

REUNERT LIMITED

(Incorporated in the Republic of South Africa)

(Registration number: 1913/004355/06)

ISIN: ZAE000057428

Share code: RLO

("Reunert" or the "Company" or the "Group")

OPERATIONAL UPDATE AND TRADING STATEMENT

Reunert is in the process of finalising its financial results for the year ended 30 September 2019 ("**Results**"). The board of directors of Reunert ("**Board**") is expected to approve the Results on 18 November 2019 for publication on SENS on 19 November 2019.

Accordingly, shareholders of Reunert ("**Shareholders**") are herein below provided with an operational update on the trading performance of the Company, as well as the resultant trading statement.

OPERATIONAL UPDATE

Despite difficult trading conditions in South Africa, both the Information Communication Technologies (ICT) and Applied Electronics segments performed well. Consistent with the prospects outlined to Shareholders in the interim results for the six months ended 31 March 2019 ("**Interim Results**"), both segments are expected to deliver a positive growth in segment core operating profit*.

The South African ("SA") power and telecom cable businesses, in our Electrical Engineering segment, continued to be negatively impacted by the ongoing decrease in the country's infrastructure development. The weak financial position of key SA state owned entities and municipalities, as well as the lack of confidence in the private sector, led to a reduction in gross domestic fixed investment. These two businesses have both been restructured in the second half of the financial year to ensure that their capacity and costs are reflective of expected future volumes. Neither of the businesses have lost market share to competitors and both remain well positioned to benefit from the longer term recovery in this key area of the South African economy.

The operational environment described above is expected to result in the core operating profit* of the Group reducing by between 4% and 8% over the comparative period.

The Group's profit after tax has been impacted by the above matters as well as the loss on the sale of Prodoc Svenska AB ("**Prodoc**") in the first half of the financial year and recent developments at Zamefa. The Zambian government announced various amendments to prevailing legislation on 27 September 2019, which will be implemented from 1 January 2020. As a result of the amendments, Zamefa's cash flow will be positively impacted by the zero VAT rating of copper cathode but adversely impacted by amendments to the duty regime on exports. As a direct consequence of these amendments, the Group has impaired the plant and equipment and the goodwill associated with Zamefa. The Company will continue with its discussions with the Zambian Minister of Finance and other key members of his team, to explain the impact of this latest decision on Zamefa and to try and retain the existing duty regime.

Cash flow from operations improved during the financial year due to the positive impact of the targeted reduction of working capital.

*core operating profit = consolidated operating profit adjusted for disclosed once off items contained therein. Because of its nature, this *pro forma* financial metric may not be a fair reflection of the Group's operating profit and is not intended to comply with the requirements of International Financial Reporting Standards.

TRADING STATEMENT

In terms of paragraph 3.4(b) of the JSE Limited Listings Requirements, companies are required to publish a trading statement as soon as they are satisfied that, with a reasonable degree of certainty, the financial results for the current reporting period will differ by at least 20% from the financial results of the previous comparative period.

As comprehensively set out in both the financial results for the year ended 30 September 2018 ("**Previous Results**") and the Interim Results presentations, Reunert's recent Results have been impacted by several once-off items set out below and the operational update, described above, resulting in this trading statement.

Accordingly:

- Earnings per share are expected to be between 515 cents per share and 466 cents per share (2018: 717 cents); a decline of between 28% and 35% compared to the Previous Results.
- Headline earnings per share are expected to be between 602 cents per share and 544 cents per share (2018: 703 cents); a decline of between 14% and 23% compared to the Previous Results.

This is largely attributable to:

- The following once-off items which positively increased the Previous Results compared to the current financial year's Results:
 - release of the NSN tax provision;
 - release of the contingent purchase consideration for SkyWire Proprietary Limited; and
 - profit on disposal of property, plant and equipment.
- The once-off items incurred in the current financial year being:
 - the loss on the disposal of a subsidiary, Prodoc; and
 - the impairment of goodwill and plant and equipment at Zamefa.
- The reduced operating profit of the two SA cable businesses in the current financial year.

A detailed analysis of these once-off items is available on our website at -

<https://www.reunert.co.za/results-reports-and-presentations.php>

The financial information on which this trading statement is based has not been reviewed nor reported on by the Group's external auditors and is the responsibility of the directors of the Company.

Johannesburg

8 November 2019

Sponsor

One Capital