



ELB GROUP LIMITED

(‘ELB’, ‘the Company’ or ‘the Group’)

UNAUDITED GROUP INTERIM REPORT and interim cash dividend declaration

for the six months ended 31 December 2014

COMMENTS

INTRODUCTION

ELB Group’s strategic focus is on being a holistic engineering solutions provider to the mining, minerals, power, port, construction and industrial sectors in the field of materials handling and gravity separation plants. This is achieved through ELB generated innovation, in-house capability and the supply, with world class partners, of equipment and technology. The group operates predominantly in Africa and Australasia.

Over the past year the Group has embarked on a number of strategies for which returns are typically realised after two to three years. These strategies are all in line with the core expertise of the Group and will enhance its ability to service its markets via horizontal or vertical diversification.

ELB Equipment has signed a 50/50 joint venture agreement with Belaz mining trucks. Belaz is one of the leaders in the world of large ore haulage trucks. This enables the Group to offer its customers trucks of a size up to 400 tonnes.

In order to de-risk the execution model of ELB Engineering Services, it was decided a few years ago to establish ELB Construction, enabling all the ELB projects to be erected by an in-house company. This has been a notable success from a safety, speed of reaction, commercial and quality point of view. ELB Construction has the ability to erect projects from as small as R5 million to as large as R3 billion.

In line with this de-risking model, the Group also acquired B&W Instrumentation and Electrical Limited, in May 2014. The company has made a very satisfactory turnaround from a cash

management and profitability point of view and is adding material value to the bottom line of ELB.

ELB has agreed a cooperation agreement with KC Cottrell, a world leader in environmental technology for the last forty years. This agreement will enable ELB to offer a full range of air cleaning solutions, including baghouses and electrostatic precipitators for large power station projects, allowing the Company to provide the necessary environmental solutions for both refurbishment and new capital projects.

FINANCIAL RESULTS

Consistent with prior periods there is no correlation between sales and profit due to the nature of the project related business.

The 14% increase in sales for the period from R1 144 million in 2013 to R1 301 million in 2014 primarily reflects the higher activity level across the range of products and services offered by ELB’s engineering and equipment African operations.

Profit before tax increased by 22% from R60 million to R73 million while headline earnings increased by 22% from R32 million to R39 million. The weighted average number of shares in issue increased by 9% with the result that the increase in headline earnings per share was tempered to 13% from 121.5 cents per share to 136.8 cents per share. Attributable comprehensive income however decreased from R40 million to R35 million primarily due to foreign currency translation losses in 2014 compared to foreign currency translation gains in 2013.

The ELB Group will from time to time experience volatility in headline earnings particularly during periods of significant exchange rate fluctuations. These fluctuations give rise to unrealised foreign currency exchange profits or losses which experience has shown usually reverse or are recovered in the eventual sale price of the relevant equipment.

The net asset value per share increased by 16% from 2 402 cents per share at 31 December 2013 to 2 794 cents per share at 31 December 2014, but the increase was only 2% for the six months under review, largely as a result of the rand having strengthened against the Australian dollar giving rise to translation losses on consolidation of the Australian business.

OPERATIONS

Equipment Africa

Equipment sales of R411 million for the period were 16% higher than the December 2013 half year of R355 million, at improved gross margins. Profit before tax increased from R20 million to R39 million for the comparative period, part of which can be attributed to the unrealised foreign currency exchange gains in this period against unrealised foreign currency exchange losses in the 2013 period.

Engineering Services Africa

Engineering Services has been predominantly focussed on the iron ore, coal and power sectors over the past period. The company is at present constructing the world's longest conveyor, handling coal for Sasol.

The project work on hand remains at a satisfactory level with on-going projects in South Africa, Mozambique, Zambia, Namibia, Botswana, Angola, Congo, DRC, Liberia, Indonesia, Gabon and Israel.

Sales for the period increased by 19% from R634 million in 2013 to R752 million in 2014. Profit before tax for the period increased by 51% from R35 million in 2013 to R53 million in 2014.

Australasia

Ditch Witch has traded at slightly lower levels for the period across both the Ditch Witch and Komptech ranges of equipment, due to the current poor trading conditions being experienced in Australasia.

Sales for the period decreased by 4% from R155 million in 2013 to R149 million in 2014. The result for the period deteriorated from a profit before tax of R11 million in 2013 to a loss before tax of R9 million in 2014, which includes a material unrealised foreign currency exchange loss.

CASH FLOW

Cash flow management remains a high priority for the Group.

ELB works closely with bankers, suppliers and customers to ensure it continues to retain a strong balance sheet at all times.

PROSPECTS

The global cooling of commodity prices and demand has had an effect on the pipeline for greenfield projects. This has led ELB to focus on efficiency driven projects and ELB continues to be well positioned to take advantage of a number of these potential opportunities currently being considered in Africa.

BOARD OF DIRECTORS

There were no changes to the board of directors during the period. Mr Johan van Zyl joined the Board as an independent non-executive director on 19 March 2015.

DIVIDEND

It has been decided to declare an interim dividend of 30 cents (2013 – 28 cents) per ordinary share which is an increase of 7%.

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements are prepared in accordance with and contains the information required by International Financial Reporting Standard IAS 34: Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting 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.

On behalf of the Board

Dr Stephen Meijers

*Chief Executive Officer
ELB Group and ELB Engineering Services*

Peter Blunden

Chief Executive Officer - ELB Equipment

Michael Easter

Group Financial Director - ELB Group

Boksburg

19 March 2015

GROUP BALANCE SHEET

	Unaudited 31 Dec 14 R000	Unaudited 31 Dec 13 R000	Audited 30 June 14 R000
ASSETS			
Non current assets	311 993	228 886	315 685
Property, plant and equipment	181 687	150 392	180 948
Goodwill and intangible assets	20 940	–	24 041
Pension fund employer surplus account	41 497	53 746	39 850
Non current loans receivable	1 007	5 537	933
Deferred income tax assets	66 862	19 211	69 913
Current assets	1 480 631	1 537 076	1 687 283
Inventories, and construction contract work not yet billed	746 489	687 148	804 163
Receivables and other current assets	347 279	266 635	430 960
Cash and cash equivalents	386 863	583 293	452 160
Total assets	1 792 624	1 765 962	2 002 968
EQUITY AND LIABILITIES			
Equity attributable to ordinary shareholders of ELB	799 492	637 659	779 312
Issued capital	107 702	25 192	107 702
Treasury shares	(37 396)	(36 622)	(37 986)
Reserves	61 986	30 428	65 990
Retained earnings	667 200	618 661	643 606
Non controlling interests in consolidated entities	140 794	120 146	133 868
Total equity	940 286	757 805	913 180
Non current liabilities	42 100	52 604	46 971
Interest bearing borrowings	23 265	27 965	24 722
Provision for trade back commitments	2 847	2 701	2 861
Deferred income tax liabilities	15 988	21 938	19 388
Current liabilities	810 238	955 553	1 042 817
Non interest bearing payables, other current liabilities and current provision	636 615	772 097	783 314
Interest bearing payables	149 414	183 456	230 135
Bank overdrafts	24 209	–	29 368
Total liabilities	852 338	1 008 157	1 089 788
Total equity and liabilities	1 792 624	1 765 962	2 002 968
Ordinary shares in issue (000's)	35 824	33 860	35 824
<i>Deduct:</i> Treasury shares in issue (000's)	7 209	7 312	7 254
Ordinary shares in issue on which net asset value per ordinary share is calculated	28 615	26 548	28 570
Net asset value per ordinary share (cents)	2 794	2 402	2 728

GROUP STATEMENT OF PROFIT OR LOSS

	Unaudited Six months ended 31 Dec 14 R000	Unaudited Six months ended 31 Dec 13 R000	Audited Year ended 30 June 14 R000
Sales	1 301 414	1 143 856	2 349 282
Operating costs excluding depreciation and amortisation of non financial assets	(1 214 504)	(1 079 304)	(2 165 799)
Operating profit before depreciation and amortisation of non financial assets	86 910	64 552	183 483
Depreciation and amortisation of non financial assets	(16 652)	(8 509)	(20 590)
Profit from operations	70 258	56 043	162 893
Finance income	8 710	7 294	26 088
Finance costs	(6 463)	(3 687)	(10 380)
Profit before income tax	72 505	59 650	178 601
Income tax expense	(24 016)	(18 335)	(47 816)
Profit for the period	48 489	41 315	130 785
Profit for the period attributable to:			
Ordinary shareholders of ELB	39 268	31 776	102 379
Non controlling interests in consolidated entities	9 221	9 539	28 406
	48 489	41 315	130 785

CALCULATION OF GROUP HEADLINE EARNINGS

	Unaudited Six months ended 31 Dec 14 R000	Unaudited Six months ended 31 Dec 13 R000	Audited Year ended 30 June 14 R000
Profit attributable to ordinary shareholders of ELB from the statement of profit or loss	39 268	31 776	102 379
<i>Deduct:</i> Items excluded from headline earnings as detailed below:	175	42	268
Profit on disposal of plant and equipment	295	68	485
Income tax effect on profit on disposal	(78)	(19)	(139)
Non controlling interests in profit on disposal	(42)	(7)	(78)
Headline earnings	39 093	31 734	102 111
Weighted average number of ordinary shares (excluding treasury shares) on which basic earnings per ordinary share are based ('000's)	28 581	26 110	26 723
Earnings per ordinary share (cents)			
– basic	137,4	121,7	383,1
– diluted	135,8	120,6	378,9
Headline earnings per ordinary share (cents)			
– basic	136,8	121,5	382,1
– diluted	135,2	120,5	378,0
Dividends declared for the period per ordinary share (cents)	30	28	95

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited Six months ended 31 Dec 14 R000	Unaudited Six months ended 31 Dec 13 R000	Audited Year ended 30 June 14 R000
Profit for the period from the statement of profit or loss	48 489	41 315	130 785
Other comprehensive income	(5 672)	10 607	11 189
<i>Items that will not be reclassified to profit or loss</i>			
Foreign currency translation reserve adjustments attributable to non controlling interests	(990)	1 270	3 051
Foreign currency translation adjustments to foreign non controlling interests	(1 207)	874	2 609
Pension fund employer surplus account remeasurements	197	3 101	(12 648)
Aeroplane revaluation surplus adjustment	726	(42)	531
Income tax effect of items that will not be reclassified to profit or loss	(37)	(996)	2 938
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation reserve adjustments attributable to ordinary shareholders of ELB	(5 611)	7 192	17 284
Income tax effect of foreign currency translation reserve adjustments attributable to ordinary shareholders of ELB	1 250	(792)	(2 576)
Total comprehensive income for the period	42 817	51 922	141 974
Total comprehensive income for the period attributable to:			
Ordinary shareholders of ELB	35 495	40 384	108 306
Non controlling interests in consolidated entities	7 322	11 538	33 668
	42 817	51 922	141 974

GROUP STATEMENT OF CHANGES IN EQUITY

	Attributable to ordinary shareholders of ELB					Non controlling interests in consolidated entities R000	Total equity R000
	Issued capital R000	Treasury shares R000	Reserves R000	Retained earnings R000	Total R000		
Audited							
Balance at 30 June 2013	25 192	(48 565)	51 770	572 692	601 089	113 526	714 615
Total comprehensive income for the year			15 033	93 273	108 306	33 668	141 974
Profit for the year				102 379	102 379	28 406	130 785
Other comprehensive income			15 033	(9 106)	5 927	5 262	11 189
Ordinary dividends paid				(23 373)	(23 373)	(5 402)	(28 775)
Distributions by a consolidated Group entity to non controlling interests in the entity						(4 496)	(4 496)
Equity settled share options expense			201		201	35	236
Transfer from share options reserve to retained earnings for share options which have lapsed or become fully paid			(4 555)	4 555	–	–	–
Item restored to the foreign currency translation reserve from retained earnings			3 541	(3 541)	–	–	–
Treasury shares paid up and released to participants		10 579			10 579	41	10 620
Ordinary shares issued	82 510				82 510		82 510
Non controlling interest recognised						(3 504)	(3 504)
Balance at 30 June 2014	107 702	(37 986)	65 990	643 606	779 312	133 868	913 180
Unaudited							
Total comprehensive income for the six months			(3 915)	39 410	35 495	7 322	42 817
Profit for the six months				39 268	39 268	9 221	48 489
Other comprehensive income			(3 915)	142	(3 773)	(1 899)	(5 672)
Ordinary dividends paid				(15 927)	(15 927)	(400)	(16 327)
Equity settled share options expense			22		22	4	26
Transfer from share options reserve to retained earnings for share options which have become fully paid			(111)	111	–	–	–
Treasury shares paid up and released to participants		590			590		590
Balance at 31 December 2014	107 702	(37 396)	61 986	667 200	799 492	140 794	940 286
Unaudited							
Balance at 30 June 2013	25 192	(48 565)	51 770	572 692	601 089	113 526	714 615
Total comprehensive income for the six months			6 376	34 008	40 384	11 538	51 922
Profit for the six months				31 776	31 776	9 539	41 315
Other comprehensive income			6 376	2 232	8 608	1 999	10 607
Ordinary dividends paid				(15 927)	(15 927)	(4 948)	(20 875)
Equity settled share options expense			170		170	30	200
Transfer from share options reserve to retained earnings for share options which have become fully paid			(3 898)	3 898	–	–	–
Redundant items in the foreign currency translation reserve transferred to retained earnings			(23 990)	23 990	–	–	–
Treasury shares paid up and released to participants		11 943			11 943		11 943
Balance at 31 December 2013	25 192	(36 622)	30 428	618 661	637 659	120 146	757 805

GROUP CASH FLOW STATEMENT

	Unaudited Six months ended 31 Dec 14 R000	Unaudited Six months ended 31 Dec 13 R000	Audited Year ended 30 June 14 R000
Cash (outflow)/inflow from operating activities before dividends and distributions paid	(26 131)	122 263	13 960
Dividends and distributions paid	(16 327)	(20 875)	(33 271)
Cash (outflow)/inflow from operating activities	(42 458)	101 388	(19 311)
Cash outflow from investment activities	(16 183)	(10 654)	(28 932)
Cash (outflow)/inflow from financing activities	(941)	8 579	7 170
Cash (outflow)/inflow for the period	(59 582)	99 313	(41 073)
Effect of exchange rate movements on cash balances	(556)	13 474	16 944
(Decrease)/increase in cash and cash equivalents	(60 138)	112 787	(24 129)
Cash and cash equivalents at the beginning of the period	422 792	470 506	470 506
Cash and cash equivalents of business combination at acquisition	–	–	(23 585)
Cash and cash equivalents at the end of the period	362 654	583 293	422 792

NOTES

Capital expenditure commitments

At 31 December 2014 there were capital expenditure commitments of R69 000 for office equipment. At 31 December 2013 there were no capital expenditure commitments. At 30 June 2014 capital expenditure commitments totalled R5 million.

Contingent liabilities

A Group entity has issued a guarantee of R830 000 in favour of a raw material supplier to a company which was previously part of the Group and has now been sold. The guarantee is cancellable by three calendar months notice. A financial guarantee liability with a carrying amount of R8 000 at 31 December 2014 is carried in respect of the guarantee.

The ELB Engineering Services Group operates in the engineering contracting business and is exposed to the risks associated with engineering contracts. These risks are managed on the basis of limited liability and appropriate insurance.

All known liabilities of the Group at the balance sheet date have been accrued.

SEGMENT INFORMATION

	Total R000	Equipment Africa R000	Engineering Services Africa R000	Australasia R000	Other R000
Unaudited					
Six months ended 31 December 2014					
Sales					
External to the Group	1 301 414	400 169	751 752	149 487	6
Inter segment	10 501	10 493	–	–	8
Inter segment elimination	(10 501)	–	–	–	(10 501)
	1 301 414	410 662	751 752	149 487	(10 487)
Profit/(loss) before tax	72 505	38 672	52 778	(9 401)	(9 544)
Profit/(loss) for the six months	48 489	27 647	36 289	(7 571)	(7 876)
Profit/(loss) attributable to ordinary shareholders of ELB	39 268	24 252	25 977	(5 396)	(5 565)
Assets	1 792 624	738 015	690 714	329 653	34 242
Liabilities	852 338	351 062	417 714	103 731	(20 169)
Unaudited					
Six months ended 31 December 2013					
Sales					
External to the Group	1 143 856	354 936	633 778	155 136	6
Inter segment	500	493	–	–	7
Inter segment elimination	(500)	–	–	–	(500)
	1 143 856	355 429	633 778	155 136	(487)
Profit before tax	59 650	20 099	35 314	11 422	(7 185)
Profit for the six months	41 315	14 367	24 382	9 236	(6 670)
Profit attributable to ordinary shareholders of ELB	31 776	12 668	17 591	6 399	(4 882)
Assets	1 765 962	742 491	684 520	318 256	20 695
Liabilities	1 008 157	387 539	529 304	93 904	(2 590)
Audited					
Year ended 30 June 2014					
Sales					
External to the Group	2 349 282	658 928	1 344 335	346 010	9
Inter segment	732	713	–	–	19
Inter segment elimination	(732)	–	–	–	(732)
	2 349 282	659 641	1 344 335	346 010	(704)
Profit before tax	178 601	45 780	123 114	26 224	(16 517)
Profit for the year	130 785	32 817	92 088	20 682	(14 802)
Profit attributable to ordinary shareholders of ELB	102 379	28 092	71 792	14 320	(11 825)
Assets	2 002 968	775 958	851 467	378 511	(2 968)
Liabilities	1 089 788	402 532	593 010	132 825	(38 579)

INTERIM CASH DIVIDEND DECLARATION

ORDINARY DIVIDEND NUMBER 134

The directors have declared an interim cash dividend of 30 cents per share on the Company's ordinary shares for the six months ended 31 December 2014. The following additional information is given in respect of the dividend:

- the dividend has been declared out of income reserves
- the South African dividend tax rate is 15%
- there are no secondary tax on companies (STC) credits utilised
- ELB Group Limited's registration number is: 1930/002553/06
- ELB Group Limited's income tax reference number is: 9275151711
- the gross dividend is 30 cents per ordinary share for ordinary shareholders exempt from the dividend tax
- the net dividend is 25,5 cents per ordinary share for ordinary shareholders liable to pay the dividend tax
- ELB Group Limited has 35 824 527 ordinary shares in issue, of which 7 209 483 were treasury shares at 31 December 2014

The salient dates in respect of the dividend are:

Last day to trade cum dividend	Friday, 17 April 2015
Shares commence trading ex dividend	Monday, 20 April 2015
Record date	Friday, 24 April 2015
Date of payment	Tuesday, 28 April 2015

Shares may not be dematerialised or rematerialised between Monday, 20 April 2015, and Friday, 24 April 2015, both dates inclusive.

By order of the Board

Elbex Proprietary Limited

Company secretary

Boksburg
19 March 2015

AFRICAN EXPERIENCE



ENGINEERED TO DELIVER

nine dot
Solutions



SUMITOMO

AMMANN



Kawasaki
Wheel Loaders



FAM



MST
Backhoe Loaders



MITSUBISHI
HEAVY INDUSTRIES, LTD.



TAURUS





ELB GROUP LIMITED

Incorporated in the Republic of South Africa

Registration number: 1930/002553/06

Share code: ELR ISIN: ZAE000035101

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Share Transfer Secretaries

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Sponsor

Rand Merchant Bank (*a division of FirstRand Bank Limited*)
1 Merchant Place, Cnr Fredman Drive & Rivonia Road, Sandton, 2196

Directors

AG Fletcher (*chairman*),
Dr SJ Meijers (*group chief executive and chief executive - ELB Engineering Services*),
PJ Blunden (*chief executive - ELB Equipment*), MC Easter (*financial director*), T de Bruyn,*
Dr JP Herselman,* MV Ramollo, CJ Smith (*alternate*), IAR Thomson,* JC van Zyl.*

**Non executive*

Company secretary

Elbex Proprietary Limited

Preparation of the unaudited group interim report

The preparation of the unaudited group interim report was supervised by the group financial director, Michael Easter CA(SA).

Release date

The unaudited group interim report was released on 20 March 2015.