Interim Results Press Release

INVICTA MANAGES TO HOLD ITS OWN IN A VERY CHALLENGING ENVIRONMENT

- Revenue increased by 3% to R4.9 billion
- Profit before taxation from continuing operations increased by 9% to R399 million
- Earnings per share from continuing operations was stable at 242 cents

27 November 2017: **Invicta Holdings Limited (Invicta)**, an investment holding and management company, today reported solid results for the six months ended 30 September 2017, given the exceptionally challenging environment the underlying businesses faced during this period. With the sale of the Building Supplies Group ("BSG") becoming unconditional on 30 September 2017, continuing operations now consist of Engineering Solutions Group ("ESG"), an African distributor of engineering products, technical services and solutions, including bearings, tools, electric motors and hydraulics; and Capital Equipment Group ("CEG"), a distributor of agricultural machinery, construction machinery, forklifts and related parts in southern Africa and earthmoving machinery parts in South-East Asia via Kian Ann Engineering, based in Singapore.

Arnold Goldstone, the CEO of Invicta, said: "We have seen low economic growth across our product offerings and this, together with political uncertainty and a troubled mining sector in South Africa, weighed heavily on the Group, which derives about 80% of its revenue locally." He added that in contrast, global trading conditions had improved and this looks set to continue, which should help carry the Group until conditions in South Africa normalise.

The continuing operations reported a revenue increase of 3% from R4.7 billion to R4.9 billion, while the gross margin declined due to increased pricing pressures from competitors. Operating profit rose by 1% from R429 million to R432 million, assisted by improved foreign exchange costs.

Invicta made a profit, after tax, on the sale of BSG of R15 million, which contributed to the 6% increase in profit after tax of R314 million (September 2016: R295 million). Earnings per share from continuing operations were flat at 242 cents. Headline earnings per share decreased by 7% from 243 cents to 225 cents, mainly as a result of excluding the profit made on the BSG sale. The ordinary dividend for the six months is 69 cents per share, down 4% on the last comparable period, with the dividend cover being maintained.

ESG felt the slowdown in the industrial and mining sectors locally, with revenue declining by 3% to R2.3 billion for the period. Goldstone indicated that action taken by ESG's management to mitigate the decline in activity in the market had helped to limit the decline in operating profit to 16%, from R241 million to R202 million. "The benefits of these measures will only fully take effect in the second half and will contribute into the future."

The highlight of the period was the successful opening in September 2017 of the refurbished BMG World facility in Johannesburg. The 10-hectare site is a world-class logistics hub and is now fully operational.

CEG had a relatively strong performance for the six months to September 2017 with revenue increasing by 7% from R2.4 billion to R2.6 billion, despite exceptionally competitive and challenging market conditions. The drought in the Western Cape negatively affected agricultural machinery sales in that region. “Construction machinery sales in the country during the period were still subdued, although certain segments within the market have improved, albeit marginally. We saw gross margin pressure within South Africa, which contributed to the local business producing lower operating profit than the prior period. Kian Ann improved its operating profit on the back of improved economic conditions globally and in South-East Asia which helped to increase volumes. Profits from Kian Ann improved strongly compared with the prior period,” said Goldstone. CEG’s operating profit remained virtually flat at R218 million compared to the prior period.

As previously announced, the Group relinquished the right to import and distribute the New Holland brand agricultural products into South Africa, Swaziland, Lesotho, Botswana and Namibia with effect from 1 May 2017. The impact on the Group’s results thus far has not been material.

The Group’s strategic focus is to generate cash in its existing businesses and to invest this in sound acquisitions that diversify Invicta’s revenue streams, both within its product groups and geographical locations. “We remain resolute in our efforts to produce results above market benchmarks. Whilst trading conditions were much more challenging in South Africa than anticipated, largely due to factors beyond our control, all indications are that conditions in the country are not expected to improve in the second half,” stated Goldstone, adding that global trading conditions are expected to remain more positive.

He concluded: “The underlying businesses of the Group have strong fundamentals and enjoy significant competitive advantage. We will continue to consolidate the strengths of these businesses, which make Invicta one of the leading suppliers of industrial consumable products, capital equipment and parts in Southern Africa and South-East Asia.”

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Issued and released by:	**Keyter Rech Investor Solutions** Marlize Keyter 087 351 3810 / 083 701 2021
Issue date:	27 November 2017
JSE code:	IVT
Web-site:	www.invictaholdings.co.za