The Board of Directors of Letshego Holdings Limited (“the Group”) is pleased to present an extract of the reviewed consolidated results for the six months ended 30th June 2018.

HIGHLIGHTS

- Continued progress on delivery of the strategic agenda
- Growth, performance and returns
- Revenue, profit and returns
- Funding, capital structure and dividend policy
- Non-financial highlights
- Dividends

CONTINUED PROGRESS ON DELIVERY OF THE STRATEGIC AGENDA

Operating income increased by 15%, a sign of progress in rolling out various strategic initiatives including agency banking, mobile digital platforms, strategic partnerships, cross-selling and launch of new products. Costs increased by 17% which included P130m in one-off costs relating to write down of redundant IT equipment in preparation to move to a cloud environment. Profit before tax of P260m was 19% higher for period on period. A higher effective tax rate of 37% resulted in a lower increase in profit after tax for the period of 11%.

FUNDING, CAPITAL STRUCTURE AND DIVIDEND POLICY

The Group continues to diversify its funding mix and utilise all available avenues to manage its funding costs. Cost of funding has increased due to access constraints to access financial solutions via SIS access points which represents an increase of over 50% from prior periods. New agency points in Mozambique have been the main contributor.

Divestment of Sinosure and its derivatives was concluded in June 2018. A pipeline of DFI/MIV funding is in place at a group level through we have seen increasing defaults in Nigeria.

• Total savings customers increased to 167,000 (2017: 120,000)
• Total borrowing customers increased to 546,000 (2017: 345,000)

NON-FINANCIAL HIGHLIGHTS

• Dividend payment date on or about, 28 September 2018
• Last date to register, 21 September 2018
• Declaration date, 29 August 2018

GROWTH, PERFORMANCE AND RETURNS

Embrace financial inclusion: This is evident from an increase in the non-core loan portfolio on the back of strategic initiatives to improve customer access and financial literacy. Customers continue to access financial solutions via SIS access points which represents an increase of over 50% from prior periods. New agency points in Mozambique have been the main contributor.

Diversification of solutions into informal segments is gathering pace in Ghana and Tanzania. More than P100m of informal loans have been disbursed in Ghana since launch in late 2017.

Affordable housing and education loans are the main drivers of growth in the MEC Loanbook.

Growth the franchise: Letshego’s broad geographical footprint covering 11 countries and 6 deposit-taking license positions it well for volume growth.

Since the launch of the collaboration with MTN Ghana the business has disbursed more than 2.5 million loans to over 600,000 new customers. Mozambique and Rwanda have lost the group in deposit mobilisation although growth remains steady.

Enhance customer experience: The first digital Letshego campaign in Namibia through Facebook has been completed with further digital marketing launches to increase experience of our digital solutions in Namibia through Facebook has been completed with further digital marketing launches to increase experience of our digital solutions in Namibia.

Mozambique and Rwanda have led the group in deposit mobilisation in Mozambique and obtained tax and legal opinions on the appropriate treatment of non-core loan portfolio on the back of strategic initiatives to improve customer access and financial literacy. Customers continue to access financial solutions via SIS access points which represents an increase of over 50% from prior periods. New agency points in Mozambique have been the main contributor.

The structured funding arrangements are expected to deliver treasury benefits and mitigate funding risk for Letshego as it aims to achieve geographical diversification in its funding base, increasing the current mix of funding sources, lowering exposure to any single partner, as well as reducing the Group’s overall open foreign exchange exposure by drawing new local currency-denominated facilities.

Following the successful close of the inaugural R400mn medium term note switch in December 2017, Letshego drew down R200mn (Flanche 1) on 29 June 2018 under the R400mn Sustainability Linked Medium Term Facility (R400SMTF). The new bond was priced at a coupon rate of 7.5% and is guaranteed by Sanlam Emerging Markets, as a well as a parental guarantee to the existing Security Sharing Agreement on the back of a 15% dividend pay-out ratio of the Group.

The structuring and funding arrangements are expected to deliver treasury benefits and mitigate funding risk for Letshego Group by achieving geographical diversification in its funding base, increasing the current mix of funding sources, lowering exposure to any single partner, as well as reducing the Group’s overall open foreign exchange exposure by drawing new local currency-denominated facilities.

The following key strategic executional highlights were achieved:

- GP secured P256m of funding from specialist international investors.
- New funds in route development financial institutions.
- Specialist investors who focus on micror and microfinance ventures, and impact investors.
- New group of finance partners are headquartered in the UK, and Europe, all with a keen interest in sustainable development in Africa.
- Mozambique and Rwanda have led the group in deposit mobilisation in Mozambique and obtained tax and legal opinions on the appropriate treatment of non-core loan portfolio on the back of strategic initiatives to improve customer access and financial literacy. Customers continue to access financial solutions via SIS access points which represents an increase of over 50% from prior periods. New agency points in Mozambique have been the main contributor.

These credits were secured based on the Company’s understanding of how such credits would be treated as tax credits in Namibia International Financial Services Centre (“IFSC”). Company L, 6% this understanding was based on management’s past discussions with Botswana Investment and Trade Centre and BURS. Management’s treatment was further validated by refunds from BURS in respect of such credits.

During the course of the finalisation of the 2017 audit it was identified that such 6% claims may be inconsistent with the Act. Therefore the 2017 results were released and a full provision was made against the refunds received.

Subsequent to the publication of the released reviewed consolidated results for the year ended 31 December 2017 the Company has sought and obtained an amendment to the terms and conditions of foreign tax credits for its Botswana tax returns for the periods 2014 to 2016. These indicate that the refunds received were inconsistent with the Act. Therefore, the Company will engage the Botswana tax authorities to revisit historical tax returns and return any refunds obtained in error.

FIDS IMPLEMENTATION

The Group adopted and implemented FIDS on 1 January 2018 and therefore the results include its effect for the first time. This includes an estimated one off adjustment to retained earnings of P150mn. The adoption of FIDS has implications on the implementation and therefore, it is only expected to be completed by the financial year end.

PROSPECTS

Letshego continues to draw its inclusive financial services strategy and strengthens its operations through innovation in technology platforms, digitisation, ecosystem partnerships, and internal capacity. The Board of Directors is confident that the Group is well positioned to benefit from the growing markets in which it is active.

AUDITORS’ REVIEW

The financial information set out in this announcement are extracted from the condensed consolidated financial statements reviewed by PwC, in their report and also auditors. Their unaudited review report is available for inspection at the Group’s registered office.

DIVIDEND NOTICE

Notice is hereby given that the Board has declared an interim dividend of 6.7 thebe per share for the period ended 30 June 2018. In terms of the Letshgo Holdings Tax Act (Cap 5001) as amended, withholding tax at the rate of 7.5% or any other currently enacted tax rate will be deducted from the dividend grossed up for dividend tax.

GABORONE, Wednesday 29 August 2018

For and on behalf of the Board of Directors:

E Banda
Group Chairman

C Patterson
Group Chief Financial Officer
Balance at 30 June 2018 - as previously reported

3,553,400 35,363 35,363 (534,292) 32,189 192,799 4,004,440

Balance as at 31 December 2016 - restated

3,553,400 35,363 35,363 (534,292) 32,189 192,799 3,896,152

Profit for the period

- 316,636 - - - - 316,636 346,325

Other comprehensive income, net of income tax

- - - - - - -

Transactions with owners, recorded directly in equity

- - - - - - -

Allocation to share based payment reserve

- - - 12,776 - - 12,776 23,550

New shares issued from long term incentive scheme

- - - - - - -

Dividends paid to equity holders

497,550 - - - - - 497,550 497,550

Balance at 30 June 2018 - Reviewed

3,553,400 35,363 35,363 (534,292) 32,189 192,799 4,155,867

Total comprehensive income for the period

- 316,636 - - - - 316,636 346,325

Other comprehensive income, net of income tax

- - - - - - -

Transactions with owners, recorded directly in equity

- - - - - - -

Allocation to share based payment reserve

- - - 12,776 - - 12,776 23,550

New shares issued from long term incentive scheme

- - - - - - -

Dividends paid to equity holders

497,550 - - - - - 497,550 497,550

Balance at 31 December 2017 - Audited

3,553,400 35,363 35,363 (534,292) 32,189 192,799 4,272,482

Adjusting balance 1 January 2018

494,845 3,553,400 38,940 (560,417) 39,607 313,309 4,155,867

Total comprehensive income for the period

- 316,636 - - - - 316,636 346,325

Other comprehensive income, net of income tax

- - - - - - -

Transactions with owners, recorded directly in equity

- - - - - - -

Allocation to share based payment reserve

- - - 12,776 - - 12,776 23,550

New shares issued from long term incentive scheme

- - - - - - -

Dividends paid to equity holders

497,550 - - - - - 497,550 497,550

Balance as at 31 December 2018

494,845 3,553,400 38,940 (560,417) 39,607 313,309 4,272,482

SEGMENTAL REPORTING

For the period ended 30 June 2018

The Group’s reportable segments are as follows: Botswana, Namibia, Mozambique, Other Southern Africa, Tanzania, other East Africa, West Africa and Holdings company.

- Other Southern Africa includes: Lesotho and Swaziland.
- Other East Africa includes: Kenya, Rwanda and Uganda.
- West Africa includes: Nigeria and Ghana.
## 1. Cash and cash equivalents
Cash at bank and hand 586,359 471,100 455,073
Cash on hand 270,094 23,399 23,404
516,453 494,499 478,477

## 2. Advances to customers
Grants advanced to customers 8,791,381 7,791,588 8,171,394
Loans / impairment provisions - specific (227,188) (20,452) (205,441)
Impairment provisions - portfolio (382,705) (114,119) (136,685)
8,136,441 7,580,910 7,768,050

## 3. Other receivables
Deposits and prepayments 35,312 37,980 33,073
Receivables from insurance arrangements 1,001,077 1,023,830 1,141,732
Withholding tax and value added tax receivables 220 270 (59)
Other receivables - 26,247 26,250 26,222
23,586 23,319 30,659

## 4. Property, plant and equipment
<table>
<thead>
<tr>
<th>Carrying amount at 31 January 2016</th>
<th>Additions</th>
<th>Transfers</th>
<th>Disposal and write off</th>
<th>Depreciation charge</th>
<th>Foreign translation</th>
<th>Carrying amount at 30 June 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor vehicles</td>
<td>3,471 1,007</td>
<td>- (210) 8,000</td>
<td>420 (272)</td>
<td>7,377 4,277</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Computer equipment</td>
<td>19,250 10,521 9,023 (1,049) (5,033) (287)</td>
<td>29,475</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Office furniture and equipment</td>
<td>33,663 4,083 0 0 (5,032) (287)</td>
<td>33,292</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land and building</td>
<td>10,376 889</td>
<td>- (1,070)</td>
<td>16,150</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work in progress</td>
<td>17,265 1,302 (10,394) 2,308</td>
<td>- (1,070) 2,776</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>82,961 16,509 878 (1,070) (5,032) (1,070) 29,080</td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

## 5. Intangible assets
<table>
<thead>
<tr>
<th>Carrying amount at 31 January 2016</th>
<th>Additions</th>
<th>Transfers</th>
<th>Amortisation charge</th>
<th>Foreign translation</th>
<th>Carrying amount at 30 June 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer software</td>
<td>46,519 1,196 878 (1,312) (5,195) 782</td>
<td>46,800</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Brand value</td>
<td>2,830</td>
<td>-</td>
<td></td>
<td>2,830</td>
<td></td>
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<tr>
<td>Core deposit</td>
<td>- - - (212) (17) (2,622)</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>49,340 1,196 878 (1,312) (5,195) 782 2,830</td>
<td>49,218</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

## 6. Goodwill
Goodwill arose on the acquisition of:
Lobatse Holdings (Bamibiz) Limited 23,181 23,917 24,326
Lobathego Tobacco Limited 32,714 31,386 32,841
Letlapa Meat Products 41,836 41,817 42,026
Lobathego Microfinance Bank Nigeria Limited 45,125 46,861 47,044
AFB Ghana Plc. 1,003 617 6,084
129,353 129,101 132,201

Goodwill was translated using reporting date exchange rates to reflect the changes in foreign currency. The Group assessed the recoverable amount of goodwill, and determined that it was not impaired in respect of all cash generating units noted above.

## 7. Customer deposits
Deposits from customers 398,879 102,347 383,439

## 8. Cash collateral
Cash collateral on loans and advances 27,331 33,429 27,219

Cash collateral represents payments made by customers as security for loans taken. The amounts are refundable upon the successful repayment of loans by customers or are utilised to cover loans in the event of default.

## 9. Trade and other payables
Trade payables 87,650 45,620 80,472
Payroll related accruals 60,790 56,581 72,987
Other payables 61,746 46,187 62,706
Trade and other payables 210,186 98,388 215,165
Value added tax / withholding tax payables 31,705 23,054 31,694
239,271 223,442 246,859

## 10. Borrowings
| Commercial banks | 1,403,000 1,751,813 1,654,014 |
| Equity notes | 1,388,451 1,765,119 1,686,014 |
| Development Bank of Botswana | 801,439 801,387 533,933 |
| paging fees | 124,537 126,394 156,936 |
| Total borrowings | 4,901,383 3,673,945 3,844,985 |

## 11. Stated capital
Issued 2,144,045,173 ordinary shares of no par value 2017: 2,144,045,173 of which 190,045,173 shares (2017: 244,045,000) are held as treasury shares 582,621 827,913 844,940

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION AND STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 2018