UNAUDITED INTERIM RESULTS FOR THE PERIOD ENDED 31 AUGUST 2009

ERBACON

16% increase in revenue

24% increase in profit after tax

18% increase in headline earnings per share

CONDENSED GROUP INCOME STATEMENT

Figures in Rand		Unaudited Six months 31 August 2009	Unaudited Six months 31 August 2008	Audited Full year 28 February 2009
Revenue		395 145 723	341 802 543	720 956 601
Cost of sales		(329 621 308)	(292 803 735)	(608 133 909)
Gross profit		65 524 415	48 998 808	112 822 692
Other income		692 955	1 300 398	664 694
Administrative and operating expenses		(22 328 925)	(16 175 294)	(40 828 549)
Operating profit		43 888 445	34 123 912	72 658 837
Finance income		3 431 141	2 847 789	5 403 793
Finance costs		(1 965 480)	(1 529 674)	(3 594 246)
Profit before taxation		45 354 106	35 442 027	74 468 384
Taxation		(13 736 223)	(9 923 767)	(21 024 940)
Profit for the period		31 617 883	25 518 260	53 443 444
Reconciliation of headline earnings:				
Profit attributable to ordinary shareholders		31 617 883	25 518 260	53 443 444
Adjustments for non-trading items:				
Profit on disposal of plant and equipment		(498 928)	(936 287)	(696 591)
Headline earnings		31 118 955	24 581 973	52 746 853
Earnings per share				
Basic	(cents)	23,24	20,15	40,64
Diluted	(cents)	23,24	20,15	40,64
Headline earnings per share				
Basic	(cents)	22,87	19,41	40,11
Diluted	(cents)	22,87	19,41	40,11
Weighted average number of shares in issue		136 073 694	126 654 660	131 517 332

CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Figures in Rand	Unaudited Six months 31 August 2009	Unaudited Six months 31 August 2008	Audited Full year 28 February 2009
Profit for the period	31 617 883	25 518 260	53 443 444
Total comprehensive income attributable to ordinary shareholders	31 617 883	25 518 260	53 443 444

CONDENSED GROUP CASH FLOW STATEMENT

Figures in Rand	Unaudited Six months 31 August 2009	Unaudited Six months 31 August 2008	Audited Full year 28 February 2009
Cash receipts from customers	351 314 183	286 367 551	694 447 373
Cash paid to suppliers and employees	(323 443 666)	(271 317 176)	(604 529 633)
Cash generated from operations	27 870 517	15 050 375	89 917 740
Net finance income	1 465 661	1 318 115	1 809 547
Dividends paid	(7 524 175)	–	–
Tax paid	(10 247 835)	(4 869 126)	(17 718 495)
Other non-cash items	491 118	–	572 971
Net cash from operating activities	12 055 286	11 499 364	74 581 763
Purchase of property, plant and equipment	(3 435 737)	(16 905 084)	(25 879 706)
Proceeds on disposal of property, plant and equipment	226 860	1 345 788	1 880 359
Purchase of plant for hire	(17 669 390)	(26 252 591)	(40 369 478)
Proceeds on disposal of plant for hire	2 643 798	2 492 439	5 006 705
Net cash from investing activities	(18 234 469)	(39 319 448)	(59 362 120)
Net proceeds on share issue	–	(123 743)	–
Borrowings (repaid)/raised	(2 861 817)	800 604	(319 658)
Net cash from financing activities	(2 861 817)	676 861	(319 658)
Net movement in cash and cash equivalents	(9 041 000)	(27 143 223)	14 899 985
Cash and cash equivalents at the beginning of the year	57 303 643	42 403 658	42 403 658
Cash and cash equivalents at the end of the year	48 262 643	15 260 435	57 303 643

CONDENSED GROUP BALANCE SHEET

Figures in Rand		Unaudited 31 August 2009	Unaudited 31 August 2008	Audited 28 February 2009
ASSETS				
Non-current assets				
Plant for hire		75 186 692	61 997 883	66 986 191
Property, plant and equipment		35 681 491	32 279 325	36 900 573
Goodwill		52 822 314	54 264 143	52 822 314
Deferred tax assets		–	538 012	173 737
		163 690 497	149 079 363	156 882 815
Current assets				
Inventories		24 814 764	12 037 847	31 024 552
Trade and other receivables		172 026 646	163 800 206	128 195 106
Cash and cash equivalents		48 262 643	15 260 435	57 303 643
		245 104 053	191 098 488	216 523 301
TOTAL ASSETS		408 794 550	340 177 851	373 406 116
EQUITY AND LIABILITIES				
Equity				
Share capital and share premium		293 919 518	295 356 150	293 919 518
Common control deficit		(177 246 106)	(177 246 106)	(177 246 106)
Share-based payments reserve		1 064 089	–	572 971
Retained earnings		118 209 452	66 190 560	94 115 744
		235 946 953	184 300 604	211 362 127
Non-current liabilities				
Borrowings		15 425 371	15 698 627	16 558 854
Deferred tax liabilities		1 097 632	3 251 451	986 713
		16 523 003	18 950 078	17 545 567
Current liabilities				
Borrowings		5 584 442	9 293 265	7 312 776
Current income tax liability		19 044 137	15 127 427	15 840 405
Trade and other payables		131 696 015	112 506 477	121 345 241
		156 324 594	136 927 169	144 498 422
TOTAL EQUITY AND LIABILITIES		408 794 550	340 177 851	373 406 116
Total number of shares in issue (net of treasury shares)		136 073 694	136 803 175	136 073 694
Net asset value per share	(cents)	173,40	134,72	155,33

Notes to the condensed Group financial statements

1. **Basis of preparation**

The financial information has been prepared in accordance with, and containing the information required by IAS 34 Interim Financial Reporting, International Financial Reporting Standards ('IFRS'), the International Financial Reporting Interpretations Committee ('IFRIC') interpretations adopted by the International Accounting Standards Board ('IASB'), the Listing Requirements of the JSE Limited, and the Companies Act of South Africa. The financial information has been prepared under the historical cost convention. The accounting policies are consistent with those used in preparation of the Group's 2009 annual financial statement.

The following new standards and amendments to standards, that are applicable to the Group, were adopted during the current financial year:

- IAS 1 (revised) Presentation of Financial Statements. This standard requires non-owner changes in equity to be presented separately from owner changes in equity in a separate performance statement. In terms of this standard, entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The Group has elected to present two performance statements.
- IFRS 8 Operating Segments. IFRS 8 replaces IAS 14 Segment Reporting. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes.

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

Figures in Rand	Share capital	Share premium	Total share capital and premium	Share-based payments reserve	Common control deficit	Shares to be issued	Retained earnings	Total equity
Balance at 1 March 2007	969 450	192 860 850	193 830 300	–	(177 246 106)	–	8 992 139	25 576 333
Profit for the financial period	–	–	–	–	–	–	31 680 161	31 680 161
Issue of shares	194 194	53 268 757	53 462 951	–	–	–	–	53 462 951
Share issue expenses	–	(2 910 391)	(2 910 391)	–	–	–	–	(2 910 391)
Acquisition of subsidiary	–	–	–	–	–	51 097 033	–	51 097 033
Balance at 29 February 2008	1 163 644	243 219 216	244 382 860	–	(177 246 106)	51 097 033	40 672 300	158 906 087
Profit for the financial period	–	–	–	–	–	–	25 518 260	25 518 260
Issue of shares	204 388	50 892 645	51 097 033	–	–	(51 097 033)	–	–
Share issue expenses	–	(123 743)	(123 743)	–	–	–	–	(123 743)
Balance at 31 August 2008	1 368 032	293 988 118	295 356 150	–	(177 246 106)	–	66 190 560	184 300 604
Profit for the financial period	–	–	–	–	–	–	27 925 184	27 925 184
Share issue expenses	–	25 978	25 978	–	–	–	–	25 978
Treasury shares	(7 295)	(1 455 315)	(1 462 610)	–	–	–	–	(1 462 610)
Value of employee services	–	–	–	572 971	–	–	–	572 971
Balance at 28 February 2009	1 360 737	292 558 781	293 919 518	572 971	(177 246 106)	–	94 115 744	211 362 127
Profit for the financial period	–	–	–	–	–	–	31 617 883	31 617 883
Dividends	–	–	–	–	–	–	(7 524 175)	(7 524 175)
Value of employee services	–	–	–	491 118	–	–	–	491 118
Balance at 31 August 2009	1 360 737	292 558 781	293 919 518	1 064 089	(177 246 106)	–	118 209 452	235 946 953

CONDENSED GROUP SEGMENTAL REPORT

Business segment	Civils Construction Six months Unaudited 31 August 2009	Civils Construction Six months Unaudited 31 August 2008	Small Plant and Formwork Six months Unaudited 31 August 2009	Small Plant and Formwork Six months Unaudited 31 August 2008	Commercial and Industrial Building Six months Unaudited 31 August 2009	Commercial and Industrial Building Six months Unaudited 31 August 2008	Services Six months Unaudited 31 August 2009	Services Six months Unaudited 31 August 2008	Total Group Six months Unaudited 31 August 2009	Total Group Six months Unaudited 31 August 2008
Segment revenue and result										
Revenue										
Total segment sales	270 279 211	79 568 583	48 311 489	45 907 165	137 570 736	219 863 240	2 988 000	1 800 000	459 149 436	347 138 988
Less: Intersegment sales	–	–	(3 979 525)	(3 536 445)	(57 036 188)	–	(2 988 000)	(1 800 000)	(64 003 713)	(5 336 445)
Total revenue	270 279 211	79 568 583	44 331 964	42 370 720	80 534 548	219 863 240	–	–	395 145 723	341 802 543
Result										
Operating profit	29 022 229	10 580 793	12 506 026	11 046 977	4 282 479	13 965 886	(1 922 289)	(1 469 744)	43 888 445	34 123 912
Finance income	1 412 587	1 747 703	387 068	68 115	1 299 333	468 810	332 153	563 161	3 431 141	2 847 789
Finance costs	(64 263)	(125 045)	(1 718 673)	(1 109 129)	(182 531)	(268 104)	(13)	(27 396)	(1 965 480)	(1 529 674)
Profit before taxation	30 370 553	12 203 451	11 174 421	10 005 963	5 399 281	14 166 592	(1 590 149)	(933 979)	45 354 106	35 442 027
Segment assets and liabilities										
Assets	147 857 030	71 672 311	133 125 451	100 859 121	127 371 147	103 062 780	440 922	64 583 639	408 794 550	340 177 851
Liabilities	(77 451 024)	(38 650 723)	(30 521 943)	(40 941 645)	(63 344 172)	(75 529 943)	(1 530 458)	(754 936)	(172 847 597)	(155 877 247)
Other information										
Capital additions	1 776 065	1 775 391	18 923 085	39 542 423	394 507	1 716 911	11 470	122 950	21 105 127	43 157 675
Depreciation	967 663	792 594	9 072 343	6 580 294	1 628 896	1 412 024	21 426	17 060	11 690 328	8 801 972

COMMENTARY

Overview

The Group recorded another satisfactory six-month period of trading as profits after tax increased by 24% at 31 August 2009, on a 16% increase in revenue. Reduced activity at the Commercial and Industrial Building division was substantially compensated for by a 240% year-on-year revenue growth from the Civils Construction division.

Basic earnings per share increased by 15,3% from 20,15 cents per share to 23,24 cents per share, and headline earnings per share increased by 17,8% from 19,41 cents per share to 22,87 cents per share. These earnings are stated after taking into account a 7,4% increase in the weighted average number of shares in issue during the reporting period.

FINANCIAL REVIEW

Consolidated income statement

Group revenue increased by 16% to reach R395,1 million (2008: R341,8 million) with the Civils Construction division, represented by Erbacon Construction, contributing 68% of total Group revenue as compared to 23% for the period ended 31 August 2008. In the prior period the major contributor had been Armstrong Construction of the Commercial and Industrial Building division, which accounted for 64% of Group revenue, and has now dropped to 20% of Group revenue. The diversification provided by Erbacon's three primary segments, Civils Construction, Commercial and Industrial Building and Small Plant and Formwork, therefore remains important to the Group. The Group is not involved in any residential sector projects.

Erbacon Construction invoiced R270,3 million for the period under review (2008: R79,6 million), which included several freeway upgrade projects and work on two soccer stadium contracts in KwaZulu-Natal. Armstrong Construction still managed to attract a useful base load of contracts amounting to R137,6 million (2008: R219,9 million).

The branch expansion initiatives undertaken in the prior period by the Small Plant and Formwork division was partially offset by a rationalisation of certain other sites, culminating in a 5% year-on-year increase in revenue to R48,3 million (2008: R45,9 million). However, the revenue opportunities that were presented as a result of the electricity blackouts in the first half of 2008 were not repeated during the current period under review.

Operating profits increased by a pleasing 28,6% to R43,9 million (2008: R34,1 million) as Small Plant and Formwork rectified several productivity issues resulting in improved margins. Armstrong Construction managed to maintain contract margins at the gross profit level in a very competitive national sector, but its overhead to revenue ratio was elevated. Erbacon Construction produced a record profit for a six-month period, booking satisfactory margins on their significantly increased activity.

Although consolidated administrative and operating expenses increased to 5,7% of revenue (2008: 4,7%), costs were appropriately contained, resulting in an operating profit margin of 11,1%, which surpassed the operating profit margin of 10% achieved in each half of the prior year.

Net profit after tax increased 24% to R31,6 million (2008: R25,5 million), assisted by continued net interest receipts. The effective tax rate increased to 30% (2008: 28%) after accounting for STC on the maiden dividend.

Consolidated balance sheet and cash flow

Total assets increased to R408,8 million (2008: R340,2 million). The acquisition of property, plant and equipment amounted to only R3,4 million as compared to the R16,9 million outlay in the prior period when several properties for Small Plant and Formwork were obtained. Plant for hire additions at R17,7 million were also curtailed (2008: R26,2 million) and expenditure over the following trading session will also be restricted.

Net working capital (comprising trade receivables and payables, plus inventories) increased only marginally as cash and cash equivalents ended the period at R48,3 million (2008: R15,3 million). Cash generated from operating activities amounted to R12,1 million (2008: R11,5 million) after the settlement of an increased tax liability and the payment of the maiden dividend on 26 June 2009. The Group balance sheet remains in a healthy and un-geared position.

Outlook

The combined forward order book is currently in excess of R650 million. Erbacon remains optimistic that the public sector infrastructure spend, initiated by government, will maintain sizeable momentum over the medium to longer term. Whilst the base load of infrastructure related projects and opportunities remains positive for the civil construction sector, the well documented global financial crisis has affected local commercial building ventures, particularly in the private sector, as funding constraints and concerns over the short to medium term of the robustness of the regional economy has resulted in a lesser number of plans being converted into new-builds.

However, Erbacon's confidence is evident by virtue of its intent to expand its geographic footprint into civil construction outside of its traditional KwaZulu-Natal base with the anticipated acquisition of Gauteng-based Civcontract Civils (Pty) Limited ('Civcon'), and the entry of Medu Capital (Pty) Limited ("Medu Capital") as Erbacon's BEE financing partner.

As stated before, confidence levels post 2010 will be maintained or increased only if government, in particular, keeps to their infrastructure spend programme.

Dividend

No dividend is declared for the interim period ended 31 August 2009 (2008: nil). It is the intention of Erbacon to pay shareholders an annual final dividend.

Shareholders are, however, referred to the Circular to shareholders dated 28 October 2009 ('the Circular'), described more fully below, whereby a notice was given that an interim dividend number 2 of 21,93 cents per share was declared on 28 October 2009 to ordinary shareholders, which payment is subject to the fulfilment of all suspensive conditions to the transaction with Civcon and Medu Capital ("the transaction"). Shareholders will be advised of the distribution timetable on fulfilment of all suspensive conditions to the transaction.

Circular to shareholders dated 28 October 2009

In the announcements to Erbacon shareholders, released on SENS on 22 September 2009, and 28 October 2009, shareholders were advised that:

a) Erbacon had entered into an agreement, on 21 September 2009, with the Civcon vendors in terms of which Erbacon would acquire all the shares in the issued share capital of and all claims on shareholders' loan account against Civcon from the Civcon vendors;

b) Erbacon had also entered into a share subscription agreement, on 21 September 2009, with Medu Capital in terms of which Medu Capital, on behalf of its funds under management, will subscribe for 67 410 000 fully paid-up convertible, redeemable and participating preference shares at an issue price of R1,68 per preference share. Immediately following the Erbacon preference share issue, Medu Capital, as Erbacon's BEE financing partner, will have an economic interest of approximately 29,41% in Erbacon, which will enhance Erbacon's overall BEE ownership status.

Following the issue of the Circular to shareholders on 28 October 2009, shareholders are advised that a general meeting of Erbacon shareholders will be held at 10:00 on Thursday, 19 November 2009 at the registered office of Erbacon in order to consider and, if deemed fit, pass with or without modification, the ordinary and special resolutions required to give effect to the transaction.

For and on behalf of the board

A Dawson — *Chairman*

DB Erskine — *Chief Executive Officer*

Durban
29 October 2009

ERBACON INVESTMENT HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 2007/014490/06)
JSE code: ERB ISIN: ZAE000111571
("Erbacon" or "the company" or "the Group")

Directors: David Graham Armstrong, Sydney Mark Hedley*, Frans Petrus Boraine, Johan Holtzhausen*, Robin Kevin Braithwaite, Samara Totaram#, Alan Dawson *(Chairman)*#, Wayne Michael Ric-Hansen, David Boyd Erskine *(CEO)* **Non-executive* *#Independent non-executive*

Company secretary: Robin Kevin Braithwaite

Registered office: 2 Montreal Road, Glen Anil, 4051

Telephone: +27 31 569 2866

Website: http://www.erbacon.co.za

Auditor: PricewaterhouseCoopers Inc

Designated advisor: Questco Sponsors (Proprietary) Limited

Corporate advisor: PSG Capital (Proprietary) Limited