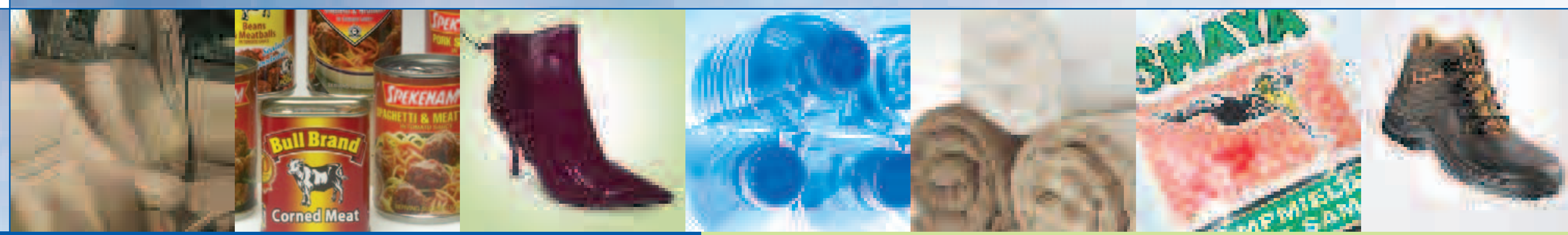
KAP International Holdings Ltd

Unaudited interim results

for the six months ended 31 December 2007



CONDENSED INCOME STATEMENTS

	Dec 2007 6 months Unaudited Rm	Dec 2006 6 months Unaudited Restated Rm	June 2007 18 months Audited Rm
Revenue	2 374,8	1 849,6	5 242,2
Operating profit	110,1	156,0	338,5
Net finance costs	(40,6)	(17,8)	(51,1)
Share of results of joint ventures	2,1	1,2	3,2
Profit before taxation	71,6	139,4	290,6
Taxation	(14,9)	(33,7)	(53,0)
Net profit for the period	56,7	105,7	237,6
Attributable to KAP shareholders	53,6	102,1	226,0
Attributable to minorities	3,1	3,6	11,6
Reconciliation of headline earnings			
Net profit attributable to ordinary shareholders	53,6	102,1	226,0
Profit on sale of property, plant and equipment	(1,0)	(4,9)	(5,9)
Impairments	–	2,6	2,6
Headline earnings	52,6	99,8	222,7
Weighted average shares in issue	424,5	424,5	424,1
Earnings			
Earnings per share (cents)	12,6	24,1	53,3
Headline earnings per share (cents)	12,3	23,5	52,5
Distribution per share (cents)	–	14	17

CONDENSED CASH FLOW STATEMENTS

	Dec 2007 6 months Unaudited Rm	Dec 2006 6 months Unaudited Restated Rm	June 2007 18 months Audited Rm
Net cash flows from operating activities	35,6	118,8	154,2
Cash generated from operations before working capital changes	140,4	165,6	397,2
Net working capital changes	(58,2)	(22,3)	(177,9)
Cash generated from operations	82,2	143,3	219,3
Net finance costs	(40,6)	(17,8)	(51,1)
Taxation paid	(6,0)	(6,7)	(14,0)
Cash flows from investing activities	(41,9)	(102,2)	(219,5)
Purchase of property, plant and equipment			
– expansion	(45,0)	(64,6)	(127,8)
– replacement	(8,2)	(26,9)	(54,6)
Other investing activities	11,3	12,3	17,3
Acquisition of subsidiaries, net of cash acquired	–	(23,0)	(54,4)
Cash flows from financing activities	238,9	(28,5)	(195,9)
Increase/(decrease) in borrowings	251,6	(28,5)	(85,1)
Distributions to shareholders	(12,7)	–	(110,2)
Dividends to minorities	–	–	(0,6)
Net increase/(decrease) in cash and equivalents	232,6	(11,9)	(261,2)
Opening cash and equivalents	(371,9)	(152,3)	(110,7)
Closing cash and equivalents	(139,3)	(164,2)	(371,9)

CONDENSED BALANCE SHEETS

	Dec 2007 Unaudited Rm	Dec 2006 Unaudited Restated Rm	June 2007 Audited Rm
Assets			
Non-current assets	925,6	764,8	915,1
Property, plant and equipment and investment properties	731,6	620,9	709,1
Goodwill	53,5	3,3	56,4
Investments and loans	31,0	21,7	36,2
Pension fund surplus	44,8	48,8	45,5
Deferred taxation	64,7	70,1	67,9
Current assets	1 490,0	1 204,1	1 474,6
Inventories and agricultural assets	766,6	680,4	789,8
Receivables and prepayments	721,6	515,4	682,4
Cash and cash equivalents	1,8	8,3	2,4
Total assets	2 415,6	1 968,9	2 389,7
Equity and liabilities			
Equity	1 235,1	1 195,1	1 191,1
Equity holders' interest	1 207,0	1 174,0	1 166,1
Minority interest	28,1	21,1	25,0
Non-current liabilities	350,0	91,2	114,5
Long-term borrowings – interest-bearing	300,9	44,1	71,4
Retirement benefit obligations	13,7	17,7	14,0
Deferred taxation	35,4	29,4	29,1
Current liabilities	830,5	682,6	1 084,1
Short-term borrowings – interest-bearing	91,1	36,2	73,3
Short-term borrowings – interest-free	19,3	–	18,0
Trade and other payables	553,8	441,9	580,6
Provisions	25,2	32,0	37,9
Bank overdrafts	141,1	172,5	374,3
Total equity and liabilities	2 415,6	1 968,9	2 389,7
Number of shares in issue (millions)	424,5	423,3	424,5
Net asset value per share (c)	284,4	277,3	274,7
Net interest-bearing debt to equity (%)	43,0%	20,5%	43,4%

CONDENSED STATEMENTS OF CHANGES IN EQUITY

	Dec 2007 6 months Unaudited Rm	Dec 2006 6 months Unaudited Restated Rm	June 2007 18 months Audited Rm
Balance at the beginning of the period	1 191,1	1 083,2	1 055,2
Prior period restatements due to change in IAS 41 valuation method	–	0,9	–
Shares issued during the period	–	4,8	4,8
Movement in share-based payment reserve	–	0,5	4,2
Movement in foreign currency translation reserve	–	–	0,1
Net profit for the period	56,7	105,7	237,6
Distributions to minorities	–	–	(0,6)
Distributions to KAP shareholders	(12,7)	–	(110,2)
Balance at the end of the period	1 235,1	1 195,1	1 191,1
KAP shareholders	1 207,0	1 174,0	1 166,1
Minorities	28,1	21,1	25,0

SEGMENTAL ANALYSES

	Revenue Rm	Operating profit Rm	Depreciation Rm	Assets Rm
Dec 2007 (6 months) – unaudited				
Industrial	1 153,1	44,1	20,5	1 466,8
Consumer	1 237,0	65,2	7,3	964,1
Other/intra-group	(15,3)	0,8	0,4	(15,3)
TOTAL	2 374,8	110,1	28,2	2 415,6
Dec 2006 (6 months) – unaudited, restated				
Industrial	1 080,1	92,5	15,6	1 224,7
Consumer	771,1	62,5	4,4	764,0
Other/intra-group	(1,6)	1,0	0,3	(19,8)
TOTAL	1 849,6	156,0	20,3	1 968,9
Jun 2007 (18 months) – audited				
Industrial	3 027,4	246,7	50,2	1 567,6
Consumer	2 214,5	93,5	14,7	918,7
Other/intra-group	0,3	(1,7)	0,7	(96,6)
TOTAL	5 242,2	338,5	65,6	2 389,7

NOTES

	Dec 2007 6 months Unaudited Rm	Dec 2006 6 months Unaudited Restated Rm	June 2007 18 months Audited Rm
1. **Net financing costs**	40,6	18,0	51,1
Interest received	–	(0,5)	(0,7)
Interest paid	40,6	18,5	51,8
2. **Capital expenditure commitments**	163,3	47,0	201,2
Contracted	22,9	9,5	29,8
Approved but not yet contracted	140,4	37,5	171,4
3. **Operating lease commitments**	26,1	32,4	23,9
4. **Guarantees and contingent liabilities**	8,2	8,8	5,8

5. **Taxation**

Taxation remains low in relation to reported profits mainly due to non-taxable income.

6. **Basis of preparation of the results**

The condensed unaudited results of the group for the six months ended 31 December 2007 have been prepared in accordance with the accounting policies of the group and in accordance with International Accounting Standard 34: Interim Financial Reporting, which comply with International Financial Reporting Standards (IFRS). Certain prior period adjustments were made in the June 2007 financial period have affected the December 2006 period (relating to a change in the valuation method in accordance with International Accounting Standard 41: Agriculture) and have been restated accordingly.

7. **Unaudited results**

The results for the six months ended 31 December 2007 have not been audited or reviewed by the company's auditors.

HIGHLIGHTS

- REVENUE GROWTH DUE MAINLY TO BRENNER INCLUSION
- CONTINUED GROWTH OF TANGIBLE NET ASSET VALUE
- BRENNER PERFORMING WELL SINCE ACQUISITION
- FELTEX RESULTS AFFECTED BY AUTOMOTIVE STRIKE

Please see these results on
www.kapinternational.com

REVIEW OF RESULTS

The board of directors report on the results for the six months ended 31 December 2007. Operating profit reduced by 29% from the prior period due to the effects of the strike in the automotive division, which ended in a three-year settlement for both OEM's and component manufacturers. Headline earnings per share decreased from 23,5 cents to 12,3 cents. Revenue for the period increased by 28% due largely to the inclusion of Brenner Mills.

Balance sheet and cash flow

The interest-bearing debt-to-equity ratio at the end of the reporting period remained stable at 43%. Capital expenditure of R53,2 million was incurred during the period, R10,7 million of which was incurred in Hosaf in respect of the capacity expansion, and R18,2 million of which was in the automotive division for the roll-out of the new vehicle models. With the exception of the Hosaf expansion, future capital expenditure is expected to be in line with depreciation.

Industrial segment

FELTEX AUTOMOTIVE

Operating margins came under pressure during the period, due to the strike affecting the automotive component manufacturers, and the slow introduction of the new Toyota Corolla and the Mercedes Benz C Class.

INDUSTRIAL FOOTWEAR

An improved performance by the Mossop division and continued demand for gumboots has resulted in a good performance by the division. Continued expansion of the construction and mining sections will ensure the future growth of this division.

HOSAF

Demand for PET has been sluggish due to continued cold weather affecting consumption of carbonated soft drinks, but has improved in early 2008. The announced increase in capacity is on track to be completed by December 2008.

Consumer segment

JORDAN & CO

Fashion footwear volumes have decreased due to the pressure on the retail sector of the economy, but ongoing attention to profitability and its strong brands will ensure that Jordan is well positioned in the market.

BULL BRAND FOODS

The company continued its good performance during the period. A continued focus on cost control and the loss of a key competitor in the fresh meat division should increase the demand for fresh meat.

BRENNER MILLS

Conditions for maize milling remain favourable. Cost reductions and increased motivation of staff has borne fruit in the Brenner results.

GLODINA

Demand was strong during the peak season, the plant is running efficiently at full capacity and there has been no downturn in revenue.

Corporate activity

There was no corporate activity during the period.

Distribution

In accordance with group policy, no interim distribution will be declared.

Corporate governance

The directors subscribe to the principles incorporated in the Code of Corporate Practices and Conduct as set out in the King Report on Corporate Governance (King II) and comply therewith.

Sustainability

The group recognises the impact of its operations on society and the environment, and is constantly striving to improve the well-being of all stakeholders in this regard.

Directors and officers

There were no changes to the directors and officers during the period.

Post balance sheet events

There have been no material events subsequent to 31 December 2007 and up to the date of this report that would require adjustment or disclosure.

Outlook

Demand for products in the consumer segment is likely to slow in the short term, but a sustained weaker exchange rate will have a positive effect on the results of the manufacturing operations.

For and on behalf of the board

C E Daun
Chairman

P C T Schouten
Chief executive officer

Paarl
Wednesday 5 March 2008

CORPORATE INFORMATION

Non-executive directors: C E Daun* (Chairman), M J Jooste, J B Magwaza, I N Mkhari, F Möller*, S H Nomvete, D M van der Merwe   * German
Executive directors: P C T Schouten (CEO), J P Haveman (CFO)
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Sponsor: PSG Capital (Proprietary) Ltd

AUTOMOTIVE TRIM FOAM CONVERTING AUTOMOTIVE LEATHERS OLYMPIC BRENNER MILLS