

ETION LIMITED

(Incorporated in the Republic of South Africa)

(Registration Number: 1987/001222/06)

(Share Code: ETO)

(ISIN: ZAE000097028)

("Etion" or "the Company" or "the Group")

ETION

REVIEWED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2022

1. SALIENT FEATURES**FINANCIAL HIGHLIGHTS**

| | 31 March 2022 | 31 March 2021 | Change |
|-------------------------------------|--------------------------|--------------------------|---------------|
| Revenue (R'm) | 783.7 | 692.1 | 13% |
| EBITDA (R'm) | 122.8 | 101.8 | 21% |
| Basic earnings per share (cents) | 27.25 | 9.32 | 192% |
| Headline earnings per share (cents) | 12.75 | 9.32 | 37% |

The financial highlights above relate to both continuing and discontinued operations

Note: A 33 cents per share contributed capital distribution, amounting to R186.3 million (FY2021: NIL), was declared and paid to shareholders on 2 November 2021.

Profit increase by 192% to R153.8 million (FY2021: R52.6 million). Etion continued to achieve sustainable growth in profitability. The Group benefitted from a R140.6 million gain on the disposal of LAWTrust and a sizeable profit contribution by LAWTrust during the first half of the financial year.

On 18 March 2022, following the Board's approval of a funded management buy-out of Connect by its management team alongside a minority equity partner, and in accordance with the principles of IFRS 5, Etion reclassified its investment in the underlying assets and liabilities of Connect to disposal groups or non-current assets held for sale. Similarly, on 28 March 2022 after the Board approved the terms of the transaction to sell 100% of Create to Reunert, Etion reclassified its investment in Create's underlying assets and liabilities to disposal groups or non-current assets held for sale.

As both operations are separate major lines of business, their results are presented as discontinued operations, including the re-presentation of the comparative FY2021 financial information. Both disposals are expected to take effect during the 2023 financial year.

Profit for the year comprised R203.2 million (FY2021: R85.8 million) from the discontinued operations and R49.4 million loss (FY2021: R33.1 million loss) after taxation from continuing operations.

Corporate costs reflected an expected credit loss (ECL) provision of R12.3 million on a long overdue debt that Create ceded to Etion Limited which was fully provided for. Corporate remained within budgeted costs despite the ECL due to delays in incurring certain costs associated with the disposal programme.

Operating costs from continuing operations includes an impairment loss of R14 million recognised on the goodwill attributable to the Safety and Productivity Solutions (SPS) operating segment within Create. An assessment determined that future royalty income from SPS activities would be limited to the delivery of products in terms of contracts which have been executed to date, resulting in the impairment of the value of goodwill.

LAWTrust delivered improved financial performance for the six months ended 30 September 2021, contributing R44.4 million in profit from discontinued operations. The increase included strong growth in most lines of business as well as revenue earned from the provision of a major certificate-based security solution to a South African public sector organisation following the re-award of the contract for a further five years in October 2020.

Create (incorporating Digitise) continued on a path of strong revenue growth and exceeded profit expectations as it capitalised on a surge in orders from local and international mining and defence customers, resulting in an increase in profit from discontinued operations of R29.5 million (FY2021: R21.0 million). Gross profit margin improved from 28% to 30% year-on-year due to an improvement in Create's product mix, while operating costs remained under control, increasing only marginally, despite rapid growth in business activity.

Increased investment by Connect's customers in infrastructure to support demand for fibre to homes and businesses together with sound cost management and the negotiation of discounted prices from its US supplier, resulted in a growth in profit from discontinued operations to R33.4 million (FY2021: R8.5 million). As an importer of product from a primary US-based supplier, Connect is vulnerable to fluctuations in ZAR/USD. However, its effective hedging programme limited its exposure to foreign exchange volatility on imported products, resulting in losses of R3.1 million (FY2021: gains of R6.6 million). Operating costs increased by 14% to R26.8 million due to higher costs incurred during the second half of the year to support BBBEE enterprise and supplier development initiatives.

The Group generated basic and diluted earnings per share of 36.00 cents (FY2021: 15.19 cents loss) from discontinued operations and basic and diluted loss per share of 8.75 cents (FY2021: 5.87 cents) from continuing operations.

The reduction in the Group's net cash position from R120 million to R89 million was attributable to the impact of external operational challenges on Create's working capital, partially offset by favourable credit terms from Connect's US-based supplier. Management proactively monitored and managed inventory and debtors' days to improve the Group's working capital position.

2. SHORT-FORM ANNOUNCEMENT

This short-form announcement is the responsibility of the directors of the Company. It contains only a summary of the information in the full announcement ("**Full Announcement**") and does not contain full or complete details. The Full Announcement can be found at: <https://senspdf.jse.co.za/documents/2022/jse/isse/etoe/FY2022.pdf>

Copies of the Full Announcement is also available for viewing on the Company's website at: <http://www.etion.co.za/investor-relations> or may be requested in person, at the Company's registered office or the office of the designated advisor, at no charge, during office hours.

Any investment decisions by investors and/or shareholders should be based on consideration of the Full Announcement, as a whole.

These results have been reviewed by the Company's auditors, PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion thereon. The full auditor's review report can be found in the Full Announcement

29 June 2022
Pretoria

Designated Adviser
PSG Capital



PSG CAPITAL