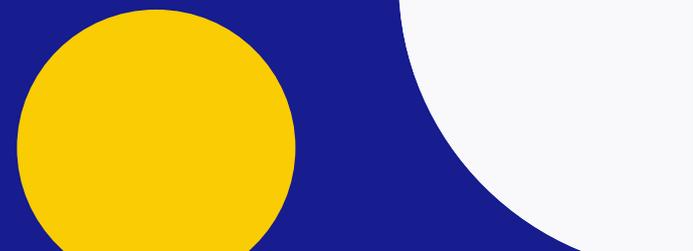
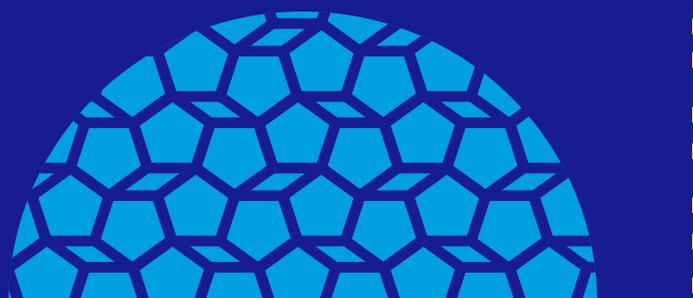
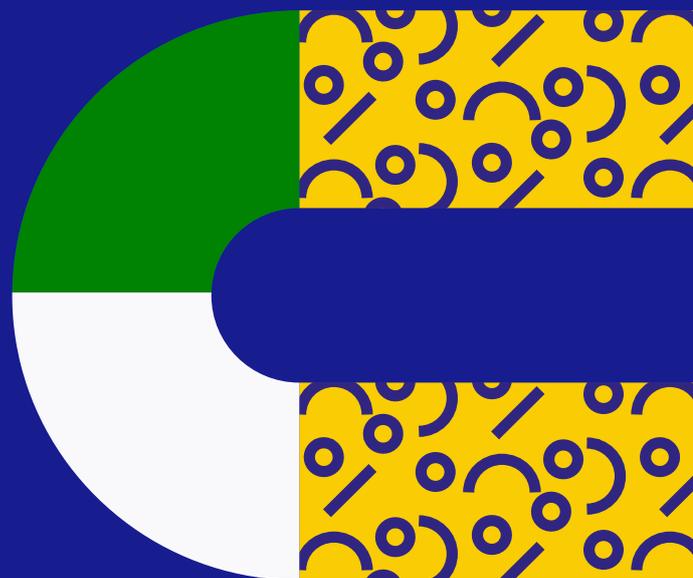
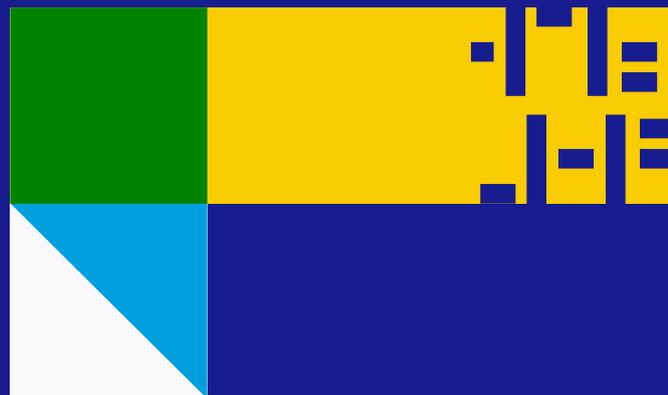
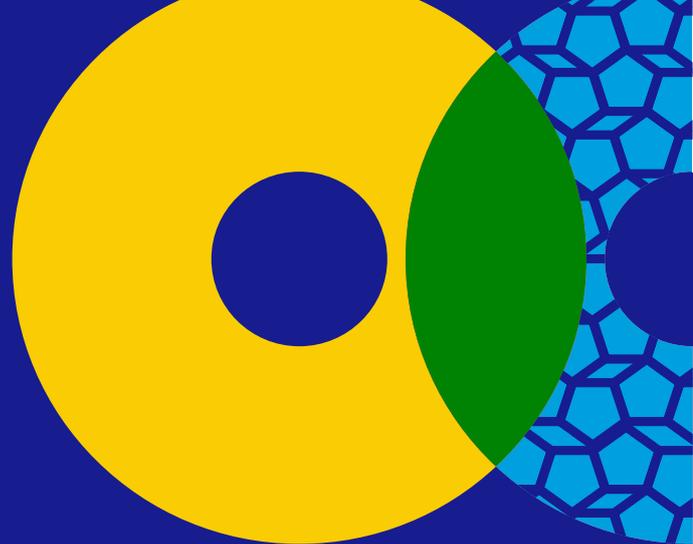


For the six months ended 30 June

Unaudited

# Condensed consolidated interim financial results

**INTERWASTE**  
HOLDINGS  
LIMITED



# Salient features

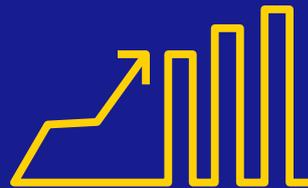
- Strong growth in revenue up **24%** to **R595.0 million** (2017: R480.7 million)

24%↑

- Robust growth in operating profit up **22%** to **R59.8 million** (2017: R49.0 million)

22%↑

- Headline Earnings per share (HEPS) of **6.43 cents per share, up 41%** (2017: R4.55 cents per share)



- Strong sustainable cash generation with cash generated before financing of **R78.2 million** (2017: R76.0 million)



- Continued reduction of debt with net debt to equity of **19.2%** (2017: 41.3%) and a reduction in net debt to **R112.1 million** (2017: R229.9 million)



## Financial performance

Revenue grew 24% year-on-year on the back of industry price increases and growth from diversifying our customer base, offset by lower recyclable prices and lower total volumes to own landfill facilities which were down 7% compared to the same period last year.

Gross profit percentages remained under pressure due to lower domestic recyclable prices, higher input costs and lower disposal volumes to the FG Landfill with increasing year-on-year environmental compliance costs in respect of this site.

Operating profit for the six months ended 30 June 2018 was R59.8 million (2017: R49.0 million), up 22% year-on-year.

Net finance costs for the six months ended 30 June 2018 fell 27% from R16.4 million down to R12.0 million due to the continued reduction in debt with growing cash and cash equivalents. Net debt to equity as at 30 June 2018 was 19.2% compared to 41.3% in the prior year.

Profit before tax (PBT) for the six months ended 30 June 2018 was R47.8 million (2017: 32.6 million), up 47% compared to the same period last year.

Headline earnings per share (HEPS) for the six months ended 30 June 2018 was 6.43 cents per share (2017: 4.55 cents per share) up 41% year-on-year. While there has been a notable year-on-year growth in HEPS, the rate of growth was impacted by an increased share of profits earned by minorities.

Net operating assets (excluding cash and cash equivalents) as at 30 June 2018 were R700.9 million (2017: R772.1 million) down 9% compared to the prior year. The reduction in net operating assets coupled with an increase in operating profit positively impacted the annual rolling return on net operating assets which averaged 16.0% (2017: 13.5%). The rolling annual return on equity averaged 9.4% (2017: 8.9%).

The Group generated cash flow before financing for the six months ended 30 June 2018 of R78.2 million (2017: R76.0 million). Cash and cash equivalents held at 30 June 2018 were R116.1 million compared to R75.5 million in the prior year and a similar amount as at 31 December 2017.

During the first half of 2018, Interwaste Holding's share price traded below the net asset value and the Company continued to use the opportunity to buy back its own shares. 11.6 million shares at an average price of 84.4 cents per share were acquired during the six months ended 30 June 2018. A total of 41.1 million shares were held at 30 June 2018.



## Trading environment

Lower than expected growth in the South African Gross Domestic Product (GDP) was recorded during the first quarter of 2018 and demand for services in the waste management industry directly correlates with economic activity aligned with global macro-economic, industry and geographic trends. Our performance is very pleasing in a very mixed economic and political environment. The Logistics segment delivered pleasing results with growing volumes mainly from diversifying services across industry sectors, but this was offset by underperformance of the Facilities segment with lower total volumes to own landfill sites.

China's ban on importing certain waste and slag type material as part of its National Sword campaign has negatively impacted and disrupted the global and local recycling industry. Another list of 16 items will be banned by the end of 2019. These import bans are leading to products being stockpiled thus driving down the value of previously related export material, whilst alternative markets and solutions are found for their re-use. During the financial year, decreases in recyclable waste prices have substantially impacted the local recyclable prices and the profitability of these associated business units.

We remain focused on strengthening our financial position with prudent capital allocation and this has resulted in improved cash generation, reduced debt with improving returns. Management continues to build a diversified, sustainable and profitable business to create value for all stakeholders.

The trading environment remains competitive but Interwaste's strategy of providing integrated waste management solutions and controlling the entire value chain affords us a competitive advantage. Our internationally accredited operating standards and innovative service offerings continue to enable Interwaste to be the supplier of choice for many local and multinational clients.

The regulatory framework governing the Waste Management Industry in our domestic and global markets is constantly evolving and the supervisory capacity of regulators is increasing significantly. We remain abreast of these changes and actively contribute to the development of national policy and legislation through formal submissions and advisory input addressed to policy makers and regulatory authorities. The Department of Environmental Affairs continues to introduce a host of new environmental legislation which will create additional opportunities for Interwaste in the form of added service offerings to our clients.

## Logistics

Revenue from the Logistics segment increased 29% compared to the same period last year with profit from operating activities increasing by 38%. Logistics operating margins improved from 9.3% in 2017 to 9.9% in 2018, positively impacted by growing volumes and continued strong focus on asset utilisation and efficiencies.

## Facilities

The Facilities segment underperformed with revenue decreasing 11% compared to last year impacted by lower net volumes to company owned landfill sites. While volumes to FG decreased, volumes to Klinkerstene continued to grow. The lower volumes to FG, high site fixed costs and additional environmental compliance costs resulted in a 42% decrease in Facilities' operating profit compared to the same period last year.

Given the extensive focus on the FG Landfill, the site's license and compliance has come under scrutiny from both the National and Provincial Regulators. The Company was engaged in legal proceedings with regards to the license for the site. The matter was heard in December 2017 and on 13 February 2018, the Court ruled in Interwaste's favour, setting aside the compliance notice and the MEC's decision to uphold the compliance notice, on the premise that the site's licence remains valid. GDARD and DEA together with the Greater Midstream Forum applied for Leave to Appeal, which was granted by the Court on 11 April 2018.

The Klinkerstene Landfill which was commissioned in July 2016 continues to provide flexibility through an additional company owned disposal facility. Cell two at the landfill was completed in the last quarter of 2017 which provides additional airspace to meet the Group's short to medium-term demands.

## SADC investments

On the back of higher petro-chemical prices, the overall activities in our cross-border investments continue to perform well with healthy returns being generated. As some volumes reduce in regions where approved projects are coming to an end and awaiting new approvals, other regions grow with new volumes. We continue to take proactive steps to right size certain areas of investment and transfer assets to ensure effective utilisation.

We continue to bill our SADC customers in US Dollars and therefore have limited exposure to the traditional SADC type currency fluctuations. The net fair value gain relating to financial instruments was R1.4 million (2017: R3.1 million charge) mainly due to the translation gains and losses on US Dollar denominated monetary assets and liabilities in the region. We continue to successfully repatriate foreign cash flows generated outside South Africa aligned to our investment strategy and knowledge of the countries in which we operate.

The SADC region, into which Interwaste invested over 20 years ago, remains a key growth area and we will continue to assess opportunities and investments in the region. We have gained extensive local knowledge enabling us to understand and navigate the regionally specific challenges.

## Outlook

Despite low GDP growth in the first quarter of 2018, the outlook for the South African economy continues to improve characterised by rising confidence levels. The South African GDP is now forecast to grow at around 1.2% for 2018. Growing GDP coupled with population growth and urbanisation bodes well for the industry. Globally, some commodity prices continued to improve into 2018 which augurs well for industrial businesses especially within the manufacturing and mining and resource sectors.

China's ban on importing certain waste and slag type material along with the resultant impact on local recyclable prices will continue to negatively impact the margins of these associated business units, but the overall effect remains marginal as we continue to grow a diversified business within the industry. The provision of integrated waste solutions together with increasing levels of compliance should assist in retaining clients as well as acquiring new clients. We continue to drive returns by managing costs and improving efficiencies. References to forward looking statements included anywhere in this announcement have not been reviewed or reported on by the Group's external auditors.

## Dividends

The maiden dividend declared on the 19 March 2018 in respect of the results for the year ended 31 December 2017 was paid on 16 April 2018. Interwaste will not pay a dividend for the interim period. The Board remains committed to future dividends by applying a policy of between 4.5 to 5.0 times cover of income attributable to Interwaste shareholders, bearing in mind the balance between capitalising on opportunities and delivering on short, medium and long-term value for shareholders.

## Statement of compliance

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of the International Financial Reporting Standards and are consistent with those applied in the previous year's annual financial statements. During the period new and revised standards were adopted, the details of which are recorded in note 7.

## Basis of measurement

The condensed consolidated interim financial statements are presented in thousands of South African Rands (R'000s) on the historical cost basis, except for share-based payments which are measured at fair value.

## Restatement of June 2017 statement of cash flows

As advised in the condensed consolidated financial statements for the year ended 31 December 2017 and the consolidated financial statements for 2017, the 30 June 2017 condensed consolidated statement of cash flows was restated to more accurately reflect additions of property, plant and equipment through instalment sales agreements as a non-cash flow item as required by IAS7: Cash flow statements. This is set out in note 3 to the Unaudited condensed financial results for the six months ended 30 June 2018.

## Going concern

The condensed consolidated interim financial statements have been prepared on the going concern basis, as the directors believe that the Group has adequate resources to continue in operation for the foreseeable future.

## Preparation of interim results

The preparation of the Group's condensed consolidated interim financial statements was supervised by the Chief Financial Officer, RA Lumb CA(SA).

## Appreciation

We extend our gratitude to all staff who contributed to the results for the period and to our shareholders and other stakeholders for your valued support.

On behalf of the Board  
6 August 2018



RA Lumb  
Chief Financial Officer



WAH Willcocks  
Chief Executive Officer

## Condensed consolidated statement of profit/loss and other comprehensive income

For the six months ended 30 June 2018

<i>Figures in R'000s</i>	<b>June 2018 Unaudited 6 months</b>	<b>% Change</b>	<b>June 2017 Unaudited 6 months</b>	<b>December 2017 Audited 12 months</b>
Revenue	595 030	24%	480 652	1 033 085
Cost of sales	(304 823)		(219 983)	(495 449)
<b>Gross profit</b>	<b>290 207</b>	<b>11%</b>	<b>260 669</b>	<b>537 636</b>
Operating expenses	(180 252)		(159 671)	(325 541)
Administrative expenses	(167 218)		(146 432)	(296 717)
Selling and distribution expenses	(10 108)		(9 833)	(22 336)
Research and development expenses	(2 926)		(3 406)	(6 488)
<b>Earnings before interest, tax and depreciation</b>	<b>109 955</b>	<b>9%</b>	<b>100 998</b>	<b>212 095</b>
Depreciation	(50 143)		(51 989)	(102 783)
<b>Results from operating activities</b>	<b>59 812</b>	<b>22%</b>	<b>49 009</b>	<b>109 312</b>
Net finance costs	(11 991)		(16 382)	(30 506)
Finance costs	(14 101)		(17 085)	(33 480)
Finance income	2 110		703	2 974
<b>Profit before taxation</b>	<b>47 821</b>	<b>47%</b>	<b>32 627</b>	<b>78 806</b>
Taxation expense	(13 798)		(9 607)	(24 985)
<b>Profit for the period</b>	<b>34 023</b>	<b>48%</b>	<b>23 020</b>	<b>53 821</b>
<b>Profit attributable to:</b>				
Non-controlling interests	6 152		704	6 165
Owners of the Company	27 871		22 316	47 656
<b>Other comprehensive income, net of tax items that may be reclassified subsequently to profit or loss</b>				
Foreign currency translation reserve movement on foreign operations	4 291		(1 444)	(3 632)
<b>Total comprehensive income for the period</b>	<b>38 314</b>	<b>78%</b>	<b>21 576</b>	<b>50 189</b>
<b>Total comprehensive income attributable to:</b>				
Non-controlling interests	6 152		704	6 165
Owners of the Company	32 162		20 872	44 024
Basic earnings per share (cents)	6.36	33%	4.80	10.40
Diluted earnings per share (cents)	6.36	33%	4.77	10.35

## Condensed consolidated statement of financial position

As at 30 June 2018

Figures in R'000s	June 2018 Unaudited	June 2017 Unaudited	December 2017 Audited
<b>Assets</b>			
<b>Non-current assets</b>	<b>738 616</b>	<b>763 272</b>	<b>753 241</b>
Property, plant and equipment	673 060	697 510	687 919
Goodwill	64 008	64 008	64 008
Deferred taxation assets	1 548	1 754	1 314
<b>Current assets</b>	<b>392 987</b>	<b>312 164</b>	<b>328 843</b>
Inventories	10 980	9 162	9 213
Current taxation receivables	9 318	4 425	7 597
Trade and other receivables	256 559	223 074	195 938
Cash and cash equivalents	116 130	75 503	116 095
<b>Total assets</b>	<b>1 131 603</b>	<b>1 075 436</b>	<b>1 082 084</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>582 811</b>	<b>556 837</b>	<b>566 582</b>
Equity attributable to owners of the Company	571 603	553 121	559 310
Stated capital	283 141	310 164	292 974
Share-based payment reserve	3 295	5 141	4 564
Foreign currency translation reserve	(7 403)	(9 506)	(11 694)
Retained earnings	292 570	247 322	273 466
Non-controlling interests	11 208	3 716	7 272
<b>Liabilities</b>			
<b>Non-current liabilities</b>	<b>234 175</b>	<b>290 778</b>	<b>264 265</b>
Interest-bearing borrowings	125 109	198 360	162 079
Provision for site rehabilitation	43 758	36 301	37 808
Deferred taxation liabilities	65 308	56 117	64 378
<b>Current liabilities</b>	<b>314 617</b>	<b>227 821</b>	<b>251 237</b>
Current taxation payable	11 073	574	666
Interest-bearing borrowings	103 079	107 058	110 546
Trade and other payables	200 465	120 189	140 025
<b>Total liabilities</b>	<b>548 792</b>	<b>518 599</b>	<b>515 502</b>
<b>Total equity and liabilities</b>	<b>1 131 603</b>	<b>1 075 436</b>	<b>1 082 084</b>

# Condensed consolidated statement of cash flows

For the six months ended 30 June 2018

Figures in R'000s	June 2018 Unaudited 6 months	June 2017 Unaudited Restated* 6 months	December 2017 Audited 12 months
Profit before taxation	47 821	32 627	78 806
<b>Adjustments for:</b>			
Depreciation	50 143	51 989	102 783
Finance costs	14 101	17 085	33 480
Finance income	(2 110)	(703)	(2 974)
Loss/(profit) on disposal of property, plant and equipment	426	(1 402)	2 084
Profit on disposal of business	-	-	(202)
Share-based payment credit	(1 267)	(260)	(838)
Foreign currency translation differences	1 680	(774)	(1 138)
Movement in provision for site rehabilitation	979	831	1 218
Changes in working capital:			
Increase in inventories	(1 767)	(1 018)	(1 070)
Increase in trade and other receivables	(60 621)	(29 851)	(3 752)
Increase in trade and other payables	60 440	27 926	50 185
<b>Cash generated from operations</b>	<b>109 825</b>	<b>96 450</b>	<b>258 582</b>
Finance costs paid	(12 869)	(15 964)	(31 237)
Finance income received	2 110	703	2 974
Taxation paid	(4 414)	(11 692)	(21 256)
<b>Net cash inflow from operating activities</b>	<b>94 652</b>	<b>69 497</b>	<b>209 063</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	(21 555)	(10 657)	(33 286)
Proceeds on disposal and scrapping of property, plant and equipment	5 102	17 175	18 073
Disposal of subsidiary, net of cash disposed of	-	-	(1 209)
<b>Net cash (outflow on)/inflow from investing activities</b>	<b>( 16 453)</b>	<b>6 518</b>	<b>(16 422)</b>
<b>Cash flows from financing activities</b>			
Treasury shares acquired	(9 834)	(5 395)	(22 584)
Net movement in interest-bearing borrowings	(57 114)	(26 346)	(83 868)
- Interest-bearing borrowings raised	-	33 988	33 988
- Interest-bearing borrowings repaid	(57 114)	(60 334)	(117 856)
Acquisition of non-controlling interests	-	-	(1 100)
Dividends to owners of the Company	(8 768)	-	-
Dividends to non-controlling interests	(2 216)	(427)	(427)
<b>Net cash outflow from financing activities</b>	<b>(77 932)</b>	<b>(32 168)</b>	<b>(107 979)</b>
<b>Total cash movement for the period</b>	<b>267</b>	<b>43 847</b>	<b>84 662</b>
Effect of exchange rate fluctuations on cash held	(232)	805	582
Cash and cash equivalents at beginning of period	116 095	30 851	30 851
<b>Total cash and cash equivalents at end of period</b>	<b>116 130</b>	<b>75 503</b>	<b>116 095</b>

\*See note 3 for details of the restatement of the June 2017 condensed consolidated statement of cashflows.

# Condensed consolidated statement of changes in equity

For the six months ended 30 June 2018

Figures in R'000s	June 2018 Unaudited 6 months	June 2017 Unaudited 6 months	December 2017 Audited 12 months
Equity at beginning of period (audited)	566 582	541 343	541 343
Profit after tax	34 023	23 020	53 821
Dividends paid to non-controlling interests	(2 216)	(427)	(427)
Dividends paid to owners of the Company	(8 768)	-	-
Acquisition of non-controlling interest without a change in control	-	-	(1 100)
Treasury shares acquired	(9 834)	(5 395)	(22 584)
Foreign currency translation reserve movement	4 291	(1 444)	(3 633)
Share-based payment reserve movement	(1 267)	(260)	(838)
<b>Total equity at end of period</b>	<b>582 811</b>	<b>556 837</b>	<b>566 582</b>

## Notes to the financial results

### 1. Condensed consolidated segment report

For the six months ended 30 June 2018

Figures in R'000s	June 2018 Unaudited 6 months	June 2017 Unaudited 6 months	December 2017 Audited 12 months
<b>Gross revenue from external customers</b>			
Logistics	544 005	423 131	924 539
Facilities	51 025	57 521	108 546
	<b>595 030</b>	<b>480 652</b>	<b>1 033 085</b>
<b>Results from operating activities</b>			
Logistics	54 087	39 160	93 751
Facilities	5 725	9 849	15 561
	<b>59 812</b>	<b>49 009</b>	<b>109 312</b>
<b>Depreciation</b>			
Logistics	41 864	41 328	82 224
Facilities	8 279	10 661	20 559
	<b>50 143</b>	<b>51 989</b>	<b>102 783</b>
<b>Segment assets</b>			
Logistics	952 850	900 350	914 418
Facilities	178 753	175 086	167 666
	<b>1 131 603</b>	<b>1 075 436</b>	<b>1 082 084</b>
<b>Segment liabilities</b>			
Logistics	494 702	460 656	471 854
Facilities	54 090	57 943	43 648
	<b>548 792</b>	<b>518 599</b>	<b>515 502</b>

## 2. Reconciliation of headline earnings

For the six months ended 30 June 2018

Figures in R'000s	June 2018 Unaudited 6 months	% Change	June 2017 Unaudited 6 months	December 2017 Audited 12 months
Profit attributable to owners of the Company	27 871	25%	22 316	47 656
<b>Adjusted for:</b>				
Loss/(profit) on disposal of property, plant and equipment	426		(1 402)	2 084
Tax effect of loss/(profit) on disposal of property, plant and equipment	(119)		392	(583)
Profit on disposal of business	-		(202)	(202)
Tax effect of profit on disposal of business	-		57	57
<b>Headline earnings attributable to ordinary shareholders</b>	<b>28 178</b>	<b>33%</b>	<b>21 161</b>	<b>49 012</b>
Weighted average number of shares in issue on which earnings per share are based	438 153 409		465 308 987	458 111 275
Diluted weighted average number of shares in issue on which diluted earnings per share are based	438 342 741		467 366 292	460 251 501
Headline earnings per share (cents)	6.43	41%	4.55	10.70
Diluted headline earnings per share (cents)	6.43	42%	4.53	10.65

## 3. Restatement of June 2017 cash flows

The 2017 condensed statement of cash flows was restated in order to correct a classification error reflecting additions of property, plant and equipment through instalment sales agreements amounting to R42.8 million as non-cash flow items as required by IAS 7: Cash flow statements. The impact of the changes are reflected below:

Figures in R'000s	June 2017 unaudited condensed consolidated statement of cash flows as previously reported	June 2017 unaudited condensed consolidated statement of cash flows as revised	Impact of restatement
Net cash outflow on investing activities	(36 282)	6 518	42 800
Net cash outflow on financing activities	10 632	(32 168)	(42 800)

This restatement had no impact on Earnings per share, nor Headline Earnings per share for June 2017.



## 4. Net asset value per share

The net asset value per share of 135.55 cents (2017: 120.58 cents) is based on equity attributable to owners of the Company of R571.6million (2017: R553.1 million) divided by the number of shares in issue, excluding treasury shares, of 427 994 267 (2017: 458 699 213).

## 5. Related parties

<b>Trusts relating to directors</b>	The Wilco Family Trust N2 Property Trust	<b>Significant shareholders</b>	The Wilco Family Trust
<b>Directors</b>	PF Mojono WAH Willcocks RA Lumb LC Grobbelaar BL Willcocks C Boles D Rosevear LJ Mahlangu	<b>Key management</b>	JJ McNeil DL Nkomo R Pillay K Stubbs

There were no major transactions with related parties in the period ended 30 June 2018.

## 6. Subsequent events

The directors are not aware of any material matter or circumstance arising since the end of 30 June 2018 and up to the date of approval of the condensed consolidated interim financial results, relevant to an assessment of the financial results at 30 June 2018.

## 7. Impact of IFRS 15, IFRS 9 and IFRS 16

The following new and revised standards have been issued and is effective at the date of this report.

### IFRS 15: Revenue from contracts with customers

The Group implemented the revised statement, for both the sale of goods and rendering of services revenue streams, and had no material impact on the results;

### IFRS 9: Financial instruments

The Group implemented the revised statement, the impairment model for trade receivables has changed from an "incurred loss" model to an "expected loss" model, and had no material impact on the results.

The following new and revised standard has been issued, but is not yet effective at the date of this report and this has not been adopted;

### IFRS 16: Leases

The Group has a number of operating leases for equipment and vehicles that may be recognised on the statement of financial position as a result of the adoption of IFRS 16. Management has identified specific contracts where an impact is expected and is in the process of determining:

- Whether these contracts meet the definition of lease contracts per IFRS 16;
- Whether any scope exemptions apply; and
- The quantitative impact of recognising these leases on the statement of financial position, where relevant.

At the end of the period the Group had lease commitments of R 5.2 million (2017: R6.6 million) for premises and R0.05 million (2017: R1.7 million) for vehicles and equipment.

**INTERWASTE**  
**HOLDINGS**  
**LIMITED**

[interwaste.co.za](http://interwaste.co.za)

**Non-executive directors:** PF Mojono (Chairperson), LJ Mahlangu, BL Willcocks, C Boles, D Rosevear

**Executive directors:** WAH Willcocks (Chief Executive Officer), LC Grobbelaar, RA Lumb (Chief Financial Officer)

**Registration number:** 2006/037223/06

**Registered address:** P O Box 382, Germiston, 1400

**Company secretary:** Amanda Fairley

**Telephone:** (011) 323 7300

**Facsimile:** 086 576 8152

**Transfer secretaries:** Computershare Investor Services (Pty) Limited

**Sponsor:** Grindrod Bank Limited