



ELB GROUP LIMITED

('ELB', 'the Company' or 'the Group')

AUDITED GROUP SUMMARISED PROVISIONAL REPORT and final cash dividend declaration

for the year ended 30 June 2017

- **Return to profitability across all group segments**
- **Profit for the year increased to R82 million from a loss of R189 million**
- **Headline earnings of 243 cents per share from a loss of 519 cents per share**
- **Strong cash generation from operations of R198 million**
- **Pleasing operating performance in a challenging environment**
- **Strengthened order book and the award of delayed projects**
- **Final cash dividend declared of 50 cents per share**

COMMENTARY

INTRODUCTION

ELB is an internationally recognised holistic engineering solutions provider and capital equipment supplier in the fields of materials handling, mineral separation, industrial projects and power solutions. This is achieved through ELB-generated innovation, in-house capability and the supply of world class equipment and technology. The Group operates predominantly in Africa and Australasia.

The Board is pleased to be able to report a return to profitability after a difficult prior financial year. Many of the initiatives that were embarked on, and projects pursued over the past years, have achieved a positive outcome in this period, including the award of the Vedanta Zinc Gamsberg project announced during the year. The implementation of the Asanko overland conveyor project, which was awarded during the

second quarter, has been deferred to the 2018 financial year.

Despite the political uncertainty, volatile currency and improved but still difficult trading conditions, the right-sizing and positioning of the Group undertaken in the previous financial year, together with some strengthening in certain commodity prices and a firming of our order book, has enabled the Group to return to profitability.

The Group continues to drive a number of initiatives to position itself to achieve sustainable growth, for which returns will typically only be realised in the future. These initiatives 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.

These initiatives include the further diversification into providing alternative energy power plants of up to 50 MW and the leveraging of expertise gained in the industrial sector, specifically in the fast-moving consumer goods ('FMCG') field. A number of projects are either currently ongoing or in the pipeline in these fields. Furthermore, the Group has increased its know-how base significantly in the minerals beneficiation and fine powder handling sectors, by forming partnerships with ENFI (China) and Haver & Boecker (Germany) respectively and continues to pursue other technology focused partnerships. This will further allow the Group to provide a broader service offering to its existing and future clients.

FINANCIAL RESULTS

Due to the project nature of segments of the business there is no consistent correlation between sales and profits in reporting periods.

Sales for the year improved by 39%, to R2 480 million in 2017 from R1 783 million in 2016.

Profit for the year increased to R82 million in 2017 from a loss of R189 million in 2016. The Group experienced a significant turnaround in profitability in the current year as a result of the stabilisation of global commodity prices, an easing in trading environments, delayed projects commencing, as well as the favourable effects of a stronger rand.

In the prior year, the Group experienced severe margin pressure, substantial foreign exchange related losses, the significant costs associated with the closing out of certain projects, the right-sizing of the business, as well as having expensed the costs associated with the delay in the award of new contracts.

Profit for the year attributable to ELB shareholders increased to R71 million in 2017 from an attributable loss of R148 million in 2016.

Total comprehensive income for the year attributable to ELB shareholders increased to R53 million in 2017 from a total comprehensive loss of R127 million in 2016, after taking into account the translation of the Group's foreign operations.

Headline earnings per share for the period increased to 243 cents per share from a loss of 519 cents per share in 2016.

The net asset value per share recovered from the significant reduction in the prior financial year, increasing to 2 530 cents per share at 30 June 2017 from 2 374 cents per share at 30 June 2016.

OPERATIONS

Equipment

Sales increased to R875 million in 2017 from R686 million in 2016 and profit before tax increased to R86 million in 2017 from R2 million in 2016. The increase in sales is due to improving market demand and increased market penetration. The increase in profit before tax is due to the aforementioned increase in sales and the impact in the prior year of difficult trading conditions, reduced market demand, severe margin pressure and substantial foreign exchange losses. The operation remains well positioned to benefit from more favourable trading conditions.

Engineering Services

Sales increased to R1 151 million in 2017 from R761 million in 2016 and profit before tax increased to R15 million in 2017 from a loss before tax of R235 million in 2016. The Engineering Services segment delivered a significant turnaround in profits this year, primarily due to a number of delayed contracts commencing in the current year, compared to the prior year, where the costs associated with the delay in the award of new contracts and the costs associated with the closing out of certain projects were incurred.

Despite having to recognise additional costs of R30 million this year as a result of project closure and associated claims settlements for projects that were completed in the prior year, the board can report that these legacy issues have now been settled and management is able to direct their focus on the existing projects on hand. The instrumentation and electrical component of this segment has again been the major positive profit contributor to the segment this year.

The segment has been predominantly focussed on the zinc, coal, industrial, FMCG, ports and power sectors over the past year. The award of the Gamsberg and Asanko projects announced towards the end of the interim period are significant contracts and will deliver positive returns to the business over their lifecycles.

Australasia

Sales increased to R454 million in 2017 from R336 million in 2016 while profit before tax increased to R30 million in 2017 from a profit before tax of R1 million in 2016.

This segment has had an exceptionally good year compared to the prior year owing to a recovery of volumes and margin. The successful management of costs and favourable exchange rates have also contributed to the profitability of the business in the current year. The business remains well positioned in both Australia and New Zealand to continue to service the growing demand for its Ditch Witch, Komptech and other ranges of products, particularly in the drilling, trenching, excavating and waste management segments of the business.

CASH FLOW

The Group generated net cash inflow from operations of R198 million, with an increase in net cash and cash equivalents to R437 million from R274 million at the prior year end. Cash flow management remains a high priority for the Group and ELB works closely with its bankers, suppliers and customers to ensure the Group continues to maintain a strong balance sheet at all times.

PROSPECTS

The Group continues to target a number of opportunities that, if successful, should further position the Group favourably for the next twenty-four to thirty-six months. The Group is confident that it can harness the opportunities as they present themselves and deliver on its strategy.

DIVIDEND

The board has declared a final dividend of 50 cents (2016 – nil) per ordinary share, which together with the interim dividend of 32 cents (2015 – 30) per ordinary share, amounts to a total dividend for the year of 82 cents (2016 – 30) per ordinary share.

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 September 2017

GROUP BALANCE SHEET

	30 June 2017 R'000	30 June 2016 R'000
ASSETS		
Non-current assets	351 422	367 178
Property, plant and equipment	164 589	176 859
Goodwill and intangible assets	19 217	21 789
Pension fund employer surplus account	39 938	40 263
Deferred income tax assets	127 678	128 267
Current assets	1 498 868	1 332 190
Construction contract work not yet billed	93 158	129 742
Inventories	670 213	584 718
Receivables and other current assets	298 379	332 860
Cash and cash equivalents	437 118	284 870
Total assets	1 850 290	1 699 368
EQUITY AND LIABILITIES		
Equity attributable to ordinary shareholders of ELB	717 821	677 772
Issued capital	109 479	107 702
Treasury shares	(46 737)	(40 417)
Reserves	67 685	81 992
Retained earnings	587 394	528 495
Non-controlling interests	84 408	84 764
Total equity	802 229	762 536
Non-current liabilities	36 176	55 481
Interest bearing borrowings	20 428	35 047
Provision for trade back commitments	-	1 224
Deferred income tax liabilities	15 748	19 210
Current liabilities	1 011 885	881 351
Construction contract liabilities	129 589	186 675
Interest bearing borrowings	59 523	139 018
Payables and other current liabilities	822 773	544 544
Bank overdraft	-	11 114
Total liabilities	1 048 061	936 832
Total equity and liabilities	1 850 290	1 699 368
Net asset value per ordinary share (cents)	2 530	2 374

GROUP STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	30 June 2017 R'000	30 June 2016 R'000
Sales	2 480 497	1 782 718
Operating costs excluding depreciation and amortisation of non-financial assets	(2 342 364)	(2 008 904)
Operating profit/(loss) before depreciation and amortisation of non-financial assets	138 133	(226 186)
Depreciation and amortisation of non-financial assets	(23 368)	(25 000)
Profit/(loss) from operations	114 765	(251 186)
Finance income	17 528	15 661
Finance expense	(12 091)	(15 369)
Profit/(loss) before income tax	120 202	(250 894)
Income tax (expense)/credit	(38 554)	61 944
Profit/(loss) for the year	81 648	(188 950)
Profit/(loss) for the year attributable to:		
Ordinary shareholders of ELB	70 696	(147 584)
Non-controlling interests	10 952	(41 366)
	81 648	(188 950)
Other comprehensive income	(20 450)	24 203
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation reserve adjustments attributable to ordinary shareholders of ELB	(16 753)	24 968
Income tax effect of adjustments	2 298	(3 818)
<i>Items that will not be reclassified to profit or loss</i>		
Non-controlling interests in foreign currency translation adjustments	(2 875)	4 310
Pension fund employer surplus account remeasurements	(3 474)	(2 196)
Aeroplane revaluation surplus increase	(1 424)	1 385
Income tax effect of items that will not be reclassified to profit or loss	1 778	(446)
Total comprehensive income for the year	61 198	(164 747)
Total comprehensive income attributable to:		
Ordinary shareholders of ELB	52 869	(127 167)
Non-controlling interests	8 329	(37 580)
	61 198	(164 747)
Earnings per share		
Basic earnings per share (cents)	247,3	(516,4)
Diluted basic earnings per share (cents)	247,2	(515,9)
Headline earnings per share (cents)	243,2	(519,4)
Diluted headline earnings per share (cents)	243,1	(518,8)

GROUP STATEMENT OF CHANGES IN EQUITY

	30 June 2017 R'000	30 June 2016 R'000
Opening balance	762 536	986 239
Total comprehensive income for the year	61 198	(164 747)
Profit/(loss) for the year	81 648	(188 950)
Other comprehensive income	(20 450)	24 203
Total (distributions to)/contributions by owners	(13 882)	(36 032)
Ordinary dividends paid	(9 176)	(27 804)
Distributions to non-controlling interests	(1 207)	(3 695)
Equity settled share options expense	1 808	8
ELB ordinary shares acquired and held as treasury shares	(7 569)	(6 023)
Treasury shares paid up and released to participants	2 262	1 482
Changes in ownership interests in subsidiaries		
Acquisition of non-controlling interests	(7 623)	(22 924)
Closing balance	802 229	762 536
Comprising:		
Issued capital	109 479	107 702
Treasury shares	(46 737)	(40 417)
Reserves	67 685	81 992
Retained earnings	587 394	528 495
Equity attributable to ordinary shareholders of ELB	717 821	677 772
Non-controlling interests	84 408	84 764
Total equity	802 229	762 536

GROUP STATEMENT OF CASH FLOWS

	30 June 2017 R'000	30 June 2016 R'000
Operating activities		
Net cash inflow/(outflow) from operating activities before dividends and distributions paid	208 411	(44 807)
Dividends and distributions paid	(10 383)	(31 499)
Cash inflow/(outflow) from operating activities	198 028	(76 306)
Cash outflow from investing activities	(12 899)	(8 421)
Cash outflow from financing activities	(13 921)	(18 978)
Increase/(decrease) in cash and cash equivalents	171 208	(103 705)
Cash and cash equivalents at the beginning of the year	273 756	366 412
Effect of exchange rate movements on cash balances	(7 846)	11 049
Cash and cash equivalents at the end of the year	437 118	273 756

SEGMENT INFORMATION

	Total R'000	Equipment R'000	Engineering Services R'000	Australasia R'000	Central R'000	Consolidation and elimination R'000
Year ended 30 June 2017						
Sales						
External sales	2 480 497	875 228	1 151 224	454 022	23	–
Inter-segment sales	–	1 633	531	–	22 421	(24 585)
As reported in profit or loss	2 480 497	876 861	1 151 755	454 022	22 444	(24 585)
Profit/(loss) before income tax	120 202	86 343	15 341	29 599	(3 631)	(7 450)
Assets	1 850 290	892 212	568 855	377 910	99 514	(88 201)
Liabilities	1 048 061	470 339	472 185	171 367	19 377	(85 207)
Year ended 30 June 2016						
Sales						
External sales	1 782 718	685 868	761 053	335 785	12	–
Inter-segment sales	–	921	–	–	21 444	(22 365)
As reported in profit or loss	1 782 718	686 789	761 053	335 785	21 456	(22 365)
(Loss)/profit before income tax	(250 894)	1 576	(235 193)	500	(9 561)	(8 216)
Assets	1 699 368	759 185	566 931	336 970	108 687	(72 405)
Liabilities	936 832	382 630	467 822	129 714	22 947	(66 281)

HEADLINE EARNINGS, SHARES IN ISSUE AND PER SHARE MEASUREMENTS

	30 June 2017 R'000	30 June 2016 R'000
CALCULATION OF HEADLINE EARNINGS		
Profit/(loss) attributable to ordinary shareholders of ELB	70 696	(147 584)
Less: Items excluded from headline earnings as detailed below:		
	1 166	847
Profit on disposal of plant and equipment	1 942	1 399
Income tax effect on profit on disposal of plant and equipment	(571)	(402)
Non-controlling interests in profit on disposal of plant and equipment	(205)	(150)
Headline earnings	69 530	(148 431)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES IN ISSUE ('000)		
Number of shares in issue at the beginning of the year	35 824	35 824
Less: Effect of treasury shares in Group entities at the beginning of the year	(7 270)	(7 112)
Basic number of shares in issue at the beginning of the year	28 554	28 712
Weighted average effect of changes during the year		
ELB ordinary shares acquired and held as treasury shares	(61)	(156)
Treasury shares released to incentive scheme participants	94	22
Weighted average number of shares in issue	28 587	28 578
Effect of outstanding share options	13	31
Diluted weighted average number of shares in issue	28 600	28 609
BASIC NUMBER OF SHARES IN ISSUE AT THE END OF THE YEAR		
Ordinary shares in issue ('000's)	32 519	35 824
Less: Treasury shares in issue ('000's)	(4 151)	(7 270)
Ordinary shares in issue on which net asset value per ordinary share is calculated	28 368	28 554
Earnings per ordinary share (cents)		
- basic	247,3	(516,4)
- diluted	247,2	(515,9)
Headline earnings per ordinary share (cents)		
- basic	243,2	(519,4)
- diluted	243,1	(518,8)
Net asset value per ordinary share (cents)	2 530	2 374
Dividends declared for the year per ordinary share (cents)	82	30

NOTES

BASIS OF PREPARATION AND ACCOUNTING POLICIES

The summarised Group financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for provisional reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require provisional reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: Interim Financial Reporting.

The accounting policies applied in the preparation of the Group financial statements from which the summarised financial statements were derived are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous Group financial statements.

No new, revised or amended accounting standards or interpretations were adopted in the current year that had a material impact on the financial statements.

RELATED PARTY TRANSACTIONS

Group entities entered into various sale and purchase transactions with related parties in the Group in the ordinary course of business, the nature of which was consistent with those previously reported. All transactions and balances with these related parties have been eliminated in the consolidated results.

ELB Engineering Services Proprietary Limited, a subsidiary in the Group, acquired the non-controlling interests in its subsidiary, ELBCON Proprietary Limited for an amount of R8 million, effective from 1 July 2016.

FAIR VALUES

The ELB Group measures foreign currency forward exchange contracts at fair value using inputs as described in Level 2 of the fair value hierarchy. The fair values for foreign currency forward exchange contracts are based on quotes from brokers. Similar contracts are traded in an active market and the quotes reflect the actual transactions on similar instruments. All other financial assets or liabilities carrying values approximate their fair values based on the nature or maturity period of the financial instrument. There were no transfers between Levels 1, 2 or 3 of the fair value hierarchy during the period.

CAPITAL EXPENDITURE INCURRED AND FUTURE CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure of R18.4 million (2016: R11.8 million) was incurred during the year on property, plant and equipment. There were no material capital expenditure commitments at 30 June 2017. At 30 June 2016, there were capital expenditure commitments amounting to R2.7 million for the acquisition of office and computer equipment.

CONTINGENCIES

The Group operates in the engineering contracting business and is exposed to the risks associated with engineering contracts which does from time to time include the need to resolve disputes by way of mediation, arbitration and if need be, litigation. These risks are managed on the basis of limited liability and appropriate insurances.

FINANCIAL PREPARATION AND INDEPENDENT AUDIT

This summary report is extracted from audited information, but is not itself audited. The financial statements were audited by KPMG Inc., who expressed an unmodified opinion thereon. The audited financial statements and the auditor's report thereon are available for inspection at the Company's registered office. The directors take full responsibility for the preparation of the provisional report and the financial information has been correctly extracted from the underlying financial statements. The preparation of the Group financial statements from which the summarised financial statements were derived was supervised by the group financial director, Michael Easter CA(SA).

POST BALANCE SHEET EVENTS

There were no significant events arising between the end of the financial year and the date of these financial statements which materially affect the financial position or results of the Group or Company.

FINAL CASH DIVIDEND DECLARATION

ORDINARY DIVIDEND NUMBER 138

The directors have declared a final cash dividend of 50 cents per share on the Company's ordinary shares for the year ended 30 June 2017. The following additional information is given in respect of the dividend.

- The dividend has been declared out of income reserves
- The South African dividend withholding tax rate is 20%
- ELB Group Limited's registration number is: 1930/002553/06
- ELB Group Limited's income tax reference number is: 9275151711
- The gross dividend is 50 cents per ordinary share for ordinary shareholders exempt from the dividend tax
- The net dividend is 40,00 cents per ordinary share for ordinary shareholders not exempt from the dividend withholding tax
- ELB Group Limited has 32 518 579 ordinary shares in issue, of which 4 151 152 were treasury shares at 30 June 2017.

Last day to trade <i>cum</i> dividend on the JSE	Tuesday, 17 October 2017
First trading day <i>ex</i> dividend on the JSE	Wednesday, 18 October 2017
Record date	Friday, 20 October 2017
Payment date	Monday, 23 October 2017

In accordance with the requirements of Strate Limited, shares may not be dematerialised or rematerialised between Wednesday, 18 October 2017 and Friday, 20 October 2017, both days inclusive.

By order of the Board

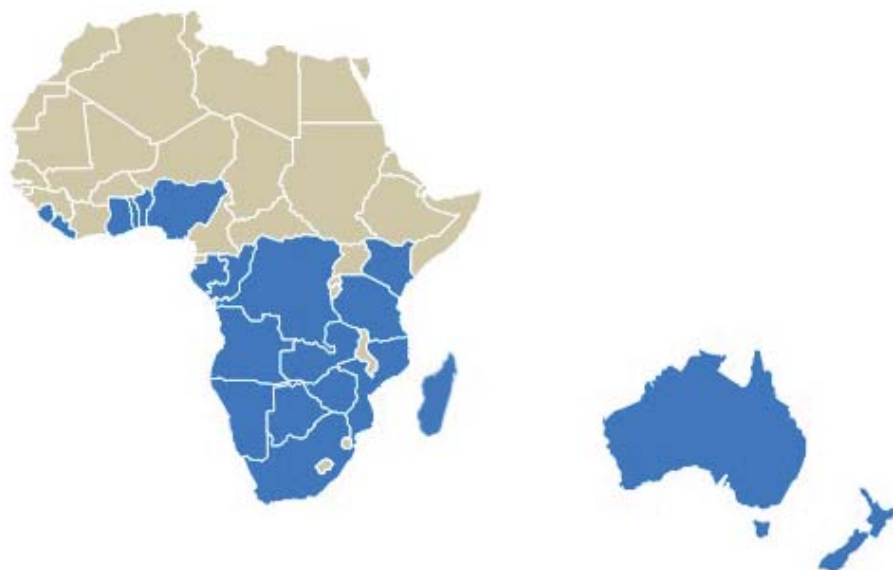
Elbex Proprietary Limited

Company secretary

Boksburg

19 September 2017

THE ELB EXPERIENCE



ENGINEERED TO DELIVER





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

Computershare Investor Services Proprietary Limited
2nd Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196
(PO Box 61051, Marshalltown, 2107)

Sponsor

Questco Corporate Advisory Proprietary Limited
1st Floor, Yellowwood House, Ballywoods Office Park
33 Ballyclare Drive, Bryanston, 2191

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

Release date

The audited group summarised provisional report was released on 20 September 2017.