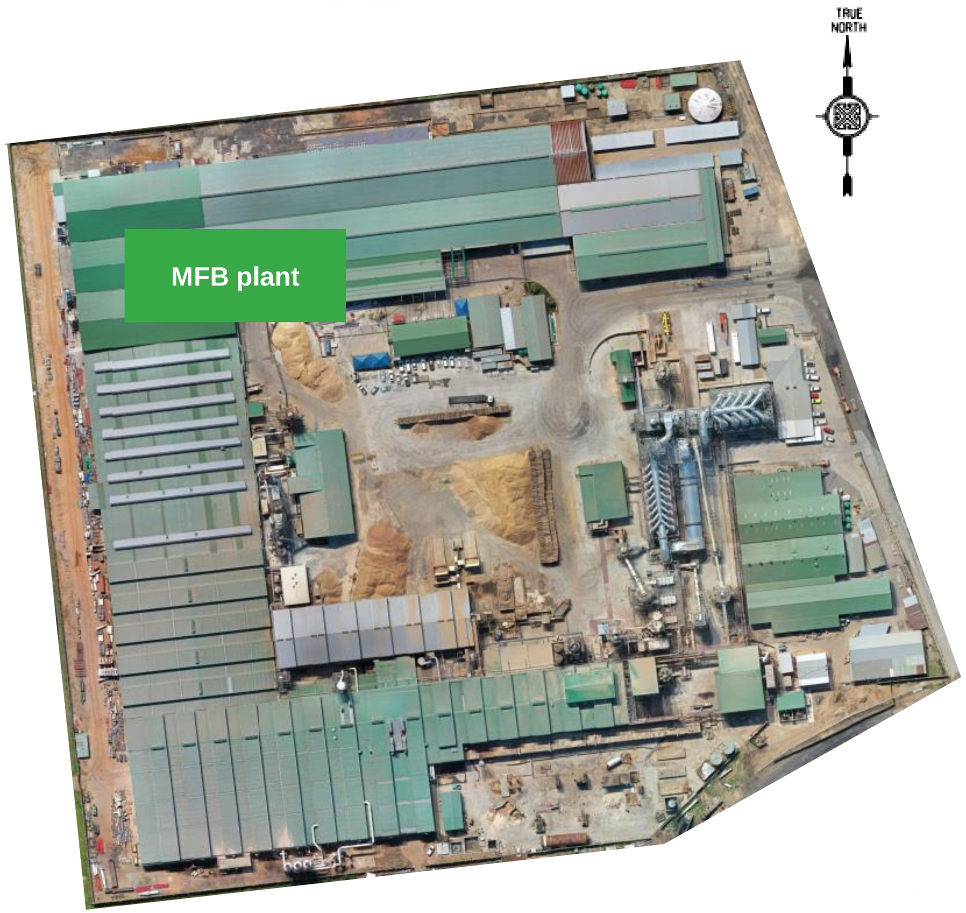
MKHONDO CLUSTER
MFB plant



MFB plant

- First MFB press commissioned in 2010
- Currently three MFB presses (MFB 2: 2017 and MFB 3: 2021) that use particleboard as substrate and, in the future MDF (following the commissioning of the MDF plant)
- MFB production 34 000 m^2 (6 800 boards per day), c. 12 million m^2 per annum
- 72 permanent employees

Production process overview

Treated paper

Raw board

Press

Inspection and outfeed

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MKHONDO CLUSTER

MDF expansion project

Scope

New c. 274 000 m^3 continuous press, additional warehouse, front-end, energy plant, sanding line, infrastructure

Motivation

Local market is underserviced, to replace MDF imports (c. 100 000 m^3), and to increase cost-competitiveness through larger capacity lines (greater overhead recovery), which will make the site the lowest cost in South Africa and globally competitive

Budget

c. R1.9 billion

Timeline

Site preparation commenced in April 2021, equipment installation March 2023, commissioning planned for February 2024 and commercial production for July 2024

People

At peak c. 1 000 jobs, after commissioning c.150 additional permanent jobs, mostly critical skills

Infrastructure investments

30 MVA electricity upgrade through Eskom, bulk water supply, roads upgrade (with DTIC's support)

Land acquisitions

9 hectares (Mondi and Mpact)

Fibre resource

An additional c. 342 000 tonnes per annum is required; the strategy is to own a third, lease a third and have a third on long-term supply contracts.

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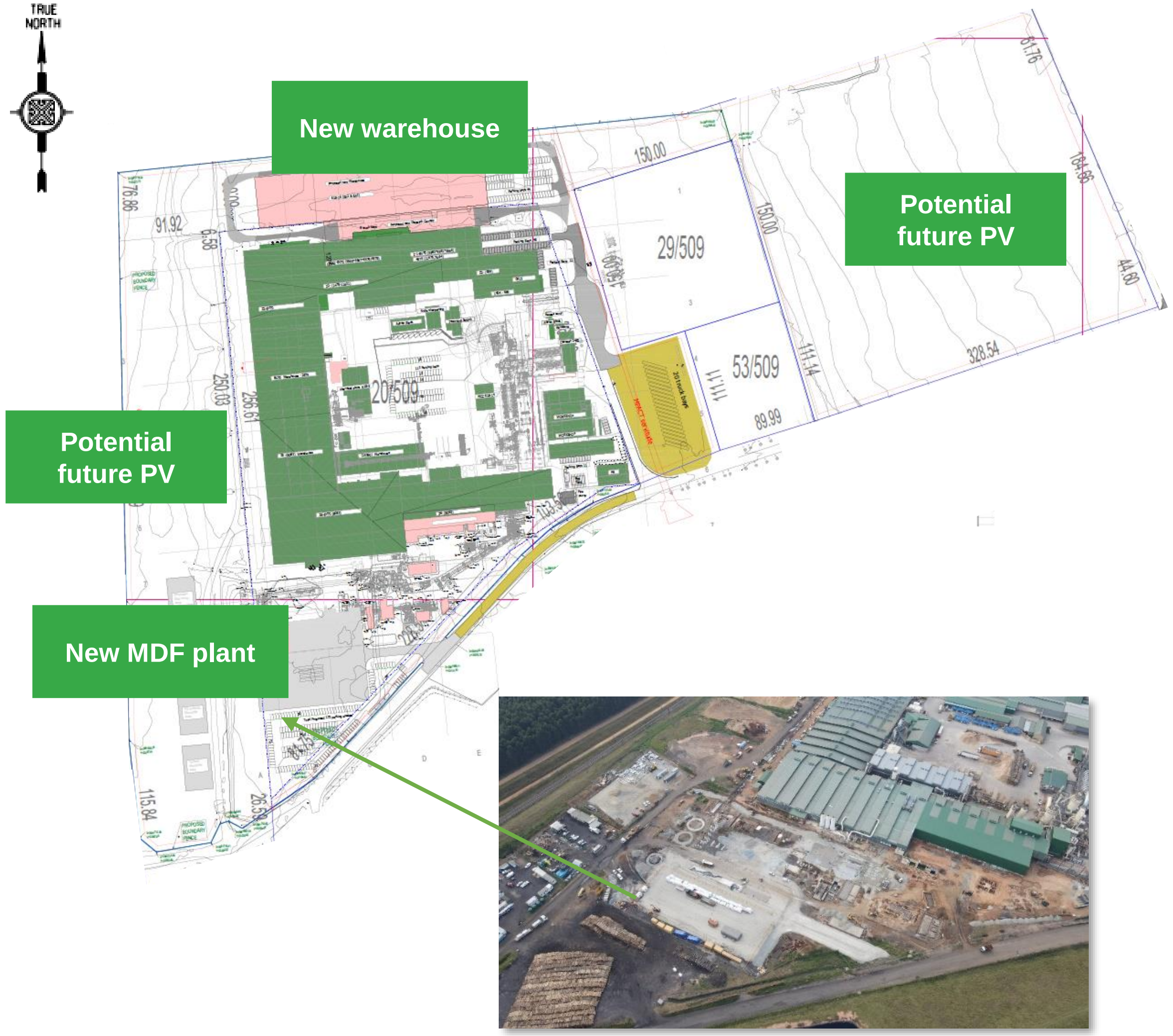
MDF plant project



Engineering/technical design

- Press
  - German ContiRoll® press
  - Fourth ContiPress® continuous press installation supplied by Siempelkamp for PG Bison
  - Press can produce low-, medium- and high-density fibreboard (new market potential)
- Drier and energy plant
  - 38 MW biomass energy plant supplied by Büttner (part of the Siempelkamp group)
- In-house project team fabricating R75 million of the steelworks and equipment
- Installation and commissioning work carried out by SGS (Austria), SA contractors and PG Bison’s project team, under supervision of Siempelkamp project managers

Q&A

Thank you

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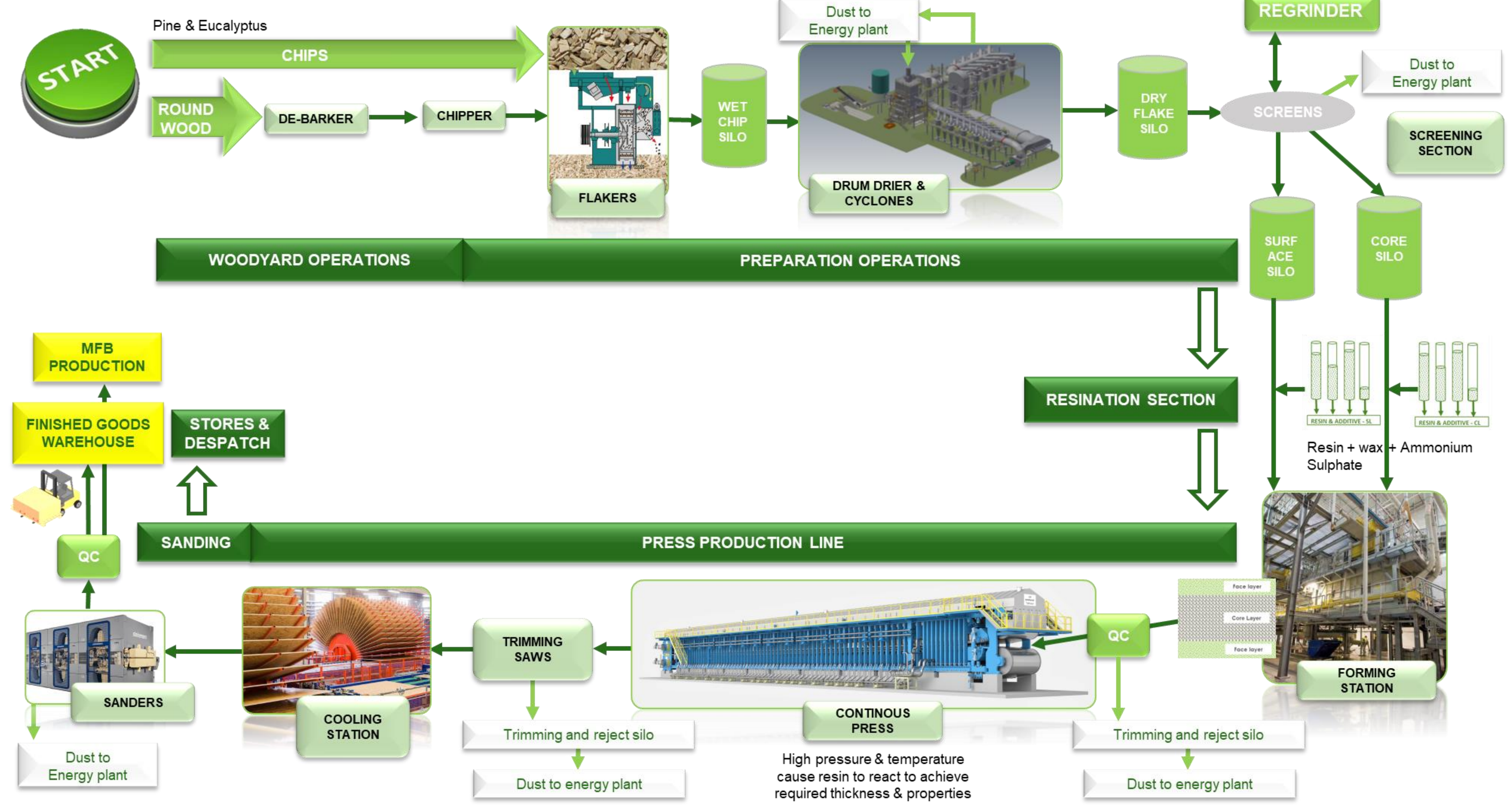
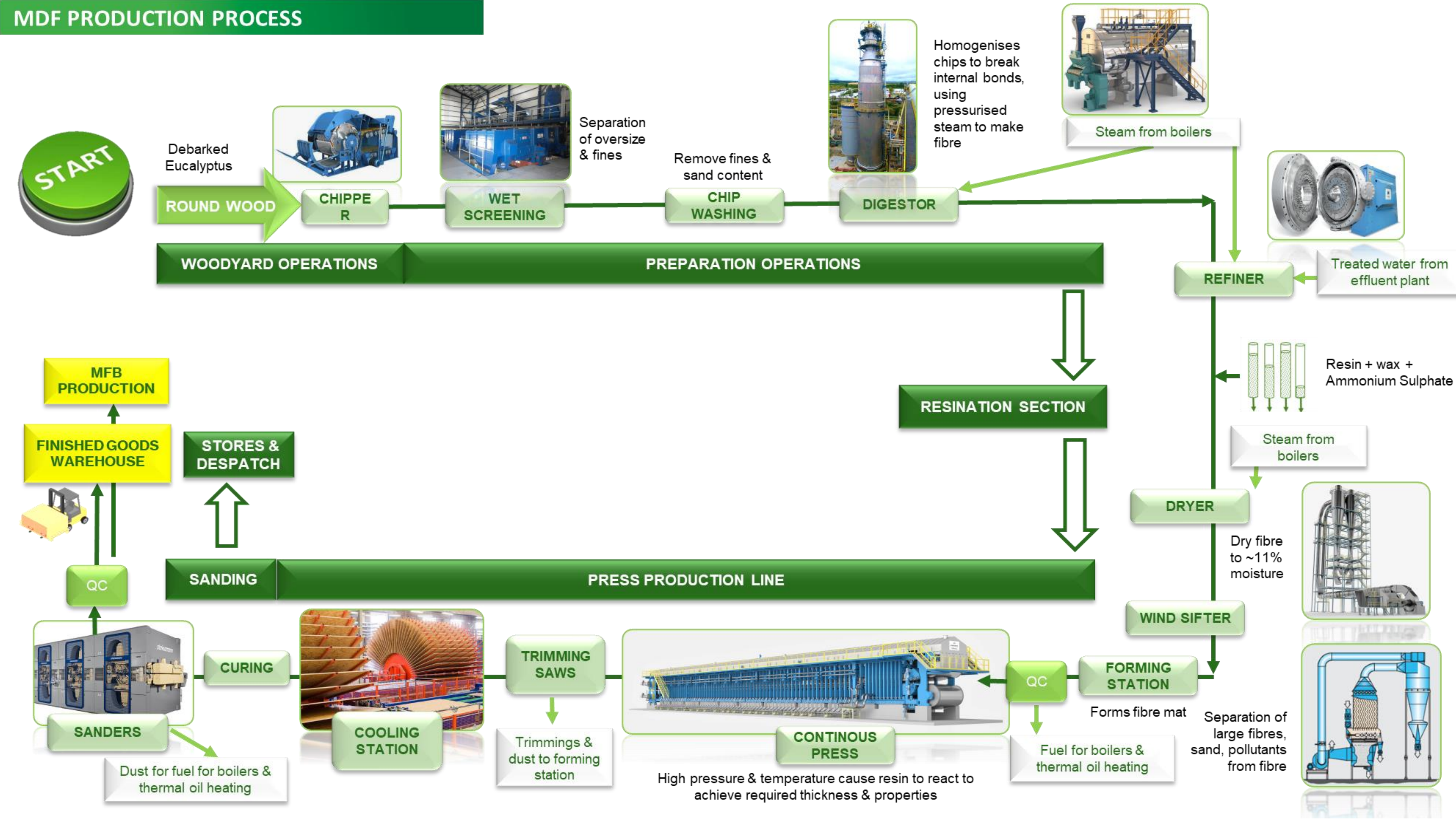
RESPONSIBLY MANAGED FIBRE SOURCES

PROUDLY SOUTH AFRICAN

Appendices

PARTICLEBOARD PRODUCTION PROCESS





MDF PRODUCTION PROCESS
START
Debarked Eucalyptus
ROUND WOOD
CHIPPE R
WET SCREENING
Separation of oversize & fines
Remove fines & sand content
CHIP WASHING
Homogenises chips to break internal bonds, using pressurised steam to make fibre
DIGESTOR
Steam from boilers
REFINER
Treated water from effluent plant
WOODYARD OPERATIONS
PREPARATION OPERATIONS
RESINATION SECTION
Resin + wax + Ammonium Sulphate
Steam from boilers
DRYER
Dry fibre to ~11% moisture
WIND SIFTER
Separation of large fibres, sand, pollutants from fibre
FORMING STATION
Forms fibre mat
QC
Fuel for boilers & thermal oil heating
CONTINOUS PRESS
High pressure & temperature cause resin to react to achieve required thickness & properties
TRIMMING SAWS
Trimmings & dust to forming station
COOLING STATION
CURING
SANDERS
Dust for fuel for boilers & thermal oil heating
QC
SANDING
PRESS PRODUCTION LINE
STORES & DESPATCH
FINISHED GOODS WAREHOUSE
MFB PRODUCTION