

Raubex Group Limited
(Incorporated in the Republic of South Africa)
Registration number 2006/023666/06
Share Code: RBX
ISIN Code: ZAE000093183
("Raubex" or the "Group")

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 AUGUST 2010

HIGHLIGHTS

- Revenues up 10,7% to R2,52 billion (H1 2010: R2,27 billion)
- Operating profit down 6,6% to R411,2 million (H1 2010: R440,2 million)
- HEPS down 7,4% to 147,6 cents per share (H1 2010: 159,4 cents per share)
- Cash flow from operations down 13,5% to R403,8 million (H1 2010: R466,6 million)
- Capex spend of R119,7 million (H1 2010: R164,6 million)
- Stable order book of R4,7 billion (H1 2010: R5,2 billion)
- Interim dividend of 32 cents per share

Francois Diedrehsen, Financial and Commercial Director of Raubex Group, said: *"The first half of the year was challenging for Raubex and marked by a strong increase in competition for road contracts. Notwithstanding this, we are pleased with what has been achieved, including maintaining a stable order book since the year end.*

Whilst the general construction and residential market remains weak, government is committed to essential infrastructure build-up and this bodes well for Raubex over the long-term in South Africa.

Looking ahead, we expect difficult conditions to prevail in the next year and management will continue to assess various opportunities to diversify long-term revenue streams, including the exploration of geographies beyond southern Africa."

8 November 2010

ENQUIRIES

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COMMENTARY

FINANCIAL OVERVIEW

Revenue increased 10,7% to R2,52 billion whilst operating profit decreased 6,6% to R411,2 million from the corresponding prior period as a result of increased competition in the road construction industry.

Profit before tax decreased 5,8% to R404 million.

Earnings per share decreased 8,2% to 148 cents with headline earnings per share decreasing 7,4% to 147,6 cents.

Group operating margin decreased 16% from 19,4% to 16,3% compared to the corresponding prior year period.

The Group generated healthy operating cashflows of R403,8 million before finance charges and taxation.

Capital expenditure on fixed assets to the value of R119,7 million was incurred during the period under review and the Group is focused on optimal fleet utilisation across all business segments.

Net cash outflow for the six months ended 31 August 2010 was R20,7 million with total cash and cash equivalents at the end of the period amounting to R473,9 million.

OPERATIONAL REVIEW

Roadmac

Roadmac is a specialist in light road rehabilitation, the manufacturing and the laying of asphalt, chip and spray, surface dressing, enrichments and slurry seals.

Roadmac remains the largest contributor to Group revenue, contributing 51,4% of total revenue to the Group. The division continues to be supported by a healthy order book, however, performance for the period was impacted by increased competition in the light rehabilitation segment of the business resulting in a decrease in margins.

Revenue for the division increased 37,2% to R1,29 billion (H1 2010: R943,6 million) driven by the increase in demand for asphalt and paving to complete projects in time for the FIFA World Cup as well as the continued strong demand for the division's light rehabilitation services.

Operating profit increased 2% to R202,1 million (H1 2010: R198,2 million) as the increased revenues were offset by the lower operating margins of the current contracts.

The divisional operating margins decreased to 15,6% (H1 2010: 21%) and it is envisaged that there will be continued margin pressure in the second half of the year.

The division incurred capital expenditure of R29,7 million during the period (H1 2010: R42,7 million).

Raubex Construction

Raubex Construction is a road and civil infrastructure construction company focused on the key areas of new road construction (green fields) and heavy road rehabilitation.

Work on the Gauteng Freeway Improvement Project National Route 21 (R21) work package is near to completion and good progress was made on this contract in the run up to the FIFA World Cup.

The environment in which Raubex Construction operates remains very competitive. As a result, only a few new contracts were awarded during the period but recent successful tenders have reflected more favourable margins. These include various contracts awarded in the Free State for the Provincial Government which have ensured a healthy order book for the 2012 financial year.

Internationally, good progress continues to be made on the Namibian contract, with the construction teams now reaching optimal levels of efficiency whilst work in Malawi is well underway. In Zambia, most contracts are nearing completion and management has adopted a cautious approach to tendering for new work as a result of the currency risk exposure and the slow payment from the local Roads Development Agency. Further afield, a Memorandum of Understanding has been signed between Raubex and UB Engineering Limited of India to cautiously begin exploring opportunities relating to the country's growing roads sector.

Revenue for the division decreased 5,9% to R704,3 million (H1 2010: R748,3 million) whilst operating profit was flat at R106,4 million (H1 2010: R105,5 million).

The divisional margins increased to 15,1% (H1 2010: 14,1%).

The division incurred capital expenditure of R28 million during the period (H1 2010: R67,8 million).

Raumix

Raumix is the materials division of the Group with its core focus spread over three areas including contract crushing, production of aggregates for the commercial market and materials handling for the mining industry.

Contract crushing operations experienced reduced activity in the first half of the year having completed some large contracts during the period and they are now tendering in a more competitive environment.

Commercial quarry operations reported stable results for the period and continued to benefit from infrastructure projects in Gauteng. With no signs of recovery in the residential building market and with phase 1 of the Gauteng Freeway Improvement Project near to completion, conditions are set to become more challenging in the short term.

Material handling operations have experienced increased diamond mining activity. Operations in the gold mining sector reported stable results with margin pressure resulting from the inability to pass through some inflationary costs to the client.

Revenue for the division decreased 11% to R517,7 million (H1 2010: R581,4 million) and operating profit by 24,7% to R102,7 million (H1 2010: R136,4 million).

The divisional margins decreased to 19,8% (H1 2010: 23,5%).

The division incurred capital expenditure of R62 million during the period (H1 2010: R54,2 million).

PROSPECTS

Despite the adverse conditions experienced in the first half of the year, the Group has been able to maintain a stable order book at R4,7 billion since year end (H1 2010: R5,2 billion).

In the short-term, trading conditions in the industry will be challenging and the impact of the current pressure on margins will continue to be felt throughout the second half of the year.

The medium and longer term outlook remains positive and the amount of work out on tender is encouraging as the government continues to deliver on its infrastructure development plans.

Tenders for the N1N2 Winelands concession have been submitted with the preferred bidders expected to be announced in early 2011. The awarding of this project is expected to take some capacity out of the market and relieve some of the pressure on new contract margins. The N2 Wild Coast concession project and the second phase of the Gauteng Freeway Improvement Project are gaining momentum with the tender process expected to commence by the end of 2011.

Internationally, new opportunities are constantly being evaluated both in southern Africa and beyond with a view to diversify the Group's long-term revenue streams.

DIVIDEND DECLARATION

The directors have declared an interim cash dividend of 32 cents per share on 8 November 2010. The salient dates for the payment of the dividend are as follows:

Last day to trade cum dividend	Friday, 26 November 2010
Commence trading ex dividend	Monday, 29 November 2010
Record date	Friday, 3 December 2010
Payment date	Monday, 6 December 2010

No share certificates may be dematerialised or rematerialised between Monday, 29 November 2010 and Friday, 3 December 2010, both dates inclusive.

GROUP INCOME STATEMENT	Unaudited 6 months 31 August 2010 R'000	Unaudited 6 months 31 August 2009 R'000	Audited 12 months 28 February 2010 R'000
Revenue	2,516,208	2,273,345	4,582,883
Cost of sales	(1,981,992)	(1,738,795)	(3,508,522)
Gross profit	534,216	534,550	1,074,361
Other income	20,355	3,070	27,327
Other (losses)/gains- net	(19,555)	5,044	3,902
Administrative expenses	(123,787)	(102,481)	(218,327)
Operating profit	411,229	440,183	887,263
Finance income	16,569	21,710	36,837
Finance costs	(23,781)	(32,947)	(65,544)
Share of profit of associate	-	-	20
Profit before income tax	404,017	428,946	858,576
Income tax expense	(128,161)	(133,683)	(266,269)
Profit for the period	275,856	295,263	592,307

Profit for the period attributable to:

Owners of the parent	273,037	294,490	594,643
Non-controlling interest	2,819	773	(2,336)
Basic earnings per share (cents)	148.0	161.3	325.6
Diluted earnings per share (cents)	148.0	159.2	323.6

GROUP STATEMENT OF COMPREHENSIVE INCOME

	Unaudited 6 months 31 August 2010 R'000	Unaudited 6 months 31 August 2009 R'000	Audited 12 months 28 February 2010 R'000
Profit for the period	275,856	295,263	592,307
Other comprehensive income for the period, net of tax			
Currency translation differences	(1,203)	(4,135)	(3,813)
Total comprehensive income for the period	274,653	291,128	588,494
Comprehensive income for the period attributable to:			
Owners of the parent	271,834	290,355	590,830
Non-controlling interest	2,819	773	(2,336)
Total comprehensive income for the period	274,653	291,128	588,494

CALCULATION OF DILUTED EARNINGS PER SHARE	Unaudited 6 months 31 August 2010 R'000	Unaudited 6 months 31 August 2009 R'000	Audited 12 months 28 February 2010 R'000
Profit attributable to equity holders of the parent	273,037	294,490	594,643
Weighted average number of ordinary shares in issue ('000)	184,536	182,624	182,624
<i>Adjustments for:</i>			
Shares deemed issued for no consideration (share options) ('000)	-	2,367	1,144
Weighted average number of ordinary shares for diluted earnings per share ('000)	184,536	184,991	183,768
Diluted earnings per share (cents)	148.0	159.2	323.6

CALCULATION OF HEADLINE EARNINGS PER SHARE	Unaudited 6 months 31 August 2010 R'000	Unaudited 6 months 31 August 2009 R'000	Audited 12 months 28 February 2010 R'000
Profit attributable to equity holders of the parent	273,037	294,490	594,643
<i>Adjustments for:</i>			
(Gain)/loss on sale of plant and equipment	(858)	(4,636)	(7,635)
Impairment of goodwill	-	-	2,271
Total tax effects of adjustments	240	1,298	2,138
Basic headline earnings	272,419	291,152	591,417
Weighted average number of shares ('000)	184,536	182,624	182,624
Headline earnings per share (cents)	147.6	159.4	323.8
Diluted headline earnings per share (cents)	147.6	157.4	321.8

GROUP STATEMENT OF FINANCIAL POSITION	Unaudited 6 months 31 August 2010 R'000	Unaudited 6 months 31 August 2009 R'000	Audited 12 months 28 February 2010 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	1,236,262	1,264,648	1,243,360
Intangible assets	762,626	727,464	723,824
Investment in associate	-	354	324
Deferred income tax assets	34,401	49,349	35,569
Trade and other receivables	639	612	496
Total non-current assets	2,033,928	2,042,427	2,003,573
Current assets			
Inventories	115,508	123,951	123,983
Construction contracts in progress and retentions	244,994	222,564	220,098
Trade and other receivables	1,045,021	776,578	977,675
Current income tax receivable	14,434	5,212	6,412
Cash & cash equivalents	473,926	583,650	494,669
Total current assets	1,893,883	1,711,955	1,822,837
Total assets	3,927,811	3,754,382	3,826,410
EQUITY			
Share capital	1,845	1,826	1,826
Share premium	2,179,613	2,139,632	2,139,632
Other reserves	(1,156,772)	(1,144,823)	(1,139,446)
Retained earnings	1,399,409	1,022,648	1,263,340
Equity attributable to equity holders of the parent	2,424,095	2,019,283	2,265,352
Non-controlling interest	8,819	7,730	4,344
Total equity	2,432,914	2,027,013	2,269,696
Liabilities			
Non-current liabilities			
Borrowings	215,805	317,890	263,906
Provisions for other liabilities and charges	13,614	14,135	12,624
Deferred income tax liabilities	222,356	214,369	206,268
Total non-current liabilities	451,775	546,394	482,798
Current liabilities			
Trade and other payables	707,980	771,988	736,315
Borrowings	252,143	315,940	269,672
Current income tax liabilities	72,752	82,760	67,929
Bank overdrafts	-	10,287	-
Provisions for other liabilities and charges	10,247	-	-
Total current liabilities	1,043,122	1,180,975	1,073,916
Total liabilities	1,494,897	1,727,369	1,556,714
Total equity & liabilities	3,927,811	3,754,382	3,826,410

GROUP STATEMENT OF CASH FLOWS	Unaudited 6 months 31 August 2010 R'000	Unaudited 6 months 31 August 2009 R'000	Audited 12 months 28 February 2010 R'000
Cash flows from operating activities			
Cash generated from operations	403,840	466,573	793,099
Finance income	16,569	21,710	36,837
Finance costs	(23,781)	(32,947)	(65,544)
Dividend received	3,107	-	4,139
Income tax paid	(114,105)	(154,794)	(300,122)
Net cash generated from operating activities	285,630	300,542	468,409
Cash flows from investing activities			
Purchases of property, plant and equipment	(119,725)	(164,631)	(252,357)
Proceeds from sale of property, plant and equipment	15,949	41,078	49,693
Acquisition of subsidiaries	-	(40,438)	(49,887)
Loan repayments received from associates	-	6,500	6,550
Net cash used in investing activities	(103,776)	(157,491)	(246,001)
Cash flows from financing activities			
Proceeds from Borrowings	102,049	142,748	186,060
Repayment of borrowings	(167,678)	(160,988)	(303,429)
Proceeds on disposal of investment	-	-	6,000
Dividends paid to company's shareholders	(136,968)	(127,837)	(191,755)
Dividends paid to non-controlling interests	-	-	(1,004)
Net cash used in financing activities	(202,597)	(146,077)	(304,128)
Net decrease in cash and cash equivalents	(20,743)	(3,026)	(81,720)
Cash and cash equivalents at the beginning of the period	494,669	576,389	576,389
Cash and cash equivalents at the end of the period	473,926	573,363	494,669

GROUP STATEMENT OF CHANGES IN EQUITY	Share Capital R'000	Share premium R'000	Other reserves R'000	Retained earnings R'000	Total attributable to equity holders of the parent company R'000	Non-controlling interest R'000	Total equity R'000
Balance at 1 March 2009	1,826	2,139,632	(1,148,471)	855,995	1,848,982	6,957	1,855,939
Share option reserve	-	-	7,783	-	7,783	-	7,783
Total comprehensive income for the period	-	-	(4,135)	294,490	290,355	773	291,128
Dividends paid	-	-	-	(127,837)	(127,837)	-	(127,837)
Balance at 31 August 2009	1,826	2,139,632	(1,144,823)	1,022,648	2,019,283	7,730	2,027,013
Share option reserve	-	-	5,055	-	5,055	-	5,055
Disposal to non-controlling interest	-	-	-	4,457	4,457	727	5,184
Total comprehensive income for the period	-	-	322	300,153	300,475	(3,109)	297,366
Dividends paid	-	-	-	(63,918)	(63,918)	(1,004)	(64,922)
Balance at 28 February 2010	1,826	2,139,632	(1,139,446)	1,263,340	2,265,352	4,344	2,269,696
Shares to be issued	19	39,981	-	-	40,000	-	40,000
Share option reserve	-	-	(16,123)	-	(16,123)	-	(16,123)
Non-controlling interest on acquisition of subsidiary	-	-	-	-	-	1,656	1,656
Total comprehensive income for the period	-	-	(1,203)	273,037	271,834	2,819	274,653
Dividends paid	-	-	-	(136,968)	(136,968)	-	(136,968)
Balance at 31 August 2010	1,845	2,179,613	(1,156,772)	1,399,409	2,424,095	8,819	2,432,914

GROUP SEGMENTAL ANALYSIS	Aggregate and crusher R'000	Road surfacing and rehabilitation R'000	Road construction and earthworks R'000	Consolidated R'000
Reportable segments				
At 31 August 2010				
Segment revenue - external	517,662	1,294,267	704,279	2,516,208
Segment result (operating profit)	102,745	202,125	106,359	411,229
At 31 August 2009				
Segment revenue - external	581,431	943,593	748,321	2,273,345
Segment result (operating profit)	136,421	198,248	105,514	440,183
At 28 February 2010				
Segment revenue - external	1,020,927	1,976,883	1,585,073	4,582,883
Segment result (operating profit)	218,698	405,414	263,151	887,263
		Local R'000	International R'000	Consolidated R'000
Geographical information				
At 31 August 2010				
Segment revenue - external		2,234,103	282,105	2,516,208
Segment result (operating profit)		392,512	18,717	411,229
At 31 August 2009				
Segment revenue - external		2,067,554	205,791	2,273,345
Segment result (operating profit)		429,928	10,255	440,183
At 28 February 2010				
Segment revenue - external		4,075,849	507,034	4,582,883
Segment result (operating profit)		851,625	35,638	887,263

SHARE CAPITAL	Number of shares '000
Balance at 1 March 2010	182,624
Shares to be issued	
- Purchase price adjustment on acquisition of subsidiaries	1,912
Balance at 31 August 2010	184,536

EMPLOYEE BENEFIT EXPENSE	Unaudited 6 months 31 August 2010 R'000	Unaudited 6 months 31 August 2009 R'000	Audited 12 months 28 February 2010 R'000
Employee benefit expense in the income statement consists of:			
- Salaries, wages and contributions	474,780	406,347	783,023
- Share options granted to employees	1,411	7,783	12,838
Total employee benefit expense	476,191	414,130	795,861

CAPITAL EXPENDITURE AND DEPRECIATION	Unaudited 6 months 31 August 2010 R'000	Unaudited 6 months 31 August 2009 R'000	Audited 12 months 28 February 2010 R'000
Capital expenditure for the period	119,725	164,631	252,357
Depreciation for the period	111,091	111,834	224,959
Amortisation of intangible assets for the period	1,198	1,148	2,280

NOTES

Basis of preparation:

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), IAS34: “Interim Financial Reporting”, the South African Companies Act, as amended, and the JSE Listings Requirements. The principal accounting policies used in the preparation of the unaudited results for the period ended 31 August 2010 are consistent with those applied for the year ended 28 February 2010 and for the unaudited results for the six months ended 31 August 2009 in terms of IFRS.

Business combinations

Muscle Construction (Pty) Ltd

On 1 March 2010 the Group acquired effective control of its dormant associate company, Muscle Construction (Pty) Ltd through a shareholding restructure. The company is now considered to be a subsidiary entity of the Group for purposes of consolidation.

Space Construction (Pty) Ltd and Space Indlela Construction (Pty) Ltd purchase price adjustment

On 10 April 2008 the Group acquired 100% of the share capital of Space Construction (Pty) Ltd and Space Indlela Construction (Pty) Ltd for R50 million. The purchase price is subject to adjustment after expiry of a profit warranty period which ended 31 August 2010 with the total purchase price being limited to a maximum of R90 million. Conditions giving rise to a purchase price adjustment have been met and an additional consideration of R40 million is payable to the sellers. In terms of the purchase agreement this additional consideration will be settled by procuring the allotment and issue to the sellers such number of fully paid up certificated Raubex shares calculated by dividing the additional consideration by the weighted average traded price of the shares of Raubex on the JSE for the 30 day trading period immediately preceding 31 August 2010. This event is considered to be an adjusting post balance sheet event with the resulting increase in share capital, share premium and goodwill as well as the additional ordinary shares to be issued being accounted for as at 31 August 2010.

Employee Share Option Scheme

During the period participants to the Raubex Group share option scheme were offered a cash settlement alternative equivalent to the fair value of the share options vested on 20 March 2010. In terms of IFRS 2 Share-based Payment, this alternative settlement method has resulted in the fair value of the options granted being transferred from the share option reserve account to a financial liability account.

On behalf of the Board:

M C Matjila
Chairman

R J Fourie
Chief Executive Officer

F Diedrehsen
Group Financial & Commercial Director

8 November 2010

Directors:

M C Matjila (Chairman)[#], J E Raubenheimer[#], RJ Fourie, F Diedrechen, F Kenney[#], L Maxwell*
*# Non-executive * Independent non-executive*

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Mrs H E Ernst

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