

UNAUDITED INTERIM FINANCIAL RESULTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

The York Timber Organisation Limited
Reg. No. 1916/004890/06 Share code: YRK ISIN: ZAE000008108

Unaudited condensed consolidated interim income statement

For the six months ended 31 December 2008

In thousands of Rands	Unaudited 31 Dec 2008 6 months	Reviewed 31 Dec 2007 12 months	Pro forma 31 Dec 2007 6 months
Revenue	659 912	929 169	682 209
Cost of sales	(271 555)	(379 167)	(214 667)
Gross profit	388 357	550 002	467 542
Other operating income	4 850	5 375	2 484
Insurance proceeds (business interruption)	27 829	7 879	7 879
Insurance proceeds (capital expenditure)	50 224	–	–
Distribution expenses	(93 067)	(78 142)	(74 721)
Other expenses	(271 553)	(367 928)	(305 763)
Operating profit	106 640	117 186	97 421
Fair value adjustment – Biological assets	5 381	239 943	239 943
Fair value adjustment – Hedge derivative	(11 095)	–	–
Write offs relating to the fire	–	(86 577)	(86 577)
Net profit before finance costs	100 926	270 552	250 787
Finance income	11 835	5 867	5 092
Finance expenses	(84 297)	(85 310)	(82 451)
Profit before tax	28 464	191 109	173 428
Income tax expense	(6 970)	(56 142)	(50 616)
Profit for the period	21 494	134 967	122 812
Attributable to:			
Equity holders of the parent	21 494	134 967	122 812
Preference equity holders	–	2 722	1 765
Fully diluted earnings per share – cents	26,5	323,8	169,5
Basic earnings per share – cents	27,4	335,4	173,9
Reconciliation of headline earnings	Fully diluted 2008	Basic 2008	
Basic earnings per share – cents	26,5	27,4	
Profit on sale of property, plant and equipment	(0,3)	(0,3)	
Headline earnings per share	26,1	27,2	
Reconciliation of headline earnings	Fully diluted 12 months 2007	Basic 12 months 2007	
Basic earnings per share – cents	323,8	335,4	
Profit on sale of property, plant and equipment	(0,4)	(0,4)	
Headline earnings per share	323,4	335,1	
Reconciliation of headline earnings	Fully diluted 6 months 2007	Basic 6 months 2007	
Basic earnings per share – cents	169,5	173,9	
Profit on sale of property, plant and equipment	(0,4)	(0,4)	
Headline earnings per share	169,1	173,6	

Unaudited condensed consolidated interim balance sheet

As at 31 December 2008

In thousands of Rands	Unaudited 31 Dec 2008	Audited 30 Jun 2008	Reviewed 31 Dec 2007
ASSETS			
Total non-current assets	3 038 728	3 042 787	2 512 069
Property, plant and equipment	432 733	363 511	365 474
Biological assets	1 988 450	1 983 070	1 514 024
Goodwill	610 352	610 352	624 618
Investment property	4 920	4 920	7 400
Other investments	2 273	80 934	553
Total current assets	563 617	616 430	604 967
Inventories	255 649	197 908	165 537
Trade and other receivables	210 330	194 961	249 792
Cash and cash equivalents	96 615	222 538	189 638
Non-current assets held for sale	1 023	1 023	–
Total assets	3 602 345	3 659 217	3 117 036
EQUITY AND LIABILITIES			
Total equity	3 919	3 919	3 918
Issued capital	–	–	–
Share premium	1 002 622	1 002 622	1 002 740
Share based payment reserve	10 446	10 446	–
Retained earnings	558 541	638 681	235 261
Total equity attributable to equity holders of the parent	1 575 521	1 655 668	1 241 919
Total non-current liabilities	1 701 033	1 699 234	1 573 697
Interest bearing loans and borrowings	1 091 049	1 128 545	1 153 163
Other long term financial liabilities	31 498	–	–
Retirement benefit obligation	18 256	17 431	17 431
Provisions	54 643	54 643	53 985
Deferred tax liabilities	505 587	498 615	349 118
Total current liabilities	325 791	304 315	301 420
Interest bearing loans and borrowings	60 174	64 109	67 027
Trade and other payables	262 995	234 717	223 648
Income tax payable	2 622	5 489	10 745
Total equity and liabilities	3 602 345	3 659 217	3 117 036

Executive Directors: Lance Cooper (CEO) & Gay Mokoena
Non-Executive Directors: Jim Myers (Chairman, USA), Andrew Bonamour, Paul Botha, Dick Claunch, Shakeel Meer, Tlhopheho Modise, Simon Murray, Pieter Odendaal, Grathel Motau.
Company Secretary: Francois Dekker
Registered Office: York Corporate Offices, 3 Main Road, Sabie, 1260. Tel 013 764 9200 Fax 013 764 3245. PO Box 1191, Sabie, 1260
Transfer Secretaries: Computershare Investor Services (Proprietary) Limited, 70 Marshall Street, Johannesburg 2000. PO Box 61051, Marshalltown 2107

Unaudited condensed consolidated interim statement of changes in equity

For the six months ended 31 December 2008

In thousands of Rands	Ordinary share capital	Share premium	Adjustment for hedge accounting	Share based payment reserve	Retained earnings	Total
Balance at 1 July 2007	552	1 713	–	–	112 449	114 714
Write off of share issue costs	–	(20 390)	–	–	–	(20 390)
Issue of shares	3 366	1 021 417	–	–	–	1 024 783
Net profit for the period	–	–	–	–	122 812	122 812
Total recognised income and expense for the period	–	–	–	–	122 812	122 812
Balance at 31 December 2007	3 918	1 002 740	–	–	235 261	1 241 919
Balance at 1 July 2008	3 919	1 002 622	(219)	10 446	638 900	1 655 668
Write off of share issue costs	–	–	–	–	–	–
Adjust hedge reserve	–	–	(101 640)	–	–	(101 640)
Issue of shares	–	–	–	–	(1)	(1)
Net profit for the period	–	–	–	–	21 494	21 494
Total recognised income and expense for the period	–	–	–	–	21 494	21 494
Balance at 31 December 2008	3 919	1 002 622	(101 859)	10 446	660 393	1 575 521

Unaudited condensed consolidated interim cash flow statement

For the six months ended 31 December 2008

In thousands of Rands	Unaudited 31 Dec 2008 6 months	Reviewed 31 Dec 2007 12 months	Pro forma 31 Dec 2007 6 months
Cash flows from operating activities			
Cash generated by operating activities	69 700	60 420	69 024
Finance income	11 835	5 867	5 092
Finance expense	(88 232)	(85 310)	(83 408)
Taxation paid	(2 865)	(6 742)	(87)
Net cash (outflow)/inflow from operating activities	(9 562)	(25 765)	(9 379)
Cash flows from investing activities			
Proceeds from sale of property plant and equipment	589	1 078	1 054
Additions to property plant and equipment	(79 454)	(29 292)	(15 270)
Additions to biological assets	–	(20 690)	(690)
Acquisition of subsidiaries, net of cash acquired	–	(1 698 786)	(1 698 786)
Net cash (outflow)/inflow from investing activities	(78 865)	(1 747 690)	(1 713 692)
Cash flows from financing activities			
(Decrease)/increase in borrowings	(37 496)	918 317	900 362
Proceeds from the issue of share capital	–	1 003 045	1 003 045
Net cash inflow from financing activities	(37 496)	1 921 362	1 903 407
Net (decrease)/increase in cash and cash equivalents	(125 923)	147 907	180 336
Cash and cash equivalents at beginning of period	222 538	41 731	9 302
Cash and cash equivalents at end of period	96 615	189 638	189 638

Notes to the unaudited condensed consolidated interim financial statements

The condensed consolidated Group interim financial statements of the Company for the 6 months ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the Group).

The unaudited condensed consolidated interim financial statements were authorised for issue on 3 March 2009.

- Basis of preparation**
The unaudited condensed consolidated interim financial statements of The York Timber Organisation Limited ("the Group") have been prepared in accordance with International Financial Reporting Standards and presented in accordance with International Accounting Standard ("IAS") 34: Interim Financial Reporting. The condensed interim financial results do not include all of the information required for full annual financial statements, and should be read in conjunction with the most recent consolidated financial statements of the Group as at and for the year ended 30 June 2008.
- Basic and headline earnings per share**
Basic and headline earnings per share are calculated by dividing the earnings attributable to ordinary shareholders for the period of R21,5 million (December 2007: R122,8 million) by the weighted average of 78 380 000 ordinary shares in issue. (December 2007: 70 629 126 shares).
- Fully diluted headline earnings per ordinary share**
The calculation of fully diluted headline earnings per ordinary share is based on headline earnings attributable to ordinary shareholders of R21,5 million (December 2007: R124,6 million) and the weighted average of 81 250 529 fully diluted ordinary shares (December 2007: 73 499 655).
- Review by external auditors**
The unaudited condensed consolidated interim financial results have not been audited or reviewed.
- Significant accounting policies**
Except for the adoption of IAS 39: Financial Instruments (Hedge Accounting) the accounting policies applied by the Group in these condensed consolidated interim financial results are the same as those applied by the Group in the most recent annual financial statements as at and for the year ended 30 June 2008.
- Year-end change**
In 2007 the Group's year-end was changed from December to June. The current results are based on a 6 month period. The comparable figures previously reported are for a 12 month period. To compare like with like, pro forma figures were also prepared for the 6 months ended 31 December 2007.

Commentary

INTRODUCTION

Comparisons in the commentary below are made with the *pro forma* corresponding six month period ended 31 December 2007 (derived by subtracting the figures disclosed for the six months to June 2007 from the 12 months to 31 December 2007) in order to ensure that similar periods are compared.

COMPANY DESCRIPTION

The York Timber Organisation Limited ("York" or ("the Group"), which is head quartered in Sabie, Mpumalanga, is South Africa's largest vertically integrated solid wood products group, growing pine and eucalyptus on 61 000 hectares, and converting logs to sawn timber through seven sawmills and a plywood plant to serve a range of building, construction, infrastructure, furniture and packaging markets.

OVERVIEW

Demand for sawn timber decreased during the latter half of 2008.

The Institute of Timber Construction statistics show a 17% decline in timber utilisation in plated roof trusses in 2008, mainly attributable to the decrease in domestic housing construction. Production capacity in the industry is currently declining as less efficient sawmills close and remaining sawmills decrease production.

The market for Plywood remained strong as a result of the substantial volumes of timber consumed in large, mainly government-funded, infrastructure projects.

The negative market impacted York's operations and resulted in a decrease in turnover, gross profit and cashflow. Log inventories increased as a result of the salvage operations of fire damaged logs from the 2007 and 2008 fires, the slowdown in demand and lower production at the Company's sawmills.

FINANCIAL REVIEW

Revenue for the period under review decreased by 3,3% to R660 million. Gross profit was down by 16,9% as a result of margin pressure caused by rising input and raw material costs that could not be passed on to York's customers as a result of current market conditions.

Operating profit increased by 9,5% from R97,4 million to R106,6 million. Included in operating profit for the current period is the outcome of the insurance settlement pertaining to the 2007 fires. Of this amount R27,8 million is in respect of business interruption profits recouped from insurers and R50,2 million is in respect of once-off insurance amounts received for capital expenditure for the Driekop sawmill rebuild.

Headline earnings per share ("HEPS") was 27,4 cents, down by 84,2% on the comparable period. After taking into account the fully convertible preference shares issued in terms of the BEE transaction concluded in February 2007, fully diluted HEPS decreased by 84,4% to 26,5 cents. The major reason for the decline in HEPS was a materially reduced fair value adjustment of R5,4 million (2007: R239,9 million) to the biological assets when compared to the previous period, because no log price increases were effected during the period under review.

Inventory values increased by 54,5%, mainly due to log salvage operations necessitated by the 2007 and 2008 forest fires.

Receivables and other debtors decreased by 15,8%, mainly due to the reduced turnover, whilst debtors' days showed a marginal weakening.

INSURANCE CLAIM SETTLED

The insurance claim arising from the 2007 fire at the Group's Driekop sawmill was settled and the underwriters have undertaken to pay the final outstanding amount of R64 million in March 2009. The proceeds from the R190 million claim were utilised to rebuild the Driekop sawmill and compensate for business interruption over a period of 19 months.

OPERATIONAL REVIEW

Early in the period several projects aimed at enhancing York's long-term sustainability were executed. Capex of R12 million was incurred to improve operational efficiencies and strengthen fire fighting capabilities.

An amount of R9 million was invested replanting 3 080 hectares of timber damaged in plantation fires in order to facilitate commercial rehabilitation over the shortest space of time and restore normality to York's plantations and ensure its sustainability.

Towards the end of 2008, trading conditions deteriorated resulting in most capex projects being put on hold, whilst replanting of the remainder of the burnt areas was slowed. Management has implemented a stringent cost control programme, improving internal efficiencies, increasing sales volumes and carefully monitoring debtors.

Management continues to focus on unlocking synergy benefits and improving efficiencies throughout the Group. Rationalisation of marginal sawmills is under consideration in order to reduce sawn timber output to 80% of capacity as a result of reduced market demand for timber products. The decrease in sawmilling volumes will result in an improved ratio of own timber processed to bought out timber and is positive for margins and cash flows.

A R9 million upgrade of the Sabie sawmill was carried out between September and December 2008. The upgrade has resulted in labour savings, an improved product mix and higher recovery rates. Production at the sawmill, which was disrupted throughout the period of the upgrade, was restored to normal levels in January 2009. The lower production volumes during the upgrade helped to avoid a build-up of finished goods stocks as a result of the weak market.

The Driekop sawmill is being rebuilt at an estimated cost of R120 million and will commence production in April 2009, when the Driekop auxiliary and temporary sawmills will be closed to avoid placing additional production on the market. The new Driekop sawmill is being rebuilt to emulate the models of York's successful Nicholson & Mullen and Jessievale sawmills and an improvement in margins is expected as the sawmill increases production output.

PLANTATION FIRES

For a second successive year, widespread fires damaged major areas of plantations throughout South Africa. Damage to York's plantations (2 000 hectares) was considerably lower than the damage suffered in 2007, and the 2008 losses were covered by insurance.

The total industry volume damaged in the 2008 plantation fires in South Africa exceeded 40 000 hectares compared to 84 000 hectares in 2007, making 2008 the second-worst fire year in the history of South African forestry. Once the surplus of logs arising from the accelerated harvesting and salvage operations has been depleted, it is forecasted that industry log availability will deconstrain for at least the next 25 years.

PROSPECTS

Whilst adverse trading conditions are expected to continue throughout 2009, York's cash flow is expected to improve as the excessive fire salvage log inventories are reduced. The positive impact of the rebuilt Driekop sawmill will contribute to improved margins later in 2009, supported by efficiency gains at York's ongoing sawmilling operations, the possible cost savings at marginal sawmills and an improved ratio of own timber processed. In addition, cost control measures implemented in 2008 have begun delivering savings in the current period.

For and on behalf of the board

Lance Cooper
Chief Executive Officer

John Lehman
Chief Financial Officer

4 March 2009

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