

ELB GROUP LIMITED

Incorporated in the Republic of South Africa
(Registration number 1930/002553/06)
ISIN: ZAE000035101
JSE Code: ELR
("ELB" or "the Company")



TRADING STATEMENT AND UPDATE FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Trading Statement

In compliance with paragraph 3.4(b)(i) of the Listings Requirements of the JSE Limited ("**Listings Requirements**"), companies are required to publish a trading statement as soon as they become reasonably certain that the financial results for the current period to be reported on will differ by at least 20% from those reported in the previous corresponding reporting period.

As described below, the Company's financial results for the year ended 30 June 2020 ("**Current Period**") have been impacted by the depressed trading environment which has been exacerbated by COVID-19. Accordingly, the ELB board of directors ("**Board**") is reasonably certain that the earnings per share ("**EPS**") and headline earnings per share ("**HEPS**") in respect of ELB group for the Current Period will be more than 20% lower than the equivalent period in the previous year. A further trading statement will be issued when there is a greater degree of certainty as to the range within which the ELB group's EPS and HEPS will decrease.

COVID-19 Impact

ELB was deeply saddened by the passing of two employees as a result of COVID-19 related health complications. The two employees had a collective 46 years' service with ELB.

The Company continues to closely monitor the latest guidance from the health authorities. Management is monitoring the situation closely and has put safety protocols in place in order to prevent and minimise infections and transmissions to our employees and customers. The Company has provided clear and defined communication to its employees to protect their health and wellbeing.

COVID-19 has caused a disruption to ELB's customers which has resulted in considerable reductions in trading volumes and profits for ELB Equipment and, prior to the effective date of disposal, for ELB Australasia. It is uncertain how long it will take for sales levels to return to their pre-lockdown levels. The Company has therefore had to implement measures and make difficult decisions in finding a balance between protecting jobs, preserving cash and sustaining liquidity. These include, but are not limited to:

- a Section 189 of the Labour Relations Act 66 of 1995 retrenchment process in order to reduce the cost base of ELB Equipment for an expected reduction in trading/turnover levels going forward;
- suspending any capital expenditure not contractually committed to unless determined to be critical to the operations of ELB;
- the review and reduction of all discretionary and non-critical operating expenditure;
- providing administrative support to employees whose remuneration has been negatively affected and who qualify for government or Unemployment Insurance Fund relief; and
- where possible, securing commitments on banking facilities with ELB's bankers.

Engineering Services Update

On 8 January 2020, ELB informed its shareholders via an announcement published on the JSE's Stock Exchange News Service ("**SENS**") that it would be undertaking a restructuring of its Engineering Services business; a downsizing of its head office function; and the sale of its Australasian segment (collectively referred to as "**the Initiatives**"). The Initiatives have subsequently all been implemented.

Despite the successful conclusion of the Initiatives, ELB Engineering Services (Pty) Ltd's ("**ELBES**") new business forecasts did not materialise. This placed unsustainable funding requirements on the ELB group and a decision was therefore made that the ELB group could no longer support ELBES. The ELBES board of directors therefore resolved to proceed with placing ELBES under business rescue in terms of Chapter 6 of the Companies Act, Act 71 of 2008. The required resolutions were filed and Daniel Terblanche was appointed as the business rescue practitioner. Shareholders were informed of this via an announcement published on SENS on 06 April 2020.

The Gamsberg Zinc project achieved operational completion on 20 January 2020. Performance guarantee testing was expected to commence and be completed on or before 31 March 2020 but was suspended as a result of a plant shut down due to the COVID-19 pandemic. The ELB group maintains a strong and positive working relationship with the client and continues to work diligently with the client to improve plant performance and to ensure successful performance guarantee testing and handover.

ELBES's filing for business rescue has necessitated a revision of the contracting model relating to the Ngodwana Energy Project in order to reflect ELBES's reduced ability to contribute to the project. ELBES is engaged with KC Cottrell, its 55.5% consortium partner, in order to revise the consortium agreement to reflect the change in rights, duties and responsibilities between the consortium partners.

Project delays as a result of the COVID-19 pandemic are expected to impact on the delivery schedule of the Ngodwana Energy Project and as a consequence, additional costs and delay penalties may be incurred. Despite ELBES's reduced participation, the consortium partners remain jointly and severally liable for the execution of the project. Management continues to engage with the project client and with KC Cottrell to mitigate any potential delays.

As disclosed in the June 2019 Integrated Annual Report (Note 35), the ELB group has historically made use of various guarantee facilities granted by banks and insurance companies for the issuing of advance payment, performance and retention payment guarantees in relation to projects undertaken by ELBES. ELB has provided certain guarantees to third parties in respect of the due performance by ELBES for its obligations under ongoing contracts. As at 30 June 2020, guarantees totalling R496m remain in issue.

As ELBES has been placed under business rescue, the underlying clients' rights in relation to these guarantees remain reserved, however, ELBES continues to work diligently and constructively to complete or exit its existing contracts. The associated guarantee liabilities at 30 June 2020 are therefore reflected as nil as none of the existing guarantees have been presented for payment.

The financial results on which this trading statement and update is based have not been reviewed or reported on by the Company's external auditors. It is anticipated that the financial results for the Current Period will be published on or about 8 September 2020.

By order of the Board

Johannesburg
13 August 2020

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