BEING THE CHANGE

AUDITED RESULTS

FOR THE YEAR ENDED 30 JUNE 2023



INTRODUCTION	Patrick Quarmby
OPERATIONAL REVIEW	Gary Chaplin
FINANCIAL REVIEW	Frans Olivier
GROUP OUTLOOK	Gary Chaplin
Q&A	Gary Chaplin/Frans Olivier

INTRODUCTION

PATRICK QUARMBY

INDEPENDENT NON-EXECUTIVE CHAIRPERSON

OPERATIONAL REVIEW

GARY CHAPLIN
CHIEF EXECUTIVE OFFICER

SALIENT FEATURES OF THE FY23 RESULTS

Lowlights

- Domestic demand lower than expected, particularly in 3Q FY23, impacting sales volumes and margins
- Raw material and operating cost escalations continued, impacting margins
- Globally, polymer raw material margins declined following post-pandemic spike in prior year
- Poorer performances by Safripol and Unitrans
- Increased finance costs, mainly due to rate increases
- Impairment of Unitrans' intangible assets

Highlights

- Exports supplemented domestic sales, enabling production efficiencies and normalising inventories
- Sales price increases recovered raw material cost escalations
- Rationalisation and restructuring activities in Restonic and Feltex largely concluded, in progress in Unitrans
- Improved performances by PG Bison, Restonic and Feltex
- Good working capital management and cash generation
- Net debt brought back in line from half-year position

OPERATING ENVIRONMENT

Continued political instability and uncertainty, both in South Africa and globally

Subdued South African macroeconomic environment with higher inflation and interest rates, and generally softer consumer demand

Global supply chains settling at a new normal

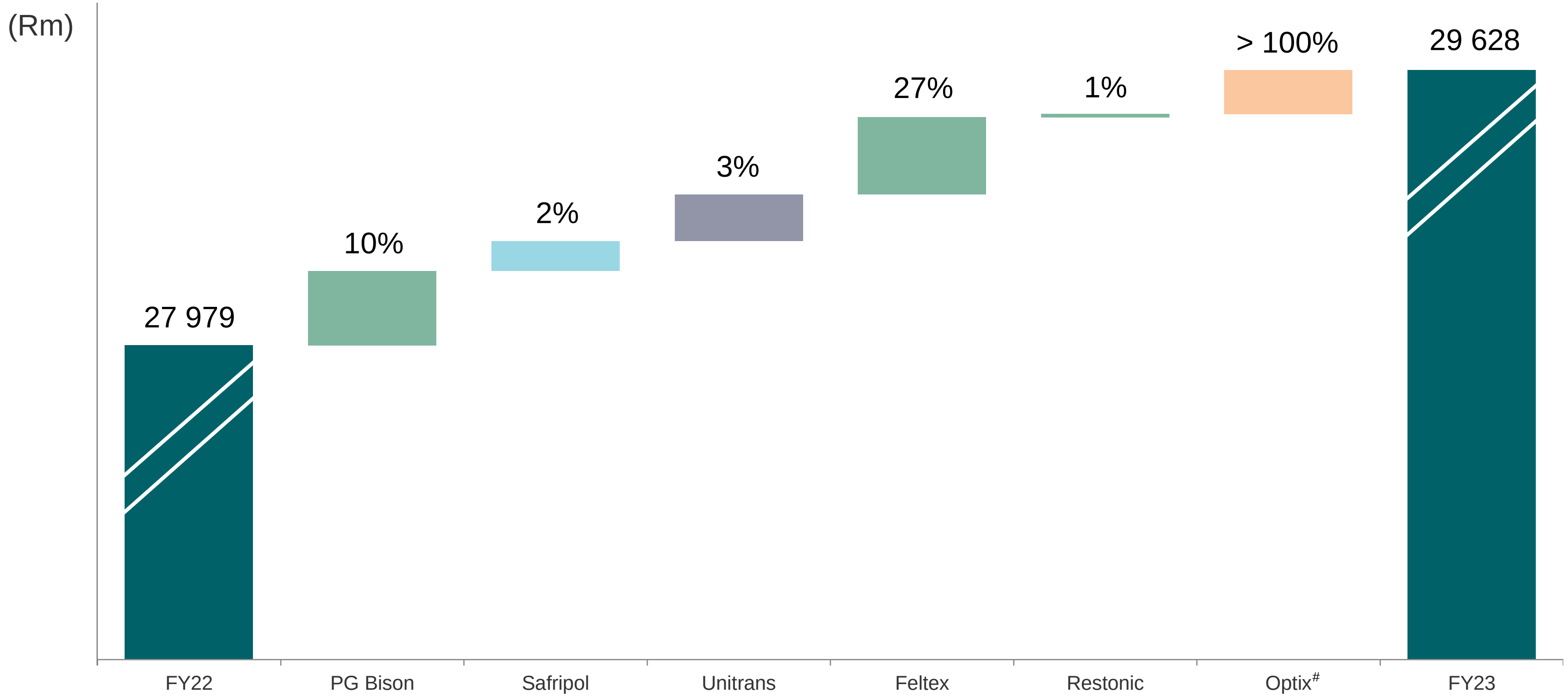
Commodity prices remain volatile, but at a slower pace

Rand/US dollar exchange rate volatility and weakness

Escalated electricity supply and other infrastructure disruptions

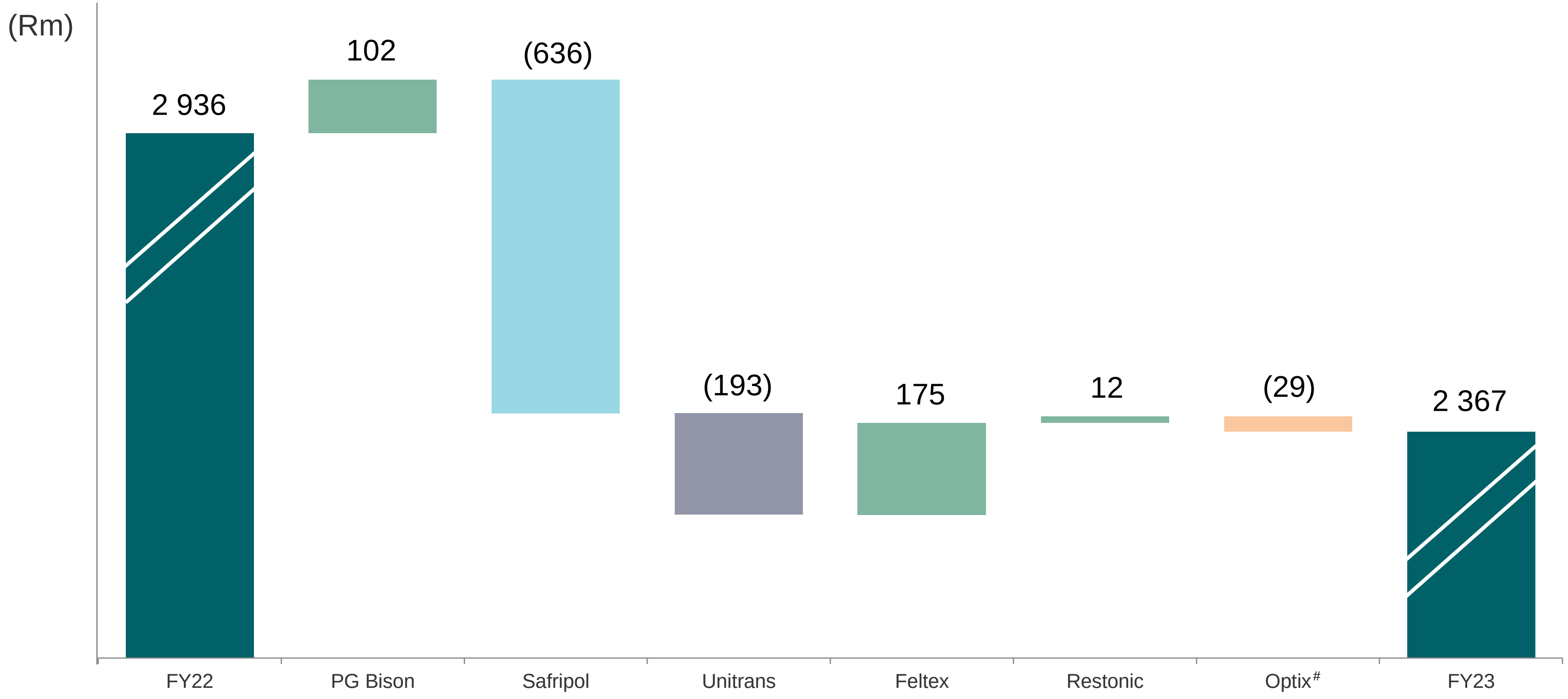
- Our exposure to different sectors generally provides a degree of resilience through economic cycles
- Structural challenges in the South African economy increasingly affecting all our divisions

GROUP REVENUE ANALYSIS*



* From continuing operations
# DriveRisk was acquired on 1 December 2021. The group changed the name of the DriveRisk division to Optix during the year.
Percentages stated represent the divisional growth in revenue.

GROUP OPERATING PROFIT ANALYSIS*



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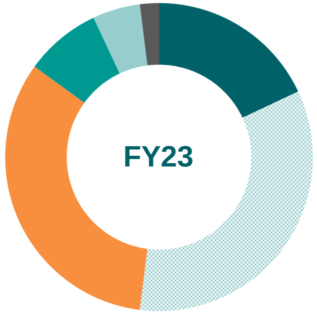
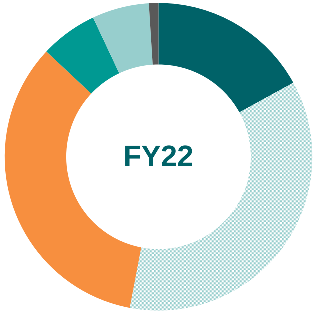
DriveRisk was acquired on 1 December 2021. The group changed the name of the DriveRisk division to Optix during the year.

SEGMENTAL ANALYSIS

Revenue*

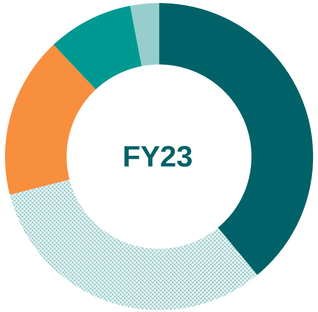


- PG Bison – **18%**
- Safripol – **34%**
- Unitrans – **33%**
- Feltex – **8%**
- Restonic – **5%**
- Optix – **2%**

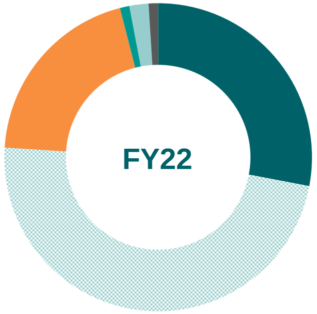


- PG Bison – **17%**
- Safripol – **36%**
- Unitrans – **34%**
- Feltex – **6%**
- Restonic – **6%**
- Optix – **1%**

Operating profit



- PG Bison – **39%**
- Safripol – **32%**
- Unitrans – **17%**
- Feltex – **9%**
- Restonic – **3%**
- Optix – **0%**



- PG Bison – **28%**
- Safripol – **48%**
- Unitrans – **20%**
- Feltex – **1%**
- Restonic – **2%**
- Optix – **1%**

* Before intersegmental eliminations

PG BISON

Good performance supported by competitive positioning and increased capacity

Revenue	Operating profit	Operating margin
R5 349 million	**R933 million**	**17.4%**
up 10%	up 12%	from 17.0%

- Robust domestic demand in 1H23, softened in the third quarter as the frequency of loadshedding beyond Stage 4 increased
- Production capacity 14% higher following Mkhondo particleboard expansion in March 2022
- Raw board production increased by 6%, with plants operating near capacity
- Total sales volumes increased by 7%; domestic sales declined by 2% and export sales increased from 11% to 18% of total sales (primarily non-upgraded product at lower margin)
- Value-added sales volumes 3% lower due to softer domestic demand and reduced upgrading plant availability in 1H23
- Average selling price increases adequately offset raw material cost inflation
- Mkhondo MDF expansion remained on track and within budget

SAFRIPOL

Lower-than-expected performance largely due to PP margin contraction and softer domestic demand

Revenue	Operating profit	Operating margin
R10 310 million	**R764 million**	**7.4%**
up 2%	down 45%	from 13.8%

- Lower domestic demand, exacerbated by higher stages of loadshedding
- Total sales volumes declined slightly; 11% decline in domestic sales largely offset by exports, which increased from 9% to 19% of total sales
- Production affected by major PET plant breakdown in 1H23 and lower production to manage inventory levels in 2H23
- Operating profit declined by 45%, largely due to:
  - Increased exports, at negative margin, to turn excess inventory reported in 1H23 into cash
  - Materially lower PP index margins as US/Western Europe margins declined following post-pandemic spike in FY22
  - Lost sales, higher operating costs and margin impact resulting from plant breakdown (insurance claim outstanding)
- Rand-based PET and HDPE margins relatively stable
- Operating profit margin in through-the-cycle guidance range of 7% to 9%
- Operating profit includes R216 million insurance income related to PET plant stoppages in FY22; prior year includes R91 million positive ethylene price adjustment applicable to FY21

UNITRANS

Disappointing performance following contract loss

Revenue	Operating profit	Operating margin
R10 052 million	**R385 million**	**3.8%**
up 3%	down 33%	from 5.9%

- Revenue impacted by reduced activity, but supported by cost recoveries
- Decline in operating profit largely attributable to Food and Agriculture operations:
  - Food operations impacted by early termination of a major food retail contract; in addition to lost profit, prior year included R107 million of a R125 million early termination penalty, with R18 million recognised in FY23
  - Agriculture operations impacted by severe weather (insurance claim outstanding for flooding in Mozambique)
  - Petrochemical, Mining and Passenger Transport operations performed well, largely due to increased volumes and activity
- Consolidation of the three Unitrans divisions into a single business commenced during the year
- Rationalisation and restructuring activities, as part of the consolidation process:
  - Closure of underperforming operations and contracts, which incurred operating losses of R107 million during the year, and the sale of related assets
  - Cost savings of more than R100 million identified

FELTEX

Improved performance supported by automotive sector recovery

Revenue	Operating profit	Operating margin
R2 301 million	**R211 million**	**9.2%**
up 27%	up > 100%	from 2.0%

- Good recovery in the automotive industry following disruptions in prior year:
  - Automotive assembly volumes increased by 32%
  - LCV and SUV sales increased by 16% and 27% respectively
- Price adjustments/recoveries to account for raw material cost escalations were successful
- Insurance income of R80 million related to prolonged business interruption from the April 2022 KwaZulu-Natal floods (R47 million relates to FY22, the remainder to FY23)
- Despite improved volumes, OEM offtake remained inconsistent, introducing operational complexity and negatively impacting operating profit margin
- OEM offtake has since stabilised and industry automotive assembly volumes expected to further recover in FY24, per NAAMSA forecasts

RESTONIC

Initial benefits from restructuring of operations realised

Revenue	Operating profit	Operating margin
R1 632 million	**R81 million**	**5.0%**
up 1%	up 17%	from 4.3%

- Consumer demand weaker than prior year:
  - Impact of higher interest rates and inflation
  - Retail trade disruption due to loadshedding
- Bedding unit sales volumes down 7% and foam and textile sales volumes, key inputs to the bedding and furniture manufacturing industry, down 9% and 5% respectively
- Selling price increases adequately offset raw material cost escalations, but subject to retail price-point inelasticity
- Restructuring of operations to focus on more profitable products and markets, improved efficiencies and reduced costs supported performance, further benefits expected in FY24
- While an improved performance, this remains below our expectation

FINANCIAL REVIEW

FRANS OLIVIER

CHIEF FINANCIAL OFFICER

SALIENT FEATURES OF THE FY23 RESULTS

Revenue
up 6% to R29.7 billion

EBITDA
down 11% to R3.9 billion

Operating profit
down 19% to R2.4 billion

Operating profit margin
down 250 bps to 8.0%

Headline earnings per share
down 43% to 42.7 cents

Earnings per share
down 76% to 16.7 cents

Cash generated from operations
down 5% to R3.9 billion

R2.2 billion working capital
released from 31 December 2022

Expansion capex
of R1.3 billion

Net debt
up R568 million to R8 billion

Financial covenants remain within internal target levels

No dividend declared

Revenue, EBITDA, operating profit, operating profit margin, headline earnings and earnings per share from continuing operations

FINANCIAL ANALYSIS

Income statement

From continuing operations	FY23 Rm	FY22 Rm	Variance
Revenue	**29 628**	27 979	6%
EBITDA	**3 864**	4 340	(11%)
Depreciation and amortisation	**(1 497)**	(1 404)	7%
Capital items	**(816)**	(109)	
Operating profit	**1 551**	2 827	(45%)
Net finance costs	**(794)**	(499)	59%
Associate companies and joint ventures	**39**	19	
Taxation	**(310)**	(578)	
Minorities	**(72)**	(20)	
Earnings attributable to owners of the parent	**414**	1 749	(76%)
Add back capital items net of taxation	**642**	102	
Headline earnings	**1 056**	1 851	(43%)
Weighted average number of ordinary shares (m)	**2 475**	2 487	
Headline earnings per share (cents)	**42.7**	74.4	(43%)

Price increases offset raw material cost escalations

Insurance income of R343 million:
– Safripol R216 million
– Feltex R80 million
– Unitrans R33 million

Safripol ethylene price adjustment of R91 million in prior year

Unitrans termination penalty of R18 million (FY22: R107 million)

Impairment of Unitrans' intangible assets

Increased net finance costs mainly relating to higher interest rates

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FINANCIAL ANALYSIS

Capital items

	Unitrans Rm	Other Rm	**FY23 Gross Rm**	**FY23 Net* Rm**
Impairments	787	26	**813**	**641**
Goodwill	51	–	**51**	**51**
Trademarks	662	–	**662**	**519**
Property, plant and equipment	74	23	**97**	**69**
Other	–	3	**3**	**2**
Loss on disposal of property, plant and equipment	38	10	**48**	**35**
Insurance income	(28)	(17)	**(45)**	**(34)**
Total capital items	797	19	**816**	**642**

R713 million non-cash impairments of trademarks and goodwill relating to Unitrans

- South Africa's muted economic growth outlook
- Structural changes in industry
- Loss of a major contract

Impairment of Unitrans' logistic assets by R74 million

* Net is the value after the impact of taxation and non-controlling interests' portion of capital items

FINANCIAL ANALYSIS

Tax rate reconciliation

From continuing operations	FY23 %	FY22 %
Statutory tax rate	**27.0**	28.0
Impairment of goodwill and intangible assets	**6.2**	0.9
Change in corporate tax rate*	**–**	(3.9)
Government grants (including 12I tax allowances)	**–**	(2.9)
Withholding taxes	**2.6**	0.6
Net fair value loss on equity derivatives	**2.4**	–
Other	**0.7**	1.9
Effective tax rate	**38.9**	24.6

Impairment of goodwill and intangible assets of R704 million

In the prior year:

- Change in corporate tax rate of R91 million
- Government grants include Safripol section 12I tax allowance of R68 million

* Effect of the South African tax rate reduction to 27% on 30 June 2022 deferred tax balances

FINANCIAL ANALYSIS

Balance sheet

	30 Jun 23 Rm	30 Jun 22 Rm
Property, plant and equipment	**15 094**	14 130
Right-of-use assets	**390**	426
Intangible assets	**1 728**	2 363
Goodwill	**662**	683
Biological assets	**1 536**	1 491
Net working capital	**2 488**	2 462
Other assets	**458**	372
Assets	**22 356**	21 927
Total equity	**11 705**	11 750
Net interest-bearing liabilities	**8 027**	7 459
Other liabilities	**2 624**	2 718
Equity and liabilities	**22 356**	21 927
Net asset value per share (cents)	**461**	466

Significant investment in operating assets

Intangible assets lower due to Unitrans impairment

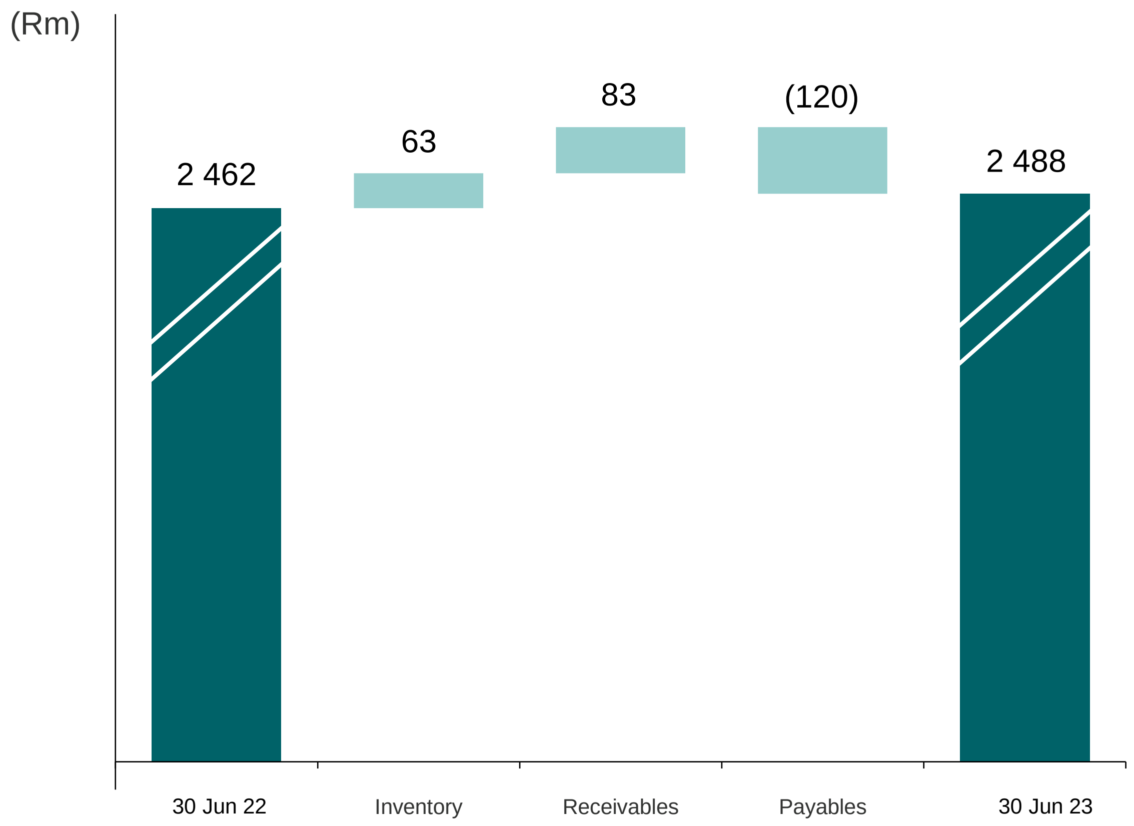
Capital work in progress of R1.5 billion (FY22: R0.8 billion)

Stable net working capital

Increase in net debt in line with scheduled completion of capital projects

FINANCIAL ANALYSIS

Working capital breakdown



Significant focus on working capital management

Inventory impacted by raw material and cost escalations, mitigated through higher inventory turn

Receivables include R258 million for insurance claims; R77 million was received after year-end

Decrease of R2.2 billion from 31 December 2022

Increased focus to optimise monthly working capital; however, December does remain seasonally higher

FINANCIAL ANALYSIS

Cash flow

	FY23 Rm	FY22 Rm
EBITDA	**3 864**	4 340
Net revaluation of biological assets	**(24)**	77
Discontinued operations	**–**	10
Other non-cash adjustments	**37**	117
Cash generated from trading	**3 877**	4 544
Working capital changes	**12**	(463)
Inventory	**(44)**	(776)
Receivables	**(3)**	(522)
Payables	**59**	835
Cash generated from operations	**3 889**	4 081
Other	**(18)**	–
Net finance costs	**(798)**	(520)
Taxation	**(467)**	(803)
Cash flow from operating activities	**2 606**	2 758
Cash conversion ratio*	**101%**	94%

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

EBITDA decreased by 11%

Continued efforts to normalise working capital throughout the year

Cash generated from operations down 5%

Net finance costs increased by 53%

Cash conversion target of 90% exceeded

FINANCIAL ANALYSIS

Cash flow (continued)

	FY23 Rm	FY22 Rm
Cash flow from operating activities	**2 606**	2 758
Investing activities	**(2 298)**	(2 736)
Expansion capex*	**(1 326)**	(1 127)
Replacement capex^	**(871)**	(1 067)
Acquisition of subsidiaries and businesses	**(37)**	(392)
Other investing activities	**(64)**	(150)
Free cash flow before dividends	**308**	22
Dividends paid	**(751)**	(394)
Shares repurchased	**–**	(310)
Other financing activities	**167**	1 647
Movement in cash and cash equivalents	**(276)**	965

Continued investment in capital projects

FY22: Acquisition of Optix (R379 million)

Free cash flow (before dividends paid) increased by R286 million

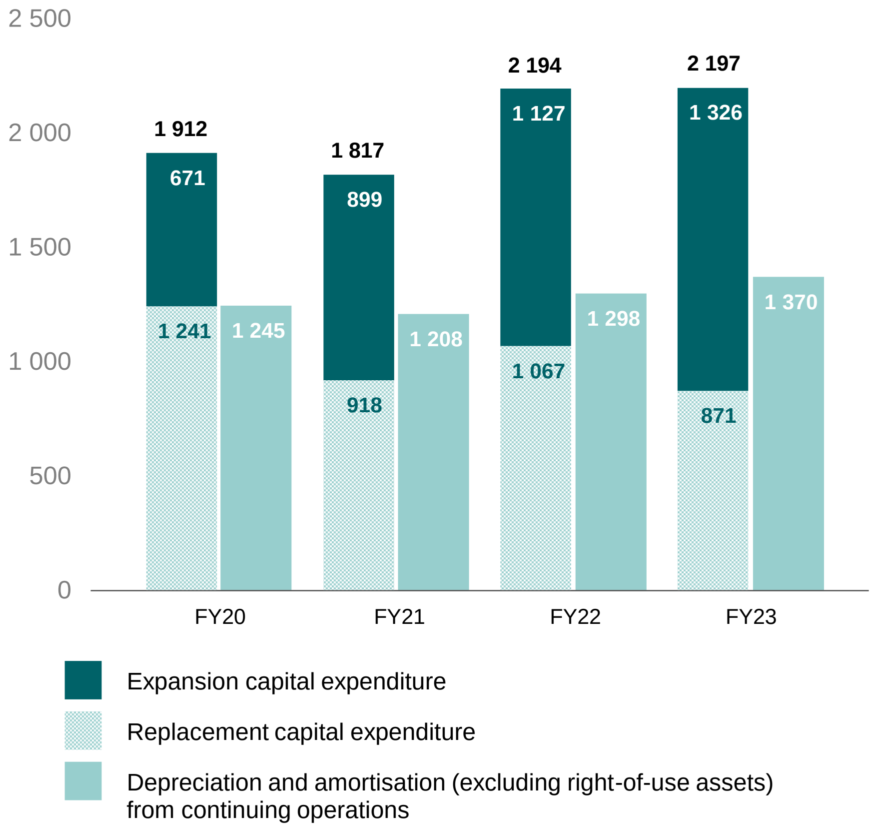
Ordinary dividend of 29 cents per share paid in relation to FY22

* Net of government grants received
^ Net of proceeds on disposal, insurance proceeds and government grants received

FINANCIAL ANALYSIS

Investment to drive growth and efficiency benefits

Capital expenditure (Rm)



Material and strategic items

PG Bison

MDF expansion of R1 875 million

FY22: R152 million
FY23: R509 million
FY24: R1 157 million*
FY25: R57 million*

To be completed by July 2024

Boksburg value-add expansion (MFB & gloss) of R197 million

Pre-FY22: R31 million
FY22: R115 million
FY23: R51 million

Gloss completed in November 2022 and MFB completed in March 2023

Safripol

HDPE conversion (replacement) of R261 million

FY22: R49 million
FY23: R122 million
FY24: R82 million*
FY25: R8 million*

To be completed by March 2024

Photovoltaic (10MW PV) project of R174 million

FY22: R112 million
FY23: R39 million
FY24: R23 million*

PV plant completed in June 2023; substations to be completed by October 2023

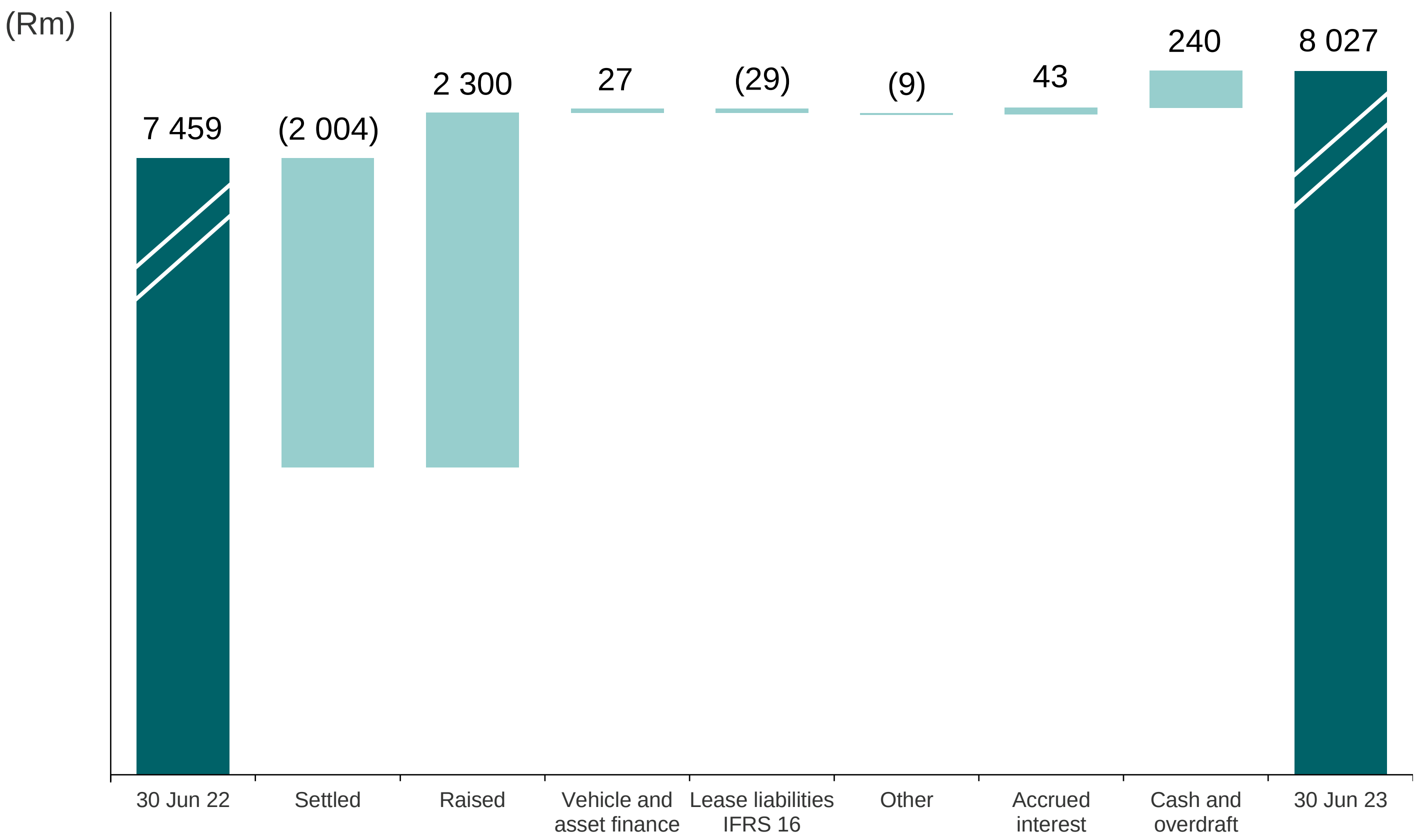
Unitrans

Replacement of	Expansion of	Total
R386 million	R224 million	R610 million

* Estimated

TREASURY ACTIVITY

Movement in net interest-bearing debt



Investing activities of R2.3 billion

Dividends of R751 million paid in relation to FY22

Decrease of R1.9 billion since 31 December 2022

TREASURY ACTIVITY

Significant debt funding activities for the year

The following significant funding activities were concluded during the year:

Corporate bonds issued with three-year tenures:

- KAP026 – Listed: R340 million
- KAP028 – Listed: R600 million

Corporate bonds issued with five-year tenures:

- KAP027 – Listed: R660 million
- KAP029 – Listed: R200 million

Corporate bonds settled at maturity:

- KAP011 – Listed: R448 million
- KAP012 – Listed: R1 056 million

Large maturities intentionally replaced by smaller, more frequent issuances

Bonds issued:
R1 800 million

Bonds settled:
R1 504 million

Global Credit Rating confirmed KAP's rating as A+(za) with a stable outlook (November 2022)

TREASURY ACTIVITY

Debt serviceability ratios

	30 Jun 23	30 Jun 22
Gross interest-bearing debt (Rm)	**9 480**	9 189
Net interest-bearing debt (Rm)	**8 027**	7 459
Equity excluding non-controlling interest (Rm)	**11 428**	11 531
Gearing (net debt:equity)	**70%**	65%
Net debt: EBITDA (times)	**2.1**	1.7
EBITDA: interest cover (times)	**4.5**	8.2

Net debt: EBITDA target < 2.5 times

EBITDA: interest cover target > 4.5 times

Funding structure

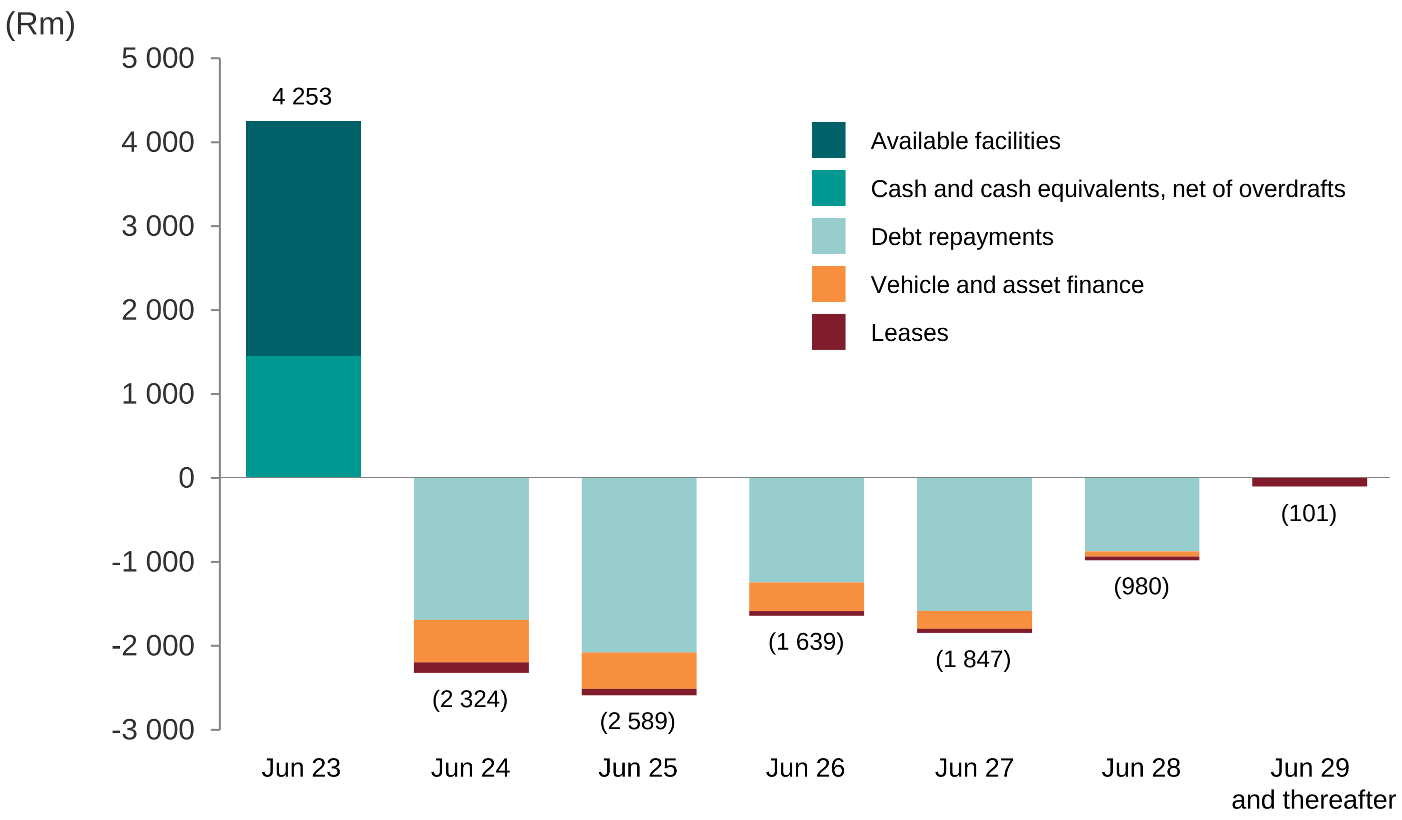
- Listed notes – **64%**
- Banks and financial institutions – **24%**
- Unutilised facilities – **8%**
- Lease liabilities – **4%**

Fixed vs floating interest rate funding

- Floating interest rate funding – **95%**
- Fixed interest rate funding – **5%**

TREASURY ACTIVITY

Net interest-bearing debt maturity as at 30 June 2023



Maturities for FY24 will be refinanced

GROUP OUTLOOK

GARY CHAPLIN

CHIEF EXECUTIVE OFFICER

GROUP OUTLOOK

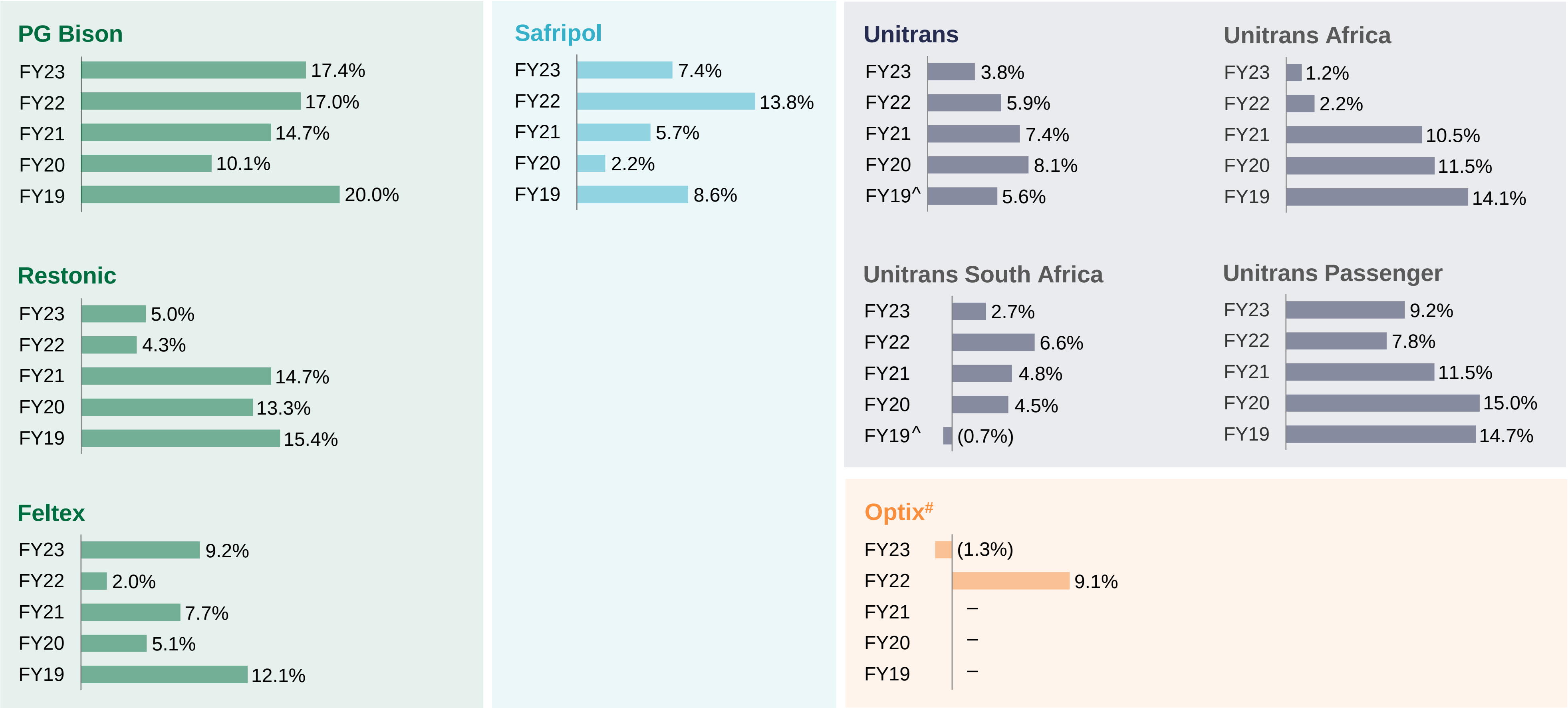
- Current challenging macroeconomic environment expected to persist
- Our divisions will focus on:
  - Domestic market share gains and further growth in export markets, at favourable margins
  - Further price adjustments required to recover cost escalations
  - Targeted cost reductions
  - Continued optimisation of working capital
  - Curtailment of non-essential capital expenditure
  - Discontinuation of underperforming activities and disposal of low-return assets
  - Finalisation of insurance claims
- Additionally, we are committed to successfully executing the following material items:
  - Rationalisation and restructuring of Unitrans with more than R100 million cost savings identified
  - Completion of major capital projects, the largest being PG Bison's new Mkhondo MDF plant (33% increase in capacity with commissioning planned for July 2024)
- Continued review and optimisation of our portfolio
- The above reflect the key priorities of management, which include improving returns and lower debt


Q&A
Ear protectors


APPENDIX

GROUP MARGIN ANALYSIS*

KAP operating profit margin decreased 250 bps to 8%



* From continuing operations

^ Including cost of R194 million relating to the Unitrans B-BBEE transaction

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