

OPERATIONAL UPDATE FOR THE PERIOD 1 JULY 2021 TO 31 MAY 2022

The Company's executive directors will be conducting a Capital Markets Day for investors and analysts tomorrow, 28 June 2022, where certain strategic and operational information regarding the Company will be presented and discussed. This presentation will be made available on the Company's website www.kap.co.za at 09h00 tomorrow. The following operational update provides guidance in respect of the Company's operational performance for the first eleven months of the 2022 financial year up to 31 May 2022 ("period") and will also be discussed at the Capital Markets Day. This operational update should be read in conjunction with the operational update and trading statement released by the Company on SENS on 29 March 2022.

The Company's performance over the period has been pleasing, despite the challenges presented by the civil unrest in July 2021, the war in Ukraine, flooding in KZN, global supply chain disruptions and commodity price volatility.

PG Bison performed well for the period, supported by robust demand for its products which enabled all production facilities to operate at full available capacity. The eMkhondo (Piet Retief) particleboard plant expansion was successfully commissioned in February/March 2022, which has added approximately 14% to PG Bison's total capacity. The annual maintenance shutdowns at all three plants were conducted during the second half of the financial year ("2H22"), which impacted on the division's performance in 2H22 compared to the performance during the first half of the financial year ("1H22").

Restonic experienced very challenging trading conditions throughout the period due to subdued retail demand and supply chain disruptions following the civil unrest in July 2021, and significant increases in commodity driven key raw material costs which could not be timeously passed on to customers. Following a disappointing 1H22 performance, the division's performance weakened further into 2H22, in line with traditional seasonal patterns.

Feltex showed an improved performance moving into 2H22, compared to its disappointing performance in 1H22. The lower volumes and volatility in OEM demand due to the impact of the global shortage of semiconductor chips, and the technical challenges with the start-up of its component production for a new vehicle model, were largely resolved. Towards the end of the period however, a key customer's operations were severely disrupted by floods, which is expected to affect Feltex's volumes for the last quarter of the 2022 financial year.

Safripol performed exceptionally well during the period due to strong demand for all three polymers, higher selling prices and improved margins. This performance continued to be supported by global factors of supply and demand, supply chain disruptions and commodity pricing, which favoured local manufacture and supply.

PET production volumes increased year-on-year and supported market share gains during the period. The comparable period included a scheduled five-year maintenance shut. HDPE production volumes were impacted by a temporary constraint in a key raw material supply during 1H22.

	PET		HDPE		PP	
	Period FY22	Period FY21	Period FY22	Period FY21	Period FY22	Period FY21
Sales volumes (tonnes)	187 800	164 915	133 322	144 863	108 342	98 827
Production volumes (tonnes)	175 855	150 865	137 922	141 702	112 526	104 001
Average R/USD exchange	15.15	15.53	15.15	15.53	15.15	15.53

PET – Polyethylene terephthalate | HDPE – High density polyethylene | PP – Polypropylene
Period refers to eleven months from 1 July to 31 May.

During the period, Safripol was successful in concluding the renegotiation of the key terms of its ethylene raw material supply contract and made good progress in increasing the value-added HDPE and PP sales mix. Raw material margins improved for all three polymers over the period.

	Raw material margin variance Period FY22 vs Period FY21#	Raw material margin variance Period FY22 vs 1H22*
PET	49%	67%
HDPE	24%	30%
PP	49%	16%

- Eleven months ended 31 May 2022 compared to the eleven months ended 31 May 2021.

* - Five months ended 31 May 2022 compared to the six months ended 31 December 2021.

Note: The raw material margin analysis has been adjusted to account for the R91 million ethylene price adjustment in 2H21.

Unitrans

The South African division performed well in the food, petrochemical and mining sectors, with improved margins and asset utilisation. The general freight and cement sectors, however, remained subdued. The Rest-of-Africa division continued to encounter challenging trading conditions. Agriculture volumes were negatively affected by lower-than-expected crop yields and mill performances, civil unrest and exceptional weather conditions. While fuel volumes in Botswana improved post the relaxation of the state of emergency, demand remained subdued. Mining operations performed satisfactorily. The Passenger division's performance remained stable.

DriveRisk was successfully acquired, effective 1 December 2021, and integrated into the KAP group. This business has exciting growth prospects and performed in line with expectation for the period.

Balance Sheet

The Company's balance sheet remains healthy. Debt serviceability ratios remain well within financial covenants and the Company successfully refinanced maturing debt at improved margins.

The Company is scheduled to release its full year results on 24 August 2022.

By order of the Board
KAP Secretarial Services Proprietary Limited

Stellenbosch
27 June 2022

Sponsor
PSG Capital

