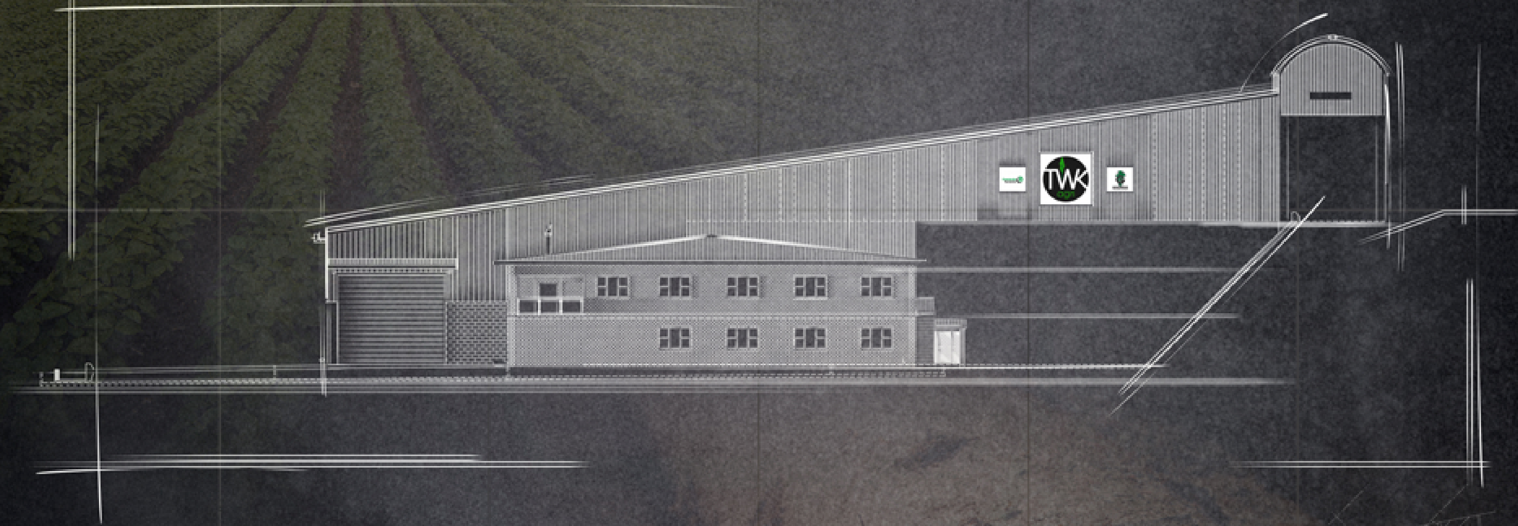
TWK Investments Ltd.

Interim Results

February 2018



Building blocks of the future on a prosperous foundation.

www.twkagri.com

Our values

Growth

Committed to providing excellence and constantly exceeding previous efforts.

Strive

Our mission is to be the supplier of choice, the market of choice, the employer of choice and the investment of choice.

Renew

Proactively committed to meeting the needs of our stakeholders without compromising the future of generations to come.

Sustain

A fresh outlook on business, underpinned by experience and knowledge.

Conserve

We take responsibility to protect the environment in which we work, thereby conserving a legacy for the future.

Develop

Investing time, resources and knowledge in our youth, employees, clients and the communities in which we operate.

TWK agri — **Hout** Timber
TWK agri — **Graan** Grain
TWK agri — **Handel** Trade
TWK agri — **Meganisasie** Mechanisation
TWK agri — **Krediet** Financing
TWK agri — **Versekering** Insurance
TWK agri — **Motors & Bande** Vehicles & Tyres

The condensed consolidated interim results of TWK Investments Ltd. for the six months ended 28 February 2018, comprise of the company, all its subsidiaries and jointly controlled entities (jointly referred to as the Group).

The accounting policies applied in the preparation of these condensed consolidated interim results are in accordance with IFRS and is consistent with the accounting policies applied in the preparation of the Group's previous audited consolidated annual financial statements.

These interim results have not been audited or independently reviewed by the Group's external auditors. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 31 August 2017.

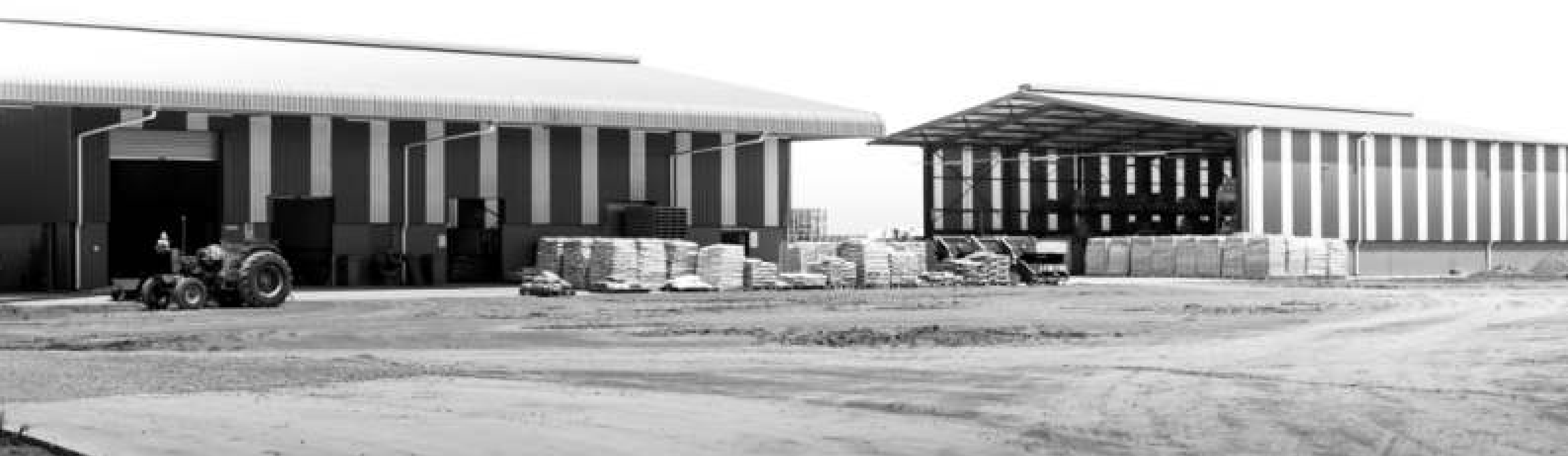
All the amounts relate to the Group's results, unless otherwise specified.

The Directors of the Group take full responsibility for the preparation of this report.

The preparation of the Group's results was supervised by the Group Chief Financial Officer, J.E.W. Fivaz.

The results were made available publicly on 29 March 2018.

Achieving sustainable growth, together.



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Key Financial Indicators

Revenue

10,6% to
R 3,73 billion

Earnings before interest and tax (EBIT)

6,4% to
R 166,90 million

Profit after tax

29,5% to
R 85,67 million

Basic earnings per share

7,0% to
218,20 c

Normalised headline earnings per share

12,7% to
232,06 c

Diluted normalised headline earning per share

15,5% to
213,59 c

Total assets

7,2% to
R 3,67 billion

Debt to equity ratio

-14,7% to
142%

The key financial indicators are for the six months ended 28 February 2018 and compared with the corresponding period of the previous year (28 February 2017).

Business Review

The South African economy was strongly supported by the agricultural sector in 2017. If the agricultural sector is excluded, the growth would have been 0.9% instead of the 1.3%, achieved. It is expected that the agricultural sector will show slower growth in 2018, because of lower production of the summer grain compared with the level achieved in 2017 and the continuous severe drought in the Western Cape.

The overall results for the first six months of TWK are somewhat reflective of the robust, agricultural output in the 2017 production season, the broader, positive sentiment in South Africa after the political developments, as well as favourable weather conditions for the 2017/18 summer crop growing areas of the country.

Although a slower growth for the agricultural sector is expected in 2018, the expectation is that TWK will be able to continue with its growth pattern. TWK is a very well-diversified business and our footprint is spread over a wide geographical area that includes Mpumalanga, KwaZulu-Natal, the Eastern Cape and the Western Cape, which reduces the drought risk. Regardless of the fact that we are located in a very good grain production area, we are also located in the timber belt of South Africa, which ensures us a great source of business, and therefore, changing in grain prices will not impact our business, significantly.

TWK's results were positively impacted by increased volumes, improved margins, cost control and effective working capital management. The restructuring of the TWK funding model with Land Bank and Standard Bank, had a positive effect on the balance sheet structure, liquidity and the finance cost of the Group. Although a decrease in commodity prices was experienced, revenue increased by 10.6%. Profit after tax increased to R85.7 million, which is 30% higher than the R66.1 million of the corresponding period. Normalised headline earnings increased to 232.06 cents per share, which is 12.7% higher than the corresponding period. The debt to equity ratio decreased further from 166% to 142%. Positive cash flow of R185.1 million was generated from operating activities and dividends of R23.4 million, and interest payments of R52.1 million was paid.

Total assets continued to increase in particular due to an increase in the investment of goodwill in the timber and fuel industry, capital expenditure, increase in inventories and an increase in the fair value of biological assets. The debtors book is higher in February than in August, which is in line with the cyclical nature of the agricultural industry. Assets are evaluated on a continuous basis where applicable, and the necessary impairments have been taken.

Operational Review

Timber

The revenue of the Timber division is higher than the previous year. Although the strengthening in the Rand had a negative impact on export revenue, there was a 6.02% increase in volume wood chips exported. The Timber division reported an increase of 27.7% in revenue and 6.9% in earnings.

The strengthening of the Rand had a negative impact on the profitability of the timber export business. Negotiation of export prices is currently in process and should counter the negative impact of the stronger Rand. Volume exports are expected to increase during the second half of the financial year.

Retail and Mechanisation

The revenue of the Retail and Mechanisation division is 5.8% higher than the previous year, notwithstanding the fact that the price of fertiliser declined during the period. Although a decline in fertiliser sales in certain areas was experienced, the sales and profits were supported by the new Umlaas blending plant and the addition of the Gromor business.

The aftermath of the drought subsided somewhat and TWK managed to increase market share, which resulted in an increase in turnover. The increase in volume business and the stabilisation of margins had a positive effect on the profit of the segment. The segment reported an increase of 45.3% in earnings.

Operational Review

Financial Services

The record maize production and low maize prices had a negative impact on the profitability and cash flow of clients, which were not sufficiently hedged against price fluctuations. However the bridging facilities amounted to only 5.3% of the total debtors book, compared to 4.27% of the comparative period of the previous year. The arrears/handed over accounts decreased by 0.6% to R25,2 million.

The debtors book is supported by good security, strong balance sheets of customers and good industry and geographical diversification.

Grain

Although higher sales volumes were achieved, the turnover in the Grain division is lower than the previous year due to lower commodity prices. The gross profit in the Grain division was positively affected by higher volumes, better utilisation of production capacity and the positive impact of the low maize prices on the production industries.

The TWK Animal Feeds volume sales is under pressure, because of competition and due to customers mixing more of their own feed due to the recent decline in maize prices. The sale of the loss making business, Maluti Milling, also had a positive effect on the profitability of the segment. The segment reported a substantial increase in earnings.

Operational Review

Motors and Tyres

The revenue of the Motors division is higher than the previous year due to an increase in new vehicle prices and increase in volume sales. Volume sales are supported by the addition of an Isuzu dealership. Although margins of vehicles are still under pressure, the Motors division managed to increase earnings. The expectation is that the increase of VAT will have a negative impact on the sales of vehicles, but the division's profit and sustainability will be supported by the filling stations.

The revenue of the Tyres division is higher than the previous year. Revenue in the newly penetrated Gauteng area is growing steadily and the presence of transport contractors in the timber industry is also increasing, which supports revenue and profit of the Tyre division.

Prospects

We are very pleased with the performance for six months ended 28 February 2018, the strong financial position and the continued momentum in the organisation.

Through the rigorous application and execution of our strategic and operational efficiencies through effective cost management and optimal inventory levels, we are confident that the growth will continue. The strategic growth in our footprint and the additions of new businesses, delivered the desired results. It is therefore expected that the good momentum built up, by the different segments, will continue and that the results of previous years, will be exceeded.

The Group remains well placed to grow revenues through ongoing product innovation and expansion. We will benefit from opportunities that arise, as and when it occurs, and any decisions we make will be in the best interest of our shareholders. The Group has sufficient headroom to enable it to conform to covenants on its existing borrowings, sufficient working capital and undrawn financing facilities, to service its operating activities and ongoing investments.

Condensed consolidated statement of Financial Position

	As at 28 February 2018 (6 Months - Unaudited)	As at 28 February 2017 (6 Months - Unaudited)	As at 31 August 2017 (Audited)
	R	R	R
Assets			
Non-current Assets			
Biological assets	313 895 317	270 959 451	307 247 522
Property, plant and equipment	713 633 280	636 344 478	666 427 607
Goodwill and intangible assets	120 380 276	37 446 175	120 711 442
Investments in associates	1 405 378	11 749 858	12 517 096
Loans to group companies	12 647 896	12 141 145	15 053 325
Other financial assets	143 052 556	178 076 631	195 919 387
Finance lease receivables	13 919 686	18 453 063	14 122 989
	1 318 934 389	**1 165 170 801**	**1 331 999 368**
Current Assets			
Inventories	1 010 782 767	943 415 638	1 056 330 694
Other loans receivable	333		333
Trade and other receivables	1 128 488 253	1 102 566 599	862 910 036
Other financial assets	39 758 535	-	6 496 579
Finance lease receivables	11 886 533	15 757 750	15 327 742
Current tax receivable	12 596 196	17 463 328	12 249 844
Cash and cash equivalents	133 528 518	168 652 806	111 672 626
	2 337 041 135	**2 247 856 121**	**2 064 987 854**
Non-current assets held for sale and assets of disposal groups	4 185 332		4 185 332
Total Assets	**3 660 160 856**	**3 413 026 922**	**3 401 172 554**
Equity and Liabilities			
Equity Attributable to Equity Holders of Parent			
Share capital	769 942 076	776 478 952	774 144 333
Reserves	(3 487 808)	(22 100 631)	(2 766 486)
Retained income	315 082 542	224 134 967	271 154 776
	1 081 536 810	**978 513 288**	**1 042 532 623**
Non-controlling interest	14 283 330	(53 401 660)	(9 917 560)
	1 095 820 140	**925 111 628**	**1 032 615 063**
Liabilities			
Non-current Liabilities			
Loans from group companies	137 520 733	-	142 736 720
Other loans payable	2 318 981	19 650 076	9 743 584
Other financial liabilities	510 872 754	219 139 767	511 625 397
Finance lease liabilities	1 886 643	204	1 466 911
Retirement benefit obligation	9 564 000	6 089 009	9 564 000
Deferred tax	138 499 373	86 151 551	115 088 622
	800 662 484	**331 030 607**	**790 225 234**
Current Liabilities			
Trade and other payables	723 046 786	661 850 331	630 007 630
Loans from group companies	11 475 718	-	11 215 953
Other loans payable	19 179 204	10 184 248	10 714 096
Other financial liabilities	897 342 762	1 169 923 178	918 304 506
Finance lease liabilities	1 927 074	-	736 405
Current tax payable	5 139 389	26 317 402	1 631 312
Provisions	652 542	-	880 311
Dividend payable	406 021	546 337	4 447 499
Bank overdraft	104 508 736	288 063 191	394 545
	1 763 678 232	**2 156 884 687**	**1 578 332 257**
Total liabilities	**2 564 340 716**	**2 487 915 294**	**2 368 557 491**
Total equity and liabilities	**3 660 160 856**	**3 413 026 922**	**3 401 172 554**

	No. of shares	No. of shares	No. of shares
Ordinary shares issued	35 100 993	35 100 993	35 100 993
Less: Treasury shares	-2 793 858	-3 576 247	-3 568 747
	32 307 135.00	**31 524 746.00**	**31 532 246.00**
Net Asset value per share	**R 33.48**	**R 31.04**	**R 33.06**

Condensed consolidated statement of Profit or Loss and Other Comprehensive Income

	For the 6 Months ending 28 February 2018 (Unaudited) R	For the 6 Months ending 28 February 2017 (Unaudited) R	For the year ending 31 August 2017 (Audited) R
Revenue from continuing operations	**3 729 059 915**	**3 371 302 852**	**6 997 638 119**
Operating profit before interest, tax, depreciation and amortisation (EBITDA)	180 999 651	168 674 674	340 214 591
Depreciation and amortisation	(14 094 093)	(11 846 982)	(23 090 523)
Operating profit before interest and tax (EBIT)	**166 905 558**	**156 827 692**	**317 124 068**
Finance costs	(52 153 545)	(66 094 275)	(129 197 231)
Profit after finance costs	**119 559 796**	**90 733 416**	**203 087 292**
Profit from equity accounted investments	1 405 333	1 149 822	1 917 051
Profit before tax from continuing operations	**120 965 129**	**91 883 238**	**205 004 343**
Taxation	(35 286 622)	(25 727 307)	(57 141 141)
Profit after tax from continuing operations	**85 678 507**	**66 155 931**	**147 863 202**
Profit / (Loss) from discontinued operations	-	-	(9 444 765)
Profit for the year	**85 678 507**	**66 155 931**	**138 418 437**
Other comprehensive income			
Gains on property revaluation	-	-	19 026 873
Remeasurements on defined benefit liability	-	-	(4 206 991)
Available-for-sale financial assets adjustments	(653 056)	-	(722 635)
Taxation related to other comprehensive income	146 285	-	(4 118 891)
Other comprehensive income for the year	**(506 771)**	**-**	**9 978 356**
Total comprehensive income for the year	**85 171 736**	**66 155 931**	**148 396 793**
Profit attributable to			
Owners of the parent	70 493 261	64 315 050	115 699 345
Non-controlling interest	15 185 246	1 840 881	22 719 092
Profit for the year	**85 678 507**	**66 155 931**	**138 418 437**
Total comprehensive income attributable to			
Owners of the parent	69 986 490	64 315 050	125 677 701
Non-controlling interest	15 185 246	1 840 881	22 719 092
Total comprehensive income for the year	**85 171 736**	**66 155 931**	**148 396 793**
Bacic earnings per share - cents	**218.20**	**204.01**	**366.92**

Condensed consolidated statement of Changes in Equity

	Share capital	Revaluation reserve	Assets-available-for-sale reserve	Restructuring reserve	Share based payments reserve	Total reserves	Retained income	Total attributable to equity holders of the group	Non-controlling interest	Total equity
	R	R	R	R	R	R	R	R	R	R
Balance at 1 September 2016 (Audited)	776 478 952	9 225 296	8 698 484	(40 024 410)	-	(22 100 630)	173 198 007	927 576 329	(54 448 450)	873 127 879
Total comprehensive income for the 6 month period	**-**	**-**	**-**	**-**	**-**	**-**	**64 315 050**	**64 315 050**	**1 840 881**	**66 155 931**
Dividends paid	-	-	-	-		-	(13 378 090)	(13 378 090)	(794 091)	(14 172 181)
Total changes for the 6 month period	**-**	**-**	**-**	**-**	**-**	**-**	**50 936 960**	**50 936 960**	**1 046 790**	**51 983 750**
Balance at 29 February 2017 (Unaudited)	**776 478 952**	**9 225 296**	**8 698 484**	**(40 024 410)**	**-**	**(22 100 630)**	**224 134 967**	**978 513 289**	**(53 401 660)**	**925 111 629**
Balance at 1 September 2017 (Audited)	774 144 333	25 248 502	8 137 720	(40 024 410)	3 871 703	(2 766 485)	271 154 776	1 042 532 624	(9 917 560)	1 032 615 064
Total comprehensive income for the 6 month period	**-**	**-**	**(506 771)**	**-**		**(506 771)**	**70 493 261**	**69 986 490**	**15 185 246**	**85 171 736**
Dividends paid						-	(18 470 206)	(18 470 206)	(970 101)	(19 440 307)
Other changes for the period	(4 202 257)	-	-	-	(214 551)	(214 551)	(8 095 289)	(12 512 097)	9 985 745	(2 526 352)
Total changes for the 6 month period	**(4 202 257)**	**-**	**(506 771)**	**-**	**(214 551)**	**(721 322)**	**43 927 766**	**39 004 187**	**24 200 890**	**63 205 077**
Balance at 29 February 2018 (Unaudited)	**769 942 076**	**25 248 502**	**7 630 949**	**(40 024 410)**	**3 657 152**	**(3 487 807)**	**315 082 542**	**1 081 536 811**	**14 283 330**	**1 095 820 141**

Condensed consolidated statement of Cash Flows

	For the 6 Months ending 28 February 2018 (Unaudited) R	For the 6 Months ending 28 February 2017 (Unaudited) R	For the year ending 31 August 2017 (Audited) R
Cash from operating activities	185 138 797	157 448 628	372 620 964
Interest income	2 492 769	-	1 544 157
Dividends paid	(23 481 785)	(14 172 181)	(18 446 007)
Dividends income	601 677	-	766 520
Finance costs	(52 153 545)	(66 094 275)	(129 197 231)
Income tax paid	(8 567 861)	(16 039 209)	(46 936 357)
Changes in operating capital	(123 917 549)	(239 614 575)	(121 576 766)
Net cash flows from operating activities	**(19 887 497)**	**(178 471 612)**	**58 775 280**
Cash flows from investing activities	(66 471 334)	(41 339 810)	(173 206 811)
Net cash flows before financing activities	**(86 358 831)**	**(219 811 422)**	**(114 431 531)**
Cash flows from financing activities	4 100 532	(32 512 748)	92 719 635
Net (decrease)/increase in cash and cash equivalents	**(82 258 299)**	**(252 324 170)**	**(21 711 896)**
Cash and cash equivalents at the beginning of the year	111 278 081	132 913 785	132 989 977
Total cash and cash equivalents at the end of the year	**29 019 782**	**(119 410 385)**	**111 278 081**

Segmental Information for the six months ending 28 February 2018 (unaudited)

	Revenue			Profit and Loss / Separately disclosable items			
	Total segment revenue	Inter segment revenue	Revenue from external customers	Operating profit before interest, tax, depreciation and amortisation (EBITDA)	Depreciation and amortisation	Finance costs	Earnings before taxation
	R	R	R	R	R	R	R
Continuing operations							
Timber	1 409 417 876	(211 141 831)	1 198 276 045	79 694 410	(6 806 592)	(17 466 507)	55 421 311
Retail and Mechanisation	2 411 221 522	(787 243 950)	1 623 977 572	72 558 536	(1 554 810)	(9 887 016)	61 116 710
Financial Services	66 578 585	3 294 963	69 873 548	40 149 916	(195 413)	(23 954 450)	16 000 053
Grain	370 288 328	(54 820 100)	315 468 228	16 882 861	(2 036 979)	(3 929 079)	10 916 803
Motors and Tyres	520 149 456	(3 363 985)	516 785 471	14 409 245	(2 159 364)	(3 750 118)	8 499 762
Corporate	23 273 821	(18 594 768)	4 679 052	(37 887 535)	(1 340 934)	6 833 627	(32 394 841)
Total	**4 800 929 586**	**(1 071 869 671)**	**3 729 059 915**	**185 807 433**	**(14 094 093)**	**(52 153 544)**	**119 559 797**

Reconciling items	
Discontinued operations	-
Profit from equity accounted investments	1 405 333
Taxation	(35 286 622)
Profit for the year	**85 678 508**

Segmental Information for the six months ending 28 February 2017 (unaudited)

	Revenue			Profit and Loss / Separately disclosable items			
	Total segment revenue	Inter segment revenue	Revenue from external customers	Operating profit before interest, tax, depreciation and amortisation (EBITDA)	Depreciation and amortisation	Finance costs	Earnings before taxation
	R	R	R	R	R	R	R
Continuing operations							
Timber	1 091 514 104	(153 497 199)	938 016 905	79 617 651	(4 973 045)	(22 778 286)	51 866 320
Retail and Mechanisation	2 149 090 491	(614 133 120)	1 534 957 371	57 803 099	(1 649 512)	(14 099 464)	42 054 123
Financial Services	49 583 332	-	49 583 332	37 646 484	(190 863)	(20 871 440)	16 584 181
Grain	455 096 460	(38 726 918)	416 369 542	(983 663)	(1 978 744)	(4 851 177)	(7 813 584)
Motors and Tyres	433 316 121	(2 286 675)	431 029 446	9 750 369	(1 797 041)	(2 981 159)	4 972 169
Corporate	12 169 078	(10 822 821)	1 346 257	(15 159 267)	(1 257 777)	(512 749)	(16 929 793)
Total	**4 190 769 586**	**(819 466 733)**	**3 371 302 853**	**168 674 673**	**(11 846 982)**	**(66 094 275)**	**90 733 416**

Reconciling items	
Discontinued operations	-
Profit from equity accounted investments	1 149 822
Taxation	(25 727 307)
Profit for the year	**66 155 931**

Notes

Related Party Transactions

- **TWK Agriculture Holdings (Pty) Ltd - ("TWK Holdings")**

Dividends of R12.55 million (2017: R9.2 million) were paid to TWK Holdings.

- **Trade Debtors – Directors**

Trade debtors comprise of production accounts, as well as other accounts, for which customers of the company qualify. Credit extension, repayment terms and interest rates in respect of loans are in line with the company policy, which applies to all customers of the company.

As at 28 February 2018, R35,6 million (2017: R38.6 million) was owned to the Group by the Directors and their related entities, on the above mentioned accounts. This is covered by security held in terms of the credit policy.

Acquisition of Property Plant and Equipment

During the six months, ended 28 February 2018, the Group acquired property, plant and equipment of R46,8 million (2017: R21.3 million).

Fair Value

The fair value measurements recognised in the statement of financial position or disclosed in the Group's financial statements by class of asset or liability, is categorised by level according to the significance of inputs used in making the measurements. The different levels are defined as follows:

- Level 1: Represents those assets which are measured using unadjusted quoted prices in active markets for identical assets or liabilities, that the Group can access at measurement date.
- Level 2: Inputs other than quoted prices that are observable for the assets, either directly (as prices) or indirectly (derived from prices).
- Level 3: Applies to inputs, which are not based on observable market data.

There were no changes in levels or new items added since the annual financial statements of 31 August 2017.

By order of the board of directors:

CHAIRMAN
R.L. Meyer

CHIEF EXECUTIVE OFFICER
A.S. Myburgh

CHIEF FINANCIAL OFFICER
J.E.W. Fivaz