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.*

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)	**1 853**	910	**1 478**	1 591	**1 092**	957
Sales volume (tonnes)	**92 182**	57 555	**71 682**	88 193	**56 598**	60 516
Production volume (tonnes)	**102 597**	23 096	**83 173**	83 301	**60 065**	62 915
Average R/USD exchange	**14.18**	13.41	**14.18**	13.41	**14.18**	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.

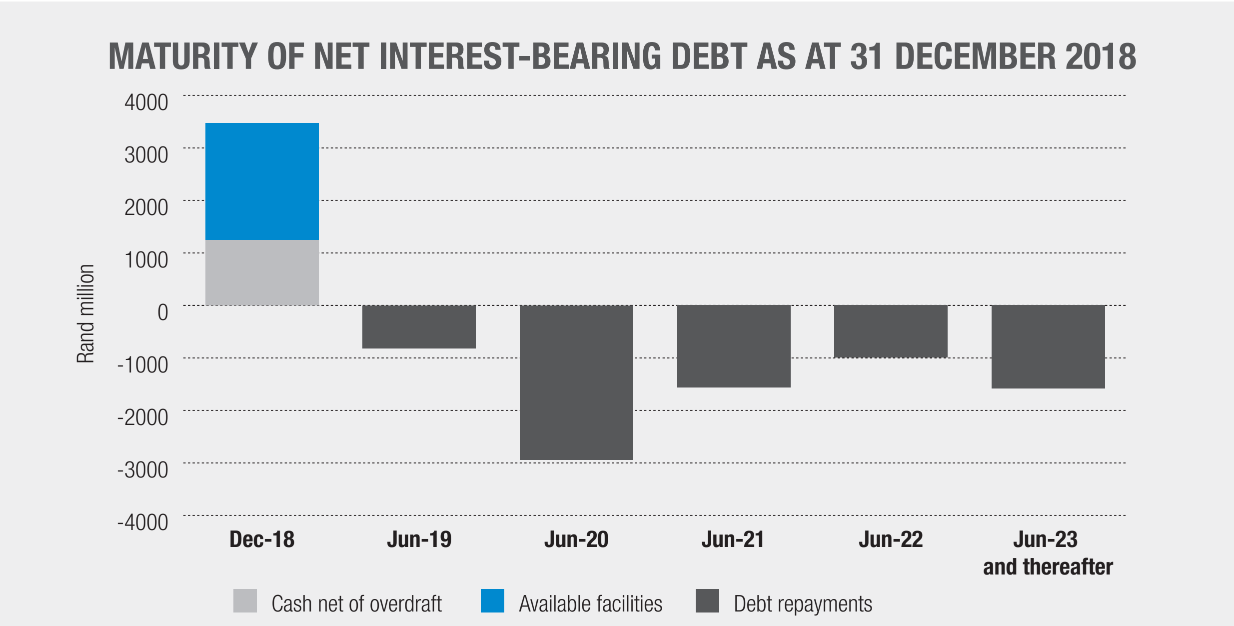
Global Credit Rating Co. Proprietary Limited reviewed KAP's credit rating in November 2018 and confirmed its rating as A+(za) with a stable outlook.

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	GN Chaplin	FH Olivier
Independent non-executive chairman	*Chief executive officer*	*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
Revenue		**13 290**	11 478	16	22 985
Operating profit before B-BBEE cost and capital items		**1 508**	1 404	7	2 867
B-BBEE cost		**(194)**	–		–
Capital items	1	**5**	(26)		(66)
Operating profit		**1 319**	1 378	(4)	2 801
Net finance costs		**(366)**	(328)		(706)
Share of profit of associate and joint venture companies		**17**	13		23
Profit before taxation		**970**	1 063	(9)	2 118
Taxation		**(322)**	(297)		(508)
Profit for the period from continuing operations		**648**	766	(15)	1 610
Profit/(loss) for the period from discontinued operations	2	**18**	(14)		(19)
Profit for the period		**666**	752	(11)	1 591
Profit attributable to:					
Owners of the parent		**634**	720	(12)	1 540
Non-controlling interests		**32**	32		51
Profit for the period		**666**	752	(11)	1 591

Headline earnings attributable to ordinary shareholders					
Earnings attributable to owners of the parent		**634**	720	(12)	1 540
Adjusted for:					
Capital items	1	**(30)**	22		66
Taxation effects of capital items		**7**	(6)		(10)
Non-controlling interests' portion of capital items (net of taxation)		**1**	2		–
Headline earnings		**612**	738	(17)	1 596
B-BBEE cost (net of taxation)		**194**	–		–
Core headline earnings		**806**	738	9	1 596

From continuing operations per ordinary share	**Cents**	Cents		Cents
Basic earnings	**22.9**	27.6	(17)	58.4
Basic earnings – diluted	**22.7**	27.4	(17)	58.0
Headline earnings	**22.8**	28.3	(19)	60.5
Headline earnings – diluted	**22.7**	28.1	(19)	60.0
Headline earnings – core[1]	**30.1**	28.3	6	60.5

[1] *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
ASSETS			
Non-current assets			
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
	20 129	19 880	19 980
Current assets			
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
	8 505	7 079	8 524
Total assets	**28 634**	26 959	28 504
EQUITY AND LIABILITIES			
Capital and reserves			
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
Total equity	**12 695**	11 571	12 477
Non-current liabilities			
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
	9 075	10 831	10 176
Current liabilities			
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	–
	6 864	4 557	5 851
Total equity and liabilities	**28 634**	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
Operating profit before capital items	**1 314**	1 404	2 867
Depreciation and amortisation	**587**	501	1 045
B-BBEE cost	**194**	–	–
Operating loss before depreciation, amortisation and capital items from discontinued operations	**(4)**	(17)	(25)
Net fair value adjustments of consumable biological assets[1]	**13**	56	64
Other non-cash adjustments	**36**	30	38
Cash generated before working capital changes	**2 140**	1 974	3 989
Increase in inventories	**(739)**	(363)	(389)
Increase in trade and other receivables	**(116)**	(296)	(352)
(Decrease)/increase in trade and other payables	**(408)**	(836)	60
Changes in working capital	**(1 263)**	(1 495)	(681)
Cash generated from operations	**877**	479	3 308
Dividends received	**4**	–	10
Dividends paid	**(651)**	(576)	(630)
Net finance costs	**(369)**	(384)	(764)
Taxation paid	**(135)**	(165)	(237)
Net cash (outflow)/inflow from operating activities	**(274)**	(646)	1 687
Additions to property, plant and equipment and investment property[2]	**(702)**	(969)	(1 648)
Additions to intangible assets	**(5)**	(2)	(58)
Additions to consumable biological assets	**(1)**	(5)	(5)
Net cash inflow/(outflow) on disposal/acquisition of subsidiaries and businesses	**101**	(121)	(29)
Other investing activities	**1**	(47)	17
Net cash outflow from investing activities	**(606)**	(1 144)	(1 723)
Net cash outflow from operating and investing activities	**(880)**	(1 790)	(36)
Transactions with non-controlling interests	**(82)**	51	51
Increase in loans and borrowings	**118**	457	201
Increase/(decrease) in bank overdrafts and short-term facilities	**1**	(72)	(74)
Net cash inflow from financing activities	**37**	436	178
Net (decrease)/increase in cash and cash equivalents	**(843)**	(1 354)	142
Cash and cash equivalents at beginning of period	**2 151**	2 009	2 009
Effects of exchange rate translations on cash and cash equivalents	**2**	(6)	–
Cash and cash equivalents at end of period	**1 310**	649	2 151

[1] *Includes decrease due to harvesting and sale of livestock.*
[2] *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
Profit for the period	**666**	752	1 591
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**11**	(21)	27
Deferred taxation	**–**	–	12
Total other comprehensive income/(loss) for the period	**11**	(21)	39
Total comprehensive income for the period	**677**	731	1 630
Total comprehensive income attributable to:			
Owners of the parent	**645**	700	1 579
Non-controlling interests	**32**	31	51
Total comprehensive income for the period	**677**	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
Balance at beginning of the period	**12 477**	11 348	11 348
Changes in stated share capital			
Net shares issued	**117**	17	17
Changes in reserves			
Total comprehensive income for the period attributable to owners of the parent	**645**	700	1 579
Dividends paid	**(618)**	(559)	(559)
Share-based payments	**35**	30	61
B-BBEE cost	**194**	–	–
Other reserve movements	**(30)**	22	22
Changes in non-controlling interests			
Total comprehensive income for the period attributable to non-controlling interests	**32**	31	51
Dividends paid	**(33)**	(46)	(71)
Shares issued to non-controlling interests	**–**	31	31
Shares bought from non-controlling interests	**(124)**	(3)	(2)
Balance at end of the period	**12 695**	11 571	12 477
Comprising:			
Stated share capital	**8 908**	8 791	8 791
Distributable reserves	**7 021**	6 074	6 905
Share-based payment reserve	**327**	304	292
Reverse acquisition reserve	**(3 952)**	(3 952)	(3 952)
Other reserves	**194**	28	119
Non-controlling interests	**197**	326	322
	12 695	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
Revenue from continuing operations				
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
	13 417	11 544	16	23 139
Intersegment revenue eliminations	**(127)**	(66)		(154)
	13 290	11 478	16	22 985
Operating profit before depreciation amortisation and capital items from continuing operations				
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
	2 095	1 905	10	3 912
B-BBEE cost	**(194)**	–		–
	1 901	1 905	–	3 912
Operating profit before capital items from continuing operations				
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
	1 508	1 404	7	2 867
B-BBEE cost	**(194)**	–		–
	1 314	1 404	(6)	2 867

SEGMENTAL ANALYSIS continued

	31 Dec 2018 Unaudited Rm	31 Dec 2017 Unaudited Rm	% change	30 Jun 2018 Audited Rm
Total assets (note 6)				
Diversified industrial	**9 678**	9 739	(1)	9 813
Integrated Timber	**6 480**	6 446	1	6 510
Automotive Components	**1 698**	1 840	(8)	1 863
Integrated Bedding	**1 501**	1 453	3	1 440
Intersegment eliminations	**(1)**	–		–
Diversified chemical	**9 562**	8 448	13	8 896
Polymers	**9 562**	8 448	13	8 896
Diversified logistics	**7 820**	7 620	3	7 360
Contractual Logistics – South Africa	**4 797**	4 692	2	4 482
Contractual Logistics – Africa	**1 647**	1 659	(1)	1 519
Passenger Transport	**1 460**	1 352	8	1 439
Intersegment eliminations	**(84)**	(83)		(80)
Corporate, consolidation and elimination	**(15)**	125		(39)
	27 045	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
Note 1: Capital items			
From continuing operations:			
Loss on disposal of intangible assets	**–**	–	(1)
Profit/(loss) on disposal of property, plant and equipment and investment property	**5**	(7)	(3)
Impairments	**–**	(19)	(62)
	5	(26)	(66)
From discontinued operations:			
Profit on disposal of property, plant and equipment and investment property	**–**	4	–
Profit on disposal of subsidiaries and businesses	**25**	–	–
	25	4	–
	30	(22)	(66)

ADDITIONAL INFORMATION continued

	Six months ended 31 Dec 2018 Unaudited Rm	Six months ended 31 Dec 2017 Unaudited Rm	Year ended 30 Jun 2018 Audited Rm
Note 2: Profit/(loss) for the period from discontinued operations			
Revenue	**5**	37	57
Operating loss before depreciation, amortisation and capital items	**(4)**	(17)	(25)
Depreciation and amortisation	**–**	(4)	–
Operating loss before capital items	**(4)**	(21)	(25)
Capital items	**25**	4	–
Operating profit/(loss)	**21**	(17)	(25)
Net finance costs	**–**	(1)	(1)
Profit/(loss) before taxation	**21**	(18)	(26)
Taxation	**(3)**	4	7
Profit/(loss) for the period from discontinued operations	**18**	(14)	(19)

	Cents	Cents	Cents
Note 3: Earnings and headline earnings per ordinary share			
From continuing and discontinued operations:			
Basic earnings	**23.6**	27.0	57.7
Basic earnings – diluted	**23.4**	26.8	57.2
Headline earnings	**22.8**	27.7	59.8
Headline earnings – diluted	**22.6**	27.5	59.3
From continuing operations:			
Basic earnings	**22.9**	27.6	58.4
Basic earnings – diluted	**22.7**	27.4	58.0
Headline earnings	**22.8**	28.3	60.5
Headline earnings – diluted	**22.7**	28.1	60.0
Number of ordinary shares in issue (m)	**2 704**	2 678	2 678
Weighted average number of ordinary shares in issue (m)	**2 688**	2 664	2 671

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
Quantities of biological assets			
Pine	**33 397**	33 724	35 978
Eucalyptus	**6 795**	6 710	6 438
Temporary unplanted areas	**3 846**	3 658	1 672
	44 038	44 092	44 088

	m^3	m^3	m^3
Reconciliation of standing timber			
Opening balance	**5 417 681**	5 675 542	5 464 385
Increase due to growth[1]	**292 812**	456 354	546 815
Decrease due to harvesting	**(325 874)**	(714 215)	(541 457)
Acquired on acquisition of subsidiary	**–**	–	205 799
	5 384 619	5 417 681	5 675 542

	Rm^3	Rm^3	Rm^3
Significant unobservable inputs			
Market prices[2]			
Pine	**230-910**	230-910	223-838
Eucalyptus	**371**	370	358
Harvesting costs[3]			
Pine	**97-177**	97-177	110-126
Eucalyptus	**162**	162	146

[1] 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.
[2] Market prices vary between log classes and between regions. The market prices are disclosed at roadside.
[3] 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
Note 5: Fair values of financial instruments				
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.

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