

York Timber Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number: 1916/004890/06)
JSE Share code: YRK
ISIN: ZAE000133450
("York", "the Company" or "the Group")

Unaudited condensed consolidated interim financial results
For the six months ended 31 December 2016

Highlights

- Revenue up 9% on the back of increased average sales prices
- Operating profit down 4% due to an increase in plywood plant depreciation after commissioning
- EBITDA (earnings before interest, tax, depreciation and amortisation) up 14%
- Core earnings per share down 28% due to an increase in depreciation and interest paid
- Tangible net asset value per share up 12% from 750 cents to 837 cents in line with ongoing capital investment
- Cash at the end of the period up R30 million
- Biological assets up 9%

Commentary

Group performance and financial review

York achieved revenue growth of 9% year-on-year in an economic environment where the lumber industry has declined by 4,5% in the same period. This was attained through a dedicated focus on improving customer support and service. York increased its geographical footprint by opening new warehouse distribution facilities in provinces previously not covered directly. Growth of 14% over the comparative period EBITDA was achieved by growth in improved average selling prices year-on-year. An increase of 9% in the value of the biological asset was recorded despite an increase in the R186 bond rate during the period. Consistent attention to forestry best practices resulted in improvements in growth and forecast yields over the life of the biological assets.

Driven by a focus on increasing inventory levels to better service customers, cash generated from operations decreased by R75 million as a result of the increase in working capital. Stock volume at the warehouses increased by R28 million (47%) to enable active participation in available sales opportunities through smaller loads and shorter lead times to satisfy clients from the various warehouses.

Cash on hand at the reporting date amounted to R235,3 million, an improvement of 15% on the comparable period.

Processing division

Sawmills delivered an outstanding performance, with the completion of on-time and below budget capital expansion projects at Sabie and Driekop sawmills, the benefits of which have already started to contribute to improved results in the business. Capital investment projects at Nicholson & Mullin sawmill were completed in February 2017. Process and productivity improvements embedded by

Project Evolve continue to support processing efficiency.

The plywood plant has increased production volumes by 35% year-on-year subsequent to the commissioning of the plant upgrade. The expected revenue increase is, however, lagging the depreciation and interest charges incurred during the period due to optimisation and fine-tuning now being finalised.

Forestry division

External log volumes acquired were 19% higher than the comparative period, driven by increased intake at processing plants, but R43 million (37%) higher in value as price increases from South African Forestry Company Limited have far outstripped inflation. This is currently being addressed with the supplier.

Improved fire prevention measures and response times resulted in no significant growth stock losses to York during the reporting period. The planting season started off later than normal due to delayed rains especially in the Escarpment area. With high rainfall expected during the remainder of the planting season, planting targets should, however, still be achieved. The Escarpment and Highveld regions, where York's plantations are based, received high rainfall from October 2016 to March 2017, encouraging tree growth and volume yields.

Increased lead distances as well as harvesting from own plantations being behind target resulted in the Forestry division's EBITDA being 40% lower than the prior period. Savings achieved through the mechanised harvesting insourcing project have contributed to overall profitability, and going forward insourced opportunities relating to inbound logistics will further enhance long-term value.

Wholesale division

This division grew market share, assisted by the opening of new lumber and plywood distribution warehouses that allow for quick delivery and improved customer support. During March, the first supply loads from the newly opened warehouse in Limpopo, based on a similar low cost model, will ensure further volume growth is achieved going forward. Gross profit margin, supported by an improved product mix which includes more structural dimensions, has also increased from the prior period, resulting in an increase in EBITDA of 5%.

Balance sheet movements

York invested R88,5 million in property, plant and equipment during the current period. The additions focus on capacity and efficiency increases in order to offset the escalating raw material costs that demand continued process improvements. Drawings of R40,6 million against the Land Bank facility were made during the period. York also obtained a mortgage bond of R10 million for the acquisition of Ligna Lodge (previously Lone Creek River Lodge), which will cater for increased accommodation needs during construction projects.

Working capital investment increased during the period, mainly as a result of an increase in inventory. Accounts receivable are managed well. Trade payables increased as a result of increased external log purchases.

Underlying tangible net asset value (UTNAV)

UTNAV represents the physical net asset value including property, plant and equipment, biological assets, all other assets excluding intangible items such as goodwill and deferred tax, less liabilities. This measurement demonstrates the underlying value inherent in the Company on a per-share basis.

UTNAV improved by 14% from 759 cents to 864 cents per share. York repurchased a further 1,5 million shares during the period. As of 31 December 2016, total shares repurchased comprise 14,6 million shares, representing 4,4% of issued share capital.

Core earnings per share

In terms of IAS 41, the biological assets are revalued at each reporting date and any changes in the valuation are reflected in the income statement. The biological assets are long-term in nature and the valuation assumes their realisation over a 25-year period from the date of the valuation. While the manner in which the assets are managed in the short term will impact on their long-term value, in order to provide financial statement users with an additional measure of the current period's results, core earnings per share have been presented. Core earnings comprise basic earnings adjusted for the after-tax change in the value of the biological assets as reflected in the income statement. See note 9. Core earnings per share decreased by 28% due to an increase in depreciation and interest paid.

Cash flow

Net cash from operating activities was R6,8 million, resulting from a decrease in cash from operating activities and an increase in finance costs and tax paid. Purchases of property, plant and equipment totalled R88,5 million, of which R41,6 million was funded through a net increase in borrowings.

Outlook

York submitted a bid for a biomass power plant as part of the Renewable Energy Independent Power Producer Procurement Programme (REIPPPP). The announcement of preferred bidders has been delayed and bidders were required to extend guarantees to the end of September 2017. After a thorough review of the project viability studies, York decided to extend the guarantees required and awaits the announcement of preferred bidders, remaining confident in the ability of this programme to deliver value to all stakeholders.

York received environmental approval for the development of the next phases of the Sabie site future developments.

The additional regional warehouses that are being added will enable York to better serve its customers through immediate product availability and shorter delivery times. The model will also be used as a catalyst for expansion into the rest of Africa.

Securing alternative raw material supply, in the light of excessive price increases, is a continued strategic focus. With plantation areas in South Africa being finite, investments further afield into sub-Saharan Africa's forestry territories are also currently being explored.

York is concerned about the current slow economic growth in infrastructure and housing investment in South Africa and notes the impact this might have on the results for the second half of the current financial year.

Consolidated statement of financial position
as at 31 December 2016

	31 Dec 2016	31 Dec 2015	30 Jun 2016
	Unaudited	Unaudited	Audited
	R'000	R'000	R'000
ASSETS			
Non-current assets			
Biological assets (note 4)	2 014 987	1 910 004	1 993 501
Investment property	7 753	23 473	26 231
Property, plant and equipment	916 090	751 964	852 096
Goodwill	565 442	565 442	565 442
Intangible assets	1 357	2 172	1 632
Deferred tax	871	5 910	3 039
Other financial assets	24 031	41 941	19 387
Total non-current assets	3 530 531	3 300 906	3 461 328
Current assets			
Biological assets (note 4)	332 449	239 319	340 826
Inventories	272 948	206 435	239 459
Current tax receivable	9 667	206	8 183
Trade and other receivables	219 472	200 772	225 516
Cash and cash equivalents	235 336	205 174	286 144
Total current assets	1 069 872	851 906	1 100 128
Total assets	4 600 403	4 152 812	4 561 456
EQUITY AND LIABILITIES			
Equity			
Share capital	15 833	16 279	15 908
Share premium	1 465 999	1 490 658	1 471 038
Reserves	91	732	91
Retained income	1 177 783	942 762	1 145 536
Total equity	2 659 706	2 450 431	2 632 573
Liabilities			
Non-current liabilities			

Cash-settled share-based payments	9 435	3 680	3 191
Deferred tax	695 750	613 883	687 332
Loans from related parties	1 527	1 505	1 350
Loans and borrowings	791 906	776 033	802 196
Provisions	13 114	12 371	13 114
Retirement benefit obligations	24 450	23 210	24 010
Total non-current liabilities	1 536 182	1 430 682	1 531 193
Current liabilities			
Current tax payable	-	2 757	2
Loans and borrowings	143 847	44 274	91 949
Cash-settled share-based payments	1 413	1 616	3 369
Operating lease liability	80	540	80
Trade and other payables	259 175	222 512	302 290
Total current liabilities	404 515	271 699	397 690
Total liabilities	1 940 697	1 702 381	1 928 883
Total equity and liabilities	4 600 403	4 152 812	4 561 456

Consolidated statement of comprehensive income
for the six months ended 31 December 2016

	Six months ended 31 Dec 2016 Unaudited R'000	Six months ended 31 Dec 2015 Unaudited R'000	Year ended 30 Jun 2016 Audited R'000
Revenue	952 519	873 734	1 771 049
Cost of sales	(703 405)	(644 458)	(1 270 483)
Gross profit	249 114	229 276	500 566
Other operating income	5 560	16 320	17 970
Administration expenses	(188 534)	(176 813)	(335 603)
Operating profit	66 140	68 783	182 933
Fair value adjustment	14 493	5 726	195 337
Profit before finance costs	80 633	74 509	378 270
Investment income	6 346	4 836	11 762
Finance costs	(42 689)	(29 186)	(56 632)
Profit before taxation	44 290	50 159	333 400

Taxation	(12 043)	(14 721)	(95 188)
Profit for the period	32 247	35 438	238 212
Other comprehensive income/(loss):			
Remeasurement of defined benefit liability	-	-	(890)
Taxation related to remeasurement of defined benefit liability	-	-	249
Other comprehensive income for the period net of taxation	-	-	(641)
Total comprehensive income	32 247	35 438	237 571
Earnings per share (cents) (note 7)	10	11	73
Headline earnings per share (cents) (note 8)	10	11	73

Consolidated statement of changes in equity
for the six months ended 31 December 2016

	Share capital R' 000	Share premium R' 000	Defined benefit plan reserve R' 000	Retained income R' 000	Total equity R' 000
Balance as at 1 July 2015 (Audited)	16 377	1 495 561	732	907 324	2 419 994
Profit for the year	-	-	-	238 212	238 212
Other comprehensive income					
Change in defined benefit plan, net of tax	-	-	(641)	-	(641)
Total other comprehensive income	-	-	(641)	-	(641)
Total comprehensive income for the year and total transactions with owners	-	-	(641)	238 212	237 571
Purchase of own shares	(469)	(24 523)	-	-	(24 992)
Balance as at 30 June 2016 (Audited)	15 908	1 471 038	91	1 145 536	2 632 573
Profit for the period	-	-	-	32 247	32 247

Other comprehensive income					
Change in defined benefit plan, net of tax	-	-	-	-	-
Total other comprehensive income	-	-	-	-	-
Total comprehensive income for the period and total transactions with owners	-	-	-	32 247	32 247
Purchase of own shares	(75)	(5 039)	-	-	(5 114)
Balance as at 31 December 2016 (Unaudited)	15 833	1 465 999	91 1 177	783 2 659	706

Consolidated statement of cash flows
for the six months ended 31 December 2016

	Six months ended 31 Dec 2016 Unaudited R'000	Six months ended 31 Dec 2015 Unaudited R'000	Year ended 30 Jun 2016 Audited R'000
Cash flows from operating activities			
Cash generated from operations (note 5)	46 094	121 152	284 963
Investment income	6 346	4 836	11 762
Finance costs	(42 689)	(29 186)	(56 632)
Taxation paid	(2 944)	(364)	(14 987)
Net cash from operating activities	6 807	96 438	225 106
Cash flows applied to investing activities			
Purchase of property, plant and equipment	(88 534)	(150 211)	(283 241)
Purchase of intangible assets	(167)	-	-
Proceeds from disposal of property, plant and equipment	87	82	288
Purchase of investment property	-	(1 578)	(1 874)
Proceeds/(repayment) of loans from Group companies	177	-	(155)

Purchase of financial assets	(4 644)	(4 887)	(7 550)
Sale of financial assets	-	4 846	30 063
Purchase of biological assets	-	(3 530)	(1 384)
Harvesting of purchased plantations	1 384	-	-
Net cash applied to investing activities	(91 697)	(155 278)	(263 853)
Cash flows from financing activities			
Buyback of shares	(5 114)	(5 001)	(24 992)
Net proceeds from loans and borrowings	41 608	76 947	150 785
Net cash from financing activities	36 494	71 946	125 793
Total cash movement for the period	(48 396)	13 106	87 046
Cash at the beginning of the period	286 144	192 068	192 068
Effect of exchange rate movement on cash balances	(2 412)	-	7 030
Cash at the end of the period	235 336	205 174	286 144

Notes to the consolidated interim financial statements

1. Basis of preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the JSE Listings Requirements, the Companies Act of South Africa, 71 of 2008 (as amended) and the Companies Regulations, 2011. These unaudited condensed consolidated interim financial statements have been prepared in accordance with and containing the information required by IAS 34: Interim Financial Reporting, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council. The financial results have been compiled under the supervision of Pieter van Buuren CA (SA), the Chief Financial Officer.

These unaudited condensed consolidated interim results do not include all the information required for full annual financial statements, and should be read in conjunction with the audited consolidated financial statements as at and for the year ended 30 June 2016 which are available on the Company's website, www.york.co.za or at the Company's registered office.

These condensed consolidated interim results have not been reviewed or audited. The financial results, which have been prepared on the going concern basis, were approved by the Board of Directors on 8 March 2017.

There have been no material changes to judgements or estimates of amounts

reported in prior reporting periods.

The Group financial results are presented in South African Rand, which is the Company's functional currency. All financial information presented has been rounded to the nearest R'000.

The significant accounting policies are in terms of International Financial Reporting Standards and methods of computation are consistent in all material respects with those applied in the year ended 30 June 2016.

2. Additional disclosure items

	31 Dec 2016 Unaudited R'000	31 Dec 2015 Unaudited R'000	30 Jun 2016 Audited R'000
Authorised capital commitments			
- Contracted, but not provided	56 829	56 916	59 229
- Not contracted	22 474	23 730	32 112
Capital expenditure	88 701	151 789	285 115
Depreciation of property, plant and equipment	42 911	26 355	56 344
Amortisation of intangible assets	442	539	1 079

- The Group did not have any litigation settlements during the reporting period.
- The Group participates in a pooled banking facility of R120 million granted by Absa Bank Limited. The Group did not have any other contingent liabilities at the reporting date.
- The Group did not have any covenant defaults or breaches of its loan agreements during the period under review or at the reporting date.
- No events have occurred between the reporting date and the date of release of these results which require adjustment of or disclosure in these results.
- No movement occurred in the number of shares issued during the period under review.

3. Operating segments

The Group has three reportable segments which are the Group's strategic divisions. The Group operates in one geographic segment, namely countries within the Southern Africa Development Community (SADC).

The segmental analysis is as follows:

	Processing plants		
	Dec 2016 R'000	Dec 2015 R'000	Jun 2016 R'000
Revenue: external sales	633 421	597 700	1 227 743
Revenue: inter-segment sales	142 340	110 139	204 926

Total revenue	775 761	707 839	1 432 669
Depreciation and amortisation	(32 269)	(20 529)	(47 964)
Reportable segment profit*	66 529	41 878	124 152
Fair value adjustment	-	-	-
Capital expenditure	65 094	141 691	286 306

Wholesale

	Dec 2016 R' 000	Dec 2015 R' 000	Jun 2016 R' 000
Revenue: external sales	281 149	237 972	464 958
Revenue: inter-segment sales	-	-	-
Total revenue	281 149	237 972	464 958
Depreciation and amortisation	(794)	(699)	(1 419)
Reportable segment profit*	14 030	6 833	17 171
Fair value adjustment	-	-	-
Capital expenditure	2 037	231	1 088

Forestry

	Dec 2016 R' 000	Dec 2015 R' 000	Jun 2016 R' 000
Revenue: external sales	36 808	39 806	77 519
Revenue: inter-segment sales	358 724	316 784	646 253
Total revenue	395 532	356 590	723 772
Depreciation and amortisation	(7 967)	(3 257)	(7 732)
Reportable segment profit*	25 389	43 200	100 879
Fair value adjustment	14 493	5 726	192 875
Capital expenditure	20 711	5 389	62 371

Total

	Dec 2016 R' 000	Dec 2015 R' 000	Jun 2016 R' 000
Revenue: external sales	951 378	875 478	1 770 220
Revenue: inter-segment sales	501 064	426 923	851 179

Total revenue	1 452 442	1 302 401	2 621 399
Depreciation and amortisation	(41 030)	24 485	(57 115)
Reportable segment profit*	105 948	91 911	242 202
Fair value adjustment	14 493	5 726	192 875
Capital expenditure	87 842	147 311	349 765

* Being EBITDA

	31 Dec 2016 Unaudited R'000	31 Dec 2015 Unaudited R'000	30 Jun 2016 Audited R'000
Reconciliation of reportable segment profit or loss			
Total EBITDA for reportable segments	105 948	91 911	242 202
Depreciation, amortisation and impairment	(43 295)	(26 896)	(57 115)
Unallocated amounts	3 487	3 768	(2 154)
Operating profit	66 140	68 783	182 933

4. Biological assets

	31 Dec 2016 Unaudited R'000	31 Dec 2015 Unaudited R'000	30 Jun 2016 Audited R'000
Reconciliation of biological assets			
Opening balance	2 334 327	2 140 067	2 140 067
Fair value adjustment:			
- Increase due to growth and enumeration	146 562	163 517	329 011
- Decrease due to harvesting	(141 318)	(156 691)	(325 956)
- Adjustment to standing timber values to reflect fair value at period end	9 249	(1 100)	189 821
Standing timber harvested	(1 384)	-	-
Purchased plantations	-	3 530	1 384
Closing balance	2 347 436	2 149 323	2 334 327
Classified as non-current assets	2 014 987	1 910 004	1 993 501
Classified as current assets**	332 449	239 319	340 826

** Being the biological assets to be harvested and sold in the 12 months after the reporting date

	31 Dec 2016 Unaudited R'000	31 Dec 2015 Unaudited R'000	30 Jun 2016 Audited R'000
Change in discounted cash flows (DCF) value attributable to:			
Opening balance	2 334 327	2 140 067	2 140 067
Growth	120 739	65 444	154 330
Revenue and price	(4 004)	134 313	355 632
Operating cost	27 336	(2 155)	(162 509)
Discount rate	(129 578)	(191 876)	(154 577)
Sale of plantation	(1 384)	-	-
Purchased plantations	-	3 530	1 384
Closing balance	2 347 436	2 149 323	2 334 327

	31 Dec 2016 Unaudited Cubic metres	31 Dec 2015 Unaudited Cubic metres	30 Jun 2016 Audited Cubic metres
Reconciliation of standing volume			
Opening balance	5 840 732	5 833 661	5 833 661
Increase due to growth and enumeration	339 273	378 522	761 621
Decrease due to harvesting	(327 135)	(362 720)	(754 550)
Closing balance	5 852 870	5 849 463	5 840 732

The additional key assumptions underlying the discounted cash flow valuation have been updated as follows:

- Volumes: Forecast volumes were updated at the reporting date using a merchandising model.
- Log prices: The price per cubic metre is based on current and expected future market prices per log class. It was assumed that log prices will increase at 6,5% over the next year and at 6% over the long term (2015:6,5% over the next year and at 6% over the long term).
- Operating costs: The costs are based on the unit costs of the forest management activities required to enable the trees to reach the age of felling. The costs include the current and future expected costs of harvesting, maintenance and risk management, as well as an appropriate amount of fixed overhead costs. A contributory asset charge takes into account the cost of fixed assets utilised to generate cash flows from the biological asset over the valuation period. The operating costs exclude the transport costs necessary to

get the assets to market. These costs have been reviewed and updated to current actual costs. Inflation rates of 6,15% for the next year and 6% over the long term (2015: 6,15% for the next year and 6% over the long term) were used.

5. Cash generated from operations

	31 Dec 2016 Unaudited	31 Dec 2015 Unaudited	30 Jun 2016 Audited
Profit before taxation	44 290	50 159	333 400
Adjustments for:			
Depreciation, amortisation and impairments	43 295	26 896	59 825
Loss/(profit) on sale of assets	78	(80)	223
Loss/(profit) on foreign exchange	2 412	-	(7 030)
Investment income	(6 346)	(4 836)	(11 762)
Finance costs	42 689	29 186	56 632
Fair value adjustments	(14 493)	(5 726)	(195 337)
Movement in provisions	440	381	573
Movement in share-based payment liability	4 289	(9 628)	(8 363)
Changes in working capital			
Inventories	(33 489)	51 897	18 873
Trade and other receivables	6 044	10 156	(14 251)
Trade and other payables	(43 115)	(27 253)	52 180
Cash generated from operations	46 094	121 152	284 963

6. Related parties

The Group's related parties are its subsidiaries and key management, including directors. No change in control occurred in the Company's subsidiaries from the prior period. No businesses were acquired or disposed of during the period.

7. Earnings per share

	31 Dec 2016 Unaudited	31 Dec 2015 Unaudited	30 Jun 2016 Audited
Basic earnings attributable to ordinary shareholders (R'000)	32 247	35 438	238 212
Weighted average number of ordinary shares (thousands)	317 754	326 707	325 286
Earnings per share (cents)	10	11	73

No change other than in respect of the buyback of shares occurred in the number

of shares in issue and no instruments had a dilutive effect.

8. Headline earnings per share

	31 Dec 2016 Unaudited R'000	31 Dec 2015 Unaudited R'000	30 Jun 2016 Audited R'000
Reconciliation of basic earnings to headline earnings			
Basic earnings attributable to ordinary shareholders	32 247	35 438	238 212
Loss/(profit) on sale of assets and liabilities (net of tax)	57	(56)	161
Fair value adjustment on investment property (net of tax)	-	-	(1 910)
(Reversal of impairment)/impairment of plant, equipment and vehicles	(42)	-	1 729
Headline earnings for the period	32 262	35 382	238 192
Weighted average number of ordinary shares (thousands)	317 754	326 707	325 286
Headline earnings per share (cents)	10	11	73

9. Core earnings per share

	31 Dec 2016 Unaudited R'000	31 Dec 2015 Unaudited R'000	30 Jun 2016 Audited R'000
Reconciliation of core earnings to headline earnings			
Basic earnings attributable to ordinary shareholders	32 247	35 438	238 212
Fair value adjustment on biological assets (net of tax)*	(10 435)	(4 123)	(138 870)
Core earnings for the period	21 812	31 315	99 342
Weighted average number of ordinary shares (thousands)	317 754	326 707	325 286
Core earnings per share (cents)	7	10	31

Company information

Executive directors: Pieter van Zyl (CEO), Pieter van Buuren (CFO)

Non-executive directors: Dr Jim Myers* (Non-executive Chairman, USA),

Paul Botha, Dr Azar Jammine*, Shakeel Meer, Dinga Mncube*, Maserame Mouyeme*,

Thabo Mokgatlha*, Gavin Tipper*

(*independent)

Registered office: York Corporate Office: 3 Main Road, Sabie, Mpumalanga.

Postal address: PO Box 1191, Sabie 1260

Auditors: KPMG Inc.

Company secretary: Han-hsiu Hsieh

Chief Financial Officer: Pieter van Buuren

Sponsor: One Capital

Transfer secretaries: Computershare Investor Services Proprietary Limited

www.york.co.za