REUNERT

REUNERT LIMITED

UNAUDITED INTERIM FINANCIAL STATEMENTS 2019

AND CASH DIVIDEND DECLARATION FOR THE SIX MONTHS ENDED 31 MARCH 2019

CONTENTS

GROUP PROFILE

Reunert comprises a diversified portfolio of businesses in the fields of electrical engineering, information communication technologies (ICT), and applied electronics. The group was established in 1888, by Theodore Reunert and Otto Lenz, and has contributed to the South African economy in numerous ways. Reunert was listed on the JSE in 1948 and is included in the industrial goods and services (electronic and electrical equipment) sector of the JSE. The group operates mainly in South Africa with minor operations in Australia, Lesotho, Mauritius, the USA, Zambia and Zimbabwe. Reunert's offices are located in Woodmead, Johannesburg, South Africa.

COMMENTARY

OVERVIEW

Revenue increased by 9%, from R4 841 million to R5 288 million, and operating profit increased by 8% from R567 million to R615 million. This was achieved despite a weak economic environment in South Africa and continued subdued demand specifically in the electrical engineering segment. Profit after tax (PAT) declined by 16%, from R448 million to R377 million. The decline in PAT was impacted by two non-recurring items:

i) During the prior period, the group successfully defended an action brought by the South African Revenue Service which allowed the group to release a R42 million tax provision resulting in an abnormally low tax charge for that period of 21%; and

ii) In March 2019, the group disposed of its controlling shareholding in Prodoc Svenska AB (Prodoc), the group's Swedish office automation business. The rationale for this disposal was the consistent low earnings from this business and the weakened strategic alignment of the business with the broader ICT segment strategy. This disposal realised a loss of R44 million.

Adjusting PAT* for the above non-recurring items, resulted in an increase of 4% in the adjusted PAT (refer to table below), which is a more appropriate reflection of the core performance of the group.

	6 Months to 31 March 2019	6 Months to 31 March 2018	% Change
PAT as reported	**377**	448	(16)
Less: impact of release of tax provision	**–**	(42)	9
Add: loss on disposal of Prodoc	**44**	–	10
Adjusted PAT*	**421**	406	4

FINANCIAL RESULTS

Financial performance group results and key earnings metrics	Units	**6 Months to 31 March 2019**	6 Months to 31 March 2018	% Change
Revenue	R million	**5 288**	4 841	9
Operating profit	R million	**615**	567	8
Operating margin	%	**12**	12	–
Profit for the period	R million	**377**	448	(16)
Basic earnings per share	Cents	**227**	275	(17)
Headline earnings per share	Cents	**253**	275	(8)
Normalised headline earnings per share	Cents	**253**	276	(8)

* *This pro forma financial information has been prepared for illustrative purposes only in order to provide information on how the earnings adjustments highlighted have impacted on the financial results of the group. Because of its nature, this pro forma financial information may not be a fair reflection of the group's results of operations and is not intended to comply with the requirements of IFRS. The directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements.*

SEGMENTAL RESULTS

Electrical Engineering

Although depressed demand from key state institutions continued in the period under review, segment revenue increased by 14% from R2 431 million to R2 775 million with segment operating income improving by 3% from R219 million to R225 million.

CBi-Electric African Cables continues to contend with low demand from Eskom and some municipalities. To counter this, this business continues to actively pursue other segments of the cable market, although any such sales are generally at lower margins due to the type and length of cables produced.

The adverse liquidity environment in Zambia continued and limited progress was made in collecting overdue state debt by Zamefa, our Zambian power cable manufacturer. The business was managed to preserve cash by limiting manufacturing output to cash received. Positively, the draft legislation for the new general sales tax has been published and is expected to be promulgated this year which will result in the repeal of Value Added Tax (VAT). This should allow Zamefa to return to normal operating levels in 2020 as it should no longer be burdened by the slow settlement of VAT refunds arising on manufacturing inputs.

Subsequent to 31 March 2019, the rapid depreciation of the Zambian Kwacha against the United States Dollar (the currency in which the majority of Zamefa's liabilities are denominated), resulted in the technical insolvency of Zamefa. To remedy this, the group has subordinated its loan account of US$20 million in favour of Zamefa's other creditors.

Orders for copper and fibre optic telecommunication cables partially recovered from the levels experienced in 2018, which together with reduction in the base cost at CBi-electric Telecom, a joint venture company, saw this business returning to profitability in the current reporting period.

Our circuit breaker business continued to make good progress in increasing export volumes to both Australia and the USA, thereby increasing factory throughput. The improved export performance resulted in the company improving their year-on-year performance, notwithstanding weak local market conditions.

Information Communication Technologies

This segment increased revenue by 3% from R1 670 million to R1 722 million and operating profit by 11% from R317 million to R351 million.

The Nashua Office Automation cluster continued to progress its strategy of evolving to a 'total workspace provider' with new services forming an increasingly important part of its revenue and profit mix. These revenues relieved some of the pressure on the lower sales of hardware units because of the prevailing economic conditions. Margins were maintained through a combination of increased service revenue and cost control resulting in a solid performance for this business.

Our voice over internet business, Electronic Communications Network, gained a record number of new customers, which largely offset the decline in usage per customer due to the economic environment and alternative technology offerings. To improve the operating efficiency of the business, we are migrating to a best-in-class industry standard software platform to manage the network.

SkyWire's integration into the ICT segment is complete. Connection rates are not yet at the required rate. However, the cash generation of the business remains in line with the investment case.

Applied Electronics

Revenue in this segment increased by 16% from R863 million to R999 million with operating profit increasing by 39% from R61 million to R85 million.

The increase in both revenue and operating profit was mainly as a result of increased exports and the recovery in our mining radar business.

The Communications business' revenue and operating profit increased substantially over the prior period. The business continued to achieve higher throughput and improved its operational efficiencies by optimising its production lines. The second tranche of the contract for the renewal of the South African National Defence Force's tactical communication system is currently being executed and the business was successful in securing and delivering export orders for its new range of digital tactical radios.

The fuze factory's exports increased in the period under review, although the mix of fuzes sold had a lower margin than in the prior year.

Our solar energy business continued to accelerate growth as the volume of contracts secured increased. Margins have come under some pressure as market competition increases.

The rest of the business units in the Applied Electronics segment did not materially contribute to the profit, primarily due to timing of their export contracts.

GROUP CASH RESOURCES

The group continued to generate positive operating cash flow and ended the period with R426 million in net liquid resources (30 September 2018: R572 million) after payment of the final dividend of 2018 amounting to R606 million.

NEW ACCOUNTING STANDARDS

The group adopted IFRS:15 Revenue from Contracts with Customers and IFRS: 9 Financial Instruments with effect from 1 October 2018. The new standards did not materially impact the results for the period under review and the transitional adjustments are set out in Note 15: changes in accounting policy.

DIRECTORATE

There were no changes to the Board during the period under review.

PROSPECTS*

The results from the national election and the anticipated improvements that are likely to ensue, should be positive for business confidence, foreign direct and local investment and improved management of state owned entities and municipalities. All of these factors are positive for the Reunert investment case and should result in improved economic activity as the changes are implemented.

The exact timing of this improvement in electrical infrastructure and investment remains uncertain and accordingly, the profitability of the Electrical Engineering segment in the second half of the financial year is expected to remain at current levels.

The ICT segment is expected to continue positively for the balance of the financial year with stronger business confidence, post national elections, hopefully creating an improved environment for asset investment by its customers.

The Applied Electronics segment commences the second half of the financial year with strong export orders and our solar energy business should continue its growth, which should result in a strong segment performance in the second half of the financial year.

Despite the above, the group is unlikely to match the performance of the second half of the prior financial year. However with our strong balance sheet and operational focus, we remain well positioned to benefit from any improvement in local economic conditions.

** Any forecast financial information is the responsibility of the directors and has not been reviewed or reported on by the group's auditors.*

CASH DIVIDEND

Notice is hereby given that a gross interim cash dividend No 186 of 130,0 cents per ordinary share (2018: 125,0 cents per share) has been declared by the directors for the six months ended 31 March 2019.

The dividend has been declared from retained earnings.

A dividend withholding tax of 20% will be applicable to all shareholders who are not exempt from, or who do not qualify for a reduced rate of withholding tax. Accordingly, for those shareholders subject to withholding tax, the net dividend amounts to 104,0 cents per share (2018: 100,0 cents per share).

The issued share capital at the declaration date is 184 659 796 ordinary shares.

In compliance with the requirements of Strate Proprietary Limited and the Listings Requirements of the JSE Limited, the following dates are applicable:

Last date to trade (cum dividend)	Tuesday, 18 June 2019
First date of trading (ex dividend)	Wednesday, 19 June 2019
Record date	Friday, 21 June 2019
Payment date	Monday, 24 June 2019

Shareholders may not dematerialise or rematerialise their shares between Wednesday, 19 June 2019 and Friday, 21 June 2019, both days inclusive.

On behalf of the board

Trevor Munday
Chairman

Alan Dickson
Chief Executive Officer

Nick Thomson
Chief Financial Officer

Sandton, 24 May 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

R million	Notes	Six months ended 31 March 2019 (Unaudited)	Six months ended 31 March 2018 (Unaudited)	% change	Year ended 30 September 2018 (Audited)
Revenue	2	**5 288**	4 841	9	10 492
EBITDA*		**698**	636	10	1 699
Depreciation and amortisation		**(83)**	(69)	20	(157)
Operating profit	3	**615**	567	8	1 542
Net interest (expense)/income and dividends	4	**(4)**	8	–	11
Loss on disposal of subsidiary	11	**(44)**	–		–
Empowerment transactions	5	**–**	(2)		(42)
Share of joint ventures' and associate's profit/(loss)		**5**	(6)		(1)
Profit before taxation		**572**	567	1	1 510
Taxation		**(195)**	(119)	64	(358)
Profit for the period		**377**	448	(16)	1 152
Profit attributable to:					
Non-controlling interests		**11**	3	267	(6)
Equity holders of Reunert		**366**	445	(18)	1 158
Cents					
Basic earnings per share	6,7	**227**	275	(17)	717
Diluted earnings per share	6,7	**223**	270	(17)	705

* *Earnings before net interest income and dividends; taxation; depreciation and amortisation; loss on disposal of subsidiary, empowerment transactions and share of joint ventures' and associate's profit/(loss).*

Other measures of earnings per share

Cents	Notes	Six months ended 31 March 2019 (Unaudited)	2018 (Unaudited)	% change	Year ended 30 September 2018 (Audited)
Headline earnings per share	6, 7	**253**	275	(8)	703
Diluted headline earnings per share	6, 7	**248**	270	(8)	691
Normalised headline earnings per share	6, 7	**253**	276	(8)	687
Diluted normalised headline earnings per share	6, 7	**248**	271	(8)	675
Interim/total cash dividend per share		**130**	125	4	493

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2019

R million	Six months ended 31 March 2019 (Unaudited)	Six months ended 31 March 2018 (Unaudited)	Year ended 30 September 2018 (Audited)
Profit for the period	**377**	448	1 152
Other comprehensive income, net of taxation:			
Items that may be reclassified subsequently to profit or loss	**5**	(62)	(65)
Gains/(losses) arising from translating the financial results of foreign subsidiaries	**2**	(40)	(23)
Translation gain/(loss) on net investment in subsidiary*	**3**	(22)	(42)
Total comprehensive income	**382**	386	1 087
Total comprehensive income attributable to:			
Non-controlling interests	**11**	(2)	(9)
> Share of profit for the period	**11**	3	(6)
> Share of other comprehensive income	**–**	(5)	(3)
Equity holders of Reunert	**371**	388	1 096
> Share of profit for the period	**366**	445	1 158
> Share of other comprehensive income	**5**	(57)	(62)

* *Translation gain/(loss) arising on the loan component of the group's net investment in a foreign subsidiary.*

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

R million	Notes	Six months ended 31 March 2019 (Unaudited)	2018 (Unaudited)	30 September 2018 (Audited)
Non-current assets				
Property, plant and equipment, investment properties and intangible assets		**1 270**	1 246	1 297
Goodwill	8	**991**	1 088	1 053
Investments and loans		**55**	61	56
Investment in joint ventures and associate		**169**	153	158
Rental and finance lease receivables		**1 995**	1 851	1 990
Deferred taxation		**137**	111	151
		4 617	4 510	4 705
Current assets				
Inventory		**1 567**	1 372	1 461
Rental and finance lease receivables		**854**	773	821
Accounts receivable and taxation		**2 401**	2 256	2 694
Derivative assets		**4**	16	7
Cash and cash equivalents		**894**	1 055	765
		5 720	5 472	5 748
Total assets		**10 337**	9 982	10 453
Equity attributable to equity holders of Reunert		**7 125**	6 896	7 438
Non-controlling interests		**75**	97	88
Total equity		**7 200**	6 993	7 526
Non-current liabilities				
Deferred taxation		**141**	112	156
Put option liability	9	**125**	125	120
Long-term borrowings	10	**66**	69	82
Share based payment liability		**11**	–	23
		343	306	381
Current liabilities				
Accounts payable, provisions and taxation		**2 314**	2 095	2 270
Derivative liabilities		**11**	26	65
Bank overdrafts and short-term loans		**468**	551	193
Current portion of long-term borrowings	10	**1**	11	18
		2 794	2 683	2 546
Total equity and liabilities		**10 337**	9 982	10 453

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2019

R million	Six months ended 31 March 2019 (Unaudited)	2018 (Unaudited)	30 September 2018 (Audited)
Share capital	**375**	365	374
Balance at the beginning of the period	**374**	359	359
Issue of shares	**1**	6	15
Share-based payment reserves	**243**	198	256
Balance at the beginning of the period	**256**	176	176
Equity-settled share-based payments	**26**	24	79
Shares acquired for incentive scheme	**(74)**	(2)	–
Tax impact of cost of incentive shares charged to equity	**12**	–	–
Transfer to deferred tax	**(8)**	–	–
Transfer from retained earnings	**31**	–	1
Equity transactions/put option with non-controlling shareholders	**(110)**	(118)	(108)
Balance at the beginning of the period	**(108)**	(116)	(116)
Acquisition of businesses	**–**	(2)	(3)
Partial disposal of subsidiaries	**(2)**	–	–
Transfer to retained earnings	**–**	–	11
Empowerment shares[1]	**(276)**	(276)	(276)
Treasury shares[2]	**(342)**	(312)	(342)
Balance at the beginning of the period	**(342)**	(227)	(227)
Shares bought back during the period	**–**	(85)	(115)
Foreign currency translation reserves	**(11)**	(38)	(23)
Balance at the beginning of the period	**(23)**	(3)	(3)
Other comprehensive income	**2**	(35)	(20)
Recycled to the statement of profit or loss on disposal of foreign subsidiary	**10**	–	–
Translation loss on net investment in foreign subsidiary	**(39)**	(22)	(42)
Balance at the beginning of the period	**(42)**	–	–
Current period gain/(loss)	**3**	(22)	(42)
Retained earnings	**7 285**	7 099	7 599
Balance at the beginning of the period	**7 599**	7 225	7 225
IFRS 9 and IFRS 15 transition	**(56)**	–	–
Profit for the period attributable to equity holders of Reunert	**366**	445	1 158
Cash dividends declared and paid	**(593)**	(571)	(772)
Transfer to reserves	**(31)**	–	(12)
Equity attributable to equity holders of Reunert (carried forward)	**7 125**	6 896	7 438

R million	Six months ended 31 March 2019 (Unaudited)	2018 (Unaudited)	30 September 2018 (Audited)
Equity attributable to equity holders of Reunert (brought forward)	**7 125**	6 896	7 438
Non-controlling interests	**75**	97	88
Balance at the beginning of the period	**88**	105	105
IFRS 9 and IFRS 15 transition	**(9)**	–	–
Share of total comprehensive income	**11**	(2)	(9)
Dividends declared and paid	**(13)**	(5)	(9)
Net changes in non-controlling interests	**(2)**	(1)	1
Total equity at end of the period	**7 200**	6 993	7 526

[1] *This is the cost of Reunert Limited shares held by Bargenel Investments Proprietary Limited (Bargenel), a company sold by Reunert to its empowerment partner in 2007. Until the amount owing by the empowerment partner is repaid to Reunert, Bargenel is consolidated by the group as the significant risks and rewards of ownership of the equity have not passed to the empowerment partner.*

[2] *Reunert shares bought back in the market and held by a subsidiary: 4 997 698 (2018: 4 604 380) (September 2018: 4 997 698).*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2019

R million	Notes	Six months ended 31 March 2019 (Unaudited)	Six months ended 31 March 2018 (Unaudited)	30 September 2018 (Audited)
EBITDA		**698**	636	1 699
Decrease/(Increase) in net working capital		**93**	(269)	(498)
Other net non-cash movements		**55**	25	(79)
Cash generated from operations		**846**	392	1 122
Net cash interest income and dividends		**1**	12	20
Taxation paid		**(205)**	(210)	(445)
Dividends paid (including to non-controlling interests)		**(606)**	(576)	(781)
Net inflow/(outflow) from operating activities		**36**	(382)	(84)
Net outflow from investing activities		**(131)**	(351)	(597)
Capital expenditure		**(59)**	(54)	(162)
Net inflow arising from disposal of businesses		**15**	–	–
Gross cash flows on acquisition of businesses	11	**–**	(227)	(228)
Increase in total rental and finance lease receivables		**(82)**	(195)	(375)
Net other investments and loans repaid/(granted)		**1**	(6)	(3)
Investments net of other capital proceeds[1]		**(6)**	131	171
Net outflow from financing activities		**(52)**	(88)	(85)
Shares issued		**1**	6	15
Investment in treasury shares		**–**	(85)	(115)
Net long term borrowings raised/(repaid)		**9**	(4)	20
Shares acquired in terms of the Conditional Share Plan		**(74)**	(2)	(2)
Net transactions with non-controlling interests		**12**	(3)	(2)
Exercise of Ryonic put option		**–**	–	(1)
Decrease in net cash resources		**(147)**	(821)	(766)
Net cash resources at the beginning of the period		**572**	1 325	1 325
Net exchange translation adjustments to net cash resources[2]		**1**	–	13
Net cash resources at the end of the period		**426**	504	572
Cash and cash equivalents		**894**	1 055	765
Bank overdrafts		**(175)**	(344)	(126)
Short-term borrowings		**(293)**	(207)	(67)
Net cash resources at the end of the period		**426**	504	572

[1] *In the prior period, this includes a withdrawal from investments in long-dated money market instruments (September 2018: R130 million).*

[2] *In March 2018, these effects were insignificant.*

CONDENSED SEGMENTAL ANALYSIS

AT 31 MARCH 2019

R million	Six months ended 31 March 2019 (Unaudited)	% of total	2018 (Unaudited)	% of total	% change	Year ended 30 September 2018 (Audited)	% of total
Revenue[1]							
Electrical Engineering	**2 775**	51	2 431	49	14	5 139	48
ICT	**1 722**	31	1 670	34	3	3 443	32
Applied Electronics	**999**	18	863	17	16	2 198	20
Other	**(21)**	–	5	–		15	–
Total segment revenue	**5 475**	100	4 969	100	10	10 795	100
Revenue from equity accounted joint venture in Electrical Engineering segment	**(170)**		(114)			(271)	
Revenue from equity accounted associate in ICT segment	**(14)**		(14)			(29)	
Revenue from equity accounted joint venture in Other segment	**(3)**		–			(3)	
Revenue as reported	**5 288**		4 841		9	10 492	
Operating profit							
Electrical Engineering	**225**	36	219	39	3	440	29
ICT[2]	**351**	56	317	57	11	792	51
Applied Electronics	**85**	14	61	11	39	380	25
Other	**(38)**	(6)	(38)	(7)	–	(73)	(5)
Total segment operating profit	**623**	100	559	100	11	1 539	100
Operating (profit)/loss from equity accounted joint venture in Electrical Engineering segment	**(4)**		9			9	
Operating profit from equity accounted associate in ICT segment	**(2)**		(1)			(3)	
Operating profit from equity accounted joint venture in Other segment	**(2)**		–			(3)	
Operating profit as reported	**615**		567		8	1 542	

1 *Inter-segment revenue is immaterial and has not been separately disclosed.*

2 *The net interest charged on group funding provided to the group's in-house finance operation has been eliminated in line with the consolidation principles of IFRS. This interest amounted to R82 million (March 2018: R70 million) (September 2018: R146 million). Should this operation be externally funded, this would result in a reduction of ICT's operating profit by the quantum of the interest paid.*

Condensed segmental analysis continued

AT 31 MARCH 2019

R million	Six months ended 31 March 2019 (Unaudited)	% of total	2018 (Unaudited)	% of total	Year ended 30 September 2018 (Audited)	% of total
Total assets						
Electrical Engineering	**3 340**	32	2 869	29	2 978	28
ICT	**4 592**	45	4 490	45	4 662	45
Applied Electronics	**2 054**	20	1 970	20	2 443	23
Other[1]	**351**	3	653	6	370	4
Total assets as reported[2]	**10 337**	100	9 982	100	10 453	100
Total liabilities						
Electrical Engineering	**1 292**	41	913	30	1 105	38
ICT	**767**	24	1 034	35	845	29
Applied Electronics	**840**	27	736	25	807	27
Other	**238**	8	306	10	170	6
Total liabilities as reported[2]	**3 137**	100	2 989	100	2 927	100

1 *In March 2019 and September 2018 this comprises mainly of properties. In March 2018 it comprised of both group treasury cash balances and properties.*

2 *Intercompany receivables, payables and loans have been eliminated in line with the consolidation principles of IFRS.*

NOTES

1 Basis of preparation

This unaudited interim financial report has been prepared in accordance with the framework concepts and the recognition and measurement requirements of International Financial Reporting Standards (IFRS) in effect for the group at 1 October 2018, and further complies with the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committees and the Financial Reporting pronouncements as issued by the Financial Reporting Standards Council. This interim financial report was prepared using the information as required by IAS 34 – Interim Financial Reporting, and complies with the Listings Requirements of the JSE Limited and the requirements of the Companies Act, No 71 of 2008, of South Africa. This report was compiled under the supervision of NA Thomson CA(SA) (chief financial officer).

The group's accounting policies applied for the six-month period ended 31 March 2019, were consistent with those applied in the prior financial year's audited consolidated annual financial statements, except for the impact of the first time adoption of IFRS 15: Revenue from Contracts with Customers and IFRS 9: Financial Instruments, the impact of which is set out in Note 15. These accounting policies comply with IFRS.

		Six months ended 31 March		
	R million	**2019 (Unaudited)**	2018 (Unaudited)	30 September 2018 (Audited)
2	**Revenue**			
	Revenue from contracts with customers			
	Sale of goods	**4 467**	3 680	8 243
	Services	**465**	726	1 488
	Contract revenue	**103**	104	302
	Other			
	Interest received on lease receivables	**209**	184	379
	Rental and other revenue	**44**	147	80
	Total	**5 288**	4 841	10 492

The Electrical Engineering segment earned the majority of its revenue in the sale of goods and services categories. The ICT segment earned revenue in each of the above categories. The Applied Electronics segment earned revenue in each category except for interest. Refer to the segmental analysis, for a disaggregation of the revenue contribution by each segment.

On adoption of IFRS 15 Revenue from Contracts with Customers, the revenue recognition relating to contracts and services has changed. Refer to Note 15.

	R million	Six months ended 31 March 2019 (Unaudited)	Six months ended 31 March 2018 (Unaudited)	30 September 2018 (Audited)
3	**Operating profit**			
	Operating profit includes:			
	– Cost of sales (excluding depreciation and amortisation)	**3 653**	3 323	6 999
	– Other expenses (excluding depreciation and amortisation)	**963**	903	1 976
	– Other income	**26**	21	82
	– Fair value gain on contingent consideration*	**–**	–	100
	– Depreciation and amortisation**	**83**	69	157
	Included in other expenses above are:			
	– Realised loss on foreign exchange and derivative instruments	**(11)**	(10)	(99)
	– Unrealised gain/(loss) on foreign exchange and derivative instruments	**23**	(11)	21
	– Auditors' remuneration	**14**	13	25

* *For March 2019 and 2018, these amounts have been included in other income above due to their immateriality. September 2018 includes routine movements of R23 million and a non routine movement of R77 million arising from SkyWire.*

** *Depreciation and amortisation allocated to cost of sales in gross margin calculations is R30 million (2018: R27 million) (September 2018: R51 million). Depreciation and amortisation allocated to other expenses is R53 million (2018: R42 million) (September 2018: R106 million).*

	R million	Six months ended 31 March 2019 (Unaudited)	Six months ended 31 March 2018 (Unaudited)	30 September 2018 (Audited)
4	**Net interest income and dividends**			
	Interest income and dividends	**23**	31	60
	Interest expense	**(22)**	(19)	(40)
	Interest on unwinding of put option liability	**(5)**	(4)	(9)
	Total	**(4)**	8	11

R million	Six months ended 31 March 2019 (Unaudited)	2018 (Unaudited)	30 September 2018 (Audited)
5 Empowerment transactions			
IFRS 2 share-based payment cost of BBBEE transactions	**–**	–	32
Professional costs related to BBBEE transactions	**–**	2	10
Taxation thereon	**–**	–	–
Net empowerment transactions after taxation	**–**	2	42
6 Number of shares and earnings used to calculate earnings per share[1]			
Weighted average number of shares in issue, net of empowerment and treasury shares, used to determine basic earnings, headline earnings and normalised headline earnings per share (millions of shares)	**161**	162	161
Adjusted by the dilutive effect of unexercised share options granted (millions of shares)	**3**	3	3
Weighted average number of shares used to determine diluted basic, headline and normalised headline earnings per share (millions of shares)	**164**	165	164

[1] *The earnings used to determine earnings per share and diluted earnings per share is the profit for the period attributable to equity holders of Reunert, as per the statement of profit or loss, of R366 million (2018: R445 million) (September 2018: R1 158 million).*

R million	Six months ended 31 March 2019 (Unaudited)	 2018 (Unaudited)	30 September 2018 (Audited)
7 Headline earnings			
7.1 Headline earnings			
Profit attributable to equity holders of Reunert	**366**	445	1 158
Headline earnings are determined by eliminating the effect of the following items from attributable earnings:			
Net loss on disposal of subsidiary (after a tax charge of Rnil) (2018 Rnil) (September 2018 charge of Rnil)	**44**	–	–
Net gain on disposal of assets (after a tax charge of R1 million and non-controlling interest (NCI) portion of Rnil) (2018: tax and NCI of Rnil) (September 2018: tax charge of R5 million and NCI of Rnil)	**(2)**	–	(23)
Headline earnings#	**408**	445	1 135
7.2 Normalised headline earnings			
Normalised headline earnings are determined by eliminating the effect of the following items from headline earnings:			
Empowerment Transactions	**–**	2	42
Once-off IFRS 2 share based payment cost of BBBEE transactions (tax and NCI of Rnil) (March and September 2018: tax and NCI of Rnil)	**–**	–	32
Professional fees for BBBEE transactions (tax and NCI of Rnil) (March and September 2018: tax and NCI of Rnil)	**–**	2	10
Acquisition transactions	**–**	–	(68)
Recurring professional fees for acquisitions (tax and NCI of Rnil) (March and September 2018: tax and NCI of Rnil)	**–**	–	9
Once-off contingent consideration fair value remeasurement (tax and NCI of Rnil) (March and September 2018: tax and NCI of Rnil)*	**–**	–	(77)*
Normalised headline earnings	**408**	447	1 109

7 **Headline earnings** continued

7.2 **Normalised headline earnings#** continued

The pro forma financial information above has been prepared for illustrative purposes only to provide information on how the normalised earnings adjustments might have impacted on the financial results of the group. Because of its nature, the pro forma financial information may not be a fair reflection of the group's results of operations, financial position, changes in equity or cash flows.

The pro forma financial effects have been prepared in a manner consistent in all respects with IFRS, the accounting policies adopted by Reunert Limited as at 30 September 2018, the revised SAICA guide on pro forma financial information and the Listings Requirements of the JSE Limited.

There are no post balance sheet events that necessitate adjustment to the pro forma financial information.

The directors are responsible for compiling the pro forma financial information on the basis of the applicable criteria specified in the JSE Listings Requirements.

* *In respect of the SkyWire acquisition in 2018.*

	Six months ended 31 March		
R million	**2019 (Unaudited)**	2018 (Unaudited)	30 September 2018 (Audited)
8 Goodwill			
Carrying value at the beginning of the period	**1 053**	921	921
Acquisition of businesses	**–**	183	146
Disposal of business (Note 11)	**(62)**	–	–
Exchange differences on consolidation of foreign subsidiaries	**–**	(16)	(14)
Carrying value at the end of the period	**991**	1 088	1 053

R million	Six months ended 31 March 2019 (Unaudited)	2018 (Unaudited)	30 September 2018 (Audited)
9 Put option liability			
As part of the Terra Firma and Ryonic acquisitions, the group granted put options in favour of the non-controlling shareholders for 25% of the issued share capital.			
A reconciliation of the closing balance is as below:			
Balance at the beginning of the period	**120**	121	121
Fair value remeasurements	**–**	–	(9)
Payment to option holder (Ryonic)	**–**	–	(1)
Unwinding of discount	**5**	4	9
Balance at the end of the period	**125**	125	120

The obligations were classified as level 3 instruments in the fair value hierarchy.

The Terra Firma obligation represents the fair value of the put option liability which has been determined using a discounted cash flow valuation technique based on the multiples stipulated in the sales and purchase agreement. Significant unobservable inputs include:

> The 2020 forecast revenue and net profit after tax (NPAT) have been used. These forecasts are based on management's best estimate of the revenue and NPAT likely to be achieved in 2020.

> The earnings multiples are as stipulated in the sales and purchase agreement.

> The discount rate applied was 8.25%, being the average cost of borrowing.

If the key unobservable inputs to the valuation model being estimated were 1% higher/lower while all the other variables were held constant, the carrying amount of the put option liabilities would decrease/increase by R2 million respectively.

During the prior financial year the Ryonic put obligation was re-negotiated and settled.

R million	Six months ended 31 March 2019 (Unaudited)	2018 (Unaudited)	30 September 2018 (Audited)
10 Long-term borrowings			
Total long-term borrowings (including finance leases)	**67**	80	100
Less: short-term portion (including finance leases)	**(1)**	(11)	(18)
	66	69[1]	82

[1] *Included in March 2018 is a share based payment liability of R15 million. From September 2018 this liability has been separately disclosed on the balance sheet.*

R million	2019 (Unaudited)
11 Disposal of business	
During the current period the group made the following disposal:	
> **Prodoc Svenska AB:** With effect from 26 March 2019 the net assets and business of Prodoc Svenska AB, were sold at the fair value less cost to sell of R37 million.	
Net assets disposed:	
Property, plant and equipment and intangible assets	**4**
Goodwill	**62**
Rental and finance lease receivables	**26**
Inventory	**32**
Deferred tax	**2**
Trade and sundry receivables	**79**
Trade and sundry payables	**(102)**
Foreign currency translation reserve	**10**
Non controlling interests	**(13)**
Long term borrowings	**(26)**
Short term portion of long term borrowings	**(15)**
Book value of net assets disposed of	**59**
Consideration received:	**15**
Cash received on sale	**37**
Less: cash on hand	**(22)**
Loss on sale of business (net of taxation of Rnil)	**44**

2018

The group made no disposals in the prior period.

12 Unconsolidated subsidiary

The financial results of Cafca Limited (Cafca), a 70% owned subsidiary of the company incorporated in Zimbabwe, have not been consolidated into the group results as the group does not exercise management control because it does not have the ability to affect its variable returns through its powers over Cafca. This is supported by:

> Reunert having not appointed a majority of the directors to the board of directors of Cafca and therefore does not control the board; and

> The difficult economic circumstances in Zimbabwe have resulted in an ongoing liquidity constraint which impairs Reunert's ability to repatriate the economic benefits from Cafca (eg dividends).

The amounts involved are not material to the group's results. At 31 March 2019, Cafca's share capital and reserves amounted to US$17 million (March 2018: US$17 million).

13 Related party transactions

R million Counterparty	Relationship	Sales	Purchases	Lease payments	Treasury shares	Amount owed to related parties
All related-party transactions, trading account and loan balances are on the same terms and conditions as those with non-related parties.						
March 2019						
CBi-electric Telecom Cables Proprietary Limited Cables Proprietary Limited	A joint venture	1	30	–	–	7
Oxirostax Proprietary Limited (Nashua Winelands)	An associate	8	–	–	–	1
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	–	–	–	276	–
Lexshell 661 Investment Proprietary Limited	A joint venture	–	–	5	–	7
March 2018						
CBi-electric Telecom Cables Proprietary Limited	A joint venture	–	1	–	–	–
Oxirostax Proprietary Limited (Nashua Winelands)	An associate	8	5	–	–	–
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	–	–	–	276	–
Lexshell 661 Investment Proprietary Limited	A joint venture	–	–	–	–	–

13 Related party transactions continued

R million Counterparty	Relationship	Sales	Purchases	Lease payments	Treasury shares	Amount owed to related parties
September 2018						
CBi-electric Telecom Cables Proprietary Limited	A joint venture	2	5	–	–	–
Oxirostax Proprietary Limited (Nashua Winelands)	An associate	16	2	–	–	–
Bargenel Investments Proprietary Limited	Owns 18,5m Reunert shares	–	–	–	276	–
Lexshell 661 Investment Proprietary Limited	A joint venture	–	–	5	–	4

14 Contingent purchase considerations

As part of the acquisitions of SkyWire and Dopptech undertaken in the prior year, the group recognised contingent purchase considerations on these acquisitions as follows:

R million	Six months ended 31 March 2019 (Unaudited)	2018 (Unaudited)	30 September 2018 (Audited)
Balance at the beginning of the period	**37**	–	–
Transfer in from provisions[1]	**–**	27	27
Raised at acquisition at fair value (SkyWire and Dopptech)	**–**	111	110
Fair value remeasurements	**(2)**	(11)	(100)
Balance at the end of the period[2]	**35**	127	37

[1] *In 2018, the Omnigo purchase consideration was transferred from provisions to the contingent consideration category under trade and other payables. The acquisition of SkyWire and Dopptech in 2018 resulted in additional contingent consideration. Due to the nature of the amounts on acquisition of these businesses, all contingent considerations are now separately disclosed.*

[2] *The balance of the contingent purchase consideration have been included in 'Accounts payable, provisions and taxation' on the balance sheet.*

The balance of the contingent purchase consideration relates to R17 million for Dopptech, R16 million for SkyWire and R2 million for Omnigo.

14 Contingent purchase considerations continued

These were classified as level 3 instruments in the fair value hierarchy based on the following unobservable inputs:

For Omnigo, the fair value of the contingent purchase consideration is determined using a cash flow valuation technique and is based on earnings multiples stipulated in the purchase agreement.

The contingent purchase consideration for Omnigo was determined as 40% of the expected excess of profit before interest and tax (PBIT) exceeding a 25% return on expected average capital employed during the period.

The amount is assessed on an annual basis using forecasted average capital employed and PBIT.

The discount rate used is 9,1% (Jibar plus 2%).

For SkyWire, the contingent consideration is based on a defined business plan according to which the company has to achieve certain predefined strategic tasks and objectives within 12 months of the acquisition date.

The discount rate used is 9,1% (Jibar plus 2%).

For Dopptech, the contingent consideration is fixed and stipulated within the purchase agreement.

15 Change in accounting policy

IFRS 15 replaces both IAS 11 and IAS 18 as well as SIC 31, IFRIC 13, IFRIC 15 and IFRIC 18 and establishes a comprehensive framework for recognition of revenue from contracts with customers. Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires a certain level of judgement.

On application of IFRS 15, the following material changes and considerations have been made:

Revenue category	**Nature of material considerations and changes in accounting policy**
Contract revenue	Due to the change in considerations for the recognition of revenue under IFRS 15, revenue relating to certain contracts have been recognised taking into consideration an appropriate allocation of revenue to multiple performance obligations.
Service revenue	The adjustment includes consideration relating to time value of money, and changes in the measure of progress.

IFRS 9 – Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

This standard replaces IAS 39: Financial Instruments: Recognition and Measurement.

15 Change in accounting policy continued

Classification and measurement of financial assets

IFRS 9 has reduced the number of categories required for classification and measurement however the adoption of IFRS 9 has not had a material impact on the group's accounting policies related to the classification and measurement of financial assets, financial liabilities and derivative financial instruments.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The group has 2 types of financial assets that are subject to the new ECL model:

> trade receivables; and

> rental and finance lease receivables.

The group was required to revise its impairment methodology under IFRS 9 for each of these classes of assets. The impact of the change in impairment methodology on the group's retained earnings is disclosed below.

Trade receivables

The group applies the IFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss model for all trade receivables. ECLs are calculated by applying a loss ratio to the age analysis of trade receivables at each reporting date. The loss ratio is calculated according to the ageing/payment profile of sales by applying historic write-offs to the payment profile of the sales population.

Trade receivable balances have been grouped so that the ECL calculation is performed on groups of receivables with similar risk characteristics and ability to pay. The historic loss ratio is then adjusted for forward looking information to determine the ECL for the portfolio of trade receivables at the reporting date.

Rental and finance lease receivables

The group applies the IFRS 9 general approach to measuring expected credit losses which uses a 12-month expected loss allowance. This is calculated by applying a loss ratio to the balance at each reporting date.

The loss ratio for the rental and finance lease receivables is calculated according to the ageing/payment profile by applying historic write-offs to the payment profile of the population.

The historic loss ratio is then adjusted for forward looking information to determine the ECL at the reporting date to the extent that there is a strong correlation between the forward looking information and the ECL.

15 Change in accounting policy continued

Critical accounting judgements and assumptions

The ECL for financial assets is based on assumptions about risk of default and expected loss rates. The group uses judgement in making these assumptions and selecting the input to the impairment calculation, based on the group's past history, existing market conditions, as well as forward looking estimates at the end of each reporting period.

IFRS 15 and IFRS 9 transition

The group has applied both IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers using the modified retrospective approach, by recognising the cumulative effect of initially applying IFRS 9 and IFRS 15 as an adjustment to the opening balance of equity at 1 October 2018.

Therefore the comparative information on the unaudited condensed group statement of financial position and unaudited condensed group statement of comprehensive income has not been restated for the adoption of these new standards and continues to be reported under the previously applied standards.

15 Change in Accounting Policy continued

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included.

The effect of the IFRS 9 and 15 transition on the statement of financial position is as follows:

R million	IFRS 9 adjustments	IFRS 15 adjustments
Condensed consolidated statement of financial position		
Non-current assets		
Rental and finance lease receivables	(19)	–
Deferred taxation	9	13
Current assets		
Accounts receivable and taxation	(20)	(20)
Equity		
Retained earnings	(27)	(29)
Non-controlling interests	(3)	(6)
Current liabilities		
Accounts payable, provisions and taxation	–	28

During the current period the impact of IFRS 9 on the statement of profit or loss and other comprehensive income was a R16 million increase in the profit for period (R12 million net of taxation).

16 Litigation

There is no material litigation being undertaken against or by the group. The group has made adequate provision against any cases where the group considers there are reasonable prospects for the litigation to succeed. The group has adequate resources and good grounds to defend any litigation it is aware of.

17 Events after reporting date

Subsequent to 31 March 2019, Zamefa, the group's Zambian energy cable manufacturer, became technically insolvent due to the rapid depreciation of the Zambian Kwacha against the United States Dollar (the currency in which a significant portion of Zamefa's liabilities are denominated). The group continues to support Zamefa and has subordinated such portion of its US$ 20m loan to Zamefa as is required to restore the technical solvency of Zamefa in favour of Zamefa's other creditors.

ADDITIONAL INFORMATION

R million (unless otherwise stated)	Six months ended 31 March 2019 (Unaudited)	2018 (Unaudited)	Year ended 30 September 2018 (Audited)
Current ratio (:1)	**2,0**	2,0	2,3
Quick ratio (:1)	**1,5**	1,5	1,7
Dividend Yield (%)*	**7,0**	6,4	6,5
Return on capital employed (%)	**16,3**	15,5	19,5
Net number of ordinary shares in issue (million)	**161**	161	161
Number of ordinary shares in issue (million)	**185**	185	185
Less: Empowerment shares (million)	**(19)**	(19)	(19)
Less: Treasury shares (million)	**(5)**	(5)	(5)
Capital expenditure	**59**	54	162
– expansion	**36**	32	106
– replacement	**23**	22	56
Capital commitments in respect of property, plant and equipment	**75**	64	83
– contracted	**42**	43	35
– authorised not yet contracted	**33**	21	48
Commitments in respect of operating leases	**214**	231	252
Contingent liabilities**	**–**	–	–

* *Calculated as the total dividend (interim 130 cents per share and prior year final 368 cents per share) (2018: 125 cents and 354 cents per share) (September 2018: 125 cents and 368 cents per share) divided by a Reunert share price of 7 100 cents (2018: 7 448 cents) (September 2018: 7 600 cents), being the closing market price on 29 March 2019.*

** *The directors are confident that Reunert Limited and its subsidiaries have no exposure arising from the guarantees and sureties in issue, beyond the liabilities recognised in the condensed consolidated statement of financial position at 31 March 2019.*

Definitions of ratios and other financial terms are the same as those incorporated in the 2018 Integrated Report.

ADMINISTRATION

REUNERT LIMITED
Incorporated in the Republic of South Africa
Reg. No 1913/004355/06
Ordinary share code: RLO ISIN code: ZAE000057428
("Reunert" or "the group" or "the company")

Directors: TS Munday (chairman)*, T Abdool-Samad*, AE Dickson (chief executive officer), JP Hulley*, SD Jagoe*, S Martin*, M Moodley, Adv NDB Orleyn**, SG Pretorius*, T Matshoba-Ramuedzisi*, MAR Taylor, NA Thomson (chief financial officer), R Van Rooyen*

** Independent non-executive ** Non-executive*

Registered office
Nashua Building
Woodmead North Office Park
54 Maxwell Drive
Woodmead, Sandton
PO Box 784391
Sandton, 2146
Telephone +27 11 517 9000

Income taxation reference number
9100/101/71/7P

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
PO Box 61051
Marshalltown, 2107

Sponsor
One Capital Sponsor Services Proprietary Limited

Registered auditors
Deloitte & Touche

Secretaries' certification
In terms of section 88(2)(e) of the Companies Act, 71 of 2008, I, Karen Louw, duly authorised on behalf of the company secretary, Reunert Management Services Proprietary Limited (Registration number 1980/007949/07) certify that, to the best of my knowledge and belief, the company has lodged with the Companies and Intellectual Property Commission for the six-month period ended 31 March 2019 all such returns and notices as are required in terms of the aforesaid Act and that all such returns and notices are true and correct.

Karen Louw
for Reunert Management Services Proprietary Limited
Group Company Secretaries

Investor enquiries
Karen Smith +27 11 517 9000 or e-mail invest@reunert.co.za.
For additional information log on to the Reunert website at www.reunert.com.

27 May 2019 (publication date)

REUNERT 1H2019 RESULTS PRESENTATION

For the six months ended 31 March 2019

REUNERT
REUNERT LIMITED

AGENDA

SALIENT FEATURES

Operating profit increased by 8% to R615 million

- Despite continued challenging economic conditions, operating profit increased
- Electrical Engineering continued to face demand pressure in South Africa and liquidity challenges in Zambia, but delivered a moderate improvement in trading performance
- ICT delivered a strong performance despite softer hardware volumes
- Applied Electronics increased revenue and operating profit on the back of solid long-term contracts

Adjusted* profit after tax increased by 4%

- Non-recurring items impacted profit after tax (PAT)
  - SARS R42 million tax contribution released in 1H2018
  - Loss of R44 million on sale of non-core Swedish unit, Prodoc Svenska AB
- 4% increase in adjusted* PAT to R421 million (1H2018: R406 million)

**See table on slide 9*

Improved cash returns for shareholders

- Free cash flow improved to R619 million due to working capital improvements
- Dividend increased by 4% to 130 cents per share

Reunert unaudited results for the six months ended 31 March 2019

FINANCIAL PERFORMANCE

8%↑	4%↑	(8%)↓	4% ↑
Operating profit	Adjusted* PAT	HEPS	Total dividend per share
R615m	R421m	253 cents	130 cents
1H2018: R567m	1H2018: R406m	1H2018: 275 cents	1H2018: 125 cents

* See table on slide 9

Six months ended 31 March		2019		2018		2017
Revenue	R million	5 288	9%	4 841	10%	4 241
Operating profit	R million	615	8%	567	8%	616
Headline earnings per share	Cents	253	8%	275	0%	275
Total dividend per share	Cents	130	4%	125	4%	120

Reunert unaudited results for the six months ended 31 March 2019

02

STRATEGY UPDATE

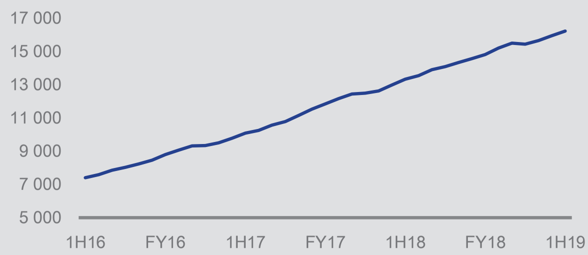
The group's diversification activities continue to gather momentum

REUNERT GROUP

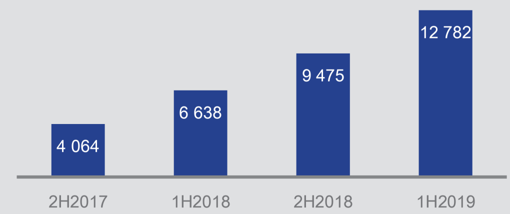
ICT SEGMENT STRATEGY

- The key drivers of the ICT segment's diversification strategy continue to grow
- Vertically integrated communication solutions are accelerating
  - Voice: ECN customer base grew by 22% y-o-y increasing cross-sell opportunities for the segment
  - VBX: Cloud-based VBX replacing physical PBX
  - Broadband connectivity: Over 350 new business-to-business broadband connectivity connections installed during 1H2019
- Complementary total workspace solutions are an increasingly important component of the Office Automation (OA) offering:
  - Now 16% of total OA revenue (1H2018: 14%), up by 10% on comparative period

TOTAL NUMBER OF ECN CUSTOMER SITES



TOTAL NUMBER OF CLOUD-BASED VBX PORTS



RENEWABLE ENERGY STRATEGY

- Strong revenue growth and positive profit performance continues
  - Good pipeline of projects
  - Margins remain tight
- Recent government announcements are expected to strengthen market demand
  - 500MW of small-scale embedded generation earmarked for licensing
  - Enabling legislation for generating licences, <10MW is expected to be fast tracked
- Solid progress in the growth of our *build-own-operate* assets
  - Need to resolve funding to increase build rate
- Revenue from African projects has commenced

03

FINANCIAL PERFORMANCE

NICK THOMSON

GROUP INCOME STATEMENT

	1H2019 Rm	1H2018 Rm	Change %
Revenue	5 288	4 841	9
EBITDA	698	636	10
Depreciation and amortisation	(83)	(69)	20
Operating profit	615	567	8
Net interest (expense)/income	(4)	8	
Disposal of subsidiary and BEE transactions	(44)	(2)	
Share of JV and associate's profit/(loss)	5	(6)	
Profit before tax	572	567	1
Tax	(195)	(119)	64
Profit after tax	377	448	(16)
Non-controlling interests	(11)	(3)	
Profit attributable to equity holders of Reunert	366	445	(18)

- Depreciation increased due to first-time inclusion of SkyWire with depreciation on intangible and network assets amounting to R13 million
- PAT impacted by non-recurring items
- Adjusted PAT up 4%

	1H2019 Rm	1H2018 Rm	Change %
Profit after tax	377	448	(16)
Less: Impact of release of NSN tax provision	–	(42)	9
Add: Loss on disposal of Prodoc	44	–	10
Adjusted PAT	421	406	4

Reunert unaudited results for the six months ended 31 March 2019

SUMMARISED FINANCIAL POSITION

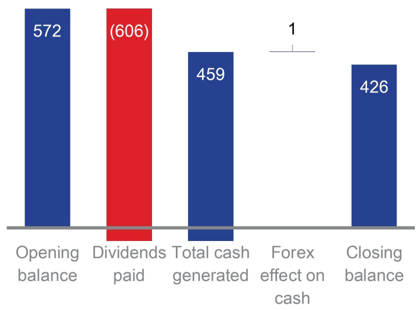
	1H2019 Rm	1H2018 Rm	FY2018 Rm
PPE, investment properties and intangible assets	1 270	1 246	1 297
Goodwill	991	1 088	1 053
Other long term assets	2 356	2 176	2 355
Non-current assets	**4 617**	**4 510**	**4 705**
Inventory	1 567	1 372	1 461
Receivables	3 259	3 045	3 522
Cash and cash equivalents	894	1 055	765
Current assets	**5 720**	**5 472**	**5 748**
Total assets	**10 337**	**9 982**	**10 453**
Equity	**7 200**	**6 993**	**7 526**
Deferred taxation	141	112	156
Long-term borrowings and liabilities	202	194	225
Non-current liabilities	**343**	**306**	**381**
Payables	2 325	2 121	2 335
Current portion of long-term borrowings	1	11	18
Bank overdraft	468	551	193
Current liabilities	**2 794**	**2 683**	**2 546**
Total equity and liabilities	**10 337**	**9 982**	**10 453**

- No material changes to the balance sheet since 30 September 2018
- Goodwill reduced by R62 million due to the sale of Prodoc
- Working capital improved by R93 million
- Decrease in net equity
  - Final dividend of 2018 paid in 2019 (R606 million)
  - Impact of adoption of IFRS 9 and IFRS 15 of R56 million
- Bank overdrafts funding
  - SkyWire acquisition
  - Zamefa working capital
  - Growth in Quince book

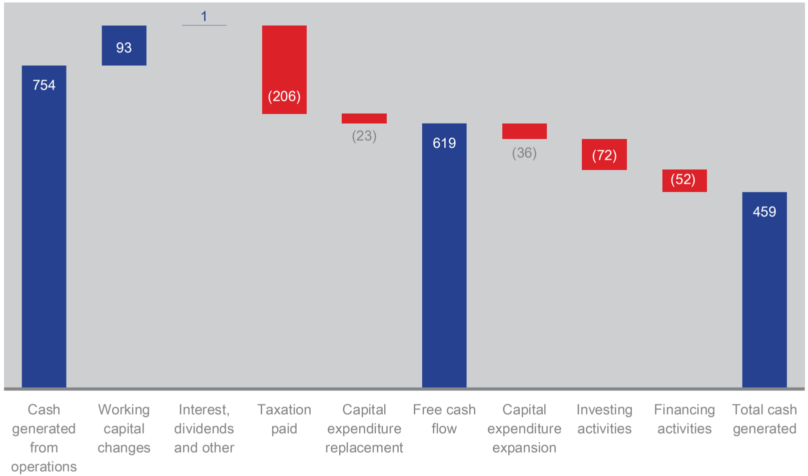
Reunert unaudited results for the six months ended 31 March 2019

CASH FLOW AT 31 MARCH 2019

MOVEMENT IN CASH FLOW (Rm)



	OB	CB
Cash resources and cash equivalents	765	894
Bank overdrafts	(193)	(468)
Total	572	426



Reunert unaudited results for the six months ended 31 March 2019

CASH FLOW MOVEMENTS

WORKING CAPITAL MOVEMENT	1H2019 Rm	FY2018 Rm
Inventory and contracts in progress	(139)	(48)
Accounts receivable and derivative assets	249	(538)
Trade and other payables, provisions and derivative liabilities	2	127
Advance payments	50	(39)
IFRS 9 and IFRS 15	(69)	0
Net inflow/(outflow)	93	(498)

- Inventory increases primarily in Electrical Engineering segment in part due to commodity price increases and in part due to factory loading
- Accounts receivable reduction due to settlement of large export customers in the fuze and secure communications business units
- The impact of adoption of IFRS 9 and IFRS 15 on opening working capital balances

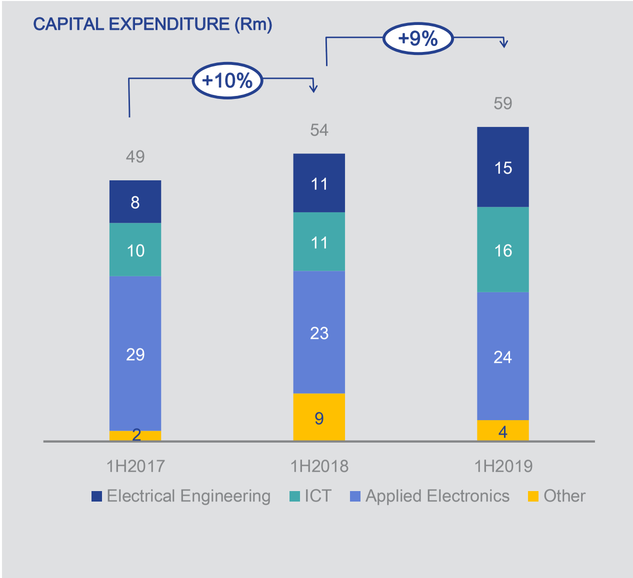
INVESTING ACTIVITIES	1H2019 Rm
Net cash on disposal of Prodoc	15
Movement in rentals and finance leases	(82)
Other	(5)
	(72)

CASH ON DISPOSAL OF PRODOC	Rm
Cash received	37
Deconsolidation of cash	(22)
	15

CAPITAL EXPENDITURE

- Capital expenditure in 1H2019 amounted to R59 million (1H2018: R54 million) divided between replacement capital
  R23 million (1H2018: R22 million) and expansion capital R36 million (1H2018: R32 million)
- All capital expenditure was funded from internal resources

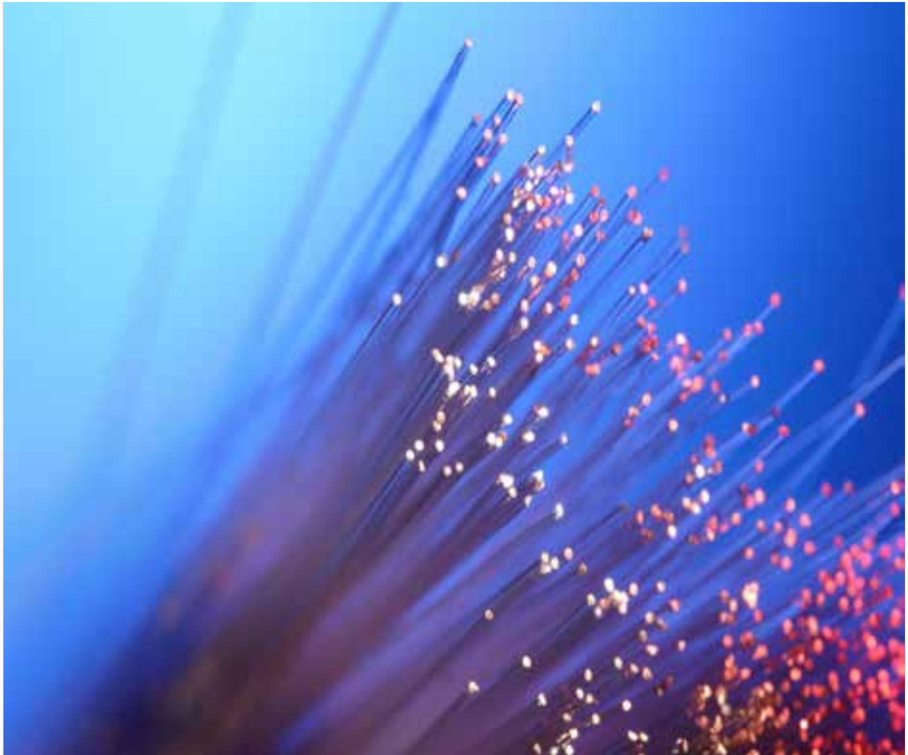
	1H2019 Rm
Plant and equipment	28
Intangibles (including software)	14
Capital work in progress	12
Other	5
Total	59



04

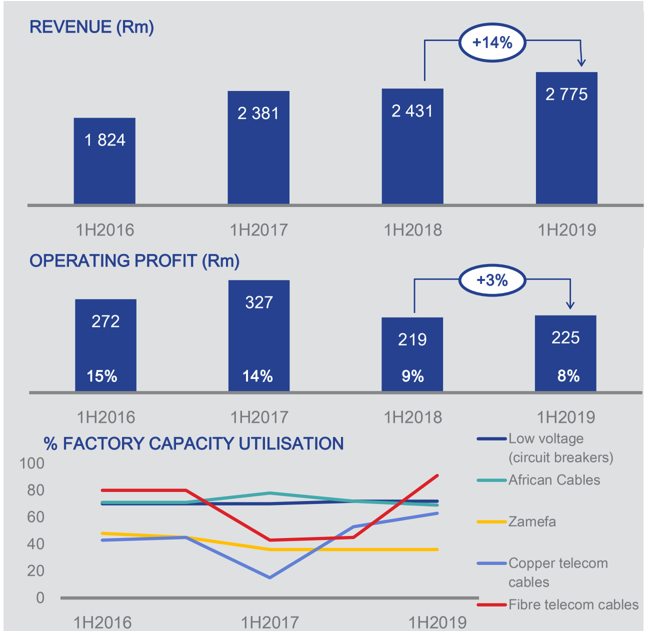
SEGMENTAL PERFORMANCE

ALAN DICKSON



ELECTRICAL ENGINEERING

- Segment delivers a 3% improvement in operating profit amid tough trading conditions
  - Weak infrastructure investment continues in South Africa in both the public and private sectors
  - Margin pressures at African Cables remained
  - Key state contracts have been secured to retain local market share
  - Zambia liquidity pressures resulted in continued limit on production output to match cash collections
- Marginally higher factory utilisation underpins the performance
  - Increased copper and fibre optic cable loading and reduced cost base returned telecoms cable factory to profitability
  - Strong export volumes at circuit breakers, specifically into targeted markets of USA and Australia
- Stronger performance will be linked to increased infrastructure investment in South Africa and liquidity improvement in Zambia
  - The new South African country leadership is expected to positively impact the investment environment
  - Zambia GST legislation has been published with targeted implementation date of 1 July 2019



Reunert unaudited results for the six months ended 31 March 2019

ICT

Office Automation

- Solid performance despite tough economic conditions
- Hardware volumes declined, primarily due to the increased time taken to award tenders
- Cross-selling and additional services showed good growth and together with OA annuity and services income offset the lower hardware volumes

Communications

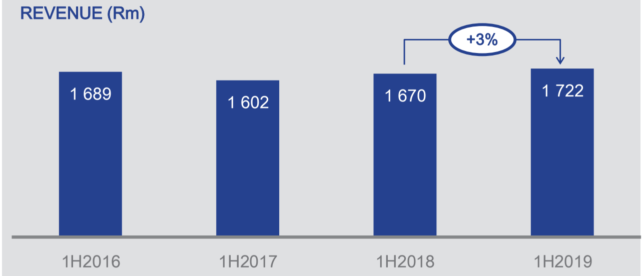
- Voice customer base grew strongly, although minutes are under pressure
- Cost efficiencies resulted in real growth for ECN
- SkyWire integration into Reunert completed. Implementation of a large contract has been delayed but good broadband connectivity traction across all distribution channels

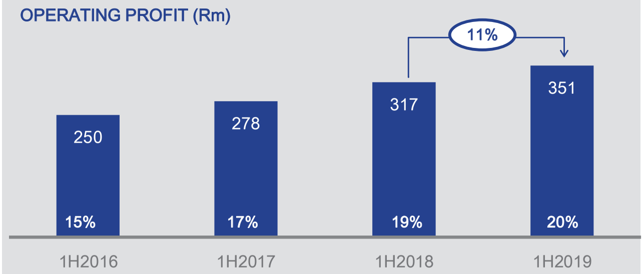
Finance

- Quince finance book increased to R2,9 billion, with no material credit losses and tight cost control yielded a strong performance

Key matters

- Non-core Prodoc Svenska sold during period





APPLIED ELECTRONICS

Strong execution

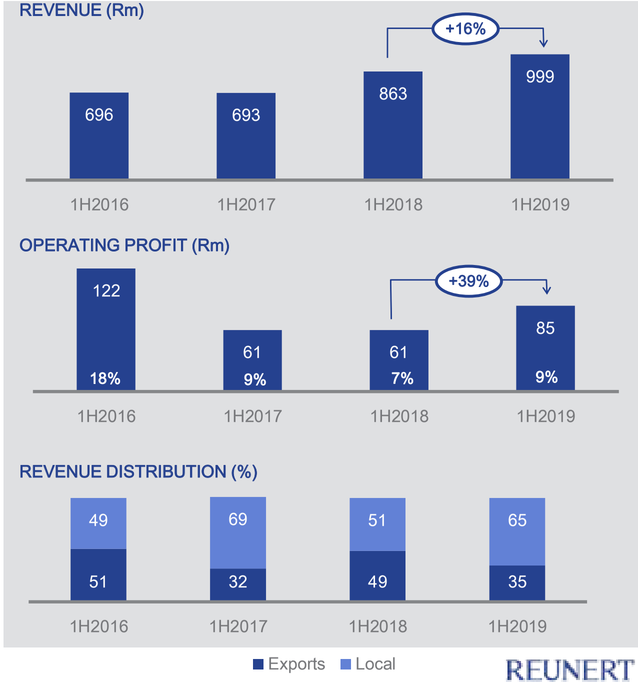
- Fuchs delivered excellent export volumes
- Reutech Communications had good local and export production and improved operational efficiencies
- Most other companies delivered a reasonable result with RC&C and Ryonics undergoing operational restructuring

Segment's order book

- Reutech Solutions received the new annual cash allocation of the five-year contract
- Communications secured the next multi-year production tranche Radiate order
- Fuchs has new prospects for multi-year fuze orders

Key matters

- New local presence enhances long-term Southeast Asia supply opportunities
- Renewable energy market continues to grow
- Despite good performance, it is unlikely that 2H2018 growth will be repeated



Reunert unaudited results for the six months ended 31 March 2019

05

BUSINESS OUTLOOK AND PROSPECTS

PROSPECTS

- Reunert continues to execute on its diversification strategy, specifically
  - Investing into our ICT segment;
  - Participating in the rapidly growing solar renewable energy market and broadening our value offering; and
  - Increasing our participation in the Southeast Asian markets through our recently established local presence
- The recent national elections create the inflection point for improved South African business confidence and infrastructure investment
- The group is extremely well positioned for any improvement in the local economy
- It is, however, too soon for the expected improvement to result in any material benefit in 2H2019
- Strong export contracts in key Applied Electronics companies and good ICT strategy execution are expected to remain the key drivers of Reunert's performance in the shorter term

OTHER INFORMATION

RECONCILIATION OF CORE EARNINGS

	1H2019 Rm	1H2018 Rm	Change %	FY2018 Rm
Attributable profit for the period	**366**	445	**(18)**	1 158
Headline earnings adjustments				
Loss on disposal of subsidiary	**44**			
After tax profit on disposal of assets	**(2)**			(23)
Headline earnings	**408**	445	**(8)**	1 135
Normalised headline earnings adjustments				
Merger and acquisition costs				9
IFRS 2 and other BBBEE costs		2		42
SkyWire contingent consideration remeasurement				(77)
Normalised headline earnings	**408**	447	**(9)**	1 109
Other adjustments				
Release of NSN tax provision		(42)		(42)
Core earnings	**408**	405	**1**	1 067
Core earnings per share (Cents)	**253**	251	**1**	661
EPS (Cents)	**227**	275	(17)	717
HEPS (Cents)	**253**	275	(8)	703
NHEPS (Cents)	**253**	276	(8)	687
Weighted average number of shares	**161**	162		161

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