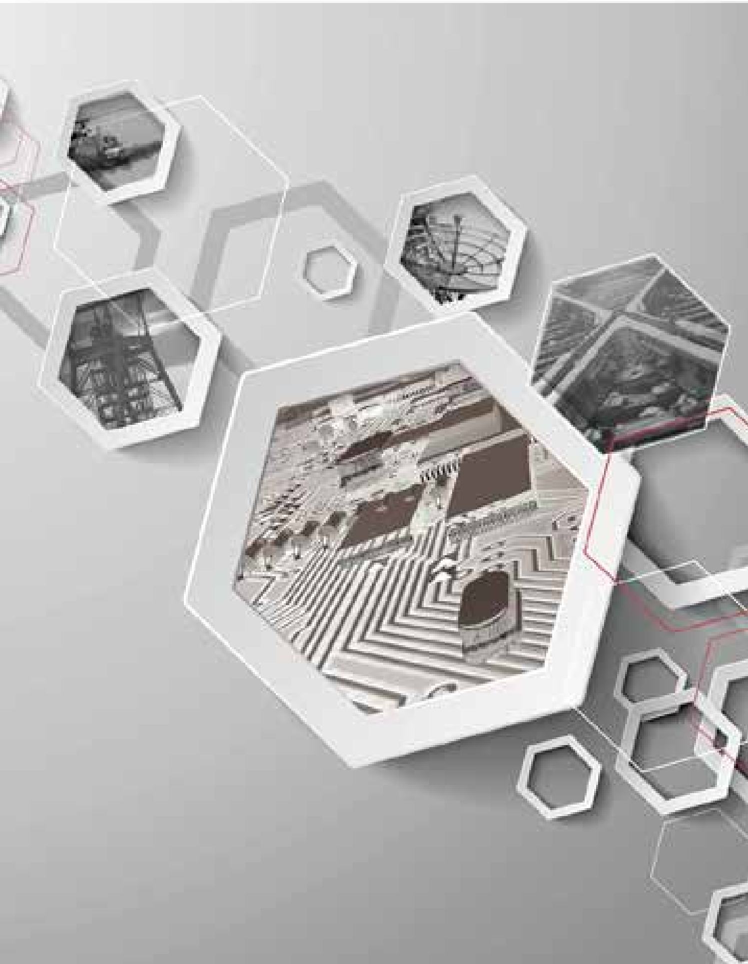
ansys LIMITED

Reviewed Provisional Condensed Consolidated Interim Financial Statements

for the period ended 30 September

2016



HIGHLIGHTS

ANSYS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1987/001222/06)
("Ansys" or "the company")
ISIN Code: ZAE 000097028
Share Code: ANS

REVENUE INCREASED TO **R408.6 MILLION** FROM R155.1 MILLION **(UP 163.5%)**

EBITDA IMPROVED TO **R57.2 MILLION** FROM R9.1 MILLION **(UP 532.2%)**

PROFIT AFTER TAX IMPROVED TO **R34.9 MILLION** FROM R4.3 MILLION **(UP 710%)**

HEPS INCREASED TO **7.57 CENTS** FROM 1.32 CENTS **(UP 471.6%)**

BASIC EARNINGS PER SHARE INCREASED TO **7.59 CENTS** FROM 1.32 CENTS **(UP 473%)**

TANGIBLE NET ASSET VALUE INCREASED TO **25.6 CENTS** FROM 14.6 CENTS **(UP 75.2%)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2016

	Notes	(Reviewed) 30 Sep 2016 R'000	(Reviewed) 31 Aug 2015 R'000	(Audited) 31 Mar 2016 R'000
Assets				
Non-current assets		**183 405**	170 783	175 492
Property, plant and equipment	3	**52 107**	43 982	43 053
Intangible assets		**118 060**	118 205	120 418
Deferred tax asset		**13 238**	8 596	12 021
Current assets		**292 657**	157 079	249 489
Inventories	4	**91 079**	61 770	84 774
Trade and other receivables	5	**146 739**	73 890	121 682
Cash and cash equivalents		**54 164**	21 074	42 358
Other financial assets		**675**	345	675
Total assets		**476 062**	327 862	424 981
Equity and liabilities				
Equity		**236 130**	185 598	201 271
Share capital		**212 140**	212 140	212 140
Accumulated profit/(loss)		**23 763**	(26 898)	(11 224)
Minority interest		**229**	357	354
Non-current liabilities		**49 139**	35 086	48 887
Interest bearing borrowings	6	**37 462**	33 998	32 509
Other financial liabilities		**2 155**	–	6 372
Deferred tax liability		**9 522**	1 088	10 006
Current liabilities		**190 793**	107 178	174 823
Provisions		**2 377**	2 750	1 503
Interest bearing borrowings	6	**5 858**	2 419	2 703
Other financial liabilities		**4 218**	11 943	2 070
Trade and other payables	7	**159 368**	81 916	152 382
Current tax payable		**9 615**	1 073	1 460
Bank overdrafts		**9 357**	7 077	14 705
Total equity and liabilities		**476 062**	327 862	424 981
Number of shares in issue		**461 038 321**	461 038 321	461 038 321
Net asset value per share (cents)		**51.2**	40.3	43.7
Tangible net asset value per share (cents)		**25.6**	14.6	17.5

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 September 2016

	Note	(Reviewed) 6 months ended 30 Sep 2016 R'000	(Reviewed) 6 months ended 31 Aug 2015 R'000	(Audited) 13 months ended 31 Mar 2016 R'000
Revenue		**408 633**	155 073	474 066
Cost of sales		**(306 766)**	(110 706)	(351 054)
Gross profit		**101 867**	44 367	123 012
Other income		**1 197**	117	703
Operating costs		**(60 993)**	(35 340)	(88 917)
Other gains/(losses)		**8 993**	(2 298)	(2 719)
Operating profit		**51 064**	6 846	32 079
Finance income		**1 396**	443	1 419
Finance costs		**(3 980)**	(801)	(4 996)
Profit before taxation		**48 480**	6 488	28 502
Taxation		**(13 618)**	(2 184)	(8 529)
Net profit for the period		**34 862**	4 304	19 974
Other comprehensive income, net of tax		**–**	–	
Total comprehensive income for the period		**34 862**	4 304	19 974
Attributable to:				
Equity holders of the company		**34 987**	4 336	20 010
Non-controlling interest		**(125)**	(32)	(36)
		34 862	4 304	19 974
Basic earnings per share (cents)	1	**7.59**	1.32	4.86
Diluted earnings per share (cents)		**7.59**	1.32	4.86
Weighted average number of shares in issue		**461 038 321**	324 954 810	410 797 070
Diluted average number of shares in issue		**461 038 321**	324 954 810	410 797 070

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 30 September 2016

	(Reviewed) 6 months ended 30 Sep 2016 R'000	(Reviewed) 6 months ended 31 Aug 2015 R'000	(Audited) 13 months ended 31 Mar 2016 R'000
Cash flows from operating activities			
Cash receipts from customers	**383 576**	145 999	445 616
Cash paid to suppliers and employees	**(350 568)**	(199 144)	(468 638)
Cash generated from/(utilised in) operations	**33 008**	(53 145)	(23 022)
Interest paid	**(3 980)**	(802)	(4 996)
Interest received	**1 396**	443	1 419
Taxation paid	**(6 455)**	(2 125)	(7 196)
Net cash flow generated from/(utilised in) operating activities	**23 969**	(55 628)	(33 795)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(11 533)**	(2 958)	(4 688)
Proceeds from disposal of property, plant and equipment	**128**	–	81
Cash payment for acquisition of subsidiary net of cash acquired	**(2 070)**	10 781	7 281
Movement in intangible assets	**(1 447)**	64	(1 430)
Increase in other financial assets	**–**	–	(330)
Net cash flow (utilised in)/generated from investing activities	**(14 923)**	7 886	914
Cash flows from financing activities			
Issue of share capital	**–**	17 200	17 200
Decrease in related party loans	**–**	(5 998)	(5 998)
Increase in interest bearing borrowings	**8 109**	31 146	29 940
Net cash flow generated from financing activities	**8 109**	42 348	41 143
Net increase/(decrease) in cash, cash equivalents and bank overdrafts	**17 155**	(5 393)	8 262
Cash, cash equivalents and bank overdrafts at beginning of period	**27 652**	19 390	19 390
Cash, cash equivalents and bank overdrafts at end of period	**44 807**	13 997	27 652

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 September 2016

	Issued share capital R'000	Accumulated profit/(losses) R'000	Non-controlling interest R'000	Total R'000
Balance as at 1 March 2015 (Audited)	73 668	(31 235)	–	42 433
Movements during the period				
Shares issued	26 269	–	–	26 269
Business combination	112 203	–	389	112 592
Profit for the period	–	4 336	(32)	4 304
Balance as at 31 August 2015 (Reviewed)	212 140	(26 899)	357	185 598
Movements during the period				
Profit for the period	–	15 674	(4)	15 670
Balance as at 31 March 2016 (Audited)	212 140	(11 225)	353	201 268
Movements during the period	–	34 987	(125)	34 862
Balance as at 30 September 2016 (Reviewed)	**212 140**	**23 762**	**228**	**236 130**

CONDENSED CONSOLIDATED SEGMENT REPORT

for the six months ended 30 September 2016

	(Reviewed) 6 months ended 30 Sep 2016 R'000	(Reviewed) 6 months ended 31 Aug 2015 R'000	(Audited) 13 months ended 31 Mar 2016 R'000
Segment revenue			
Rail	**65 549**	60 215	137 016
Defence and Information Security	**115 230**	24 208	90 145
Mining and Industrial	**45 186**	16 753	42 548
Telecommunications	**182 668**	53 897	204 357
Total	**408 633**	155 073	474 066
Segment profit*			
Rail	**6 937**	6 470*	15 871
Defence and Information Security	**13 642**	1 403*	15 997
Mining and Industrial	**6 071**	282*	4 029
Telecommunications	**29 297**	3 934*	6 130
Sub total	**55 947**	12 089	42 027
Corporate costs^	**(4 883)**	(5 243)^	(9 948)
Finance costs	**(3 980)**	(801)	(4 996)
Finance income	**1 396**	443	1 419
Profit before taxation	**48 480**	6 488	28 502
Financial position#			
Assets	**476 062**	327 862	425 981
Rail	**100 469**	74 079#	107 011#
Defence and Information Security	**156 148**	56 210#	134 765#
Mining and Industrial	**74 571**	46 531#	50 456#
Telecommunications	**139 971**	58 949#	125 494#
Intangible assets to be classified	**–**	87 731#	–#
Corporate assets	**4 903**	4 362#	8 255#
Liabilities	**239 932**	142 264	223 710
Rail	**12 981**	23 392#	38 112#
Defence and Information Security	**107 257**	59 868#	76 252#
Mining and Industrial	**28 866**	17 586#	14 069#
Telecommunications	**89 227**	40 717#	92 457#
Corporate liabilities	**1 601**	701#	2 820#

CONDENSED CONSOLIDATED SEGMENT REPORT CONTINUED

for the six months ended 30 September 2016

* In the August 2015 interim figures, segment profit in Rail, Defence and Information Security, Mining and Industrial was reported on a Gross Profit basis, and Telecommunications was reported on Net Profit (after tax and interests). This year all segment profits are all based on Net Profit, calculated as Gross Profits for the segments, with the remaining costs in the entities (less Corporate costs) being apportioned to segments based on Gross Profit margin percentages.

In the prior year the segment profit/(loss) were stated as follows:

	R'000
Rail	**6 803**
Defence and Information Security	**6 478**
Mining and Industrial	**(588)**
Telecommunications	**3 412**

^ Corporate costs include group head office, corporate, marketing and administration costs. In the August 2015 interim figures this was a balancing figure and was reported as R9,259 million in the segment report. This year the figure was restated to reflect the same method of calculation used in the current year's segment report.

\# In the current reporting period, the segment assets and liabilities have been allocated using the same principles in allocating the segment profit and loss, and the August 2015 and March 2016 periods have been restated to align to these new allocation principles.

CONDENSED CONSOLIDATED SEGMENT REPORT CONTINUED

for the six months ended 30 September 2016

In the prior periods the segment assets/liabilities were stated as follows:

	6 months ended 31 Aug 2015 R'000	13 months ended 31 Mar 2016 R'000
Assets	327 862	425 981
Rail	56 702	98 043
Defence and Information Security	14 655	70 700
Mining and Industrial	28 423	33 207
Telecommunications	31 249	127 308
Intangible assets to be classified	87 731	–
Corporate assets	109 102	95 723
Liabilities	142 264	223 710
Rail	2 270	1 263
Defence and Information Security	31 244	23 995
Mining and Industrial	27 314	–
Telecommunications	35 735	94 271
Corporate liabilities	45 701	104 181

COMMENTARY

GROUP PROFILE

The Ansys group consists of a portfolio of technology businesses operating in the Rail, Mining and Industrial, Defence and Information Security and Telecommunications market sectors, both locally and internationally. Through leveraging our own IP, we develop, produce, distribute and integrate bespoke and standard technology products and solutions to satisfy client requirements. Our products and solutions are aimed at improving our client's productivity, safety and security and are generally employed in harsh environments. Through constant innovation in design, development and manufacturing, we remain at the forefront of technology development and IP generation in all areas of our business.

FINANCIAL RESULTS HIGHLIGHTS

The Group experienced increased revenue and profit growth when compared to the previous interim reporting period.

Revenue is up by 163.5% from R155.1 million to R408.6 million.

EBITDA improved to R57.2 million from R9.1 million representing an increase of 532.2%. Profit before interest and tax increased by 645.9% to R51.1 million from R6.8 million in the comparative period.

Headline earnings improved to R34.9 million from a profit of R4.3 million (increase of 710.9%) translating to an increase of 471.6% in headline earnings per share from 1.32 to 7.57 cents.

This growth is predominantly a result of our strategy of strengthening the verticals in terms of market access and delivery capability, both organically and through historical acquisitions.

OUR OPERATIONS

During the period under review, we continued to invest in and leverage on our core competencies in innovation, design and production in the group as well as driving the process of meeting our objective in creating a more balanced business across our market segments.

Rail

Despite the tough trading conditions in the railways market, revenue grew by 8.9% to R65.5 million from R60.2 million with profit growing by 7.2% to R6.9 million from R6.4 million. This growth is a result of the introduction of a new business model designed to mitigate the downward pressure on margins by our major clients. In addition, we improved the management of our foreign exchange risk which in the previous interim reporting period had a negative effect on margins.

Defence and Information Security

With the defence and information security revenue from the Parsec Holdings acquisition now fully accounted for in this reporting period, revenue in this segment grew by 376% to R115.2 million from R24.2 million. Revenue growth for this reporting period is higher than anticipated mainly due to high volume production sales from international opportunities that came in earlier than expected. As a result of increased revenue and higher margins compared to the previous interim reporting period, the defence and information security segment profit grew by 872.3% to R13.642 million from R1.403 million.

Mining and Industrial

Performance in the mining and industrial segment has improved significantly. Revenue for the period increased by 169.7% to R45.2 million from R16.8 million while segment profit grew from R0.3 million to R6.1 million. This is due to the full inclusion of revenue and profit from the Parsec Holdings acquisition as well as the impact of high volume orders received during this period.

Telecommunications

Segment revenue for the period grew by 238.9% to R182.7 million compared to R53.9 million from the previous interim reporting period. This growth was primarily driven by accelerated fibre network rollouts by all major telecommunications operators, resulting in a significant increase in demand for our products. Through optimisation of the supply chain function and implementation of an effective foreign exchange hedging strategy overall profitability increased substantially resulting in an increase in segment profit of 644.7% from R3.9 million to R29.3 million.

OUTLOOK

In the short term we expect the economy to remain tight with a negative general impact on economic growth in the local market. However, despite these challenging market conditions, we envisage to continue growing our business for the remainder of the year.

We expect the rail market to remain tough in the second half of the financial year with possible softening in the next financial year.

The mining and industrial segment outlook remains turbulent however with signs of possible recovery. We remain optimistic about this segment as we supply into safety and productivity enhancing products and we expect to see a turnaround in this segment with increased growth prospects in the medium term.

We expect the local defence and information security market to continue to grow albeit at a reduced pace. Our new offering, due to the integration of Ansys' and Parsec Holdings' defence capabilities, continues to offer opportunities for growth. The opportunities in the local and international defence business remain strong.

We envisage the telecommunications sector to continue investing in network upgrades and builds which continues to provide opportunities for growth. Fibre network deployments are still in the initial growth phase, and we expect them to continue to grow in the short to medium term.

With a solid foundation now laid in our four vertical market segments we expect to continue growing our business.

FINANCIAL RESULTS COMMENTARY

The group has experienced major growth in revenue and profit during the period under review. As a result, the majority of the movements in the statement of comprehensive income, the statement of financial position and the cash flow statement is from growth in all our market segments. This is also the first financial year incorporating the full performance of the Parsec Holdings group that was acquired on 1 June 2015.

Significant movement other than noted above, comparing the period ended 30 September 2016 with the period ended 31 August 2015, include the following:

CASH FLOW STATEMENT

The cash balance has grown by R17.1 million for the period under review, but was influenced by delayed customer payments at the end of the reporting period. Most of these outstanding payments were received subsequent to period end.

As a result of the high growth experienced in the period under review, the group managed to create positive cash flow from operating activities which increased to R24 million from an outflow of R55.6 million in the previous interim reporting period. This is the result of active management of the group's inventory, as well as payment terms with key customers and suppliers.

STATEMENT OF COMPREHENSIVE INCOME

The taxation expense of R13.6 million comprises deferred tax credit of R1.7 million and current taxation of R15.3 million.

STATEMENT OF FINANCIAL POSITION

Some of the line items on the statement of financial position that have shown significant changes when compared to the August 2015 period have been included in the notes to the financial information so as to give some context and explanation to these movements.

Other financial liabilities of R6.4 million relates to the outstanding balance of the cash consideration payable for the Parsec Holdings acquisition. The total original cash consideration payable of R21.9 million, was further reduced during this six month period by the third tranche payment of R2.3 million.

NOTES TO THE FINANCIAL INFORMATION

1. Headline earnings per share

	(Reviewed) 6 months ended 30 Sep 2016 R'000	(Reviewed) 6 months ended 31 Aug 2015 R'000	(Audited) 13 months ended 31 Mar 2016 R'000
Profit attributable to ordinary shareholders	**34 987**	4 304	19 974
Basic earnings per share (cents)	**7.59**	1.32	4.86
Diluted basic earnings per share (cents)	**7.59**	1.32	4.86
Reconciliation of headline earnings:			
Profit attributable to ordinary shareholders	**34 987**	4 304	19 974
Profit on disposal of property, plant and equipment	**(117)**	–	(21)
Total tax effect of adjustments	**33**	–	6
Headline earnings attributable to ordinary shareholders	**34 903**	4 304	19 958
Headline earnings per share (cents)	**7.57**	1.32	4.86
Diluted headline earnings per share (cents)	**7.57**	1.32	4.86
Weighted average number of shares in issue	**461 038 321**	324 954 810	410 797 070

2. Earnings before interest, taxation, depreciation and amortisation (EBITDA)

	(Reviewed) 6 months ended 30 Sep 2016 R'000	(Reviewed) 6 months ended 31 Aug 2015 R'000	(Audited) 13 months ended 31 Mar 2016 R'000
Operating profit	**51 064**	6 846	32 079
Depreciation and amortisation	**6 154**	2 205	10 759
EBITDA	**57 218**	9 051	42 838

3. Property, plant and equipment

	(Reviewed) 30 Sep 2016 R'000	(Reviewed) 31 Aug 2015 R'000	(Audited) 31 Mar 2016 R'000
Total property, plant and equipment at book value	**52 107**	43 982	43 053

To cater for the growth experienced within the group, we have invested, in amongst others, additional manufacturing equipment in this reporting period to increase our delivery capacity. This was the main contributor to the increase in property, plant and equipment in the past six months.

4. Inventories

	(Reviewed) 30 Sep 2016 R'000	(Reviewed) 31 Aug 2015 R'000	(Audited) 31 Mar 2016 R'000
Inventories comprise:			
– Raw materials and finished goods	**52 903**	47 668	62 381
– Work in progress	**38 176**	14 102	22 393
	91 079	61 770	84 774

The current level of inventory is in line with the increase in business activities, and taking into account that R38.2 million of the inventory is Work in Progress that is committed to current projects, the group is comfortable with the level of inventory being held.

5. Trade and other receivables

Name	**(Reviewed) 30 Sep 2016 R'000**	(Reviewed) 31 Aug 2015 R'000	(Audited) 31 Mar 2016 R'000
– Trade debtors	**126 054**	69 962	102 201
– Sundry debtors and deposits	**926**	767	1 230
– Retention debtors	**409**	925	407
– Prepayments	**4 142**	850	9 239
– Value added tax	**13 433**	–	3 656
– Project receivables (Work-in-progress)	**1 775**	1 386	4 949
	146 739	73 890	121 682

In line with increased business activities during the first six months, trade debtors have increased significantly from the previous interim reporting period. It is however in line with year-end 31 March 2016 trade debtors, taking into account that the group had some delayed customer payments at the end of the September 2016 reporting period. Most of these outstanding payments have been received subsequent to September 2016.

A delay in receiving Value Added Tax refunds from the South African Revenue Services has also increased our debtors and negatively affected our cash flow for the period under review.

6. Interest bearing borrowings

Name	(Reviewed) 30 Sep 2016 R'000	(Reviewed) 31 Aug 2015 R'000	(Audited) 31 Mar 2016 R'000
Non-current liabilities			
Instalment sale agreements	**8 913**	4 269	3 420
Interest bearing borrowings	**28 549**	29 729	29 089
	37 462	33 998	32 509
Current liabilities			
Instalment sale agreements	**4 809**	1 848	1 836
Interest bearing borrowings	**1 049**	571	867
	5 858	2 419	2 703

The increase in instalment sale agreements correlates roughly to the increase in property plant and equipment (refer note 3) as most of the manufacturing equipment bought in this period was financed via instalment sale agreements.

7. Trade and other payables

Name	(Reviewed) 30 Sep 2016 R'000	(Reviewed) 31 Aug 2015 R'000	(Audited) 31 Mar 2016 R'000
– Trade creditors	**102 050**	55 580	118 451
– Accrued leave	**3 607**	3 414	2 451
– Sundry creditors	**52**	277	12
– Value added tax	**812**	440	774
– Advance payments	**41 462**	17 838	22 570
– Accruals	**11 385**	4 367	8 124
	159 368	81 916	152 382

In line with the growth in the business activities, the group experienced a growth in trade and other payables relating to increased business activities compared to our previous six month period. When comparing to our 31 March 2016 figures, we can see that the group has actively managed the trade creditors down and the advance payments up, which in turn helps to manage the group's cash flow more efficiently.

STATEMENT OF COMPLIANCE, BASIS OF PREPARATION AND AUDIT REPORT

The condensed consolidated interim financial statements are prepared in accordance with International Financial Reporting Standard, (IAS) 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by Accounting Practices Committee and Financial Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards and are consistent with those applied in the previous annual financial statements. The directors take full responsibility for the preparation of the condensed interim financial statements.

These interim condensed consolidated financial statements for the period ended 30 September 2016 have been reviewed by PricewaterhouseCoopers Incorporated, which expressed an unqualified review conclusion. A copy of the auditor's report is available for inspection at the company's registered office.

The auditor's report does not necessarily report on all the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuers registered office.

PREPARER

These results were prepared under the supervision of Burt Lamprecht CA(SA), the Chief Financial Officer.

GOING CONCERN

The directors have reviewed the group's budget and cash flow forecast for the year to September 2017. On this basis and in light of the group's current financial position, the directors are satisfied that the group will continue to operate for the foreseeable future and have adopted the going concern basis in preparing these reviewed provisional financial results.

DIRECTORATE

As communicated to shareholders in the SENS announcement released on 30 June 2016. The following changes came into effect on 1 October 2016:

Rynier van der Watt, previously the Chief Executive in charge of Strategy, Mergers and Acquisitions has been appointed as Group Chief Executive Officer of Ansys.

Teddy Daka, previously the Group Chief Executive Officer has been appointed as the Executive Chairperson of the Board.

Nonhlanhla Mjoli-Mncube, previously the Non-executive Chairperson of the Board has been appointed as the Lead Independent Non-executive Director.

EVENTS SUBSEQUENT TO PERIOD END

The directors are not aware of any significant events, other than noted above, that have occurred between the period ended 30 September 2016 and the date of this report that may materially affect the results of the Group for the period or its financial position as at 30 September 2016.

By order of the board

Rynier van der Watt
Chief Executive Officer
29 November 2016

Burt Lamprecht
Chief Financial Officer

ANSYS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1987/001222/06)
("Ansys" or "the company")
ISIN Code: ZAE 000097028
Share Code: ANS

Directors:
CP Bester, T Daka* (Executive Chairman); Dr. SJ Khoza; BC Lamprecht* (CFO); N Medupe; NS Mjoli-Mncube (Lead Independent); SP Mzimela; AR van der Watt* (CEO)
**Executive*

Company secretary:
M van den Berg

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Registered office:
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Designated adviser:
Exchange Sponsors 2008 Proprietary Limited

Transfer secretaries:
Computershare Investor Services Proprietary Limited