UNAUDITED RESULTS

FOR THE
SIX MONTHS ENDED
31 DECEMBER 2023

INTRODUCTION	Patrick Quarmby
RESULTS OVERVIEW AND OPERATIONAL REVIEW	Gary Chaplin
FINANCIAL REVIEW	Frans Olivier
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INTRODUCTION

PATRICK QUARMBY

INDEPENDENT NON-EXECUTIVE CHAIRPERSON

RESULTS OVERVIEW AND OPERATIONAL REVIEW

GARY CHAPLIN

CHIEF EXECUTIVE OFFICER

KEY TAKEAWAYS FROM THE 1H24 RESULTS

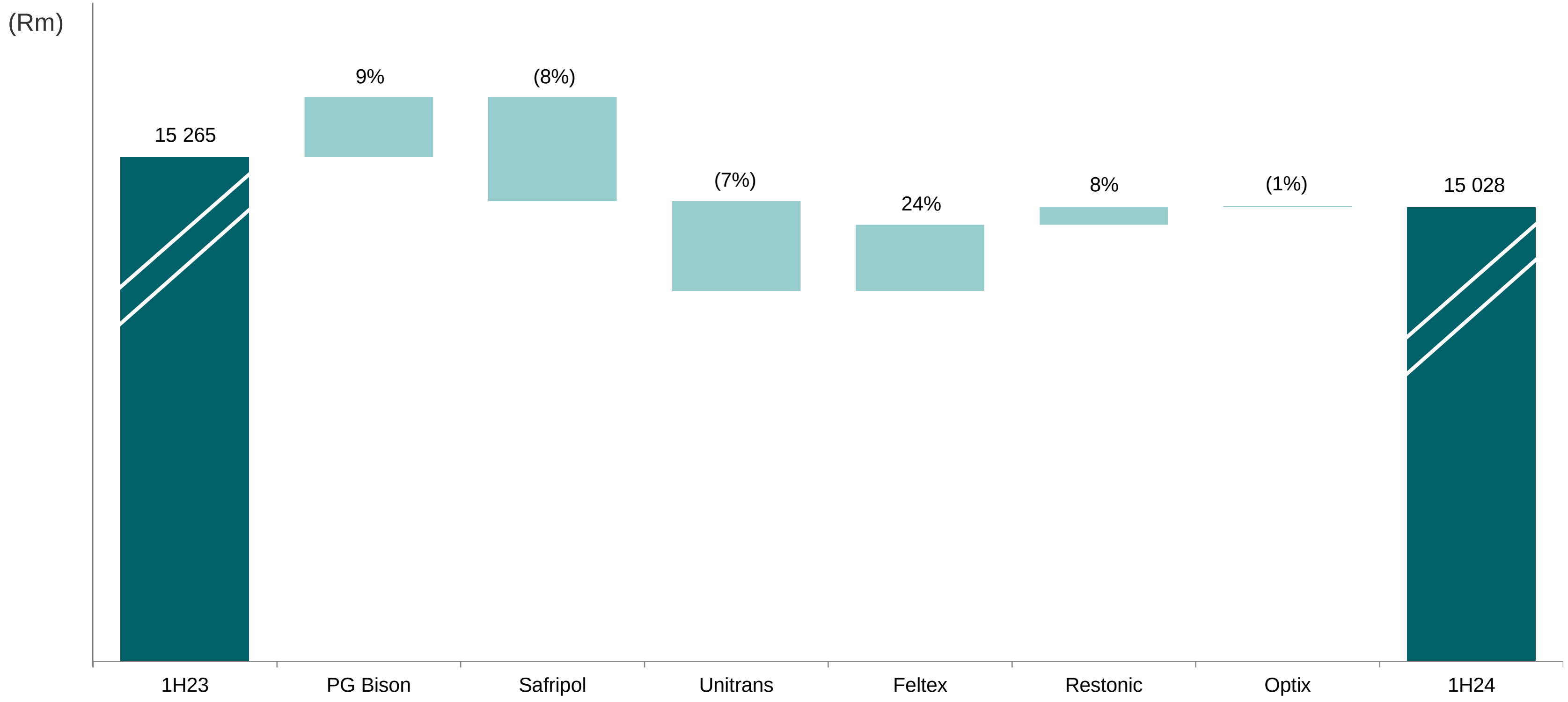
Lowlights

- Challenging macroeconomic and operating environment influenced our performance
  - ›› Weakness in the global chemical sector
  - ›› Elevated inflation and interest rates
  - ›› Infrastructure disruptions
  - ›› Softer consumer demand
- Materially lower polymers raw material margins
- Disappointing performance by Safripol
- Slower than expected recovery in Unitrans
- Higher finance costs, mainly due to interest rate increases

Highlights

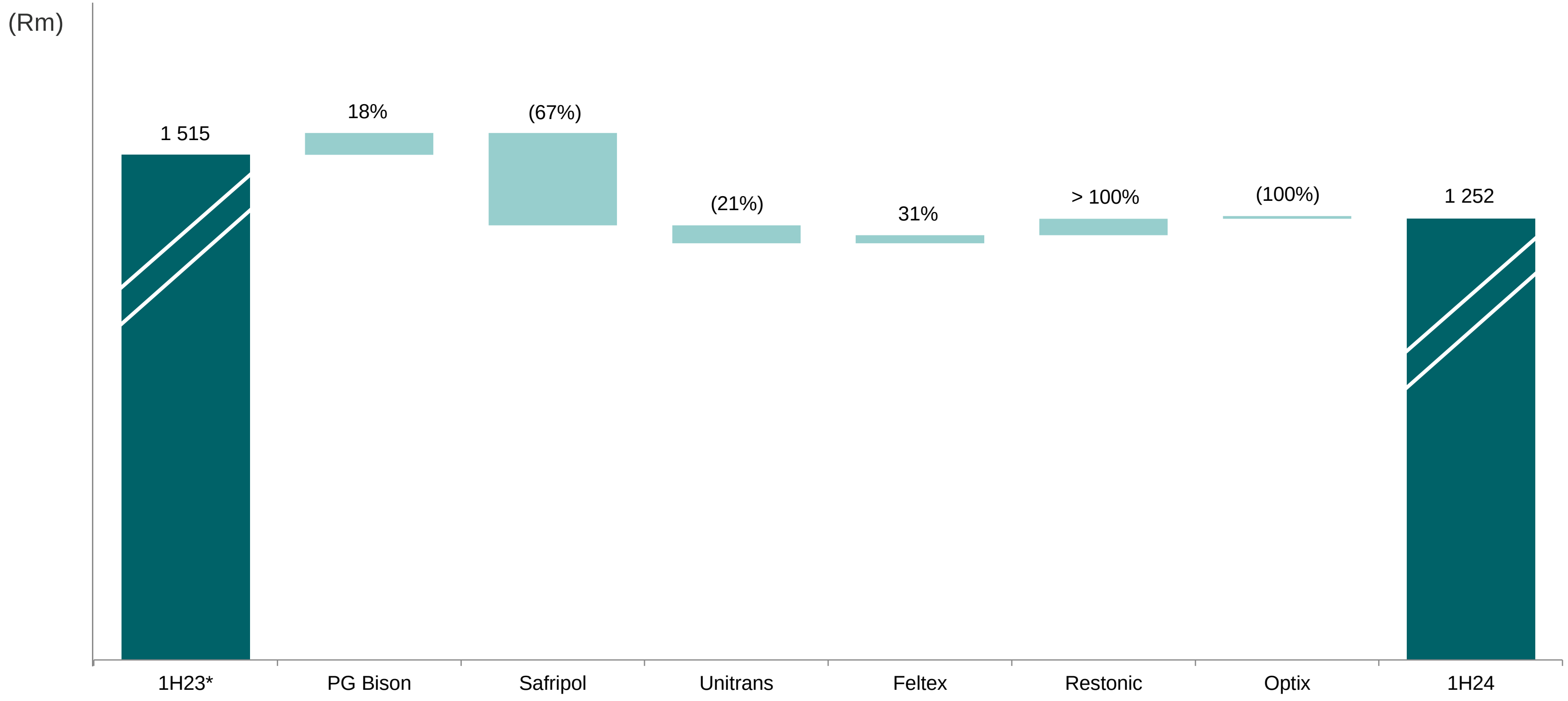
- Domestic market share gains and entry into new export markets supported revenue growth for some divisions
- Sales price increases recovered cost escalations
- Cost savings, restructuring activities and efficiency improvements contributed to higher operating margins for some divisions
- Good progress made with the initial phase of the Unitrans restructuring
- New Unitrans CEO appointed, effective 1 January 2024
- Pleasing performances by PG Bison, Restonic and Feltex
- Working capital improvement and cash generation supported net debt reduction from prior period

GROUP REVENUE ANALYSIS



Percentages stated represent the divisional growth in revenue

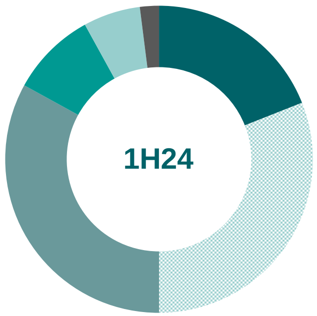
GROUP OPERATING PROFIT ANALYSIS



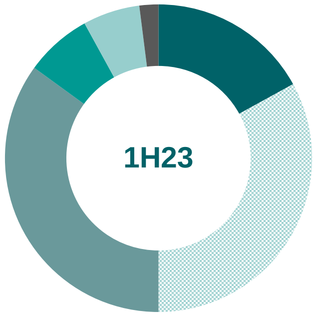
* Restated
Percentages stated represent the divisional growth in operating profit

SEGMENTAL ANALYSIS

Revenue^

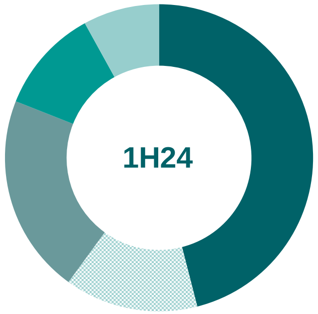


- PG Bison – **19%**
- Safripol – **31%**
- Unitrans – **33%**
- Feltex – **9%**
- Restonic – **6%**
- Optix – **2%**

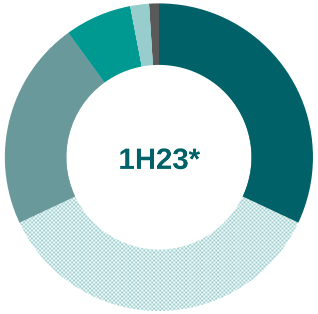


- PG Bison – **17%**
- Safripol – **33%**
- Unitrans – **35%**
- Feltex – **7%**
- Restonic – **6%**
- Optix – **2%**

Operating profit



- PG Bison – **46%**
- Safripol – **14%**
- Unitrans – **21%**
- Feltex – **11%**
- Restonic – **8%**
- Optix – **0%**



- PG Bison – **32%**
- Safripol – **36%**
- Unitrans – **22%**
- Feltex – **7%**
- Restonic – **2%**
- Optix – **1%**

^ Before intersegmental eliminations
* Restated

PG BISON

Good performance supported by increased value-add sales and higher exports

Revenue	Operating profit	Operating margin
R2 896 million	**R575 million**	**19.9%**
up 9%	up 18%	from 18.4%

- Stable domestic demand for particleboard; softened towards the end of the period
- Domestic demand for medium-density fibreboard (‘MDF’) was good, outstripping available supply
- Sales volumes increased by 3%, with higher particleboard exports offsetting lower domestic sales
- Exports made up 20% of sales volumes, supported by development of new markets (1H23: 11%)
- Value-add 66% of sales volumes due to increased upgrading plant availability and demand-creation activities (1H23: 62%)
- Operating margin underpinned by a sales price increase to recover cost inflation, higher value-add sales, technology-driven improvements and biological asset revaluation of R28 million (1H23: R10 million devaluation)
- Operating margin within our long-term guidance of 18% to 20%
- Mkhondo MDF expansion on track and within budget (commissioning in 2H24, commercial production in July 2024), which will result in a 33% increase in the division’s capacity

SAFRIPOL

Disappointing performance due to weaker polymer margins

Revenue	Operating profit	Operating margin
R4 744 million	**R178 million**	**3.8%**
down 8%	down 67%	from 10.6%

- Sales volumes stable, with 6% higher domestic sales offsetting lower exports
- Exports reduced from 14% to 9% of sales volumes due to:
  - ›› Global PET price weakness
  - ›› Plant capacity constraints; HDPE and PP affected by electricity disruptions, PP also by a transformer failure
- Good PET production curtailed for five weeks to balance production with domestic demand and balance working capital levels
- Operating profit 67% lower, largely due to lower PET and PP raw material margins, with HDPE raw material margins stable
- Operating margin below through-the-cycle guidance range of 7% to 9%
- 1H23 restatement (relating to a raw material cost overcharge) resulted in an increase of R94 million in prior period operating profit

UNITRANS

Performance affected by a subdued market and non-recurring items

Revenue	Operating profit	Operating margin
R5 072 million	**R264 million**	**5.2%**
down 7%	down 21%	from 6.2%

- Subdued operating environment, elevated inventory across various sectors
- Good progress with initial phase of restructuring, however, other than a positive balance sheet impact, not yet reflected in profitability due to related non-recurring costs
- Revenue lower due to:
  - Exit of low margin and return activities
  - Loss of major contract in FY22 (one month included in the prior period)
- Decline in operating profit largely attributable to:
  - Costs associated with closure of low margin, low return activities, including retrenchment costs (R30 million)
  - Foreign exchange losses of R43 million due mainly to devaluation of the Malawian kwacha in November 2023
- Operating margin below long-term guidance of 8% to 10%

UNITRANS

Restructuring for improved performance

- Context to Unitrans' historical underperformance
  - ›› Major subsidiary of KAP, c. R10 billion revenue and c. R6 billion net assets
  - ›› Historical performance unsatisfactory, margins and ROCE below target of 8% to 10% and > 16% respectively
  - ›› Structural changes in select sectors and misaligned cost structures following contract loss
- Three-step process to improving Unitrans' performance
  1. Consolidate Unitrans South Africa, Africa and Passenger, restructure and rightsize the operations, which entails
     - Exiting low return activities, disposing of underutilised assets, and rationalising infrastructure
     - Organisational redesign, leveraging technology
     - Aligning cost structures with activity levels
     - Applying stringent capital allocation criteria
  2. Increase the division's focus on providing end-to-end solutions
     - Centralised business development capability to design client solutions
  3. Pursue growth, as a rightsized business, at the required margins and returns
     - Focus on food/consumer, agriculture, petrochemical, mining and passenger transport

UNITRANS

Restructuring for improved performance continued

- Progress with the restructuring to date, which will largely conclude in 2H24
  - ›› In FY23
    - Closed activities that incurred R107 million losses, with non-recurring restructure costs of R27 million
    - Sold underutilised assets for R296 million
  - ›› In 1H24
    - Sold underutilised assets for R249 million
    - Capital expenditure curtailed
    - Assets redeployed for better utilisation and to reduce capital expenditure
    - Non-recurring restructure costs of R30 million
  - ›› In 2H24
    - New CEO to drive restructuring and operational and capital efficiency
    - c. R100 million of asset disposals targeted
    - Cost savings of c. R100 million targeted (c. R200 million annualised)
    - Organisational redesign with further targeted savings
    - Business development to run parallel to optimisation of existing operations

FELTEX

Solid performance supported by automotive sector recovery

Revenue	Operating profit	Operating margin
R1 370 million	**R136 million**	**9.9%**
up 24%	up 31%	from 9.4%

- Revenue increase largely due to recovery in South African vehicle assembly volumes and price adjustments related to cost escalations and contractual volume shortfalls
- South African vehicle industry recovery mixed following disruptions in the prior period, but broadly constructive for the division
  - Vehicle assembly volumes increased by 18%
  - LCV increased by 4% and SUV sales declined by 14%
- Operating margin just below long-term guidance of 10% to 12%
  - Improvement due to increased volumes, cost savings and process optimisation
  - Includes insurance income of R19 million related to business interruption following KZN floods (1H23: R50 million)

RESTONIC

Continued benefits from restructuring of operations realised

Revenue	Operating profit	Operating margin
R975 million	**R99 million**	**10.2%**
up 8%	up > 100%	from 3.8%

- Revenue increased due to higher sales volumes and price increases to recover cost escalations
- Consumer demand weaker than prior year
  - ›› Impact of higher interest rates and inflation
  - ›› Retail trade disruption due to loadshedding
- New bedding products, both at entry level and in premium categories, and concentrated sales and marketing efforts supported market share gains
- Bedding unit sales volumes up 3% and foam and textile sales volumes up 2% and 13% respectively
- Operating profit up > 100% following restructuring in FY23; focus on more profitable market segments, process efficiencies and cost savings
- Operating margin below long-term guidance of 13% to 15%


FINANCIAL REVIEW
FRANS OLIVIER
CHIEF FINANCIAL OFFICER

SALIENT FEATURES OF THE 1H24 RESULTS

Revenue
down 2% to R15.0 billion

EBITDA
down 13% to R2.0 billion

Operating profit
down 17% to R1.3 billion

Operating profit margin
down 160 bps to 8.3%

Headline earnings per share
down 36% to 21.8 cents

Earnings per share
down 37% to 21.2 cents

Cash generated from operations
up > 100% to R790 million

R914 million net working capital
improvement to R3.9 billion

Expansion capex
of R1.1 billion, primarily PG Bison MDF expansion

Net interest-bearing debt
reduced by R708 million to R9.2 billion

R3 billion RCF raised to refinance facilities

No interim dividend declared

RESTATEMENT OF PRIOR PERIOD

Extract of restatement

	1H23			FY23		
	Reported Rm	Restatement Rm	Restated Rm	Reported Rm	Restatement Rm	Restated Rm
Income statement						
Operating profit before capital items	1 421	94	**1 515**	2 367	156	2 523
Operating margin (%)	9.3		**9.9**	8.0		8.5
Profit for the period	807	69	**876**	486	114	600
Balance sheet						
Inventories	3 851	(13)	**3 838**	3 474	(7)	3 467
Taxation receivable	88	(25)	**63**	50	–	50
Trade and other payables	4 241	(107)	**4 134**	5 387	(163)	5 224
Tax payable	26	–	**26**	26	42	68
Total equity	11 875	69	**11 944**	11 705	114	11 819
Per share values						
Basic earnings per share (cents)	31.1	2.8	**33.9**	16.7	4.6	21.3
Headline earnings per share (cents)	31.0	2.8	**33.8**	42.7	4.6	47.3
Net asset value per share (cents)	469	3	**472**	461	5	466

Overcharge on raw material purchases for 1 February 2022 to 30 September 2023

Discovered by Safripol in October 2023 and corrected

R183 million overcharge
- R163 million relates to FY23
- R107 million relates to 1H23

Prior period restated to correct for the error

FINANCIAL ANALYSIS

Income statement

	1H24 Rm	1H23* Rm	Variance %
Revenue	**15 028**	15 265	(2%)
EBITDA	**1 982**	2 275	(13%)
Depreciation and amortisation	**(730)**	(760)	(4%)
Operating profit before capital items	**1 252**	1 515	(17%)
Capital items	**(22)**	4	
Net finance costs	**(430)**	(358)	20%
Associate companies and joint ventures	**21**	34	
Taxation	**(239)**	(319)	
Minorities	**(57)**	(38)	
Profit attributable to owners of the parent	**525**	838	(37%)
Add back capital items net of taxation	**16**	(3)	
Headline earnings	**541**	835	(35%)
Weighted average number of ordinary shares (m)	**2 479**	2 472	
Headline earnings per share (cents)	**21.8**	33.8	(36%)

* Restated

Material decline in Safripol's performance due to weaker global polymer raw material margins

Foreign exchange loss of R43 million mainly relating to the devaluation of the Malawian kwacha

Insurance income of R35 million (1H23: R111 million)
– PG Bison R15 million
– Feltex R19 million

Increased net finance costs mainly relating to higher interest rates

FINANCIAL ANALYSIS

Balance sheet

	31 Dec 23 Rm	30 Jun 23* Rm	31 Dec 22* Rm
Property, plant and equipment	**15 556**	15 094	14 483
Right-of-use assets	**363**	390	423
Intangible assets	**1 722**	1 728	2 381
Goodwill	**661**	662	704
Biological assets	**1 565**	1 536	1 502
Net working capital	**3 861**	2 644	4 775
Other assets	**417**	458	379
Assets	**24 145**	22 512	24 647
Total equity	**12 196**	11 819	11 944
Net interest-bearing liabilities	**9 212**	8 027	9 920
Other liabilities	**2 737**	2 666	2 783
Equity and liabilities	**24 145**	22 512	24 647
Net asset value per share (cents)	**478**	466	472

Significant investment in operating assets

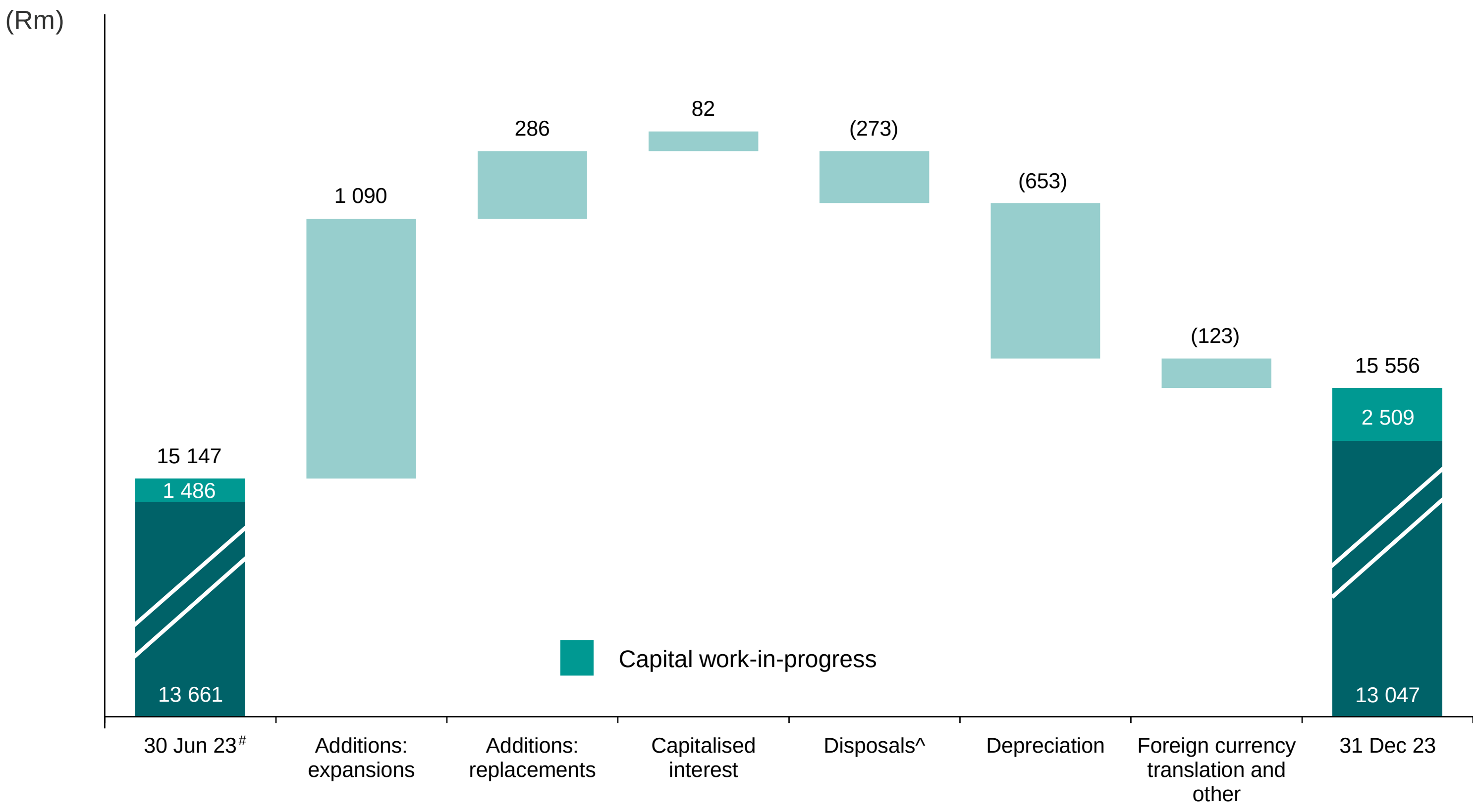
Working capital contained at normalised seasonal levels

Decrease in net interest-bearing debt

* Restated

FINANCIAL ANALYSIS

Property, plant and equipment



Includes assets held for sale

^ Net book value (proceeds on disposal of R250 million plus loss on disposal of R23 million)

Significant investment of R1.1 billion, with completion of major capital projects

R885 million of expansion capex related to PG Bison MDF project

Interest capitalised of R82 million (1H23: R21 million)

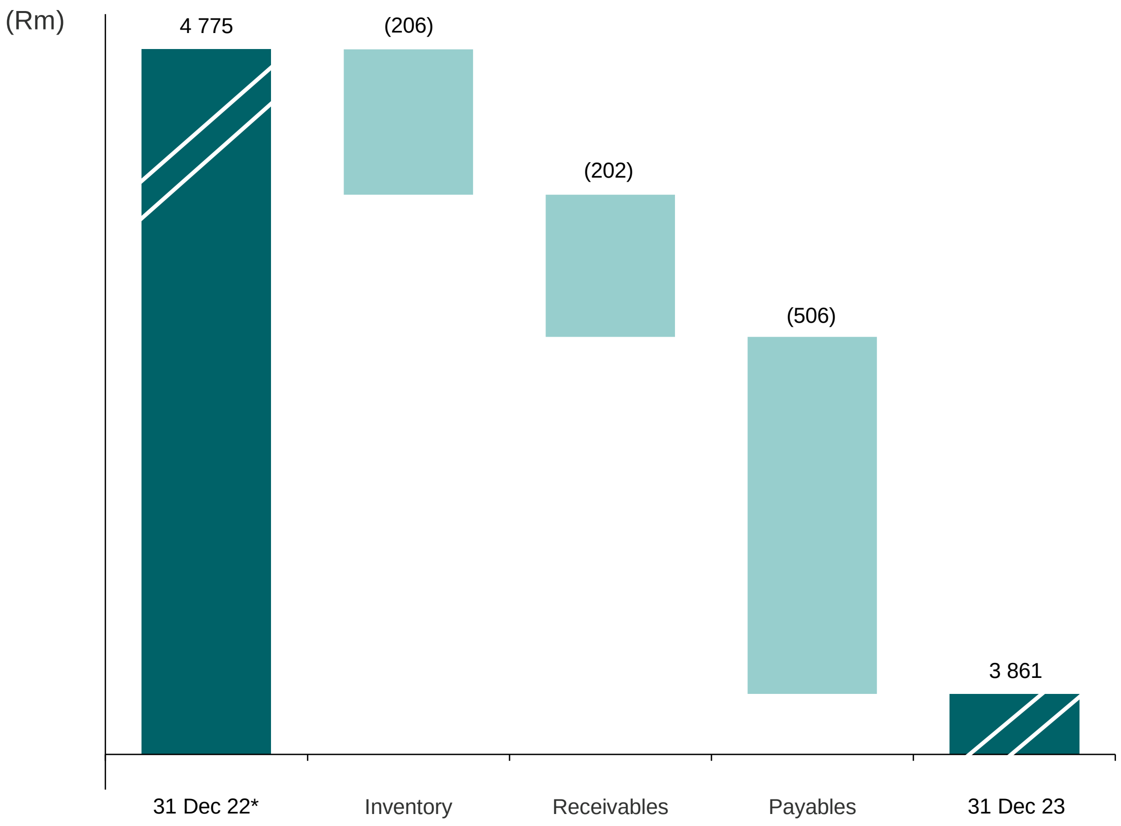
Capital work-in-progress of R2.5 billion not yet contributing to cash flows, for commissioning in 2H24

Disposal of underutilised Unitrans assets or redeployment to improve capital efficiency

Replacements well below depreciation due to low maintenance capex in manufacturing divisions and Unitrans restructure

FINANCIAL ANALYSIS

Working capital breakdown



* Restated

- Decrease of R914 million from 31 December 2022
- Significant focus on working capital management
- Aligning production and inventory levels with demand (PET five-week commercial shutdown)
- Inventory levels are more aligned with trade payables
- Debtor days outstanding remain stable
- Working capital contained at normalised levels compared to the elevated levels reported in the prior period; however, a seasonal increase from year-end
- Receivables at 30 June 2023 included R258 million for insurance claims; largely recovered

FINANCIAL ANALYSIS

Cash flow

	1H24 Rm	1H23* Rm
EBITDA	**1 982**	2 275
Net revaluation of biological assets	**(28)**	10
Other non-cash adjustments	**51**	63
Cash generated from trading	**2 005**	2 348
Working capital changes	**(1 215)**	(2 297)
Inventory	**(177)**	(420)
Receivables	**(360)**	(566)
Payables	**(678)**	(1 311)
Cash generated from operations	**790**	51
Net finance costs paid	**(516)**	(348)
Taxation	**(183)**	(278)
Cash flow from operating activities	**91**	(575)
Cash conversion ratio^	**40%**	2%

EBITDA decreased by 13%

Cash generated from operations exceeded prior period by R739 million

Net finance costs paid increased by 48%

Cash conversion expected to normalise towards year-end to achieve internal target of 90%

* Restated
^ Conversion of EBITDA to cash generated from operations

FINANCIAL ANALYSIS

Cash flow continued

	1H24 Rm	1H23 Rm
Cash flow from operating activities	**91**	(575)
Investing activities	**(1 112)**	(1 050)
Expansion capex^	**(1 090)**	(524)
Replacement capex#	**(26)**	(408)
Acquisition of subsidiaries and businesses	**–**	(67)
Other investing activities	**4**	(51)
Free cash outflow before dividends	**(1 021)**	(1 625)
Dividends paid		
Ordinary shareholders	**–**	(717)
Minorities	**(32)**	(24)
Financing activities	**346**	855
Movement in cash and cash equivalents	**(707)**	(1 511)

Capital expenditure focused on completion of major projects

Free cash outflow (before dividends paid) improved by R604 million

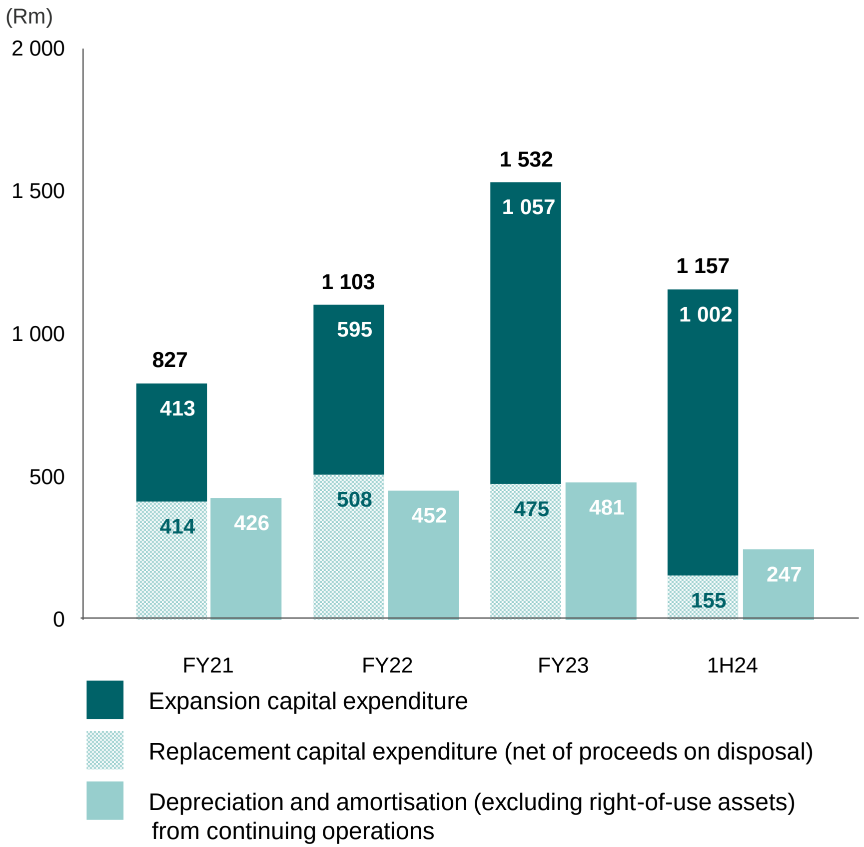
No ordinary dividend paid in relation to FY23 (FY22: 29 cents per share)

^ 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

Manufacturing capital expenditure*



* Depreciation corrected from original presentation

Material and strategic items^

PG Bison

MDF expansion

of R1 875 million

FY22: R152 million

FY23: R509 million

1H24: R885 million

2H24: R290 million#

FY25: R39 million#

To be completed by June 2024

PG Bison

Photovoltaic (10 MW PV) projects

of R128 million

FY23: R71 million

1H24: R16 million

2H24: R41 million#

To be completed by May 2024 (Boksburg and Wood Chemicals) and December 2024 (Mkhondo)

Safripol

HDPE conversion and extruder line

of R397 million

Pre-FY22: R25 million

FY22: R80 million

FY23: R193 million

1H24: R41 million

2H24: R50 million#

FY25: R8 million#

To be completed by March 2024

Feltex/Restonic

La Roche lines

of R158 million

FY22: R24 million

FY23: R130 million

1H24: R4 million

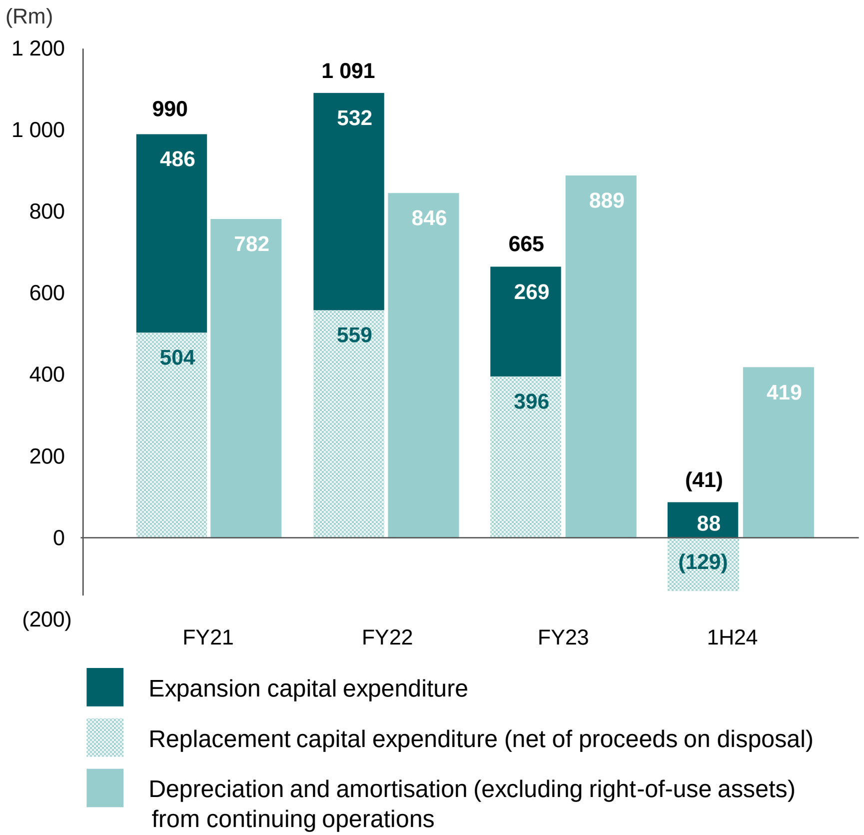
Completed in June 2023 (Feltex) and December 2023 (Restonic)

^ Excluding capitalised interest
# Estimated

FINANCIAL ANALYSIS

Investment to drive growth and efficiency benefits continued

Non-manufacturing capital expenditure*



* Depreciation corrected from original presentation

Items to highlight

Unitrans

Proceeds of	Replacement of	Expansion of	Total
R249 million	**R120 million**	**R50 million**	**R79 million inflow**
(FY23: R296 million)	(FY23: R682 million)	(FY23: R224 million)	(FY23: R610 million outflow)

Capital efficiency

– Closure of loss-making operations and disposal of related assets

– Disposal of underutilised assets

– Redeployment of assets to improve utilisation and reduce capital expenditure

Optix

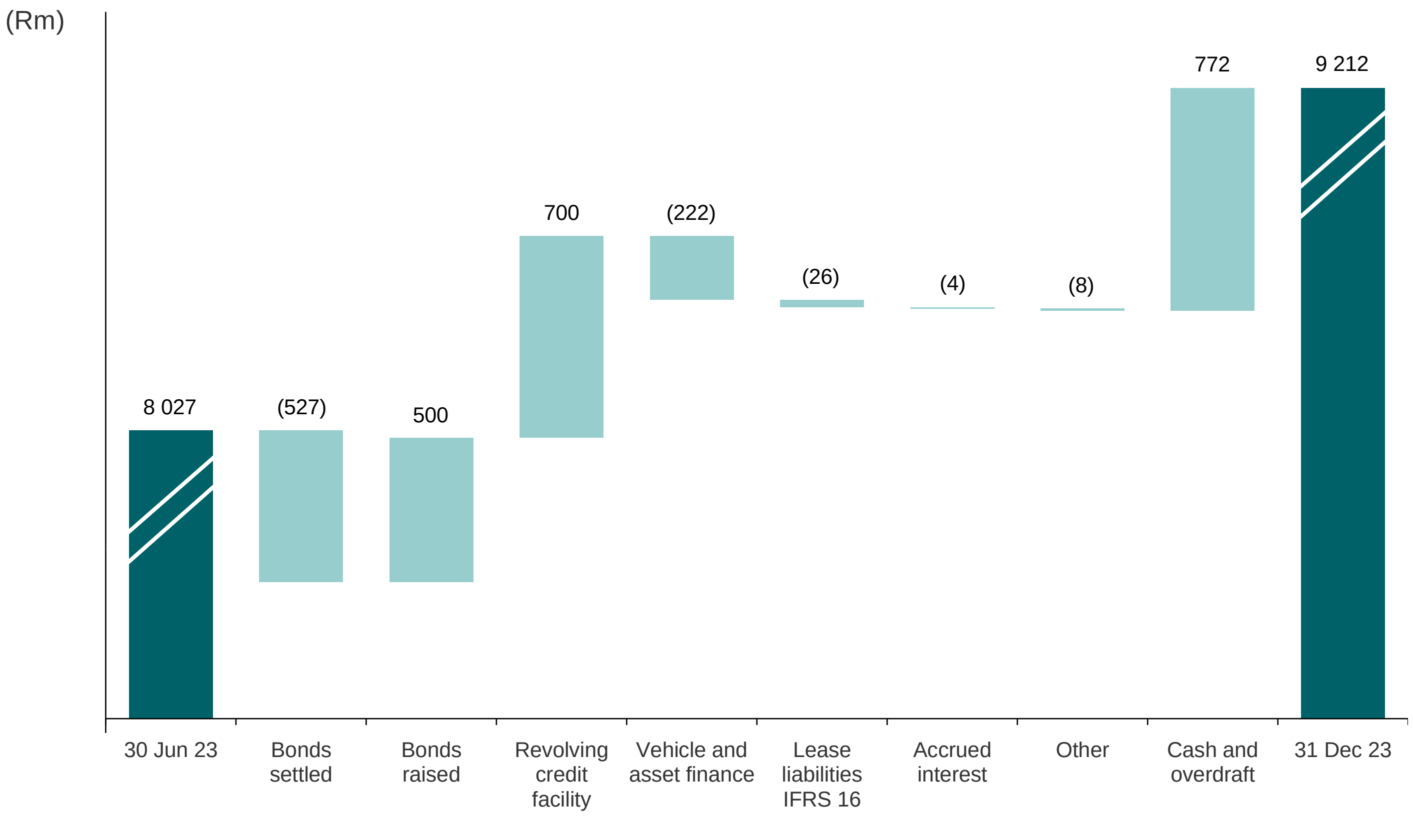
Expansion of

R38 million

(FY23: R44 million)

TREASURY ACTIVITY

Movement in net interest-bearing debt



Increase of R1.2 billion from 30 June 2023

Investment in working capital of R1.2 billion since 30 June 2023 due to seasonality

Decrease in net interest-bearing debt of R708 million since 31 December 2022, mainly due to improved working capital

TREASURY ACTIVITY

Significant debt funding activities for the period

R3 billion new syndicated revolving credit facility ('RCF') to refinance existing RCF and upcoming term loans and bonds

Structure of the RCF

- Replaces previous R750 million RCF
- R2 billion in three-year and R1 billion in five-year tenures at more favourable rates
- Covenant ratchet on interest cover for the next three financial years (previously > 3.5 times)
  ›› FY24: > 3 times ›› FY25: > 3.25 times ›› FY26: > 3.5 times
- Net debt to EBITDA cover reduced to > 3 times from > 3.2 times

Benefits of the RCF

- Balance between listed note and bank loan exposure
- Refinancing certainty during a period of potential earnings volatility due to an uncertain macroeconomic environment while major capital projects are being completed
- Flexibility to facilitate a planned reduction in debt from FY25

Maturities

Facility	Amount Rm	Maturity
Term loan	500	March 2024
KAP018	525	April 2024
KAP014	500	July 2024
KAP019	500	July 2024
RCF – replaced	750	September 2024
Term loan	300	June 2026
Total	**3 075**	

TREASURY ACTIVITY

Other funding activities for the period

Corporate bonds issued with three-year tenures

- KAP030 – Listed: R500 million

Corporate bonds settled at maturity

- KAP017 – Listed: R527 million

RCF

- R750 million drawn and settled, replaced with new RCF
- R700 drawn (new RCF)

Global Credit Rating confirmed KAP’s rating as A+(za) with a negative outlook (November 2023)

TREASURY ACTIVITY

Debt serviceability ratios

	31 Dec 23	30 Jun 23*	31 Dec 22*
Gross interest-bearing debt (Rm)	**10 330**	9 480	11 005
Net interest-bearing debt (Rm)	**9 212**	8 027	9 920
Equity excluding non-controlling interest (Rm)	**11 918**	11 542	11 698
Gearing (net debt:equity)	**77%**	70%	85%
Net debt: EBITDA (times)	**2.5**	2.0	2.3
EBITDA: interest cover (times)	**3.8**	4.7	6.6

* Restated

Net debt: EBITDA internal target < 2.5 times

EBITDA: interest cover internal target > 4.5 times

Funding structure

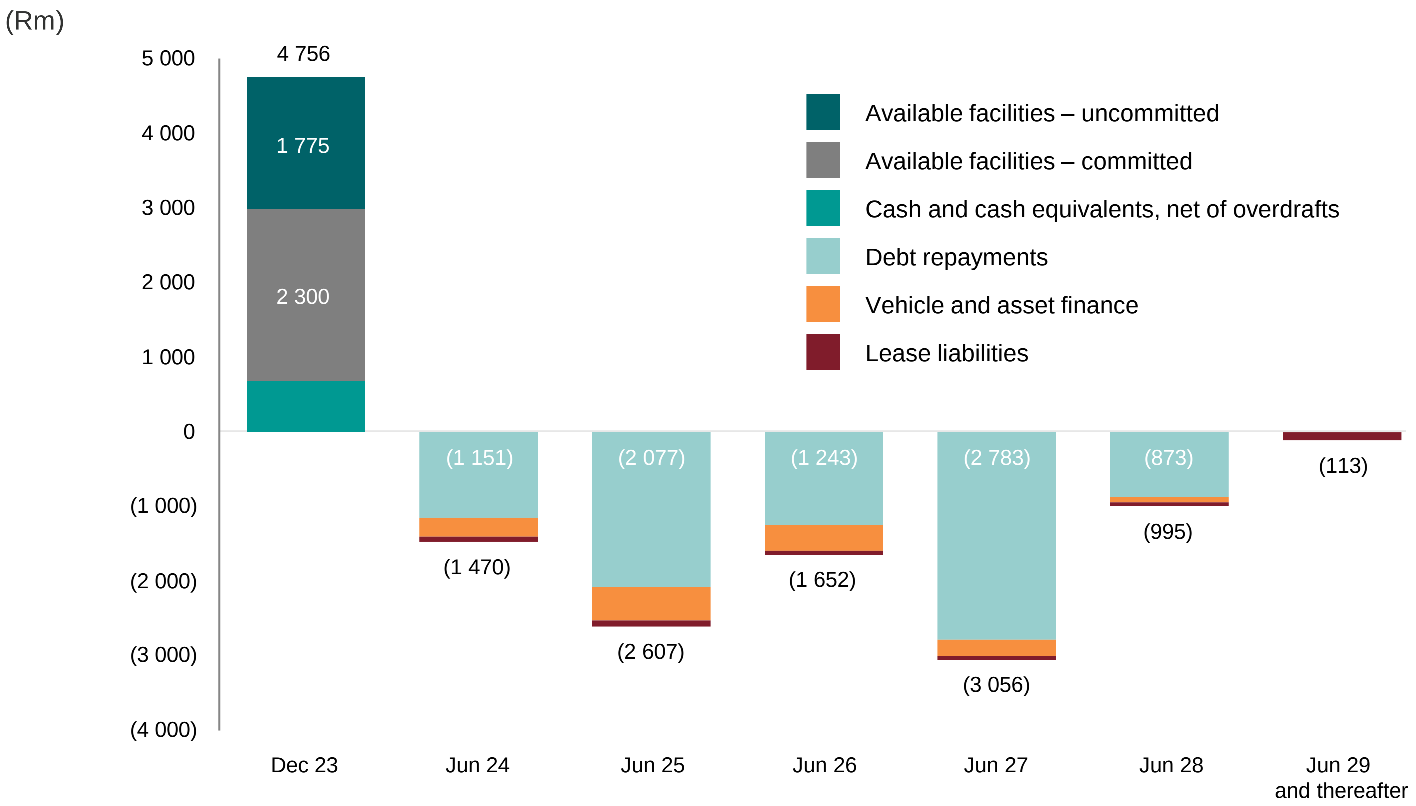
- Listed notes – **54%**
- Banks and financial institutions – **24%**
- Unutilised facilities – **19%**
- Lease liabilities – **3%**

Fixed vs floating interest rate funding

- Floating interest rate funding – **96%**
- Fixed interest rate funding – **4%**

TREASURY ACTIVITY

Net interest-bearing debt maturity as at 31 December 2023



New RCF to refinance upcoming term loans and bonds

GROUP OUTLOOK

GARY CHAPLIN

CHIEF EXECUTIVE OFFICER

GROUP OUTLOOK

- Challenging macroeconomic and operating environment expected to persist
- Our divisions will continue to focus on the following initiatives and activities:
  - ›› Domestic market share gains and further growth in export markets, at favourable margins
  - ›› Price adjustments to recover cost escalations where required
  - ›› Cost savings and improved operational efficiencies
  - ›› Prudent working capital management and curtailment of non-essential capital expenditure
  - ›› Asset optimisation, including the ceasing of activities that are unlikely to meet our return hurdles and the disposal of related assets
- Additionally, we are committed to successfully executing the following material items:
  - ›› Restructuring of Unitrans, expected to largely be completed by 30 June 2024
  - ›› Completion of major capital projects, the largest being PG Bison's new Mkhondo MDF plant, in 2H24

GROUP OUTLOOK CONTINUED

- No major capital expenditure committed beyond FY24
- Cash flow generation and a degearing in our balance sheet from FY25 to be supported by:
  - ›› Commissioning of major capital projects
  - ›› Lower capital expenditure
  - ›› Execution of aforementioned initiatives and activities

MEDIA SPECULATION REGARDING UNITRANS

- Major restructuring process ongoing to materially improve performance
- Interest received in Unitrans over time and being explored in a structured manner
- Nothing that requires formal communication and no certainty a transaction may materialise
- Remains an integral part of KAP and will continue to be managed in the best interests of the business, customers and employees

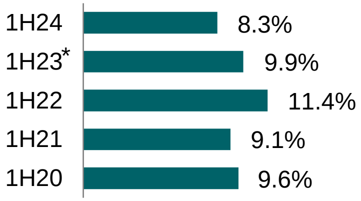
Q&A

APPENDIX

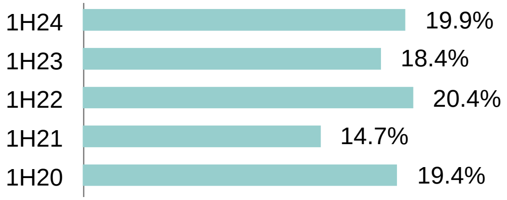
GROUP MARGIN ANALYSIS^

KAP operating profit margin decreased 160 bps to 8.3%

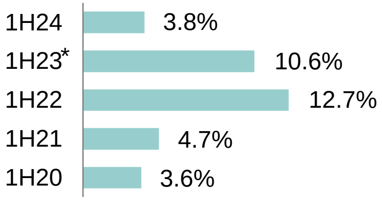
Group



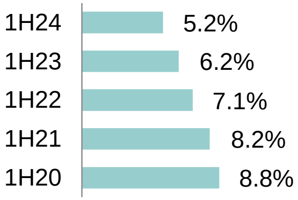
PG Bison



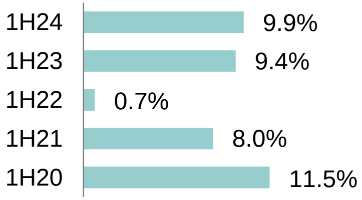
Safripol



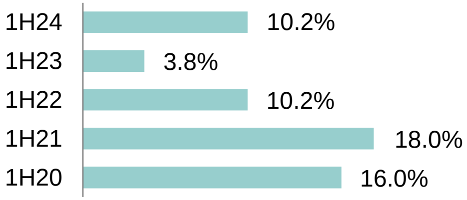
Unitrans



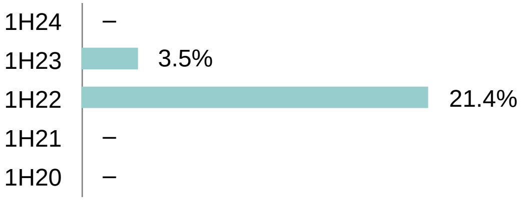
Feltex



Restonic



Optix



^ From continuing operations
* Restated