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PRESS RELEASE

NWK positive about new season

After four seasons of drought that hit the western summer production areas sequentially, NWK could nonetheless succeed in ending the first six months to 31 October at a moderate profit. The current disposal of certain loss-making businesses of the group – as well as an expected normal production season ahead – will however help that the sluggish financial results do not continue in the second half of the financial year.

In the six months ended 31 October, NWK realised revenue of R1 097,2 million (2015 – R1 052,5 million) and an after-tax profit of R10,6 million (2015 – R25,3 million) was reported. An after-tax profit of R54 million was obtained from the continued operations, as opposed to R46,8 million in the comparative period.

Agriculture is not a one-season business – and least of all a sector in which the general economic and agricultural conditions of producers and agricultural businesses are restored overnight. After thorough evaluation, the board believes that NWK is a going concern. Throughout the group strong emphasis is placed on consolidation, effective use of resources and the management of risks. The management and staff are geared to support NWK's customers to participate sustainably in the new production season, Heinrich Krüger, NWK chairman, said.

Operational review

The full effect of the drought is being experienced in the current financial year, and the grain segment in particular has been affected negatively. The late receipts of grain have furthermore contributed to the profits of the segment declining by 30% from those in the first six months of the previous year. The performance of the financing segment was satisfactory, and unless the rand weakens further, last year's performance with the valuation of foreign loans will not be repeated.

Trade is still doing well, even though fertiliser and mechanisation are under pressure due to the challenging economic conditions. Profits from Africa also remain under pressure because of the drought. The industries' result is positive, mainly due to the insurance income at Epko Oil Seed Crushing. The new, larger plant of this joint venture should come into operation in May 2017. Poultry farming still makes a positive contribution, despite the reduced demand for chicks and high feed prices.

Discontinuing operations

Management has classified the financial results of Noordfed, Epko Oil Refinery (EPKOR) and Agrisig as discontinuing operations. Negotiations regarding the sale of the Noordfed mills and the Epko Oil

Refinery (EPKOR) plant are almost complete and expectations are that the recent negative results will not continue in the second half of the financial year.

Prospects

Rain fell in large parts of NWK's service area. We trust that most producers will be able to do their proposed plantings. Depending on the rain during the current and coming months, a normal production season can be expected. The trade segment and African businesses should benefit from this. A drop in the feed price and an increased demand for chicks are expected in the coming six months due to new markets being exploited, which will improve the profitability of the poultry farming operations. However, due to the devastating drought of the past few years the group and its producers will still experience financial pressure in the current and coming financial years. Despite the recent rainfall statistics, the group is managed with caution.

Since the previous managing director, Danie Marais, would have reached retirement age by early next year, the board accepted his request for early retirement on 30 November of this year. The financial director, Theo Rabe, meanwhile will be in an acting capacity until the recruitment and selection process for filling the chief executive officer is completed.

Dividend

Against the background of the current circumstances the board has decided not to declare an interim dividend at this stage. When there is more certainty about the course of the current season, a dividend declaration will be considered again.

ENDS.

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Enquiries: Heinrich Krüger, chairman of NWK
Tel: +27 82 944 9147
Email: heinkruger@nwk.co.za
www.nwk.co.za

Media enquiries: Johan Smit of Infoworks
Tel: +27 18 468 2716
Cell: 082 553 7806
Email: johan@infoworks.biz