

# Chief Financial Officer's Report



“We are targeting reductions in both our absolute GHG emissions and emission intensity and in the past year we have committed to setting a science-based target for our emissions reduction initiatives.”

Glen Pearce Chief Financial Officer (CFO)

## Section 1 Financial highlights

US\$ million	2021	2020	% change
Sales	5,265	4,609	14
EBITDA excluding special items	532	378	41
Operating profit excluding special items	203	57	256
Profit (loss) for the year	13	(135)	nm
EBITDA excluding special items to sales %	10.1%	8.2%	n/a
Operating profit excluding special items to sales %	3.9%	1.2%	n/a
Operating profit excluding special items to capital employed (ROCE) %	5.4%	1.6%	n/a
Net cash (utilised) generated	29	(257)	nm
Net debt	1,946	1,957	(1)
Basic earnings per share (US cents)	2	(25)	nm

The ubiquitous uncertainties of the global economic recovery from the pandemic made for difficult forecasting during fiscal 2021. Supply chain optimisation, working capital and liquidity management were focus areas throughout the year as we considered the impact of the various forecasting outcomes. There was an initial emphasis on securing liquidity due to the unpredictable speed of the recovery. The group issued convertible bonds, refinanced our 2023 bonds, increased our revolving credit facilities and extended our covenant holiday to alleviate liquidity concerns.

The demand recovery in the majority of our markets exceeded expectations and pressured supply chain processes. We experienced challenges at opposite extremes with excessive stocks due to logistic problems in some regions and low inventories as demand exceeded available capacity in other regions. Commodity prices increased sharply during the year causing our variable costs per ton to increase from US\$431/ton in Q1 to US\$483/ton in Q4. Selling prices increased by US\$61/ton to US\$752/ton during the final quarter, more than recovering the increased costs and resulting in Q4 EBITDA ex SI margins improving to 12% (8% during Q1).

Net finance costs of US\$134 million included the revaluation of a derivative liability of US\$31 million and costs associated with the refinancing of the 2023 bonds of US\$3 million. Excluding the above items, finance costs of US\$100 million were in

line with expectations. The US\$1 million tax recovery is mainly due to investment allowances received from the Saiccor Mill expansion project. Profit for the year was US\$13 million (LY loss = US\$135 million) and earnings per share excluding special items increased from a loss of US5 cents to an earnings of US15 cents. The directors have considered it prudent to temporarily halt dividends until such time as market conditions improve.

Cash generated for the year of US\$29 million includes capital expenditure of US\$374 million.

### Segment reporting

Our reporting is based on the geographical location of our businesses, ie Europe, North America and South Africa.

The selected product line information is reviewed by our Executive Committee in addition to the geographical basis upon which the group is managed. This additional information is presented in this report to assist our stakeholders in obtaining a complete understanding of our business.

### Exchange rates and their impact on the group's results

The group reports its results in US Dollar and, as such, the main foreign exchange rates used in the preparation of the financial statements were:

	Income statement average rates		Balance sheet closing rates	
	2021	2020	2021	2020
EUR1 = US\$	1.1955	1.1195	1.1716	1.1632
US\$1 = ZAR	14.8505	16.2265	14.9659	17.1311

Two of our three geographic business units (Europe and South Africa) have home or 'functional' currencies of Euro and ZAR respectively. The results and cash flows of these two non-US Dollar units are translated into US Dollar at the average exchange rate for the reporting period in order to arrive at the consolidated US Dollar results and cash flows. When exchange rates differ from one period to the next, the impact of translation from the functional currency to reporting currency can be significant.

## Section 1 Financial highlights continued