

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

TRADING AND OPERATIONAL UPDATE FOR THE FIRST QUARTER OF THE
2021 FINANCIAL YEAR

Highlights

- Return to profitability 6 times that of the year ended June 2020 and 1.4 times that of the first quarter of the 2020 financial year ("Q1 2020")
- Land Bank covenant rectified
- Demand for lumber strong and prices are holding up
- Local demand for plywood on the increase on the back of strong demand for export products
- Cost control and optimisation of supply chain components keep cost increases minimal
- Stable log supply to processing plants with a strong performance by the forestry division
- Stable labour relationship
- Reduced debt by further R28 million from the year ended June 2020 (R38 million reduction in debt compared to Q1 2020).

Operational update

York returned to full production at all its operating sites as from 1 July 2020. Start-up of operations was gradual to ensure adherence to COVID-19 protocols.

With strong demand for York's products, the focus is for processing plants to run optimally. Sawmilling operations had their challenges during the first quarter but ended with sales volumes at 108% of production (Q1 2020: 101%). Sales volumes for the quarter are at 28% of the prior financial year's total sales volumes (Q1 2020: 29%). Average selling prices improved by 5% over the quarter from the year ended June 2020 and 2% from Q1 2020.

Plywood demand for local and export markets has been strong. Sales of plywood were 120% of production for the quarter (Q1 2020: 117%), resulting in a reduction in stock. Plywood sales

volumes for the quarter are already 36% of the total sales volumes for the prior financial year and 22% of the total sales volumes for Q1 2020. Average selling prices have also improved by 6% over the quarter from the year ended June 2020 and 3% from Q1 2020.

The Nicholson & Mullin sawmill has successfully been closed and working with organised labour; retrenchments were kept to a minimum. York deployed more than two-thirds of affected employees in the rest of the operations.

Relations with organised labour has been stable. We continue to promote a positive industrial relations climate and improved employee relationships.

The Forestry division performed exceptionally with reasonable cost control and improved forestry management systems. Outside log procurement is kept to a minimum with a clear focus to improve supply from own plantations. External log prices in Mpumalanga have reduced but are still at a 20% premium to the rest of South Africa.

Covenants and Land Bank

The interest cover ratio, as measured in June 2020, fell below the required level as a direct result of the national lockdown ("lockdown") with the outbreak of COVID-19. York comfortably met the covenant ratio before the lockdown. York informed Land Bank well in advance of a potential breach and requested a waiver before June 2020. York obtained the waiver, but Land Bank elected to charge penalty interest for the quarter to September 2020.

At the measurement period, September 2020, the interest cover ratio was 5.18 times against the required 2 times, and Land Bank is no longer in a position to demand penalty interest.

York requested Land Bank to release excess security held under the loan agreements. The current security cover of 3.76 times is well above the required 1.5 times.

Cash flow and financial performance

York generated positive cash flow over the first quarter with debt reducing by a further R28 million for the year ended June 2020 (R38 million reduction in debt compared to Q1 2020) and R23 million was contributed to the York self-insurance

fund (Q1 2020: R8 million). The net increase in cash has been R12.5 million for the quarter from the year ended June 2020 (R99 million decrease in cash compared to Q1 2020).

Costs have been reduced, with the costs for the quarter being 16% lower than the comparative quarter a year earlier, and 29% of total costs for the prior financial year that included the lockdown.

EBITDA for the quarter was 607% higher than that of the year ended June 2020 (Q1 2020: 16% higher than that of the year ended June 2019).

Investment in research to pave the way for advanced engineered wood product application

York signed a funding agreement with the University of Pretoria (UP) to establish a transdisciplinary Chair in data-driven, wood structural engineering for a sustainably built environment and African bio-economy. This partnership will establish a transdisciplinary research programme focused on the entire innovation chain from genome-based breeding to the structural engineering of advanced engineered wood products. Key deliverables are:

- the development of undergraduate teaching modules in wood structural engineering for advanced engineered wood products;
- collaborate with and consulting major construction companies to use engineered wood as the preferred building material for building projects, including and not limited to multi-storey buildings and apartments;
- developing appropriate engineering, safety and building codes for construction using engineered wood products; and
- promoting and acting as a leading voice for the application of engineered wood products as sustainable building materials in Africa through initiatives that encourage businesses to engage with the Chair through participation in short courses, seminars and symposia.

Outlook

York foresees that the current robust demand will continue into the next quarter. Improving production throughput and efficiencies are key focus areas to ensure York benefits from current high demand.

The diversification of earnings and utilisation of York's assets to return value to shareholders are being pursued and progressing well. York will establish its first high yield soft citrus crop during the next quarter and has aligned itself with the leading companies in this sector to assist with choosing varieties, technical expertise and marketing of fruit. York further envisages concluding the acquisition of an adjacent farm that is fully operational to unlock the full value of the soft citrus development.

The management of York's forestry, processing and distribution business remains the critical focus. The agriculture division is staffed with knowledgeable industry experts.

Shareholders are advised that the information, including any forecast financial information, included in this announcement has not been reviewed or reported on by the Company's auditors and is the responsibility of the directors of the Company.

Sabie, Mpumalanga
16 October 2020

Sponsor
One Capital