

Afrimat Limited ('Afrimat' or 'the Company' or 'the Group')
(Incorporated in the Republic of South Africa)
(Registration number: 2006/022534/06)
Share code: AFT
ISIN code: ZAE000086302

Announcement of unaudited condensed consolidated interim financial results
for the period ended 31 August 2020

Highlights

Operating profit up 11,0% to R353,1 million
HEPS up 1,1% to 183,9 cents
Interim dividend 36,0 cents per share
Operating profit margin 22,7%
Return on net operating assets 32,9%
Net cash from operating activities of R333,7 million
Strong balance sheet with net cash position

Commentary

BASIS OF PREPARATION

The short-form announcement is the responsibility of the directors and is only a summary of the information in the full announcement. The full announcement was released on SENS on 29 October 2020, and can be found on the Company's website at www.afrimat.co.za. Copies of the full announcement may also be requested at the Company's registered office, at no charge, during office hours and are also available for inspection at the offices of their sponsor. Any investment decision should be based on the full announcement released on SENS and published on the Company's website.

The financial statements have been prepared under the supervision of the Chief Financial Officer, PGS de Wit CA(SA).

INTRODUCTION

The Group continued to deliver solid results despite the effect caused by the sudden and unexpected global Covid-19 pandemic. This disruption was countered by implementing proactive measures by Afrimat management to manage and minimise the impact of this pandemic, as well as the Group's diversification strategy, cost reduction and efficiency improvement initiatives.

FINANCIAL RESULTS

Headline earnings per share increased by 1,1% from 181,9 cents to 183,9 cents.

Operating profit for the Group increased with 11,0% to R353,1 million despite a decrease of 9,4% in revenue from R1,7 billion to R1,6 billion. The balance sheet of the Group is strong with a net cash position compared to a net debt:equity ratio of 9,4% in the prior year, ending the period with cash and cash equivalents of R330,6 million, an increase of 170,0% from the comparative 2019 period.

The effective tax rate of the Group increased from 16,5% to 28,4% in the current period, mainly due to the utilisation of previously unrecognised assessed losses of R288,3 million, in Afrimat Demaneng Proprietary Limited ('Demaneng iron ore mine'), in the prior year.

OPERATIONAL REVIEW

Afrimat entered the national lockdown with a very strong balance sheet, positioning it strongly for the uncertainty that may lay ahead. The impact of the national lockdown on the Group was dampened by the partial reopening of the Demaneng iron ore mine and certain Industrial Minerals operations early during the lockdown period. The reopening was undertaken with utmost care to ensure the safety and well-being of all employees. From 20 April 2020, as gazetted by the government, industries in the mining and quarrying sector were granted permission to resume operations. Afrimat ramped up operations according to market demand and in line with government regulations. All business units recovered from the Covid-19 impact and returned to profitability during August 2020.

All operating units are strategically positioned to deliver outstanding service to the Group's customers, whilst acting as an efficient hedge against volatile local business conditions. The product range is diversified and consists of Construction Materials including aggregates and concrete-based products, Industrial Minerals including limestone, dolomite and silica and Bulk Commodities, which is made up of iron ore.

Good labour relations continued during the period under review, with no labour action occurring in the period. The Group is committed to creating and sustaining harmonious relationships in the workplace and addressing issues proactively. Afrimat continues to prioritise staff development, training and education on the human capital agenda.

The Bulk Commodities segment, consisting of the Demaneng iron ore mine, continued to make an excellent contribution to the Group results, delivering growth of 135,8% in operating profit of R325,8 million, compared to R138,2 million in the prior year. The mine was allowed to operate at 50,0% of its workforce capacity during April 2020 and 100,0% from May 2020 onwards. The excellent performance was largely due to favourable iron ore pricing during the reporting period.

Industrial Minerals businesses across all regions delivered satisfactorily results. The segment was able to sell limited quantities of product into certain essential services markets during the lockdown. It was, however,

affected by the lockdown and experienced a decrease in operating profit of 60,6% from R62,4 million to R24,6 million.

The Construction Materials segment was impacted considerably by the national lockdown which resulted in no revenue for the month of April, as well as limited revenue during May and June 2020. This resulted in a decrease in operating profit of 97,7% being recorded from R122,2 million to R2,8 million. The segment, however, recovered post the hard lockdown levels and is now back to monthly sales levels similar to those experienced prior to the lockdown.

PROSPECTS

There is limited clarity on the future impact of the Covid-19 pandemic, but the Group has recovered from the initial impact and is poised to deliver a strong performance in the second half of the year. The Group is, furthermore, well positioned to capitalise on its strategic initiatives and future opportunities. The Group's future growth will continue to be driven by the successful execution of its proven strategy, recent and current acquisitions and a wider product offering to the market.

Operational efficiency initiatives aimed at expanding volumes, reducing costs and developing the required skill levels across all employees remain a key focus in all operations.

The announcement may contain forward-looking statements that have not been reviewed nor reported on by the Company's auditors.

On behalf of the Board

MW von Wielligh
Chairman

AJ van Heerden
Chief Executive Officer

Wednesday, 28 October 2020

Dividend declaration

Notice is hereby given that an interim gross dividend, No. 27 of 36,0 cents per share, in respect of the six months ended 31 August 2020, was declared by the Board on Wednesday, 28 October 2020.

There are 143 262 412 shares in issue at the reporting date, of which 8 583 978 are held in treasury. The total dividend payable is R51,6 million (August 2019: R51,6 million).

The Board has confirmed that the solvency and liquidity test as contemplated by the Companies Act, No. 71 of 2008, 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 20,0%. The dividend payable to shareholders who are subject to dividend tax and shareholders who are exempt from dividend tax is 28,8 cents and 36,0 cents per share, respectively. The income tax number of the Company is 9568738158.

Relevant dates to the final dividend are as follows:

Last day to trade cum dividend	Tuesday, 24 November 2020
Commence trading ex-dividend	Wednesday, 25 November 2020
Record date	Friday, 27 November 2020
Dividend payable	Monday, 30 November 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 25 November 2020 and Friday, 27 November 2020, both dates inclusive.

Financial summary

	Unaudited six months ended 31 August 2020 R'000	Unaudited six months ended 31 August 2019 R'000	Change %	Audited year ended 29 February 2020 R'000
Revenue	1 558 629	1 719 802	(9,4)	3 304 376
Operating profit	353 108	317 993	11,0	600 952
Profit attributable to shareholders	250 135	250 911	(0,3)	465 176
Earnings per ordinary share (cents)	184,4	183,5	0,5	341,6
Diluted earnings per ordinary share (cents)	181,9	182,0	(0,1)	337,7
Headline earnings per ordinary share ('HEPS') (cents)	183,9	181,9	1,1	347,7
Diluted headline earnings per ordinary share (cents)	181,4	180,3	0,6	343,6
Dividends per share (cents)	36,0	36,0	-	117,0
Net cash from normal operating activities	333 703	425 000	(21,5)	676 810
Net asset value per share ('NAV') (cents)	1 430	1 134	26,1	1 246
Net debt:equity ratio (%)	(3,3)	9,4	(135,1)	8,2
SEGMENTAL INFORMATION				
External revenue				

Construction Materials	651 965	922 917	1 714 180
Industrial Minerals	238 749	299 184	552 683
Bulk Commodities	667 915	497 701	1 037 513
	1 558 629	1 719 802	3 304 376
Operating profit			
Construction Materials	2 764	122 161	192 438
Industrial Minerals	24 574	62 368	95 568
Bulk Commodities	325 829	138 191	321 665
Services	(59)	(4 727)	(8 719)
	353 108	317 993	600 952
Operating profit margin on external revenue (%)			
Construction Materials	0,4	13,2	11,2
Industrial Minerals	10,3	20,9	17,3
Bulk Commodities	48,8	27,8	31,0
Overall contribution	22,7	18,5	18,2

The full announcement can be found at:
<https://senspdf.jse.co.za/documents/2020/jse/isse/AFT/FY21H1.pdf>

Directors

MW von Wielligh*# (Chairman)

AJ van Heerden^ (CEO)

PGS de Wit^ (CFO)

C Ramukhubathi^

GJ Coffee*

L Dotwana*

PRE Tsukudu*#

JF van der Merwe*#

HJE van Wyk*#

JHP van der Merwe*#

HN Pool*#

FM Louw*#

* Non-executive director

Independent

^ Executive director

Registered office

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Tyger Valley

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(PO Box 5278, Tyger Valley, 7536)

Sponsor

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Stellenbosch

7600

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Auditor

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Stellenbosch

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Transfer secretaries

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