INSIMBI INDUSTRIAL HOLDINGS LTD
(Incorporated in the Republic of South Africa)
(Registration No: 2002/029821/06)
Share code: ISB & ISIN code: ZAE000116828

Insimbi Industrial Holdings Limited (Previously "Insimbi Refractory and Alloy Supplies Limited")
("Insimbi" or "the Company" or "the Group")

UNREVIEWED CONSOLIDATED CONDENSED FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2018 AND INTERIM DIVIDEND DECLARATION

Insimbi is a group of companies that provides resource-based supplies to a diversified range of industrial customers. Insimbi offers ferrous and non-ferrous alloys; refractory and foundry materials; plastic blowmoulding production; and alloy recycling processes to national, regional and international markets. The core business expertise is the ability to source and provide local, regional and global industrial consumers with the required commodity over the four distinct segments. The Company herewith announces its unreviewed consolidated financial results for the six months ended 31 August 2018.

Key Financial Highlights when compared to the 6 months ended 31 August 2017:

- Revenue increased by 28% to R2.14 billion.
- Gross profit increased by 1% to R181.66 million
- EPS decreased by 24% to 9.12 cents per share
- HEPS decreased by 29% to 8.47 cents per share
- NAV and tangible NAV increased by 18% and 24% to 103 cps and 74 cps respectively
- Finance costs decreased by 12% to R14.47 million
- Debt: equity ratio has improved from 59% to 56%
- Trading and operational outlook for the remainder of the financial year is positive
- The Group has declared a gross interim dividend of 2 cents per share for the period ended 31 August 2018.

CEO of Insimbi, Fred Botha, commented:

This first half of the financial year proved to be very much one of 2 distinct quarters, the 1st quarter to end May 2018 was rather disappointing with significant "hangover" from the strong ZAR and resultant pressure on margins. The 2nd quarter ended August 2018, by contrast has been phenomenal, especially with regards to revenues which peaked at R487 million in the month of August 2018. Margins have also shown signs of recovery on the back of a weaker currency and greater focus in all operational units.

Despite our best quarter ever and despite achieving revenue growth of 28% (R2.1 billion vs R1.7 billion) compared to previous interim period, the downward pressure on margins particularly in the 1st quarter coupled with an 18% increase in operating expenses for the same period, has resulted in a decline in earnings for the interim period ended 31 August 2018. These have increased due to professional fees relating to new acquisitions, the increase in fuel price and the increase in cost of utilities and are explained in more detail in the Financial Review below.

From an operational perspective, Insimbi Alloy Supplies ("IAS"), Insimbi Aluminium Alloys ("IAA"), Metlite Alloys ("ML") and Amalgamated Metals Group ("AMGH") are performing very well in a difficult economic climate and Insimbi Plastics ("IP") which has undergone some fairly drastic restructuring, I am confident it is now on the path to sustainability.

We welcome the economic stimulus initiatives recently announced by President Ramaphosa, especially the R400 billion to be spent on infrastructure upgrades which will give our target markets and customers a well needed and deserved boost which in turn will impact on our full spectrum of operations. As the saying goes "the devil is in the detail" and I hope that the implementation of these initiatives is efficient, effective and timeous.

Operational Overview

The aluminium plants ("IAA" and "ML") are performing well operationally and volumes and margins improved in the 2nd quarter but remain under pressure. The weaker rand has improved export opportunities and we have been operating consistently at over 80% of production capacity which is pleasing. Furthermore, we will be commissioning new plant and equipment by end October 2018, this will enable us to maximise margins.

Our ferro-alloy and refractory operation ("IAS") is having a much improved year and is in fact, experiencing its best year since about 2009. This operation in particular, stands to benefit from Mr Ramaphosa's recently announced stimulus initiative as it is very dependent on infrastructure "spend".

The plastics operation ("IP") definitely showed some improvement in the 2nd quarter and revenues and margins improved as a result. The plastics industry is also negatively impacted by the autumn and winter period so revenues were lower than budgeted, compounded by the recessionary climate especially in the agriculture sector. A number of our competitors have closed or downsized and we are experiencing an increase in demand for our containers.

Despite a difficult 1st quarter, the metals recycling business ("AMGH") rallied strongly in the 2nd quarter, buoyed by the weaker ZAR and increased volumes. Copper prices have been a bit erratic and this has kept margins under pressure but there has been a marked improvement.

Fred Botha confirmed that the business is poised for a better second half of the year and all of the underlying businesses that make up Insimbi are in a good position to take advantage of opportunities as they arise.

Financial Overview

Group revenue for the period is R 2.14 billion, an increase of 28% or R472 million on the comparative period ended 31 August 2017. As a result of the lower margins in AMGH, IAA and ML, overall gross margins have decreased from 11% to 8.5% however gross profit has increased by 1% from R179.8 million to R181.7 million.

Group operating profit decreased by 20% to R62.1 million compared to R77.3 million in the comparative period ended 31 August 2017. This is due to an increase of 18% in Group operating expenses when compared to the prior period, largely attributable to the following:

- Professional fees relating to acquisitions of approximately R3.0 million;
- Increased fuel prices resulted in additional cost of approximately R1.0 million;
- Increased electricity and water tariffs resulted in additional costs of approximately R1.2 million;
- Increased data and IT costs incurred to improve data security and systems integrity of approximately R1.0 million including full 3rd Party systems review;
- Provision for Doubtful Debts of R0.7 million versus a write-back in previous period of R0.7 million resulting in a R1.4 million increase on said provision; and
- Increased Repair and Maintenance costs of approximately R1.3 million related to the relocation and recommissioning of certain plant and equipment.

All companies within the Group are, however, committed to cutting operating costs where possible.

Group finance costs for the period have decreased from R16.4 million to R14.5 million. This is due to the fact that the Group is now maximising on a centralised treasury function, whereby funds are redistributed to minimise the interest paid externally.

Due to a very difficult 1st financial quarter, Insimbi achieved Group EPS of 9.12 and HEPS of 8.47 cents per share respectively compared to 11.97 and 11.95 cents per share in the previous comparative period. This equates to a decrease of 24% and 29% EPS and HEPS respectively. It is worth noting that 80% of our year to date interim operating profit was achieved in the second financial quarter and only 20% in the first financial quarter.

Net cash flow from operating activities decreased from R88.6 million to R9.1 million, of which R41.5 million is attributable to an increase in the net working capital of the Group resulting from the increased activity. Unfortunately, the end of the financial period also fell on a weekend and so many of our debtors only paid on Monday 3rd September which has artificially "skewed" our cashflow generated figure.

Borrowings were reduced by R25 million in the 6 months ended 31 August 2018 and this has resulted in a net cash decrease of R32 million to R10.0 million net overdraft from R22 million cash on hand at year-end.

Prospects

As announced in August 2018 we have reached agreement with Group Wreck International Non-Ferrous (Pty) Ltd ("GW") whereby Insimbi will acquire control of the company which operates in KwaZulu-Natal. The transaction is subject to certain conditions precedent including Competitions Commission approval. This transaction will be value accretive and will provide geographic expansion of the recycling business as well as close proximity to export harbours. We anticipate significant synergies between AMGH and GW and an improved supply of aluminium to IAA. The initial transaction consideration is an amount of R120 million. An additional deferred amount (“agterskot”) potentially payable in year 3 and 4 post acquisition limited to a maximum of R30 million, based on the achievement of certain profit targets. The initial consideration of R120 million will be settled as follows:

- Cash: R73 million;
- ISB shares: 18 461 538 shares to be issued at R1.30 per share, to the value of R24 million in total; and
- Vendor loans: to the value of R23 million, repayable after a period of 3 years, bearing interest at a rate of prime plus 2%. Repayment of the capital amount may be extended to a maximum of 5 years, at the option of the Group.

In May 2018 we acquired an operation in Witbank that will enable us to enter the aluminothermic powder and Ultra Low Ferrochrome (UlCFeCr) market. We are in the process of recommissioning the plant and anticipate starting production of aluminium powder products in October 2018 which will also increase volumes of aluminium processed in the existing plants of IAA and ML.

Although the economic and policy environment remains very challenging, we are hopeful that the 3rd quarter will be a repeat of the second quarter performance. The fourth quarter is usually quieter due to the festive season shutdowns.

Any forward looking statements included in this announcement have not been reviewed nor reported on by the Company’s auditors.

Dividend Declaration

An interim gross dividend of 2 cents per share has been declared on 17 October 2018. There are 410 000 000 ordinary shares in issue at announcement date, of which 1 369 672 are held in treasury and do not participate in dividends, 23 106 915 shares are held by the ESOP’s and are participating to the dividend policy. The total dividend amount payable is R8 172 607 (2017: R12 285 179).

The board has confirmed by resolution that the solvency and liquidity test as contemplated by the Companies Act, No. 71 of 2008, as amended, has been duly considered, applied and satisfied. This is a dividend as defined in the Income Tax Act, 1962, and is payable from income reserves. The South African dividend tax rate is 20%. The dividend payable to shareholders who are subject to dividend tax and shareholders who are exempt from dividend tax is 1.6 cents and 2 cents per share, respectively. The income tax number of the Company is 9078488153.

The salient dates applicable to the interim dividend are as follows:

Last day to trade cum dividend	Tuesday, 13 November 2018
First day to trade ex dividend	Wednesday, 14 November 2018
Record date	Friday, 16 November 2018
Payment date	Monday, 19 November 2018

No share certificates will be dematerialised or rematerialised between Wednesday, 14 November 2018 and Friday, 16 November 2018, both days inclusive.

Shares repurchased by a subsidiary since the year end and held in treasury amounted to 371 777 (2017: 356 313), which brings the total number of treasury shares to 24 476 587 (2017: 23 462 048).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

R'000	Unreviewed as at 31 August 2018	Unreviewed as at 31 August 2017	Audited as at 28 February 2018
Assets			
Non-current assets			
Property, plant and equipment	298 524	236 526	270 514
Goodwill	107 591	107 591	107 591
Intangible assets	11 211	11 756	11 525
Investments in joint ventures	844	1 190	577
Deferred taxation asset	3 576	6 892	3 388
	421 746	**363 955**	**393 595**
Current assets			
Inventories	142 382	149 187	147 944
Trade and other receivables	305 706	292 594	293 643
Derivative financial assets – at fair value	2 295	1 138	-
Current taxation receivable	-	-	5 312
Cash and cash resources	25 350	25 629	32 408
	475 733	**468 548**	**479 307**
Total assets	**897 479**	**832 503**	**872 902**
Equity and liabilities			
Equity			
Share capital	196 704	196 704	196 704
Treasury shares	(19 927)	(18 580)	(19 399)
Reserves	44 819	21 503	44 819
Share based payment reserve	2 933	1 634	2 289
Retained earnings	198 187	162 251	174 454
Non-controlling interest	(1 127)	(124)	(565)
	421 589	**363 388**	**398 302**
Liabilities			
Non-current liabilities			
Loans from shareholders	1 682	1 630	2 275
Other financial liabilities	172 239	172 611	166 202
Deferred taxation	29 377	26 082	28 966
	203 298	**200 323**	**197 443**
Current liabilities			
Other financial liabilities – through profit or loss	55 212	29 427	72 295
Other financial liabilities – at fair value	-	-	2 697
Current taxation payable	2 781	-	-
Trade and other payables	179 022	205 714	192 055
Bank overdraft	35 577	33 649	10 110
	272 592	**268 791**	**277 157**
Total liabilities	**475 890**	**469 114**	**474 600**
Total equity and liabilities	**897 479**	**832 503**	**872 902**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

R'000	Unreviewed as at 31 August 2018	Unreviewed as at 31 August 2017	Audited as at 28 February 2018
Cost of sales	(1 956 345)	(1 486 617)	(3 146 379)
Gross profit	**181 662**	**179 751**	**345 424**
Other income	5 078	3 370	1 195
Operating expenses	(124 631)	(105 860)	(218 788)
Operating profit	**62 109**	**77 261**	**127 831**
Investment revenue	583	162	402
Income from equity accounted investments	1 333	1 282	2 532
Finance cost	(14 477)	(16 408)	(30 836)
Profit before taxation	**49 548**	**62 297**	**99 929**
Taxation	(14 809)	(15 837)	(28 769)
Profit for the year	**34 739**	**46 460**	**71 160**
Other comprehensive income for the year net of taxation	-	-	23 316
Total comprehensive income for the year	**34 739**	**46 460**	**94 476**
Total comprehensive income attributable to:			
Owners of the parent	35 301	46 326	94 783
Non-controlling interest	(562)	134	(307)
	34 739	**46 460**	**94 476**

	Share capital R'000	Share premium R'000	Treasury shares R'000	Re-valuation reserve R'000	Distri-butable reserve R'000	Share based payment reserve R'000	Non-control-ling interest R'000	Total equity R'000
Balance at 31 August 2017 (unreviewed)	-	196 704	(18 580)	21 503	162 251	1 634	(124)	363 388
Total comprehensive income	-	-	-	23 316	24 486	655	(441)	48 016
Dividend paid	-	-	-	-	(12 283)	-	-	(12 283)
Net movement in treasury shares	-	-	(819)	-	-	-	-	(819)
Balance at 28 February 2018 (audited)	**-**	**196 704**	**(19 399)**	**44 819**	**174 454**	**2 289**	**(565)**	**398 302**
Total comprehensive income	-	-	-	-	35 300	644	(562)	35 482
Dividends paid	-	-	-	-	(11 567)	-	-	(11 567)
Net movement in treasury shares	-	-	(528)	-	-	-	-	(528)
Balance at 31 August 2018 (unreviewed)	**-**	**196 704**	**(19 927)**	**44 819**	**198 187**	**2 933**	**(1 127)**	**421 589**

CONSOLIDATED STATEMENT OF CASH FLOWS

R'000	Unreviewed as at 31 August 2018	Unreviewed as at 31 August 2017	Audited as at 28 February 2018
Cash flow from operating activities			
Cash generated from operations	29 509	116 758	164 377
Investment income	583	162	402
Finance costs	(14 477)	(16 408)	(30 836)
Taxation paid	(6 493)	(11 954)	(32 064)
Net cash flow from operating activities	**9 122**	**88 558**	**101 879**
Cash flow from investing activities			
Purchase of property, plant and equipment	(5 553)	(6 115)	(1 613)
Proceeds on disposal of property, plant and equipment	496	1 446	559
Cash received from joint venture	1 067	762	2 636
Net cash from investing activities	**(3 990)**	**(3 907)**	**1 582**
Cash flow from financing activities			
Proceeds from loan funding	-	5 334	4 500
Repayment of other financial liabilities	(24 970)	(94 305)	(69 772)
Repayment of shareholder's loan	(593)	(861)	(216)
Dividends paid	(11 567)	-	(12 283)
Sale/(repurchase) of treasury shares	(527)	(365)	(1 184)
Net cash outflow from financing activities	**(37 657)**	**(90 197)**	**(78 955)**
Net movement in cash for the period/year	(32 525)	(5 547)	24 506
Effect of exchange rate movement on cash	-	6	(2 479)
Cash and cash equivalents at the beginning of the period/year	22 298	(2 479)	271
Cash and cash equivalents at the end of the period/year	**(10 227)**	**(8 020)**	**22 298**

CONDENSED SEGMENT REPORT

R'000	Unreviewed as at 31 August 2018	Unreviewed as at 31 August 2017	Audited as at 28 February 2018
Revenue by segment			
Non-Ferrous	1 750 082	1 405 227	2 878 640
Ferrous	302 195	171 450	431 902
Refractory	56 006	54 422	108 728
Plastics	29 724	35 268	72 533
	2 138 007	**1 666 368**	**3 491 803**
Gross profit by segment			
Non-Ferrous	134 716	140 839	266 526
Ferrous	28 194	17 980	41 776
Refractory	8 263	6 977	14 118
Plastics	10 489	13 955	23 004
	181 662	**179 751**	**345 424**
Operating profit by segment			
Non-Ferrous	40 349	57 393	92 837
Ferrous	18 399	11 861	23 966
Refractory	6 574	6 067	11 675
Plastics	(3 213)	1 940	(647)
	62 109	**77 261**	**127 831**

SALIENT FEATURES

	Unaudited as at 31 August 2018	Unaudited as at 31 August 2017	Audited as at 28 February 2018
Basic earnings per share			
From continuing operations (cents per share)	9.12	11.97	18.47
Number of weighted shares in issue at the end of the period/year ('000)	410 000	410 000	410 000
Less: treasury shares held in a subsidiary at the end of the year ('000)	(23 113)	(23 108)	(23 112)
	386 887	**386 892**	**386 888**
Reconciliation of headline earnings and diluted headlines earnings			
Profit attributable to owners of the parent (R'000)	35 301	46 326	71 467
Adjusted for profit on sale of property, plant and equipment, net of tax (R'000)	(234)	(111)	(99)
Gain on bargain purchase (R'000)	(2 316)	-	-
Headline earnings for the Group (R'000)	**32 751**	**46 216**	**71 368**
Headline earnings per share (cents)	8.47	11.95	18.45
Reconciliation of number of shares for diluted earnings per share			
Weighted average number of ordinary shares in issue ('000)	386 887	386 892	386 888
Adjusted for: Share options ('000)	14 246	17 511	16 173
Weighted average number of ordinary shares for diluted earnings per share ('000)	**401 133**	**404 404**	**403 061**
Basic earnings per share (cents)	9.12	11.97	18.47
Headline earnings per share (cents)	8.47	11.95	18.45
Diluted earnings per share (cents)	8.80	11.46	17.73
Diluted headlines earnings per share (cents)	8.16	11.43	17.71
Dividends per share	2.00	3.00	6.00
Net asset value per share (cents)	102.83	87.17	97.15
Tangible net asset value per share (cents)	73.85	59.52	68.09
EBITDA	74 274	91 276	151 237
Depreciation	10 832	12 733	20 874

Basis of preparation and accounting policies

The unaudited condensed consolidated financial statements for the interim period ended 31 August 2018 have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and as a minimum, contain the information required by IAS 34 Interim Financial Reporting, JSE Listings Requirements and the Companies Act of South Africa. The unaudited condensed consolidated financial statements have been prepared under the supervision of the Chief Financial Officer, Andre de Wet CA (SA). The accounting policies are consistent with those applied in the annual financial statements for the previous year. The above information has not been audited or reported on by Insimbi's auditors.

Contingencies

The Company does not have any material contingencies.

Approval:

RI Dickerson	F Botha
Chairman	Chief Executive Officer
17 October 2018	

Directors:	F Botha (Chief Executive Officer) AJ de Wet (Chief Financial Officer) C Coombs RI Dickerson* (Chairperson) IP Mogotlane* N Mwale* CS Ntshingila* (*non-executive)
Company Secretary:	TN Kgari
Registered office:	Stand 359 Crocker Road, Wadeville, Germiston, 1422
Website:	www.insimbi-iras.co.za
Sponsor:	Bridge Capital Advisors Proprietary Limited
Transfer Secretaries:	Computershare Investor Services Proprietary Limited
Auditors:	PricewaterhouseCoopers Inc.