



UNAUDITED RESULTS  
FOR THE SIX MONTHS ENDED  
31 DECEMBER 2018

# Integrated into every day



## FINANCIAL HIGHLIGHTS

**Revenue** up **16%**

**EBITDA\*** up **10%**

**Core operating profit\*** up **7%**

**Operating profit** down **6%**

(due to non-cash B-BBEE cost)

**Core headline earnings\*** per share up **6%**

**Headline earnings** per share down **19%**

(due to non-cash B-BBEE cost)

**Cash generated** from operations up **83%**

**B-BBEE** transaction concluded in  
**Contractual Logistics**

*Revenue, operating profit before capital items and headline earnings per share from continuing operations.*

*\* Excluding the non-recurring, non-cash impact of the Unitrans B-BBEE transaction.*

## STRATEGIC REVIEW

The diligent implementation of the group's strategy has produced solid results for the period in a challenging and uncertain economic environment, particularly with regard to **cash generated from operations, which increased by 83%**.

In previous financial periods, the group embarked on a number of significant expansion projects at its operations and concluded a number of acquisitions, resulting in the **investment of R7.8 billion over the 24 months to 30 June 2018**. These investments have been comprehensively reported on in previous financial reports. In view of the scale and complexity of these investments, the strategy set by the board for the 2019 financial year was to ensure the completion of the expansion projects and the effective integration of the acquisitions into the group, with the focus on **market share growth, extraction of value and generation of cash**. Management have made good progress during the period in this regard.

## OPERATIONAL REVIEW

### DIVERSIFIED INDUSTRIAL

#### Integrated Timber

The Integrated Timber division previously comprised forestry, sawmilling, pole manufacture, panel manufacture and upgrading operations. In line with international industry peers, the resin manufacturing and paper impregnation operations are now also reported as part of this division, as they represent strategic raw materials to the panel products operation and reflect the group's strategy of integration (prior period figures have been restated for comparative purposes). The division's panel products operation performed well for the period, showing revenue and operating profit growth as it continued to pursue its strategy of technology investments to reduce its cost of manufacturing, increasing the proportion of value-added products and market share growth. The resin and paper impregnation operations also performed well as a result of increased volumes. The division's forestry, sawmilling and pole operations in the southern Cape were negatively impacted by the operational effects of the extensive fires experienced in the region during 2017 and 2018, which had a material impact on the division's operating results.

**Revenue:**  
**R1 960 million**  
(1H18: R1 699 million)

**Operating profit:**  
**R346 million**  
(1H18: R342 million)

The division is expected to trade well for the remainder of the year with strong demand for its product at stable margins. The division has initiated new projects to expand particleboard capacity and improve efficiencies at both its Ugie plant (February 2020 commissioning) and Piet Retief plant (March 2020 commissioning) and will install an additional MFB (melamine-faced board) upgrading press (August 2019 commissioning). The combined cost of these investments will be approximately R200 million, the majority of which will only be incurred in F2020.

#### Automotive Components

The performance of the Automotive Components division was stable for the period. A 10% increase in industry new vehicle assembly volumes over the prior comparative

period supported volume growth for the division. The two model replacements introduced during the previous financial year have been ramped up as planned. Margins during the period were however negatively impacted by certain continuous improvement projects and new technologies that took longer than expected to implement. The aftermarket accessories business was stable in spite of subdued industry new vehicle sales volumes. The loss-making canopy manufacturing operation was disposed of effective 1 October 2018.

**Revenue:**  
**R1 189 million**  
(1H18: R1 024 million)

**Operating profit:**  
**R116 million**  
(1H18: R116 million)

An improved performance is expected during the second half of the financial year as continuous improvement projects and new technologies become fully implemented. The extension of the Automotive Production and Development Programme (APDP) to 2035 provides much needed clarity and stability to the automotive sector, which management believes will lead to growth opportunities for the division.

#### Integrated Bedding

The Integrated Bedding division produced a pleasing result for the period in the context of the currently depressed retail environment, which represents its primary market. The division continued to implement its strategy of; technology investments to reduce its cost of manufacturing, integration into the manufacture of its primary raw materials, brand development and market share growth. The division manufactures its own knitted, woven and non-woven fabrics, foam, springs, thermo-bonded insulation pads, bed bases, plastic bedding components and mattresses, which it delivers to customers using its own logistics fleet, which collectively enables it to optimise margins. The division was able to grow volumes during the period in line with its strategy. However, margins were negatively impacted by increased raw material prices and the increased scale of 'Black Friday' sales, which extended beyond the division's efficient manufacturing capacity during the period and represented a high volume of low-margin products.

**Revenue:**  
**R854 million**

(1H18: R759 million)

**Operating profit:**  
**R132 million**

(1H18: R128 million)

'Black Friday' order volumes that were not manufactured during November and December have been rolled over into January and February. Thereafter the division is expected to perform well for the rest of the financial year. The mattress manufacturing and process automation investments associated with the R250 million Integrated Bedding plant in Johannesburg are expected to be completed before the 2019 peak trading period, which will facilitate production efficiencies at higher production volumes.

## DIVERSIFIED CHEMICAL

The division performed well across its three product streams – polyethylene terephthalate (PET), high-density polyethylene (HDPE) and polypropylene (PP).

	PET		HDPE		PP	
	1H19	1H18	1H19	1H18	1H19	1H18
Revenue (R million)	<b>1 853</b>	910	<b>1 478</b>	1 591	<b>1 092</b>	957
Sales volume (tonnes)	<b>92 182</b>	57 555	<b>71 682</b>	88 193	<b>56 598</b>	60 516
Production volume (tonnes)	<b>102 597</b>	23 096	<b>83 173</b>	83 301	<b>60 065</b>	62 915
Average R/USD exchange	<b>14.18</b>	13.41	<b>14.18</b>	13.41	<b>14.18</b>	13.41

The recently expanded PET operation in Durban ran at an average of 92% of rated capacity for 167 days during the period, following a post-commissioning shutdown during July 2018, which affected 14 days. The plant was successfully tested to 108% of nameplate capacity. Demand for the product was strong in both domestic and international markets, with 34 298 tonnes exported during the period. Indexed margins were volatile during the period as a result of international demand/supply imbalances on PET across various regions. HDPE operations ran above normal capacity for the period due to increased availability of ethylene raw material, which was consistent with the prior period. Demand for HDPE remained buoyant, which supported higher selling prices and healthy margins. PP operations ran at 94% of capacity as a result of an unscheduled shutdown that affected five days. Although demand for the product remained buoyant and supported increased selling prices, margins were affected by rising propylene prices resulting from rising oil prices, which fortunately subsided towards the end of the period.

Sales volumes of all three polymers were negatively impacted during December 2018 by industrial action in the downstream plastic converters sector, which led to a temporary increase in inventory levels at 31 December 2018.

**Revenue:**  
**R4 423 million**

(1H18: R3 458 million)

**Operating profit:**  
**R485 million**

(1H18: R318 million)

The division is expected to continue its strong operational performance in terms of production volumes, efficiency levels and sales. Margins are expected to remain fairly volatile as a result of related global commodity and currency fluctuations. A degree of this volatility is mitigated by the division's exposure to three polymers and five primary raw materials, each with independent price drivers. Inventory levels are expected to normalise towards year-end, with exports supplementing domestic demand.



## DIVERSIFIED LOGISTICS

The group concluded a B-BBEE transaction, effective 3 September 2018, whereby 45% of its South African logistics operation, Unitrans Supply Chain Solutions Proprietary Limited (USCS), was disposed of. This transaction and the financial effects thereof have been comprehensively reported to shareholders through the Johannesburg Stock Exchange News Services (SENS).

### Contractual Logistics – South Africa

This division is now reported separately from the group's non-South African operations. A new executive management structure was implemented during the period to focus only on South African operations. Following a stable first quarter, USCS found trading conditions particularly challenging during the second quarter, with subdued demand and margin pressure across all sectors. While operational performance in most sectors was satisfactory, operational execution difficulties in the Food operations had a material negative impact on margins. During the period, the division secured new contracts with annualised revenue of R151 million; renewed contracts with annualised revenue of R419 million; and was unsuccessful in contract renewals with annualised revenue of R66 million.

**Revenue:**  
**R2 673 million**  
(1H18: R2 452 million)

**Operating profit\*:**  
**R128 million**  
(1H18: R192 million)  
\*Excluding B-BBEE cost

The separation of the South African and non-South African operations creates more manageable business units with focused management teams. For the remainder of the period the USCS management team will focus on improved operational execution in the Food business; improved asset utilisation; and cost reduction, in order to improve margins and returns for the division.

### Contractual Logistics – Africa

Contractual Logistics' operations in non-South African territories comprise activities in mining, cement, petrochemical and agricultural sectors in southern and

east African countries. Following the sale of 45% of USCS, the non-South African operations are reported separately as Unitrans Africa Proprietary Limited. A new executive management structure was implemented on 1 December 2018 to focus only on non-South African operations. The division performed well for the period, supported by strong volumes at its major operations and good operational execution.

**Revenue:**  
**R1 092 million**  
(1H18: R972 million)

**Operating profit:**  
**R179 million**  
(1H18: R168 million)

The strong operational execution of this division is expected to continue for the remainder of the year.

### Passenger Transport

The Passenger Transport division found trading conditions stable during the period in terms of passenger numbers and operational execution, but was negatively impacted by a 28% higher average diesel price compared to the prior period, which affected operating profit by R30 million. The commuter and personnel travel businesses performed satisfactorily in a challenging environment. Activity in the Intercity travel sector remained competitive, negatively impacting margins. Tourism activity remained subdued, with lower tourist numbers.

**Revenue:**  
**R1 228 million**  
(1H18: R1 181 million)

**Operating profit:**  
**R122 million**  
(1H18: R140 million)

The recent reductions in the price of diesel, supported by a low forecast oil price, are expected to have a positive impact on margins of the division in the second half of the year. The division remains focused on growth in the areas of commuter and personnel travel and is pursuing certain opportunities in this regard.

## CORPORATE ACTIVITY

The company concluded a series of transactions and funding arrangements ('Unitrans B-BBEE transaction') in order to facilitate greater than 51% 'black ownership' and greater than 30% 'black women ownership' of its South African logistics operations, Unitrans Supply Chain Solutions Proprietary Limited (USCS). This series of transactions resulted in the following:

- Effective sale of 23.02% of USCS to a wholly owned entity of the FWG Pieters Trust
- Effective sale of 21.98% of USCS to a wholly owned entity of the Sakhumzi Foundation Empowerment Trust
- Acquisition by USCS of the remaining shares of Xinergistix Proprietary Limited (Xinergistix), resulting in it being a wholly owned subsidiary of USCS.

The details of this Unitrans B-BBEE transaction were published on the Stock Exchange News Service (SENS) on 18 May 2018, and a related circular was published on 8 June 2018. The series of transactions were approved by the competition authorities and became effective on 3 September 2018.

The disposal of Glodina, a division of KAP Homeware Proprietary Limited, was concluded on 22 February 2018 for R101 million and became effective on 3 September 2018.

## FINANCIAL REVIEW

### Income statement

The effect of the International Financial Reporting Standards (IFRS) accounting treatment of the Unitrans B-BBEE transaction is a non-cash and non-trading B-BBEE cost of R194 million in the period (refer B-BBEE cost below). The impact on earnings is material and therefore the B-BBEE cost is disclosed separately in the financial results. Core headline earnings and core headline earnings per share referred to in these results exclude the B-BBEE cost.

Revenue from continuing operations increased by 16% to R13 290 million (1H18: R11 478 million).

Operating profit before B-BBEE cost and capital items from continuing operations increased by 7% to R1 508 million (1H18: R1 404 million). Operating margin decreased to 11.3% (1H18: 12.2%).

Core headline earnings per share from continuing operations increased by 6% to 30.1 cents (1H18: 28.3 cents).

### Taxation

The effective tax rate increased to 32.8% (1H18: 28.0%), mainly due to the R194 million B-BBEE cost that is not deductible for income tax purposes. Excluding the B-BBEE cost, the effective tax rate decreased to 27.4% (1H18: 28.0%).

### B-BBEE cost

The Unitrans B-BBEE transaction is accounted for in terms of IFRS 2 – *Share-based Payment* and IFRS 10 – *Consolidated Financial Statements*. In terms of these statements, KAP is deemed, through the funding structure of the B-BBEE transaction, to control both of the acquiring entities and is therefore required to consolidate both acquiring entities. In addition, the transaction creates a put option in favour of the acquiring entities. The fair value of the put options for both the acquiring entities was actuarially valued at R215 million (B-BBEE cost). The B-BBEE cost is non-cash and is accounted for as a charge to earnings with a corresponding credit to reserves. R193 million of the B-BBEE cost was expensed at the transaction date and the remaining R22 million will be expensed equally over the seven-year contract period.

## Statement of financial position

Consumable biological assets were affected in the period by fires in the southern Cape region during November 2018, which resulted in damage to 845 hectares of plantations. As a result, the valuation of the plantations was reduced by R19 million, while an insurance debtor of R12 million was raised. There was a R4 million fair value gain in the finalisation of the 2017 fires. The net effect of both fires on the period was therefore a downward revaluation of R15 million.

Assets held for sale in the prior period relate to Glodina, which was disposed of as a going concern on 3 September 2018.

Non-controlling interest decreased as a result of the Unitrans B-BBEE transaction whereby USCS acquired the remaining 49.9% shares of Xinergistix for an amount of R155 million, of which R73 million was paid for by the issue of ordinary shares in KAP.

The net asset value per share increased by 10% to 462 cents from 420 cents.

## Cash flow and working capital

The strategy of ensuring the completion of recent expansion projects and the integration of recent acquisitions resulted in cash generated from operations increasing by 83% to R877 million (1H18: R479 million).

Net working capital increased by R455 million to R2 598 million. Inventories increased by R788 million, mainly

due to increased stockholding in Polymers as a result of lower sales in December 2018 due to the plastic converters strike. This was offset by an increase in accounts payable of R466 million. Accounts receivable increased by R133 million.

## Capital expenditure

Replacement capital expenditure continues to be managed over time in relation to the annual depreciation charge and amounted to R462 million for the period (net of proceeds on disposal). Expansion capital expenditure of R240 million was invested in the group's asset base to drive growth and efficiency benefits. Capital expenditure was mainly directed towards logistics long-haul vehicles and passenger transport vehicles.

## Capital structure

Strong cash generation resulted in net interest-bearing debt decreasing by R773 million to R6 687 million. Both the net debt/EBITDA ratio and the EBITDA/interest cover ratio remained well within target levels at 1.6 times and 5.5 times respectively. The company is well positioned in terms of funding future growth and expansion activities.

Global Credit Rating Co. Proprietary Limited reviewed KAP's credit rating in November 2018 and confirmed its rating as A+(za) with a stable outlook.

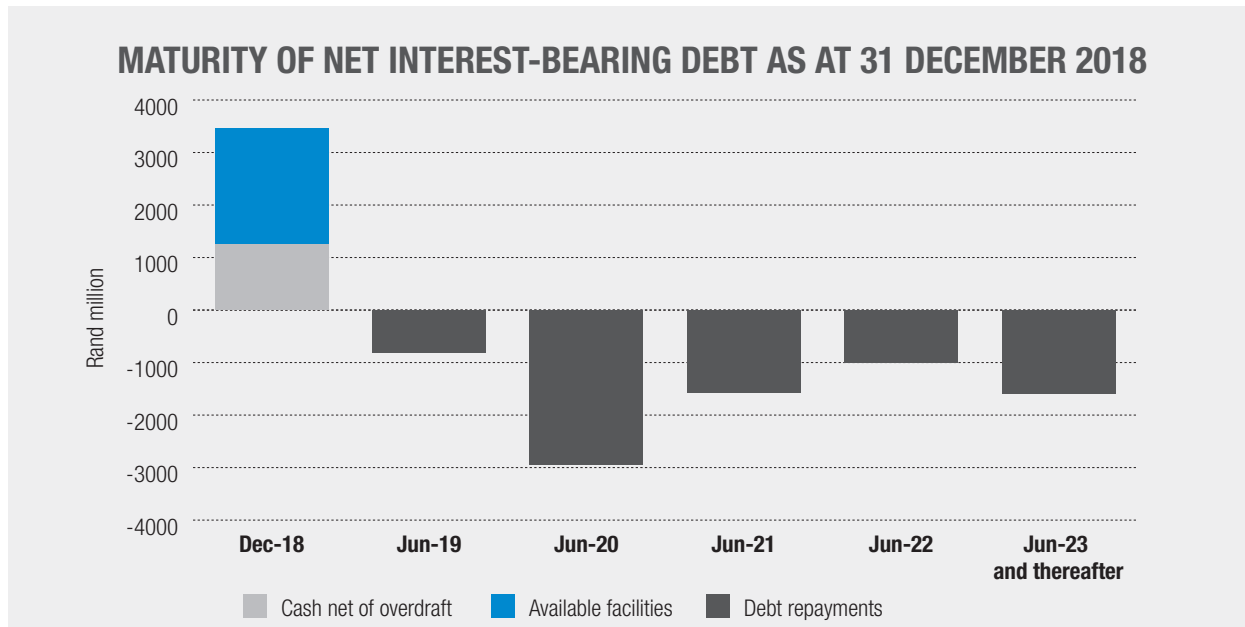
The debt structure and capacity ratios are reflected as follows:

## Debt structure and maturity profile

	31 Dec 2018 Unaudited Rm	31 Dec 2017 Unaudited Rm	30 Jun 2018 Audited Rm
Loans and borrowing long-term	5 640	7 696	6 960
Loans and borrowing short-term	2 400	527	1 007
Non-interest-bearing loans and borrowings	(44)	(115)	(89)
Bank overdrafts and short-term facilities	1	1	–
Cash and cash equivalents	(1 310)	(649)	(2 151)
Net interest-bearing debt	6 687	7 460	5 727
EBITDA*	1 901	1 905	3 912
Net finance costs*	366	328	706
EBITDA: interest cover (times)**	5.5	5.7	5.5
Net debt: EBITDA (times)**	1.6	2.0	1.5
Gearing %	54	66	47

\* From continuing operations \*\* Rolling 12 months





There were no significant funding activities concluded during the period.

### DIVIDEND

In line with historic practice, the board of directors has not declared an interim dividend.

### OUTLOOK/PROSPECTS

The macroeconomic and political environment in South Africa is expected to remain challenging and uncertain during the second half of the financial year in the lead-up to the national elections. KAP will continue to implement its strategy for F2019, ensuring the completion of recent expansion projects and the integration of recent acquisitions in order to extract value, generate cash and reduce debt levels, thereby strengthening its balance

sheet, enhancing its competitiveness and placing it in a strong position to take advantage of growth opportunities.

Various new capacity expansion projects and technology investments have been initiated that will be commissioned during F2020. Management continue to seek out further capacity expansion opportunities, in line with the group's strategy.

Acquisition opportunities that meet the group's strategic requirements and create shareholder value remain a key element of the growth objectives of management.

### APPRECIATION

The board of directors records its appreciation for the continued support and loyalty of the group's employees, shareholders, customers and suppliers.

On behalf of the board

**J de V du Toit**  
*Independent non-executive chairman*

**GN Chaplin**  
*Chief executive officer*

**FH Olivier**  
*Chief financial officer*

12 February 2019

## CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Six months ended 31 Dec 2018 Unaudited Rm	Six months ended 31 Dec 2017 Unaudited Rm	% change	Year ended 30 Jun 2018 Audited Rm
<b>Revenue</b>		<b>13 290</b>	11 478	16	22 985
<b>Operating profit before B-BBEE cost and capital items</b>		<b>1 508</b>	1 404	7	2 867
B-BBEE cost		<b>(194)</b>	–		–
Capital items	1	<b>5</b>	(26)		(66)
<b>Operating profit</b>		<b>1 319</b>	1 378	(4)	2 801
Net finance costs		<b>(366)</b>	(328)		(706)
Share of profit of associate and joint venture companies		<b>17</b>	13		23
<b>Profit before taxation</b>		<b>970</b>	1 063	(9)	2 118
Taxation		<b>(322)</b>	(297)		(508)
<b>Profit for the period from continuing operations</b>		<b>648</b>	766	(15)	1 610
Profit/(loss) for the period from discontinued operations	2	<b>18</b>	(14)		(19)
<b>Profit for the period</b>		<b>666</b>	752	(11)	1 591
<b>Profit attributable to:</b>					
Owners of the parent		<b>634</b>	720	(12)	1 540
Non-controlling interests		<b>32</b>	32		51
<b>Profit for the period</b>		<b>666</b>	752	(11)	1 591
<b>Headline earnings attributable to ordinary shareholders</b>					
Earnings attributable to owners of the parent		<b>634</b>	720	(12)	1 540
Adjusted for:					
Capital items	1	<b>(30)</b>	22		66
Taxation effects of capital items		<b>7</b>	(6)		(10)
Non-controlling interests' portion of capital items (net of taxation)		<b>1</b>	2		–
<b>Headline earnings</b>		<b>612</b>	738	(17)	1 596
B-BBEE cost (net of taxation)		<b>194</b>	–		–
<b>Core headline earnings</b>		<b>806</b>	738	9	1 596
<b>From continuing operations per ordinary share</b>		<b>Cents</b>	Cents		Cents
Basic earnings		<b>22.9</b>	27.6	(17)	58.4
Basic earnings – diluted		<b>22.7</b>	27.4	(17)	58.0
Headline earnings		<b>22.8</b>	28.3	(19)	60.5
Headline earnings – diluted		<b>22.7</b>	28.1	(19)	60.0
Headline earnings – core <sup>1</sup>		<b>30.1</b>	28.3	6	60.5

<sup>1</sup> Core headline earnings per share excludes the effect of the R194 million B-BBEE cost.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 Dec 2018 Unaudited Rm	31 Dec 2017 Unaudited Rm	30 Jun 2018 Audited Rm
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill and intangible assets	5 380	5 392	5 392
Property, plant and equipment and investment property	12 662	12 384	12 513
Consumable biological assets	1 907	1 926	1 919
Investments in associate and joint venture companies	84	70	75
Investments and loans	7	8	13
Deferred taxation assets	89	100	68
	<b>20 129</b>	19 880	19 980
<b>Current assets</b>			
Inventories	2 891	2 103	2 145
Trade and other receivables	4 192	4 059	4 053
Short-term loans receivable	18	61	6
Taxation receivable	94	112	87
Cash and cash equivalents	1 310	649	2 151
Assets classified as held for sale	–	95	82
	<b>8 505</b>	7 079	8 524
<b>Total assets</b>	<b>28 634</b>	26 959	28 504
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Stated share capital	8 908	8 791	8 791
Reserves	3 590	2 454	3 364
Total equity attributable to equity holders of the parent	12 498	11 245	12 155
Non-controlling interests	197	326	322
<b>Total equity</b>	<b>12 695</b>	11 571	12 477
<b>Non-current liabilities</b>			
Loans and borrowings	5 640	7 696	6 960
Deferred taxation liabilities	3 365	3 067	3 141
Other long-term liabilities and provisions	70	68	75
	<b>9 075</b>	10 831	10 176
<b>Current liabilities</b>			
Loans and borrowings	2 400	527	1 007
Trade and other payables	4 137	3 671	4 438
Other current liabilities and provisions	278	313	355
Taxation payable	48	45	51
Bank overdrafts and short-term facilities	1	1	–
	<b>6 864</b>	4 557	5 851
<b>Total equity and liabilities</b>	<b>28 634</b>	26 959	28 504
Net asset value per ordinary share (cents)	462	420	454
Net interest-bearing debt to equity (%)	54	66	47

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 Dec 2018 Unaudited Rm	Six months ended 31 Dec 2017 Unaudited Rm	Year ended 30 Jun 2018 Audited Rm
<b>Operating profit before capital items</b>	<b>1 314</b>	1 404	2 867
Depreciation and amortisation	<b>587</b>	501	1 045
B-BBEE cost	<b>194</b>	–	–
Operating loss before depreciation, amortisation and capital items from discontinued operations	<b>(4)</b>	(17)	(25)
Net fair value adjustments of consumable biological assets <sup>1</sup>	<b>13</b>	56	64
Other non-cash adjustments	<b>36</b>	30	38
<b>Cash generated before working capital changes</b>	<b>2 140</b>	1 974	3 989
Increase in inventories	<b>(739)</b>	(363)	(389)
Increase in trade and other receivables	<b>(116)</b>	(296)	(352)
(Decrease)/increase in trade and other payables	<b>(408)</b>	(836)	60
Changes in working capital	<b>(1 263)</b>	(1 495)	(681)
<b>Cash generated from operations</b>	<b>877</b>	479	3 308
Dividends received	<b>4</b>	–	10
Dividends paid	<b>(651)</b>	(576)	(630)
Net finance costs	<b>(369)</b>	(384)	(764)
Taxation paid	<b>(135)</b>	(165)	(237)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(274)</b>	(646)	1 687
Additions to property, plant and equipment and investment property <sup>2</sup>	<b>(702)</b>	(969)	(1 648)
Additions to intangible assets	<b>(5)</b>	(2)	(58)
Additions to consumable biological assets	<b>(1)</b>	(5)	(5)
Net cash inflow/(outflow) on disposal/acquisition of subsidiaries and businesses	<b>101</b>	(121)	(29)
Other investing activities	<b>1</b>	(47)	17
<b>Net cash outflow from investing activities</b>	<b>(606)</b>	(1 144)	(1 723)
<b>Net cash outflow from operating and investing activities</b>	<b>(880)</b>	(1 790)	(36)
Transactions with non-controlling interests	<b>(82)</b>	51	51
Increase in loans and borrowings	<b>118</b>	457	201
Increase/(decrease) in bank overdrafts and short-term facilities	<b>1</b>	(72)	(74)
<b>Net cash inflow from financing activities</b>	<b>37</b>	436	178
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(843)</b>	(1 354)	142
Cash and cash equivalents at beginning of period	<b>2 151</b>	2 009	2 009
Effects of exchange rate translations on cash and cash equivalents	<b>2</b>	(6)	–
<b>Cash and cash equivalents at end of period</b>	<b>1 310</b>	649	2 151

<sup>1</sup> Includes decrease due to harvesting and sale of livestock.

<sup>2</sup> Net of proceeds on disposal of property, plant and equipment and investment property and government grants received.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 31 Dec 2018 Unaudited Rm	Six months ended 31 Dec 2017 Unaudited Rm	Year ended 30 Jun 2018 Audited Rm
<b>Profit for the period</b>	<b>666</b>	752	1 591
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations	<b>11</b>	(21)	27
Deferred taxation	<b>–</b>	–	12
Total other comprehensive income/(loss) for the period	<b>11</b>	(21)	39
<b>Total comprehensive income for the period</b>	<b>677</b>	731	1 630
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	<b>645</b>	700	1 579
Non-controlling interests	<b>32</b>	31	51
<b>Total comprehensive income for the period</b>	<b>677</b>	731	1 630

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Six months ended 31 Dec 2018 Unaudited Rm	Six months ended 31 Dec 2017 Unaudited Rm	Year ended 30 Jun 2018 Audited Rm
<b>Balance at beginning of the period</b>	<b>12 477</b>	11 348	11 348
<b>Changes in stated share capital</b>			
Net shares issued	<b>117</b>	17	17
<b>Changes in reserves</b>			
Total comprehensive income for the period attributable to owners of the parent	<b>645</b>	700	1 579
Dividends paid	<b>(618)</b>	(559)	(559)
Share-based payments	<b>35</b>	30	61
B-BBEE cost	<b>194</b>	–	–
Other reserve movements	<b>(30)</b>	22	22
<b>Changes in non-controlling interests</b>			
Total comprehensive income for the period attributable to non-controlling interests	<b>32</b>	31	51
Dividends paid	<b>(33)</b>	(46)	(71)
Shares issued to non-controlling interests	<b>–</b>	31	31
Shares bought from non-controlling interests	<b>(124)</b>	(3)	(2)
<b>Balance at end of the period</b>	<b>12 695</b>	11 571	12 477
<b>Comprising:</b>			
Stated share capital	<b>8 908</b>	8 791	8 791
Distributable reserves	<b>7 021</b>	6 074	6 905
Share-based payment reserve	<b>327</b>	304	292
Reverse acquisition reserve	<b>(3 952)</b>	(3 952)	(3 952)
Other reserves	<b>194</b>	28	119
Non-controlling interests	<b>197</b>	326	322
	<b>12 695</b>	11 571	12 477



## SEGMENTAL ANALYSIS

	Six months ended 31 Dec 2018 Unaudited Rm	Six months ended 31 Dec 2017 Unaudited Rm	% change	Year ended 30 Jun 2018 Audited Rm
<b>Revenue from continuing operations</b>				
Diversified industrial	4 001	3 481	15	7 051
Integrated Timber	1 960	1 699	15	3 612
Automotive Components	1 189	1 024	16	2 025
Integrated Bedding	854	759	13	1 414
Intersegment revenue eliminations	(2)	(1)		–
Diversified chemical	4 423	3 458	28	7 117
Polymers	4 423	3 458	28	7 117
Diversified logistics	4 993	4 605	8	8 971
Contractual Logistics – South Africa	2 673	2 452	9	4 925
Contractual Logistics – Africa	1 092	972	12	1 818
Passenger Transport	1 228	1 181	4	2 228
	<b>13 417</b>	11 544	16	23 139
Intersegment revenue eliminations	(127)	(66)		(154)
	<b>13 290</b>	11 478	16	22 985
<b>Operating profit before depreciation amortisation and capital items from continuing operations</b>				
Diversified industrial	723	702	3	1 482
Integrated Timber	423	413	2	953
Automotive Components	149	145	3	271
Integrated Bedding	151	144	5	258
Diversified chemical	563	360	56	896
Polymers	563	360	56	896
Diversified logistics	809	843	(4)	1 534
Contractual Logistics – South Africa	325	372	(13)	669
Contractual Logistics – Africa	272	258	5	440
Passenger Transport	212	213	–	425
	<b>2 095</b>	1 905	10	3 912
B-BBEE cost	(194)	–		–
	<b>1 901</b>	1 905	–	3 912
<b>Operating profit before capital items from continuing operations</b>				
Diversified industrial	594	586	1	1 247
Integrated Timber	346	342	1	809
Automotive Components	116	116	–	214
Integrated Bedding	132	128	3	224
Diversified chemical	485	318	53	778
Polymers	485	318	53	778
Diversified logistics	429	500	(14)	842
Contractual Logistics – South Africa	128	192	(33)	313
Contractual Logistics – Africa	179	168	7	268
Passenger Transport	122	140	(13)	261
	<b>1 508</b>	1 404	7	2 867
B-BBEE cost	(194)	–		–
	<b>1 314</b>	1 404	(6)	2 867

## SEGMENTAL ANALYSIS *continued*

	31 Dec 2018 Unaudited Rm	31 Dec 2017 Unaudited Rm	% change	30 Jun 2018 Audited Rm
<b>Total assets (note 6)</b>				
Diversified industrial	<b>9 678</b>	9 739	(1)	9 813
Integrated Timber	<b>6 480</b>	6 446	1	6 510
Automotive Components	<b>1 698</b>	1 840	(8)	1 863
Integrated Bedding	<b>1 501</b>	1 453	3	1 440
Intersegment eliminations	<b>(1)</b>	–		–
Diversified chemical	<b>9 562</b>	8 448	13	8 896
Polymers	<b>9 562</b>	8 448	13	8 896
Diversified logistics	<b>7 820</b>	7 620	3	7 360
Contractual Logistics – South Africa	<b>4 797</b>	4 692	2	4 482
Contractual Logistics – Africa	<b>1 647</b>	1 659	(1)	1 519
Passenger Transport	<b>1 460</b>	1 352	8	1 439
Intersegment eliminations	<b>(84)</b>	(83)		(80)
Corporate, consolidation and elimination	<b>(15)</b>	125		(39)
	<b>27 045</b>	25 932	4	26 030

## ADDITIONAL INFORMATION

	Six months ended 31 Dec 2018 Unaudited Rm	Six months ended 31 Dec 2017 Unaudited Rm	Year ended 30 Jun 2018 Audited Rm
<b>Note 1: Capital items</b>			
<i>From continuing operations:</i>			
Loss on disposal of intangible assets	–	–	(1)
Profit/(loss) on disposal of property, plant and equipment and investment property	<b>5</b>	(7)	(3)
Impairments	–	(19)	(62)
	<b>5</b>	(26)	(66)
<i>From discontinued operations:</i>			
Profit on disposal of property, plant and equipment and investment property	–	4	–
Profit on disposal of subsidiaries and businesses	<b>25</b>	–	–
	<b>25</b>	4	–
	<b>30</b>	(22)	(66)

## ADDITIONAL INFORMATION continued

	<b>Six months ended 31 Dec 2018 Unaudited Rm</b>	Six months ended 31 Dec 2017 Unaudited Rm	Year ended 30 Jun 2018 Audited Rm
<b>Note 2: Profit/(loss) for the period from discontinued operations</b>			
Revenue	<b>5</b>	37	57
Operating loss before depreciation, amortisation and capital items	<b>(4)</b>	(17)	(25)
Depreciation and amortisation	<b>–</b>	(4)	–
Operating loss before capital items	<b>(4)</b>	(21)	(25)
Capital items	<b>25</b>	4	–
Operating profit/(loss)	<b>21</b>	(17)	(25)
Net finance costs	<b>–</b>	(1)	(1)
Profit/(loss) before taxation	<b>21</b>	(18)	(26)
Taxation	<b>(3)</b>	4	7
Profit/(loss) for the period from discontinued operations	<b>18</b>	(14)	(19)
	<b>Cents</b>	Cents	Cents
<b>Note 3: Earnings and headline earnings per ordinary share</b>			
<i>From continuing and discontinued operations:</i>			
Basic earnings	<b>23.6</b>	27.0	57.7
Basic earnings – diluted	<b>23.4</b>	26.8	57.2
Headline earnings	<b>22.8</b>	27.7	59.8
Headline earnings – diluted	<b>22.6</b>	27.5	59.3
<i>From continuing operations:</i>			
Basic earnings	<b>22.9</b>	27.6	58.4
Basic earnings – diluted	<b>22.7</b>	27.4	58.0
Headline earnings	<b>22.8</b>	28.3	60.5
Headline earnings – diluted	<b>22.7</b>	28.1	60.0
Number of ordinary shares in issue (m)	<b>2 704</b>	2 678	2 678
Weighted average number of ordinary shares in issue (m)	<b>2 688</b>	2 664	2 671

## ADDITIONAL INFORMATION continued

### Note 4: Consumable biological assets

At 31 December 2018, consumable biological assets were valued at R1 907 million (2018: R1 919 million). The valuation of the group's consumable biological assets has been carried out by management. The valuation technique is consistent with the method used at 30 June 2018, which was independently audited. The fair value of consumable biological assets is classified as Level 3 based on the fair value hierarchy. There were no transfers between the levels during the period.

	31 Dec 2018 Unaudited Hectares	30 Jun 2018 Audited Hectares	30 Jun 2017 Audited Hectares
<b>Quantities of biological assets</b>			
Pine	33 397	33 724	35 978
Eucalyptus	6 795	6 710	6 438
Temporary unplanted areas	3 846	3 658	1 672
	<b>44 038</b>	44 092	44 088
	<b>m<sup>3</sup></b>	<b>m<sup>3</sup></b>	<b>m<sup>3</sup></b>
<b>Reconciliation of standing timber</b>			
Opening balance	5 417 681	5 675 542	5 464 385
Increase due to growth <sup>1</sup>	292 812	456 354	546 815
Decrease due to harvesting	(325 874)	(714 215)	(541 457)
Acquired on acquisition of subsidiary	–	–	205 799
	<b>5 384 619</b>	5 417 681	5 675 542
	<b>Rm<sup>3</sup></b>	<b>Rm<sup>3</sup></b>	<b>Rm<sup>3</sup></b>
<b>Significant unobservable inputs</b>			
<i>Market prices<sup>2</sup></i>			
Pine	230-910	230-910	223-838
Eucalyptus	371	370	358
<i>Harvesting costs<sup>3</sup></i>			
Pine	97-177	97-177	110-126
Eucalyptus	162	162	146

<sup>1</sup> Growth models are updated regularly with enumeration data. Enumerations refer to more accurate information being collected about the rate of growth and stocking of trees in the plantations. Included in the growth amounts are the decreases due to fire damage.

<sup>2</sup> Market prices vary between log classes and between regions. The market prices are disclosed at roadside.

<sup>3</sup> Harvesting costs vary between terrains and the method of harvesting.

	Fair value hierarchy	Fair value as at 31 Dec 2018 Unaudited Rm	Fair value as at 31 Dec 2017 Unaudited Rm	Fair value as at 30 Jun 2018 Audited Rm
<b>Note 5: Fair values of financial instruments</b>				
Derivative financial assets	Level 2	15	–	58
Derivative financial liabilities	Level 2	(24)	(67)	(2)

Level 2 financial instruments consist of foreign exchange contracts that are valued using techniques where all of the inputs that have a significant effect on the valuation are directly or indirectly based on observable market data. These inputs include foreign exchange rates.

## ADDITIONAL INFORMATION continued

	31 Dec 2018 Unaudited Rm	31 Dec 2017 Unaudited Rm	30 Jun 2018 Audited Rm
<b>Note 6: Reconciliation of total assets per statement of financial position to total assets per segmental analysis</b>			
Total assets per statement of financial position	<b>28 634</b>	26 959	28 504
<i>Less:</i> Investments in associate and joint venture companies	<b>(84)</b>	(70)	(75)
<i>Less:</i> Interest-bearing long-term loans receivable	<b>(6)</b>	–	(6)
<i>Less:</i> Deferred taxation assets	<b>(89)</b>	(100)	(68)
<i>Less:</i> Interest-bearing short-term loans receivable	<b>(6)</b>	(1)	(5)
<i>Less:</i> Taxation receivable	<b>(94)</b>	(112)	(87)
<i>Less:</i> Cash and cash equivalents	<b>(1 310)</b>	(649)	(2 151)
<i>Less:</i> Assets classified as held for sale	<b>–</b>	(95)	(82)
<b>Total assets per segmental analysis</b>	<b>27 045</b>	25 932	26 030



## SELECTED EXPLANATORY NOTES

### Statement of compliance

The condensed consolidated interim financial information has been prepared and presented in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the financial pronouncements as issued by the Financial Reporting Standards Council, the Listings Requirements of the JSE Limited, the information as required by IAS 34: *Interim Financial Reporting* and the requirements of the South African Companies Act, No. 71 of 2008. The consolidated interim financial information has been prepared using accounting policies that comply with IFRS, which are consistent with those applied in the consolidated financial statements for the year ended 30 June 2018.

### Basis of preparation

The condensed consolidated interim financial statements are prepared in millions of South African rand (Rm) on the historical-cost basis, except for certain assets and liabilities, which are carried at amortised cost, and derivative financial instruments and consumable biological assets, which are stated at their fair values. The preparation of the condensed consolidated interim financial statements for the six months ended 31 December 2018 was supervised by Frans Olivier CA(SA), the group's chief financial officer.

### Changes to comparative results

The segmental analysis has been expanded to disclose the results of the group's seven operating divisions. The group's resin business, which was previously disclosed as part of the diversified chemical segment, is now included in the diversified industrial segment as part of the Integrated Timber division, as it forms part of the integrated raw material supply of Integrated Timber. The comparative information has been restated.

### Accounting policies

The accounting policies utilised in the preparation of the condensed consolidated interim financial information are consistent with those of the audited consolidated financial statements for the year ended 30 June 2018.

### Financial statements

These results have not been reviewed or reported on by the group's auditors. The results were approved by the board of directors on 12 February 2019.

### Post-balance sheet events

No significant events have occurred in the period between the end of the period under review and the date of this report.

### Changes to the board/board committees

DM van der Merwe and CJH van Niekerk were not available for re-election at the company's annual general meeting on 13 November 2018. They were consequently not reappointed to the KAP board of directors and, for the time being, the two vacancies were not filled.

A new board committee was formed namely the investment committee to which the following directors were appointed: PK Quarmby (chairman), GN Chaplin, FH Olivier, KJ Grové, TLR de Klerk and SH Müller. DM van der Merwe resigned as a member from the nomination committee and the human resources and remuneration committee and SH Müller resigned from the nomination committee. IN Mkari and PK Quarmby were appointed as members of the nomination committee and KJ Grové was appointed as a member of the human resources and remuneration committee. The effective date of these changes was 14 August 2018.

## CORPORATE INFORMATION

**KAP Industrial Holdings Limited** ('KAP' or 'the company' or 'the group')

**Non-executive directors:** J de V du Toit (Chairman)\*, KJ Grové (Deputy chairman), TLR de Klerk, LJ du Preez, IN Mkhari\*, SH Müller\*, SH Nomvete\*, PK Quarmby\*

**Executive directors:** GN Chaplin (Chief executive officer), FH Olivier (Chief financial officer)

**Registration number:** 1978/000181/06 **Share code:** KAP **ISIN:** ZAE000171963

**Registered address:** 3rd Floor, Building 2, The Views, Founders Hill Office Park, 18 Centenary Street, Modderfontein, Johannesburg 1645

**Postal address:** PO Box 2766, Edenvale 1610 **Telephone:** 010 005 3000 **Facsimile:** 010 005 3050 **E-mail:** info@kap.co.za

**Transfer secretaries:** Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196

**Company secretary:** KAP Secretarial Services Proprietary Limited **Auditors:** Deloitte & Touche **Sponsor:** PSG Capital Proprietary Limited

*\* Independent*

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