YORK TIMBERS

Investor Presentation

Interim Results December 2012

March 2013

YORK TIMBERS

Introduction

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Investment Rationale

Introduction

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Firm set of results in tough market.

Group investigated numerous possible acquisitions during period.

Potential acquisitions on-going.

Continued growth plan implementation.

Management and Board aligned to growth strategy.

Events impacting 6 months under review:

- Industrial action – transport strike and strike at log supplier (KLF).
- Natural disaster – ca. 700ha increase in temporary unplanted area.
- Softening lumber market – decline of 2% against comparative period.

Personnel changes

- CFO:
  - Resignation of CFO
  - Appointment of Acting CFO – Sean Pretorius
- Appointment of new Company secretary:
  - Han-hsiu (Sue) Hsieh
- Appointment of Independent Non- Executive Directors:
  - Dinga Mncube
  - Thabo Mokgatlha

"Their vast experience in corporate and social affairs as well as within the forestry sector will enhance the skills on the board to the benefit of both the company and its stakeholders. The addition of directors of this quality is part of the continuing plan to provide York with the very best and balanced support and guidance for the strategic growth plans of the company."

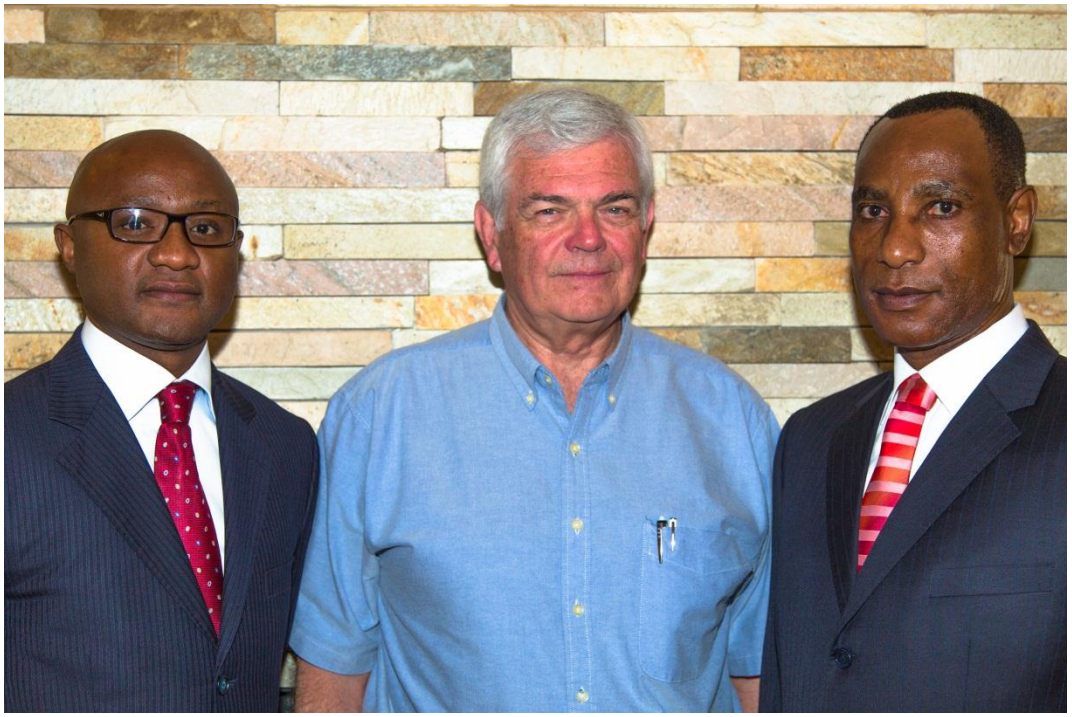
Dr Jim Myers – Chairman York Timber Holdings Limited

Board Appointments

Thabo Mokgatlha

Jim Myers

Dinga Mncube



Appointment effetive 6 March 2013

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Interim Financial Results - Highlights

Earnings levels maintained in a tough environment.

Positive cash generation.

Strong growth in TNAV.

Improved cost of debt.

Good results from processing activities.

- Revenue up 5%, driven by higher selling prices for lumber and plywood
- Gross profit maintained at 36%
- Cash generated up R8,4 million to R10,1 million
- Profit before tax up 14,6%
- EPS and HEPS maintained at 13c
- Biological asset value increased by R18,9 million
- Underlying TNAV up 8% to 671 cents per share
- Debt to equity ratio improved to 25% from 28%
- Cost of debt down 27%
- Efficiency and cost optimisation in the processing plants achieving targeted results, with a R31,6 million increase in operating segment profit

Interim Financial Results –year on year comparison

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- Revenue growth due to improved pricing.
- EBITDA growth due to favourable pricing and cost control.
- Good results from processing on the back of cost optimisation.
- Cost inflation contained.
- Plant efficiency improved significantly.
- External log purchases impact forestry segment results and cash generated from operations.
- Cash generation by operations lower – strategic decision to hold higher stock levels.

		Dec 2012 results variance from prior period Dec 2011
Revenue	R'000	**5%**
EBITDA Margin	%	**-1%**
EBITDA	R'000	**3%**
EBITDA Forestry	R'000	**-37%**
EBITDA Processing	R'000	**335%**
Lumber volume sold	m^3	**-3%**
Plywood volume sold	m^3	**9%**
Total volume sold	m^3	**-1%**
Lumber ASP	R/m^3	**9%**
Plywood ASP	R/m^3	**17%**
Lumber intake	m^3	**3%**
Plywood intake	m^3	**5%**
Lumber production	m^3	**6%**
Plywood production	m^3	**7%**
Lumber cost of production	R/m^3	**3%**
Plywood cost of production	R/m^3	**6%**
Cash generated by operations	R'000	**-31%**
York own harvesting	m^3	**-17%**
External log purchase	m^3	**45%**

Interim Financial Results – year on year comparison

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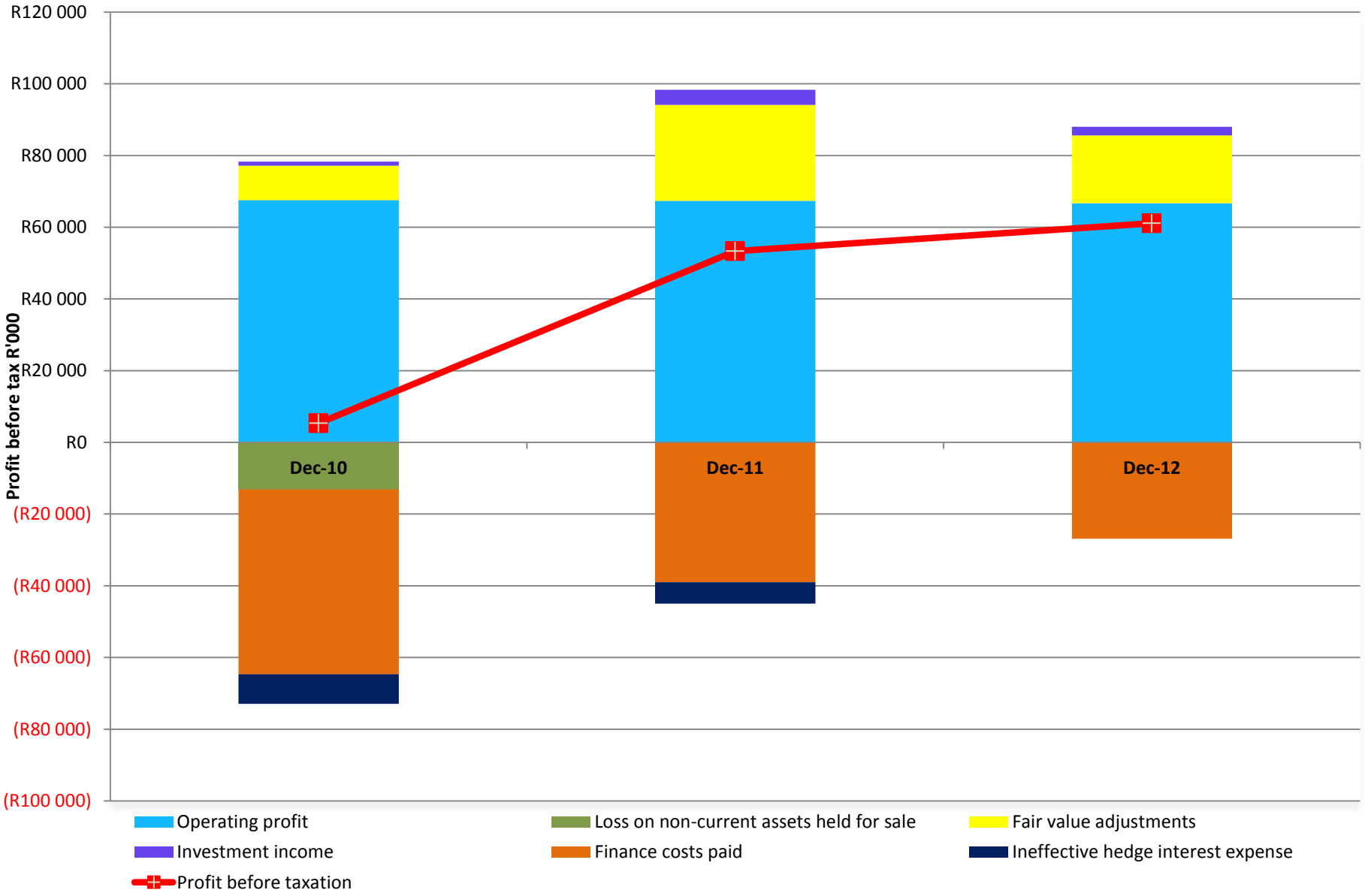
- Biological asset valuation now includes Contributory Asset Charge.
- PBIT and cash flow from operations directly impacted by higher external log purchases
- Refinance of Group debt with Land Bank showing positive impact.
- Working capital levels managed within strategic framework.
- Strong cash position.
- Strong platform for growth

R'000	Results for the six months ended				
	Dec – 12	**% change**	**Dec -11**	**% change**	**Dec -10**
Group revenue	**590 703**	5%	564 799	15%	491 096
Gross profit	**211 074**	4%	203 013	1%	201 518
Gross profit margin	**36%**	-1%	36%	-12%	41%
Operating profit	**66 701**	-1%	67 339	0%	67 573
Operating margin	**11%**	-5%	12%	-13%	14%
Profit before finance costs	**85 536**	-9%	94 113	47%	63 998
Cash finance costs	**26 878**	-31%	39 020	-24%	51 578
Cash flow from operating activities	**44 084**	-32%	64 384	78%	36 252
Biological assets	**2 089 075**	6%	1 963 172	2%	1 931 225
Interest bearing borrowings	**544 958**	-6%	579 380	-11%	654 141
Cash balance	**154 670**	47%	105 211	24%	84 856
Net working capital	**289 844**	40%	207 481	10%	188 235
Earnings	**43 537**	0%	43 675	507%	7 190
Earnings per share (cents)	**13**	0%	13	550%	2
Net asset value per share (cents)	**668**	7%	627	5%	599

Interim Financial Results – Income Statement Movement



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Building Industry Dynamics

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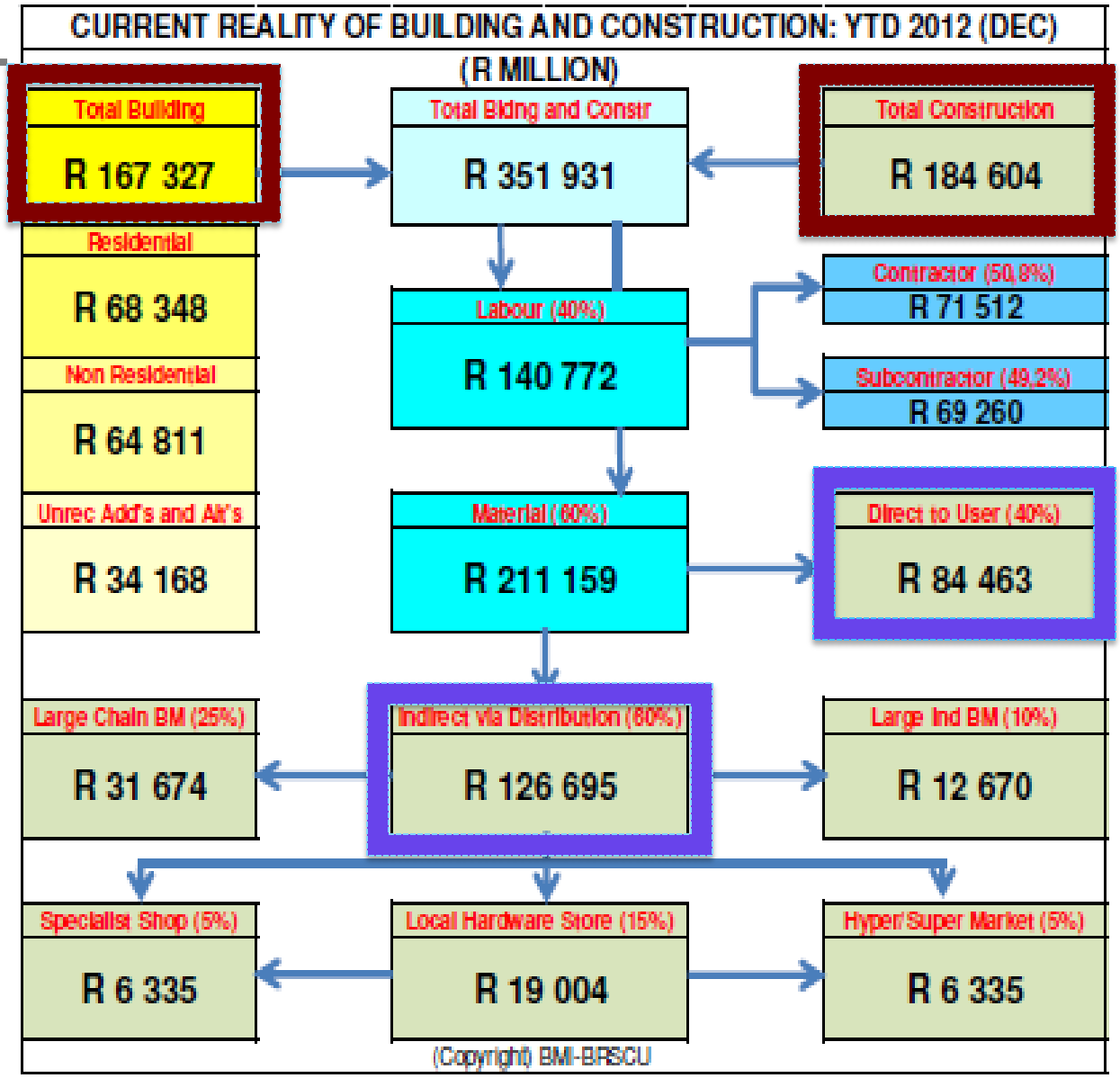
Building and construction value flow

- Total spend in building and construction is ca. R351 billion
- Construction remains the largest sector compared to combined residential and non-residential.
- R211 billion spent on materials including lumber and plywood.
- York does not participate in the ca. R84 billion channel direct to user – this is potential channel for York in the future.



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Market Drivers and Lead Indicators

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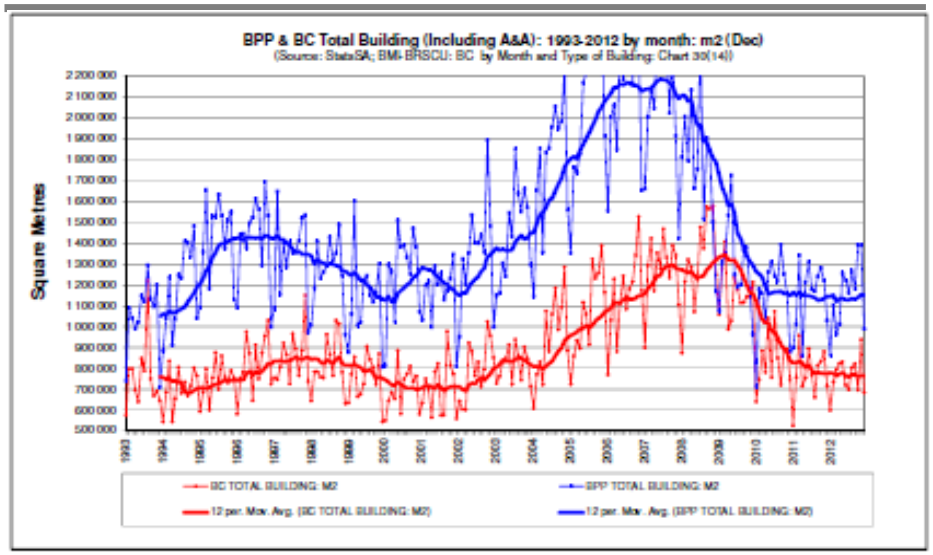
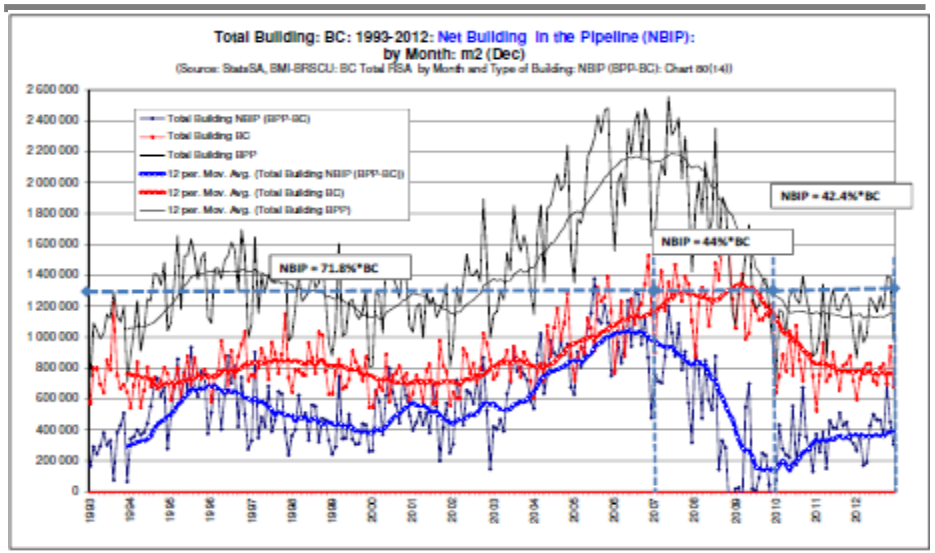
Building Plans Passed & Buildings Completed



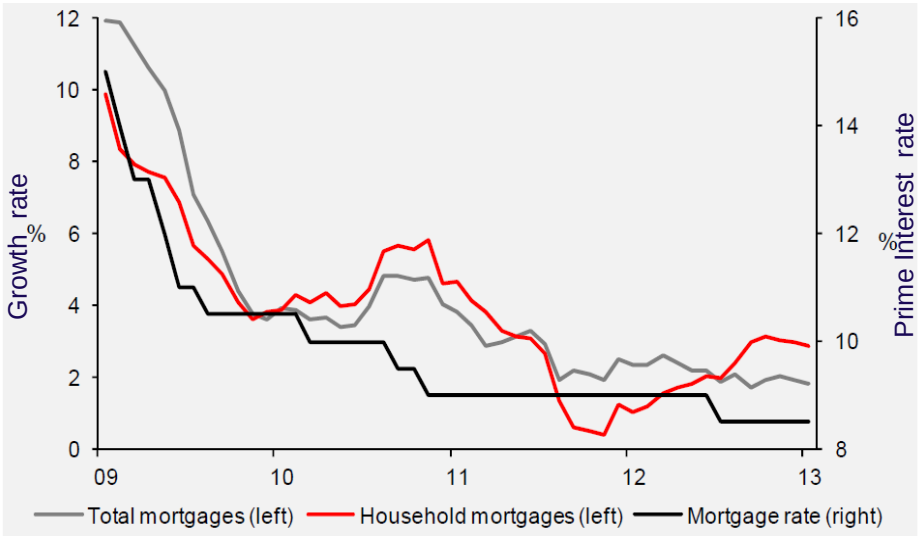
Net Building in the Pipeline



Key Drivers

- Building plans passed and buildings completed levels remain steady
- Net buildings in the pipeline remains positive, though with sideways movement.
- Prime lending rate has direct impact on building activity.
- Mortgage advances continue to grow at ca. 3% p.a.

Mortgage Advances – year on year growth rate



Stats SA

Government Spending – Human Settlements (Residential)

Loans to affordable sector:

- Declining trend is of concern.

Infrastructure grants:

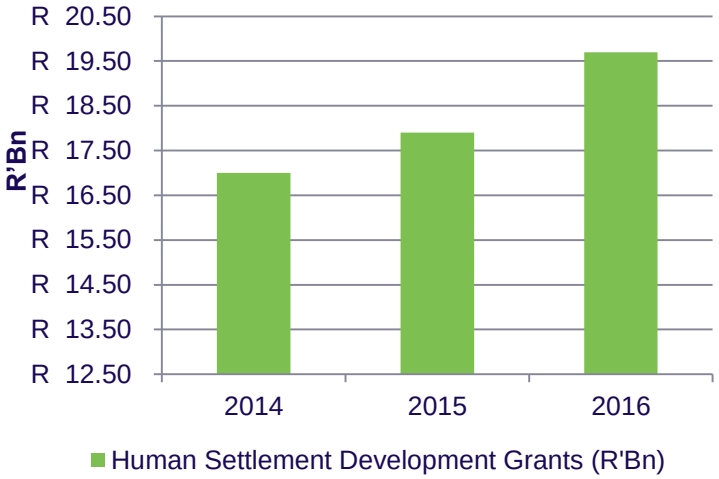
- Facilitates housing development.
- Spending trend continues upward.

Additional Residential

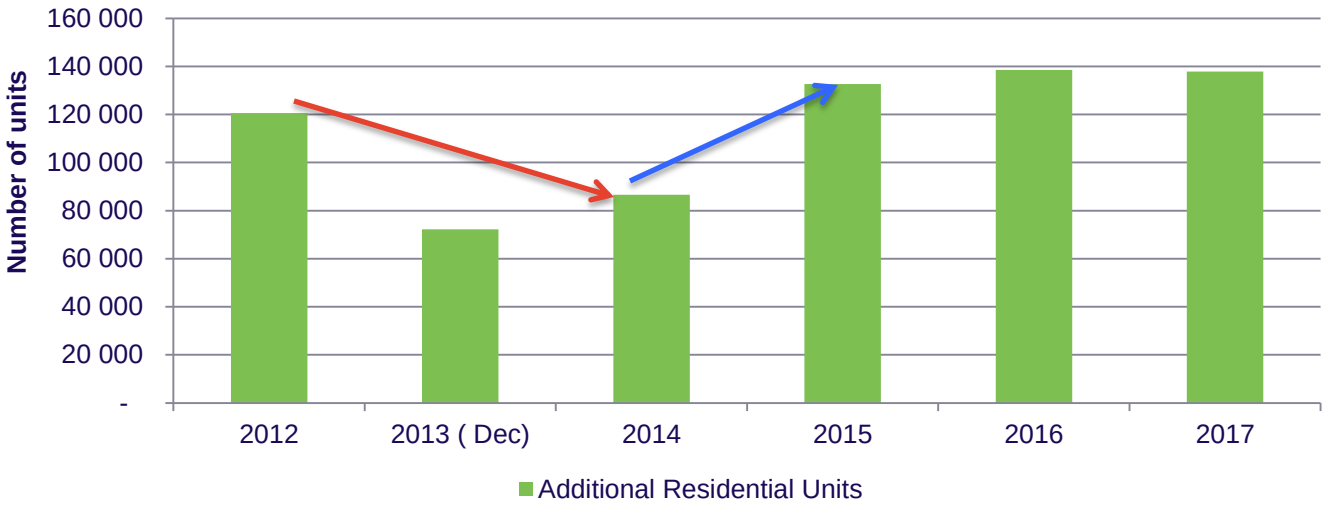
- 2012/13 year – significantly lower spend ca 28% decrease from 11/12.
- 50% growth to 2014 onwards.

Loans to affordable housing segment

Infrastructural grants



Additional residential units

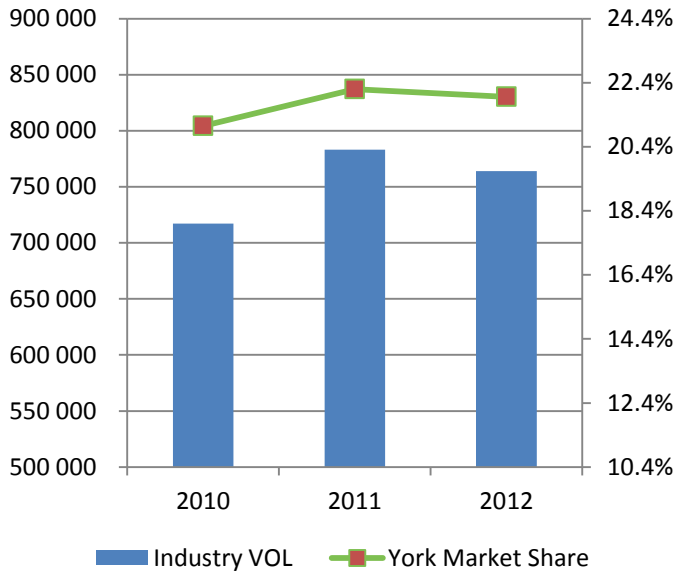


Market Overview – Lumber Industry Statistics

York shows strong price growth while maintaining market share in a softer market.

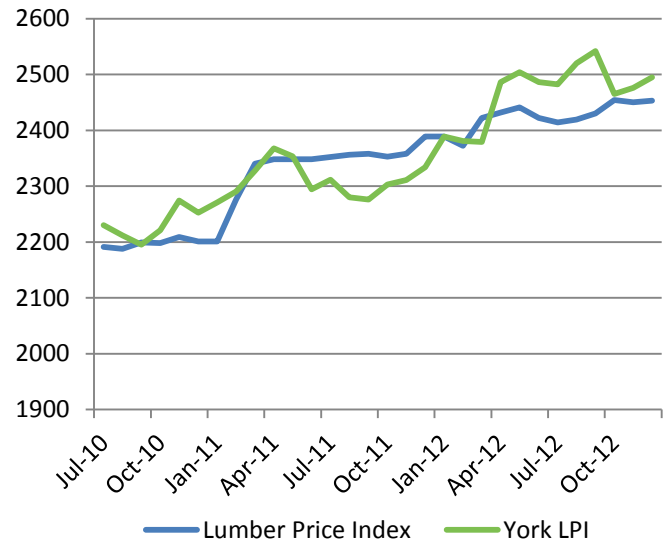
Market demand expected to remain soft for next six months

Industry Volume (m^3) & York Market Share %



- York market share consistent year on year in a highly competitive market with additional capacity in 2012

Lumber Price Index : Industry and York



- Strong price growth in a difficult lumber market – pricing strategy focussed on sustaining price levels above volume sales.

Industry volumes and Lumber Price Index – courtesy Crickmay and Associates

Market structure and need for consolidation

Significant consolidation has taken place at the level of York's customer base – Iliad, Build-It, Massmart, Cashbuild.

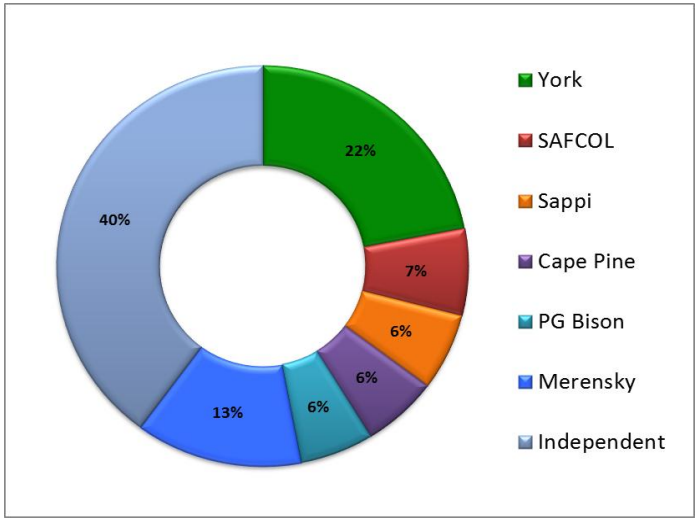
Cost competitiveness key to sustained profitability.

Very inefficient lumber industry due to high number of players.

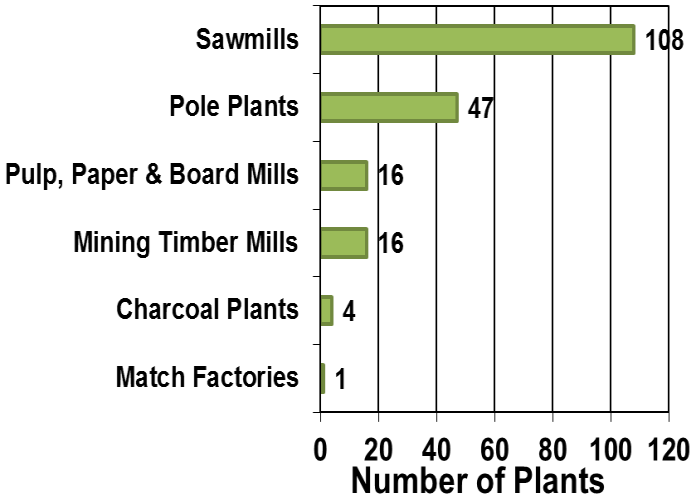
Consolidation is inevitable as shown in more developed markets.

Scale is critical in "commodity" business due to cost pressure.

Market Share – Softwood Sawmills



Processors in South Africa



* Source: Forestry South

- York holds largest market share with only 4 mills out of 108.
- Large price disparity between saw logs and pulp/chip prices.
- Fragmented lumber base irrational market behaviour.
- Significant benefits to be achieved via economies of scale:
  - Logistical cost saving
  - Processing scale cost savings
  - Improved market channels
  - Better raw material resource management

Crickmay and Associates 2013; Forestry South Africa publication 2012

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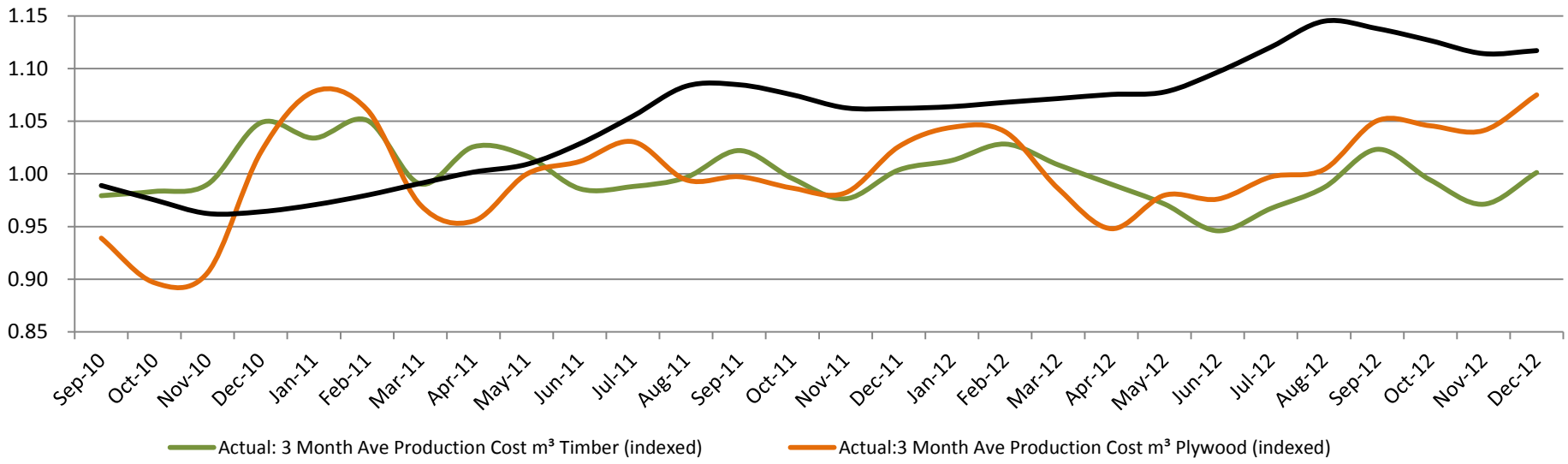
Operational Overview – Cost

York cost of production per cubic metre vs. PPI (Indexed to July 2010)



- York cost trend contained well below PPI
- PPI for domestic output year on year at Dec 2012 increased by 5.2%:
  - York lumber production cost per unit increased 3%
  - York plywood production cost per unit increased 6%
    - Glue cost linked to exchange rate
    - Consideration for a resin plant for the integrated site at Sabie
- Strategy of cost optimisation with focus on throughput

Operational Overview – Wage Rates

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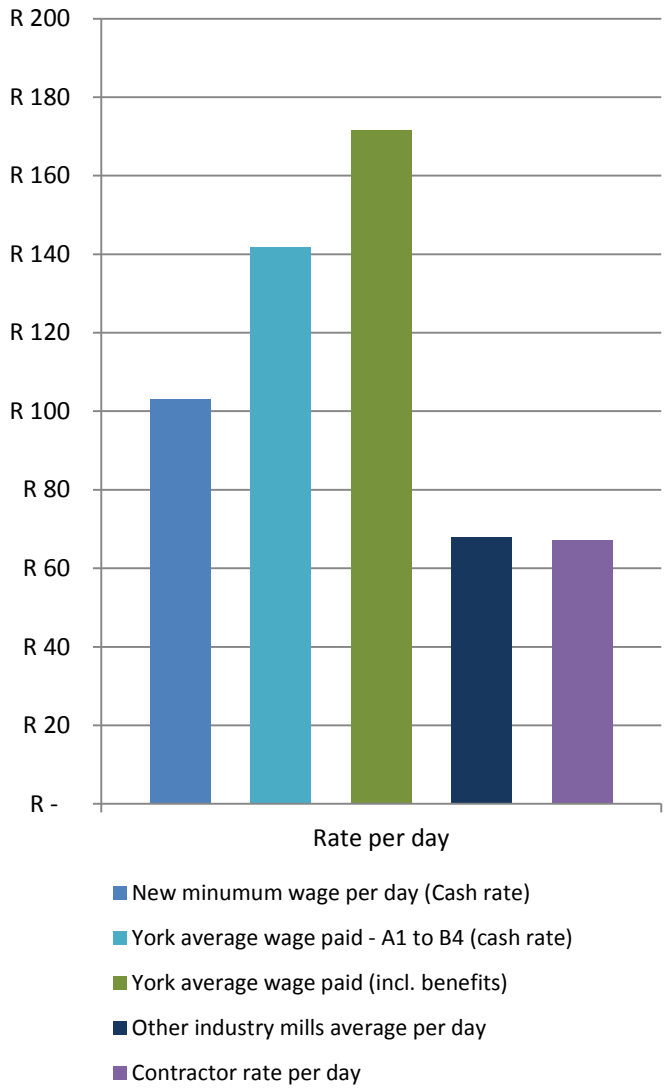
Wage change likely to have significant impact on industry and York.

Minister announced rate to be 98% of the agricultural sector rate – R103 per day.

Cost optimisation key strategy for York.

Capital investment to address cost inflation inevitable.

Wage Rate Comparison



Industry wage impact

- New minimum wage rate implemented without full understanding of cost to business ..
- Other benefits ignored in wage day rate determination and assumed to remain unchanged.
- Formal industry targeted – focus should be on independents and informal sector – ensure compliance.
- Wage earner has potential to be worse off.
- Immediate implementation unreasonable
- Future increases of CPI +1.5% unreasonable

York impact

- Short term will have an impact on profitability but will be absorb over the meduim term
- Cost structures to be revisited with focus on cost optimisation
- Other cost elements linked to employment to be reconsidered.
- Outsourcing versus own operations to be reviewed.
- Investment in cost optimisation essential going forward.

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Growth Strategy – Raw material optimisation

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Fibre has same cost as saw-log yet generates little value.

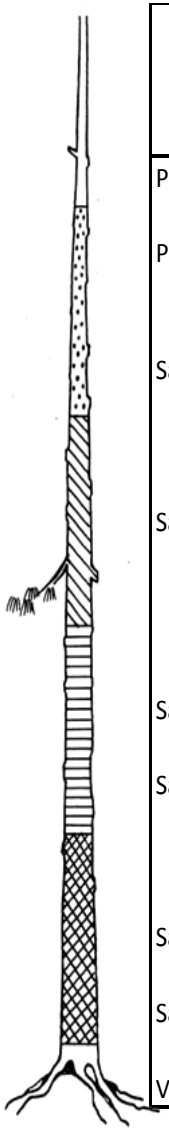
Unutilised fibre presents growth opportunity.

Potential for value creation and revenue stream diversification.

Acquisitive

- Discussion with various potential parties
- High level due diligence has been completed
- Resource, processing and market channel options

Unutilised fibre – less than optimal value generated



Product Type	Value per m^3	Value of Plantation	Volume %
Plantation Waste	R -	0%	10%
Pulp	R 220	3%	5%
			85%
Saw log A	R 397	22%	25%
Saw log B	R 497	28%	25%
Saw log C	R 577	25%	20%
Saw log C pruned	R 577	10%	7%
Saw log D	R 617	1%	1%
Saw log D pruned	R 707	11%	8%
Veneer D	R 737	0%	0%

Processing Plants	% m^3 produced	% of Plantation volumes	% of Turnover	R/m^3
Plantation residue		15%	1%	R 92
Products				
Lumber	39%			
Plywood	8%			
	47%	**40%**	90%	R 2 658
By-products				
Sawdust	20%			
Chips	20%			
Off Cuts	4%			
Shavings	2%			
Peeler Core	1%			
Roundup	4%			
Plywood Waste	2%			
Trimmings	0%			
	53%	45%	9%	R 206
Bark	6%		0%	R -

Growth Strategy

Integrated site has DFA approval.

Environmental Impact Assessment underway – Sep 2013.

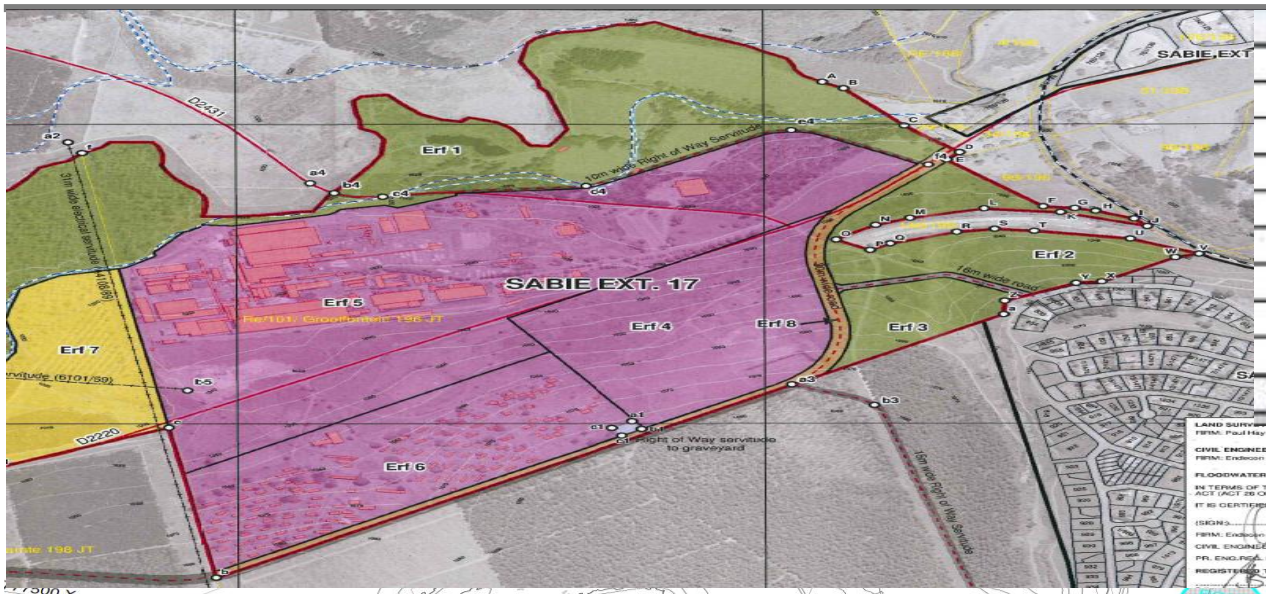
Significant competitive advantage:

- Logistical cost savings.
- Optimal use of raw material.
- Cost leader in southern hemisphere.

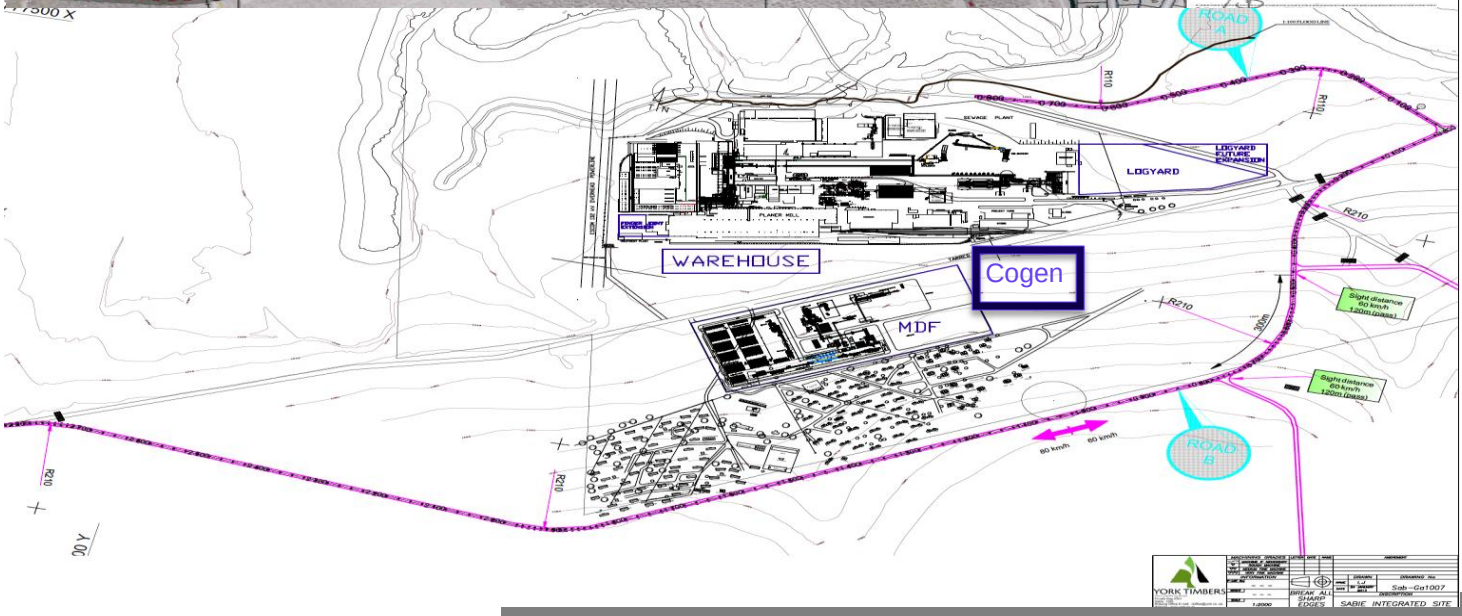
Revenue streams:

- Cogeneration
  - Heat
  - Electricity
- Medium Density Fibreboard
- Plywood
- Sawn Lumber

Sabie Integrated Site – concept start 2011



Erf	Area (Ha)
1	45.27
2	10.49
3	4.55
4	18.45
5	55.14
6	21.15
7	12.83
8	4.25
Road	0.53
Total:	172.66



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Investment Proposition

York presents consistent cash generation in the medium term.

Strong growth in cash generation ability in the medium to long term

Growing asset base in volume and value.

Strategy set to extract maximum value from asset base going forward.

Why York and Why forestry

- Company well positioned to benefit from change in market dynamics – York set to lead:
  - Industry consolidation
  - Integrated fibre utilisation strategy
  - Consolidation of market channels

- Dual value appreciation – cash generation current and future
  - Income from harvesting/processing: consistent and improving cash generation
  - Growth in forestry asset – York will have more timber available in future which will create a strong jump in EBITDA and cash generation ability and,
  - Capital appreciation: timber more valuable over time due to shortage
  - Increasing calls on land for alternative uses driving up underlying land value

- Portfolio diversification
  - Low volatility in total returns and low correlation with other asset classes
  - Strong correlation with inflation and even better correlation with unexpected inflation.

- Demonstrated ability to create value for shareholders and present significant future value

Investment Rationale

York offers a platform for future growth

Investing to improve EBITDA generating ability

Investing to imrove biological asset through new hybrid species

Enetered Southern African market with success and plan to grow our pressence

Possibility of market consolidation due to limited resource

York's value add

- York trades at a market to book value ratio of 401c to 671c of 60%.
  - Recent forestry land transactions in Mpumalanga indicate that York's value should be substantially higher.
- PE ratio of 9.5 - not a true reflection of the underlying value and future earnings. PE multiple does not give the correct perception of the underlying value in York.

What does York offer:

- Defered tax liability attributed to sustainable plnatation management.
- A biological asset that grows at ca. 1 000 000m3 per year (Mean Annual Increment times hectares)
- Current utilisation of this growth is ca. 80% will increase to in excess of 95%.
- South Africa has a finite plantation resource dedicated to sawn lumber with no opportunity to expand. York is the front runner in the development of new hybrid specie to dramatically improve yield per hectare.
- York is the cost leader in South African solid wood processing; this is a significant competitive advantage against local and imported competition.

Thank you