**HIGHLIGHTS:**

- **Gross profit increased by 12.1% from R25 million to R28 million**
- **Earnings per share increased by 10.9% from 2.20 cents to 2.44 cents per share**
- **Tangible net asset value increased by 25.3% from 28.19 cents to 35.31 cents per share**

Poynting Holdings Limited

Incorporated in the Republic of South Africa
(Registration number 1997/011142/06)
Share code: POY ISIN: ZAE000121299
("Poynting" or "the Company" or "the Group")

# UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

**Condensed consolidated statement of comprehensive income**

| | Unaudited six months ended 31 December 2012 R'000 | Unaudited six months ended 31 December 2011 R'000 | Audited 12 months ended 30 June 2012 R'000 |
|---|---|---|---|
| **Revenue** | 41 948 | 38 801 | 80 970 |
| Cost of sales | (13 900) | (13 776) | (27 489) |
| **Gross profit** | 28 048 | 25 025 | 53 481 |
| Other income/(expenses) | 350 | (102) | 1 342 |
| Operating costs | (25 911) | (22 157) | (46 349) |
| **Operating profit** | 2 487 | 2 766 | 8 474 |
| Investment income | 262 | 240 | 448 |
| Finance costs | (23) | (357) | (387) |
| **Profit before taxation** | 2 726 | 2 649 | 8 535 |
| Taxation | (482) | (706) | (1 302) |
| **Profit after taxation** | 2 244 | 1 943 | 7 233 |
| **Total comprehensive income** | 2 244 | 1 943 | 7 233 |
| **Profit attributable to:** | | | |
| **Equity holders of parent** | 2 244 | 1 944 | 7 241 |
| Non-controlling interest | - | (1) | (8) |
| **Total comprehensive income** | 2 244 | 1 943 | 7 233 |

**Condensed consolidated statement of financial position**

| | Unaudited as at 31 December 2012 R'000 | Unaudited as at 31 December 2011 R'000 | Audited as at 30 June 2012 R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | 15 275 | 11 410 | 12 930 |
| Property, plant and equipment | 3 831 | 2 384 | 2 856 |
| Intangible assets | 11 444 | 8 855 | 9 987 |
| Other financial assets | - | 171 | 87 |
| **Current assets** | 36 820 | 33 653 | 37 113 |
| Inventories | 9 273 | 6 990 | 7 638 |
| Trade and other receivables | 16 185 | 14 074 | 12 077 |
| Bank and cash balances | 11 362 | 12 589 | 17 398 |
| **Total assets** | 52 095 | 45 063 | 50 043 |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | 43 902 | 33 846 | 39 044 |
| Equity attributable to owners of parent | 43 902 | 33 819 | 39 044 |
| Non-controlling interests | - | 27 | - |
| **Non-current liabilities** | | | |
| Interest-bearing liabilities | 206 | 1 935 | 1 562 |
| **Current liabilities** | 7 987 | 9 282 | 9 437 |
| Interest-bearing liabilities | 219 | 86 | 198 |
| Trade and other payables | 7 768 | 9 196 | 9 239 |
| **Total equity and liabilities** | 52 095 | 45 063 | 50 043 |
| Number of ordinary shares in issue | 91 911 008 | 88 554 275 | 88 554 275 |
| Net asset value per ordinary share (cents) | 47.77 | 38.19 | 44.09 |
| Net tangible asset value per ordinary share (cents) | 35.31 | 28.19 | 32.81 |

**Condensed consolidated statement of changes in equity**

| | Share capital R'000 | Share based payment reserve R'000 | Retained earnings R'000 | Non-controlling interest R'000 | Total R'000 |
|---|---|---|---|---|---|
| **Balance at 1 July 2011** | 24 380 | 221 | 7 274 | 28 | 31 903 |
| Changes in equity | | | | | |
| Total comprehensive income for the period | - | - | 1 944 | (1) | 1 943 |
| Total changes | - | - | 1 944 | (1) | 1 943 |
| **Balance at 31 December 2011** | 24 380 | 221 | 9 218 | 27 | 33 846 |
| Changes in equity | | | | | |
| Shares forfeited | - | (71) | - | - | (71) |
| Dividends | - | - | - | (12) | (12) |
| Changes in ownership interest – control not lost, subsidiary deregistered | - | - | - | (7) | (7) |
| Total comprehensive income for the period | - | - | 5 297 | (8) | 5 289 |
| Total changes | - | (71) | 5 297 | (27) | 5 199 |
| **Balance at 30 June 2012** | 24 380 | 150 | 14 515 | - | 39 045 |
| Changes in equity | | | | | |
| Shares issued for purchase of business | 2 613 | - | - | - | 2 613 |
| Total comprehensive income for the period | - | - | 2 244 | - | 2 244 |
| Total changes | 2 613 | - | 2 244 | - | 4 857 |
| **Balance at 31 December 2012** | 26 993 | 150 | 16 759 | - | 43 902 |

*(Amounts less than R 1 000 rounded up)*

**Condensed consolidated cash flow statement**

| | Unaudited six months ended 31 December 2012 R'000 | Unaudited six months ended 31 December 2011 R'000 | Audited 12 months ended 30 June 2012 R'000 |
|---|---|---|---|
| **Cash flow from operating activities** | (9 054) | 6 591 | 20 524 |
| **Cash flow from investing activities** | 87 | 835 | (6 643) |
| **Cash flow from financing activities** | 2 638 | (371) | (1 817) |
| **Net (decrease)/increase in cash and cash equivalents** | (6 329) | 7 055 | 12 064 |
| Cash and cash equivalents at the beginning of the period | 17 398 | 4 836 | 4 835 |
| Effect of exchange rate movement on cash held | 293 | 698 | 498 |
| **Cash and cash equivalents at the end of the period** | 11 362 | 12 589 | 17 398 |

**NOTE 1 – RECONCILIATION OF PROFIT FOR THE YEAR TO HEADLINE EARNINGS**

| | | | |
|---|---|---|---|
| **Reconciliation of earnings to headline earnings** | | | |
| Earnings after tax | 2 244 | 1 944 | 7 241 |
| Adjustments for: | | | |
| Add: loss on disposal of property, plant and equipment | - | - | 11 |
| Deduct: tax on loss on disposal of property, plant and equipment | - | - | (3) |
| **Headline earnings attributable to ordinary shareholders** | 2 244 | 1 944 | 7 249 |
| Weighted average number of ordinary shares in issue | 91 911 008 | 88 554 275 | 88 554 275 |
| Diluted weighted average number of ordinary shares in issue | 90 920 276 | 90 586 388 | 90 184 454 |
| Basic earnings per ordinary share (cents) | 2.44 | 2.20 | 8.18 |
| Diluted earnings per ordinary share (cents) | 2.47 | 2.15 | 8.03 |
| Headline earnings per ordinary share (cents) | 2.44 | 2.20 | 8.19 |
| Diluted headline earnings per ordinary share (cents) | 2.47 | 2.15 | 8.04 |

**NOTE 2 – UNAUDITED SEGMENTAL ANALYSIS**

**UNAUDITED SEGMENTAL ANALYSIS FOR THE PERIOD ENDING 31 DECEMBER 2012**

| | Commercial Division | CCS Division | Defence Division | Total |
|---|---|---|---|---|
| Total revenue | 19 288 | 2 853 | 21 742 | 43 883 |
| Inter-segment revenue | (1 897) | - | (38) | (1 935) |
| Total external revenue | 17 391 | 2 853 | 21 704 | 41 948 |
| Corporate office expense | (268) | (79) | (262) | (609) |
| Depreciation and amortisation | (2 121) | (179) | (1 648) | (3 948) |
| Operating profit/(loss) | 473 | (1 813) | 3 827 | 2 487 |
| Investment income | 9 | - | 253 | 262 |
| Finance costs | (9) | - | (14) | (23) |
| Profit/(Loss) before taxation | 473 | (1 813) | 4 066 | 2 726 |
| Taxation | 65 | 486 | (1 033) | (482) |
| Profit/(Loss) for the period | 538 | (1 327) | 3 033 | 2 244 |

**UNAUDITED SEGMENTAL ANALYSIS FOR THE PERIOD ENDING 31 DECEMBER 2011**

| | Commercial Division | CCS Division | Defence Division | Total |
|---|---|---|---|---|
| Total revenue | 18 989 | 2 860 | 17 990 | 39 839 |
| Inter-segment revenue | (1 038) | - | - | (1 038) |
| Total external revenue | 17 951 | 2 860 | 17 990 | 38 801 |
| Corporate office expense | (232) | (69) | (227) | (528) |
| Depreciation and amortisation | (1 914) | (4) | (1 126) | (3 044) |
| Operating (loss)/profit | (1 194) | (389) | 4 349 | 2 766 |
| Investment income | 71 | - | 169 | 240 |
| Finance costs | (243) | - | (114) | (357) |
| (Loss)/Profit before taxation | (1 366) | (389) | 4 404 | 2 649 |
| Taxation | 139 | 90 | (935) | (707) |
| (Loss)/Profit for the period | (1 227) | (299) | 3 469 | 1 943 |

## GROUP COMMENTARY

### INTRODUCTION

Poynting designs, manufactures and supplies antennas and telecommunication products to the cellular, wireless data and defence markets, both within South Africa and internationally through its subsidiaries and partner companies. Poynting's export markets primarily incorporate Europe, the United States of America ("USA"), the Middle East and Asia. The Group operates as three divisions, namely Commercial, Defence and the newly formed Cellular Coverage Solutions ("CCS").

Poynting's commercial antennas are used in cellular and 3G end-user equipment, as well as wireless data networks employing Wi-Fi, iBurst and WiMAX technologies. These antennas enable and enhance internet access, and increase throughput while also making data links reliable.

The Defence Division is focused on the electronic warfare market which comprises of monitoring, jamming and direction-finding antennas. This division sells to military system integrators and specialised distribution partners. Close partnerships are created with customers and antennas are often custom-designed. The Defence Division has also integrated the products of Radiant Antennas Proprietary Limited ("Radiant Antennas") which was acquired in July 2012 and is generating sales from this new product range. These products have extended the Defence Division to the defence communication market whereas before we mainly serviced the Electronic Warfare ("EW") market.


# UNAUDITED CONDENSED CONSOLIDATED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2012

The defence communication market is fundamentally much larger than the more specialised EW market and promises good growth opportunities. Strategically this expansion makes sense since the EW market demanded very broad bandwidth antennas and our EW antennas as well as the Commercial 3G antennas has provided Poynting with leading technology and knowhow to design and manufacture these broad bandwidth antennas. Technological advances in Defence Communications similarly demands increasingly broader bandwidth antennas in large quantities. The combination of broadband antenna technology and knowhow in mass producing 3G broadband antennas, together with Radiant Antenna's existing mechanical and electrical designs place Poynting in an almost unique position to capitalise on supplying the Defence Communication market.

Poynting is currently investing in entering the cellular micro base station market and has established the CCS division for this purpose. CCS is fundamentally different from the Commercial Division which also supplies cellular voice and data solutions for end user equipment, while CCS products are aimed at the base station market and are developed to provide coverage to cellular network operators.

Poynting retained a very strong Research and Development ("R&D") department of around 20 talented members, including PhD and MSc level engineers, who design the antennas, develop production methods, develop manufacturing plant (mainly moulds and stamping tools) and produce first prototypes. Both Commercial, Defence and CCS Divisions perform customer-specific designs to supply products to single customers ("OEM") and generic products which can be sold to various customers. Typically, the Defence sales are generated from large military OEMs, whereas Commercial mainly focuses on mass produced products sold through distributors or to corporate customers. CCS mainly services cellular operators and their customers.

## RESULTS OVERVIEW

Group earnings before interest, taxes, depreciation and amortisation ("EBITDA") for six months increased by 10.8% from R5.81 million in December 2011 to R6.44 million in December 2012. The EBITDA number is the most representative indicator of profitability since our final earnings number includes amortisation and depreciation of about R3.95 million which mainly relates to depreciation of intangible assets. Group revenues increased by 8.11% and the Group profit after taxation increased by 15.53%.

Commercial Division revenues decreased by 3.12%. Most significantly, the Commercial Division EBITDA contribution increased by 260% from R0.70 million to R2.6 million.

Our Defence Division's growth in revenue continued during this period. Defence revenues increased by 20.64% and EBITDA remained at R5.48 million compared to the previous comparative period.

The tangible net asset value per share increased by 25.26% from 28.19 cents to 35.31 cents between December 2011 and December 2012.

The CCS division made an EBITDA loss of R1.63 million. CCS expenditure relates to investment in product development, new technology and marketing while actual income is limited to trial installation and prototypes for network approval and customer acceptance. We expect increases in these types of orders in the second half of the year, which is expected to reduce the losses that have been incurred. Real profitability is only expected in the 2014 financial year. Current product development is done in close collaboration with large operators including multi-national cellular companies who are leaders in this area. Our new 3rd generation LTE billboard micro base station is generating considerable interest and evaluation and sample units have been delivered. While cooperating with potential customers Poynting has funded and retained full IP ownership of these products. A number of patents and registered designs have also been filed to protect this IP.

## OPERATIONAL OVERVIEW

The Defence Division is continuing to become internationally established as a leader in EW antenna technology. This is best illustrated by analysing the spread of customers. The top 3 customers for the first half of the current financial year comprise about 49% of Defence Division's turnover of R21.7 million. Two years ago the top client comprised more than 57% of the Defence Division's turnover of R16.3 million compared to the previous corresponding period. The top 10 customers comprise 8 multinational defence companies which are listed outside South Africa.

Defence Division's engineering, sales and operational functions are operating with established management teams and proven systems for each function. These are straining under the growth but are functioning effectively and are expanding to meet increased demand for the remainder of the financial year and thereafter.

Commercial Division operations are showing the benefits of mass production in China. Smaller quantities and more specialised antennas are still manufactured at Samrand and this manufacturing flexibility is beneficial to the Company. Manufacturing, quality and logistic systems and cross cultural relationships has become a tangible strength for Poynting. The benefits to profitability are clearly shown by the financial results where a marginal reduction in turnover still produced increased profitability for this division. More importantly this structural change provides massive scalability. Increased sales of 3G antennas to Europe illustrates the benefits of outsourced manufacture: the majority of products are shipped to Europe directly from China, resulting in logistical and other cost advantages.

A separate manufacturing facility adjacent to Samrand office has been rented to support small scale CCS manufacturing. CCS Division still operates in close conjunction with Commercial and Poynting Direct at the Samrand offices.

Poynting Direct has consolidated the Johannesburg and Pretoria branches at the Samrand offices while the Cape Town branch has been retained. Poynting Direct sales are showing good growth and combined with decent margins, this subsidiary contributes to Commercial Division profitability.

## SUBSEQUENT EVENTS

The board of directors of Poynting ("the Board") is not aware of any material events that have occurred between the end of the December 2012 interim period and the date of this report.

## PROSPECTS

The Defence Division's second half performance looks promising. The Defence Division's order book mid February 2013 is higher than ever in the history of this division with good order intake from a variety of mainly international, but also local customers. Second half performance will be limited by ability to execute orders which has exceeded expectations. The Radiant Antenna product range is also making a positive impact on order intake.

CCS Division has moved to 3rd generation LTE micro base station technology. This 3rd generation novel base station was the result of requirements and consultation between Poynting and one of the largest multi-national cellular companies. This billboard sized device encompasses a number of patented technologies and potential demand for these base stations will be millions of units per year over the next 5 years. Poynting hopes to secure a niche position in this rapidly expanding market.

Digital Television: South Africa and Africa are required to convert from current analogue to digital television by 2015. This requires decoders, antennas and installation of antennas to around 10 million South African households. The South African government has also committed to supply 5 million low income households with subsidised antennas and equipment to allow them to continue watching public television broadcasts. Poynting previously avoided the television antenna and accessories market, but via partners in this area and incentives by the South African Department of Communication's digital migration project, Poynting has made several breakthrough inventions in terms of set top boxes, installation of DTV systems and DTV antennas and antenna manufacturing. These offer advantages on existing technology and a large market exist for this technology both locally, in Africa and elsewhere. Poynting has filed various patents and designs and have developed some new software and systems to enable successful rollout of DTV to consumers. This IP has the potential to deliver significant future returns and we have started a new business unit to develop and exploit this IP and market opportunities. No trading has yet taken place in this area with activities mainly in R&D, product development and marketing. Management is encouraged about the potential value offered by applying Poynting IP and knowhow to this new DTV market.

Poynting has undertaken a growth initiative involving acquisitions, business expansion and organic growth aimed at significantly increasing turnover in the next 3-5 years. First fruits of this growth programme are the nascent CCS Division, the new DTV business expansion and the acquisition of Radiant Antennas accompanied by expansion into the military communications market. The Board is placing a high focus on this growth initiative and further successes will be communicated to shareholders as and when these happen.

Poynting historically has had a stronger second half performance and this year indications, market and strong order books are all indication that we should improve on first half performance. Overall performance is never certain due to dependence on a significant portion of turnover associated with shorter term sales cycles and normal business risks.

## BASIS OF PREPARATION

The accounting policies applied in the preparation of these unaudited condensed consolidated interim results, which are based on reasonable judgments and estimates, are consistent with those applied in the annual financial statements for the year ended 30 June 2012. These unaudited condensed consolidated interim results as set out in this report have been prepared in terms of the recognition and measurement requirements of the International Financial Reporting Standards ("IFRS"), presentation and disclosure requirements of IAS 34 – Interim Financial Reporting, the Companies Act, 2008 (Act 71 of 2008), the AC500 standards as issued by the APB and the Listings Requirements of JSE Limited.

The unaudited condensed consolidated interim results have not been reviewed or audited by the Company's auditors, and have been prepared under the supervision of Johan Ebersohn, the financial director of the Group.

## DIRECTORATE

There have been no changes to the Board up to and including the date of this report.

By order of the board

| | |
|---|---|
| **Andre Fourie** | **Johan Ebersohn** |
| *Chief Executive Officer* | *Financial Director* |

8 March 2013

Johannesburg

**Directors**

Coen Bester*^ (Chairman), Andre Fourie (Chief Executive Officer), Juergen Dresel (Managing Director) (German), Johan Ebersohn (Financial Director), Zuko Kubukeli*^, Richard Willis*^
*Independent ^Non-executives

**Registered office**

33 Thora Crescent, Wynberg, 2090

(PO Box 76579, Wendywood, 2144)

**Designated Adviser**

Merchantec Capital

**Company Secretary**

Merchantec Capital