# GROUP FIVE

*Macquarie First South Presentation - June 2007*

# Forward-Looking Statements

This presentation contains forward-looking information about the company's financial results and estimates, business prospects, projects and products under development that involve substantial risks and uncertainties. You can identify these statements by the use of words such as "anticipate," "estimate," "expect," "project," "intend," "plan," "goals," "believe," and other terms of similar meaning in connection with any discussion of future operating or financial performance. Among the factors that could cause actual results to differ materially are the following:

(1) worldwide economic conditions;
(2) competitive conditions and customer preferences;
(3) foreign currency exchange rates and fluctuations in those rates;
(4) the timing and acceptance of new projects and product offerings;
(5) the availability and cost of purchased components, raw materials and energy due to shortages, increased demand or supply interruptions;
(6) the impact of acquisitions, strategic alliances, divestitures, and other unusual events resulting from portfolio management actions and other evolving business strategies, and possible organizational restructuring;
(7) generating less productivity improvements than estimated; and
(8) legal proceedings. Changes in such assumptions or factors could produce significantly different results. The company assumes no obligation to update any forward-looking statements contained in this presentation as a result of new information or future events or developments.

# Agenda

Who we are & what we do

Our results by division

What influences our future?

Conclusion

# *Who we are & what we do*

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# Highlights of Who We Are

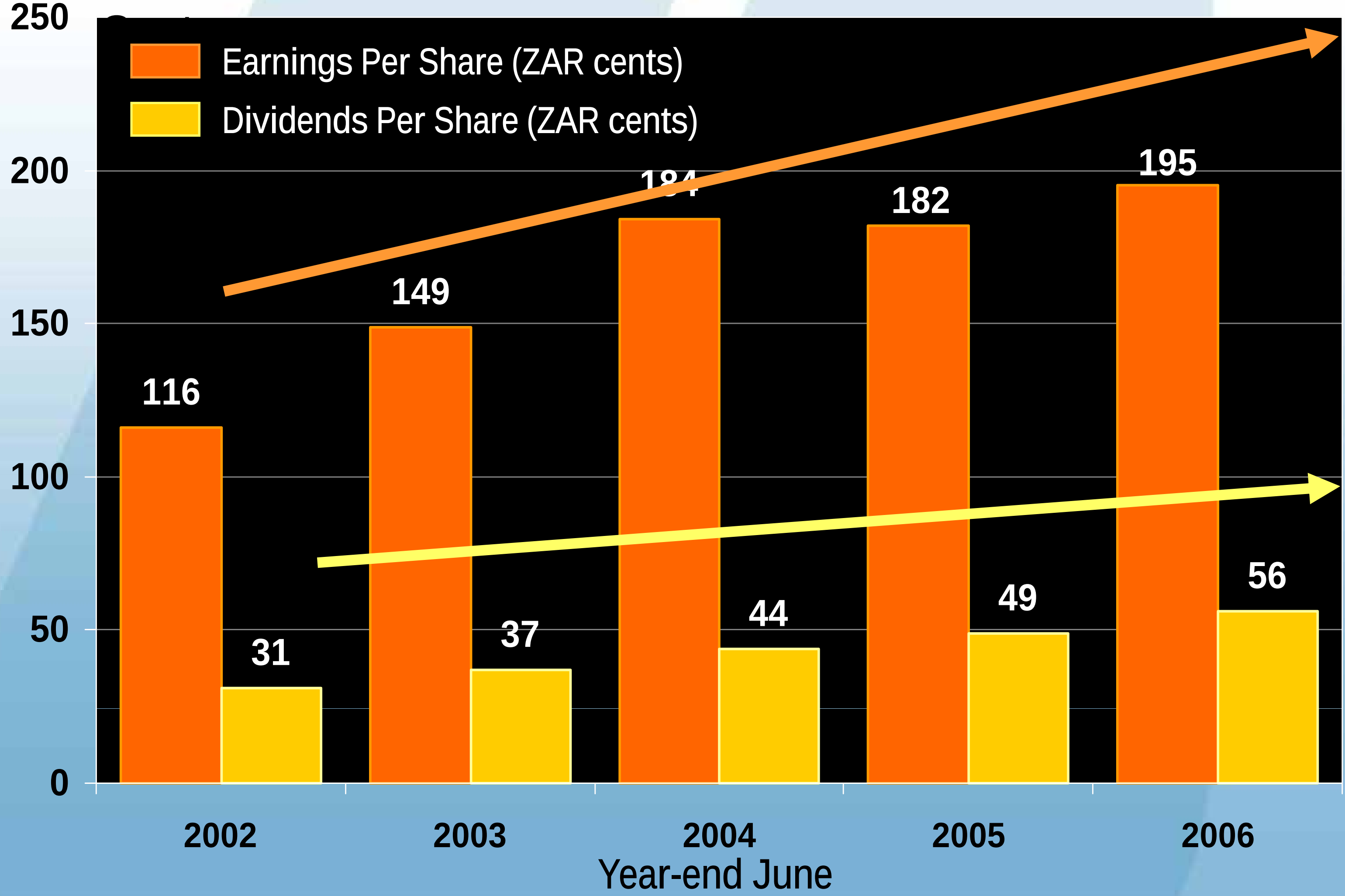
- One of the “Big Three” in South African construction industry, with a complementary range of construction-related interests
- Revenues of $820m* (as at year-end June 2006) and Market Cap of $932m**
- G5 Employs approximately 5 800 people and 7 000 contract workers across 16 countries

** Calculated at the 30 June 2006 exchange rate of ZAR 7.15 per $ on F2006 revenue of ZAR 5865m*
*** Calculated at the 12 June 2007 exchange rate of ZAR 7.20 per $ and share price of 5670 cents/ZAR, based on 118.3m shares*

# Market Position relative to Peer Group

- Best in class ORACLE IT infrastructure, administration and risk management
- Active Six Sigma continuous improvement culture
- A solid track record in difficult African environments and Dubai, with concomitant higher margins earned
- A nimble, flexible strategy
- The ability to redirect resources from outside SA to take advantage of SA market opportunities
- Large exposure to the Civil Engineering market, enhanced by technical competency in the high growth sectors of transport, energy, ports and mining

# Historic EPS and DPS




***5-year CAGR in EPS 22%***

***5-year CAGR in DPS 18%***



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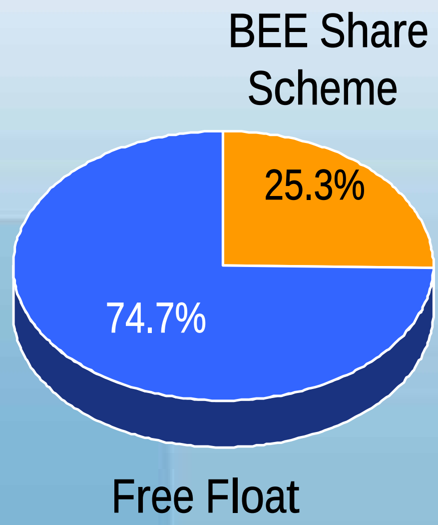
# Our Shareholder Structure

- Listed on the Johannesburg Stock Exchange
  Ticker GRF

- Large shareholders:
  - BEE shareholders 25.3%
  - Stanlib Asset Mgmt 15.7%
  - Morgan Stanley 7.5%
  - Old Mutual Inv Group 6.3%
  - Coronation Fund Mangers 4.5%
  - Sanlam Inv Mgmt 4.5%




- 10% Foreign ownership (6% in the U.S.)



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# Our Shareholder Structure – BEE Shareholding

- Companies that do not comply to their industry Black Economic Empowerment (BEE) Charter will not be awarded public or private sector business
- 25.3% of total equity is held by the BEE Share Scheme (concluded in September 2005), of which:
  - 10.7% is held by Mvelaphanda (Tokyo Sexwale's group)
  - 10.7% is held by Ilima (indigenous construction group)
  - 3.9% is held by G5 staff (PDI's)
- Benefits to G5:
  - Access to Government spend
  - Growth in Africa assisted by Mvela's African footprint
  - G5 transformation assisted by Ilima (experience in construction)
- The 5 pillars of BEE – ownership, management, CSI, procurement and employment equity
- Group Five is rated no.1 for empowerment in its sector in the Financial Mail Empowerdex Ratings

# What We Do

## Group Five provides integrated building, infrastructure and engineering solutions

| % Contr. to Revenue* | % Contr. to Operating Margin* | Operation | Feasibility | Design | Construction | Operations & Maintenance | Materials |
|---|---|---|---|---|---|---|---|
| 3.3 | 4.1 | Property development | | | | | |
| 2.4 | 0.4 | Infrastructure concessions (BOT/PPP/IPP) | | | | | |
| 31.7 | 21.5 | Civil engineering / roads | | | | | |
| 46.7 | 34.0 | Building and housing | | | | | |
| 9.4 | 12.4 | Engineering projects | | | | | |
| **6.5 | **27.6 | Manufacturing & Building Materials | | | | | |

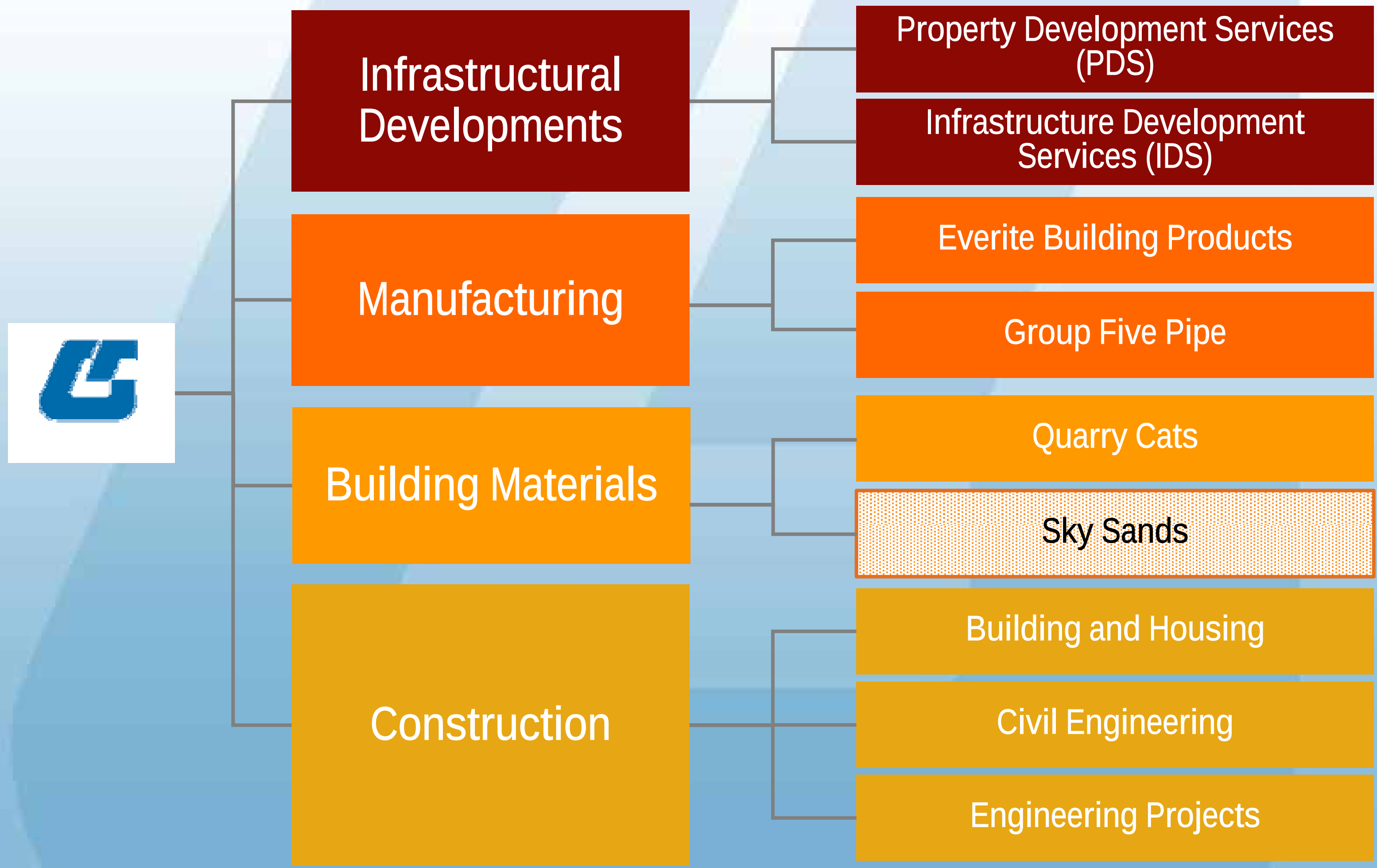


* For the half-year ended to 31 December 2006

** Excludes Building Materials – first time contribution will take place in F2008

# What We Do

## Group Five Group Structure



# Our Strategy

G5 is continuing its strategy in:

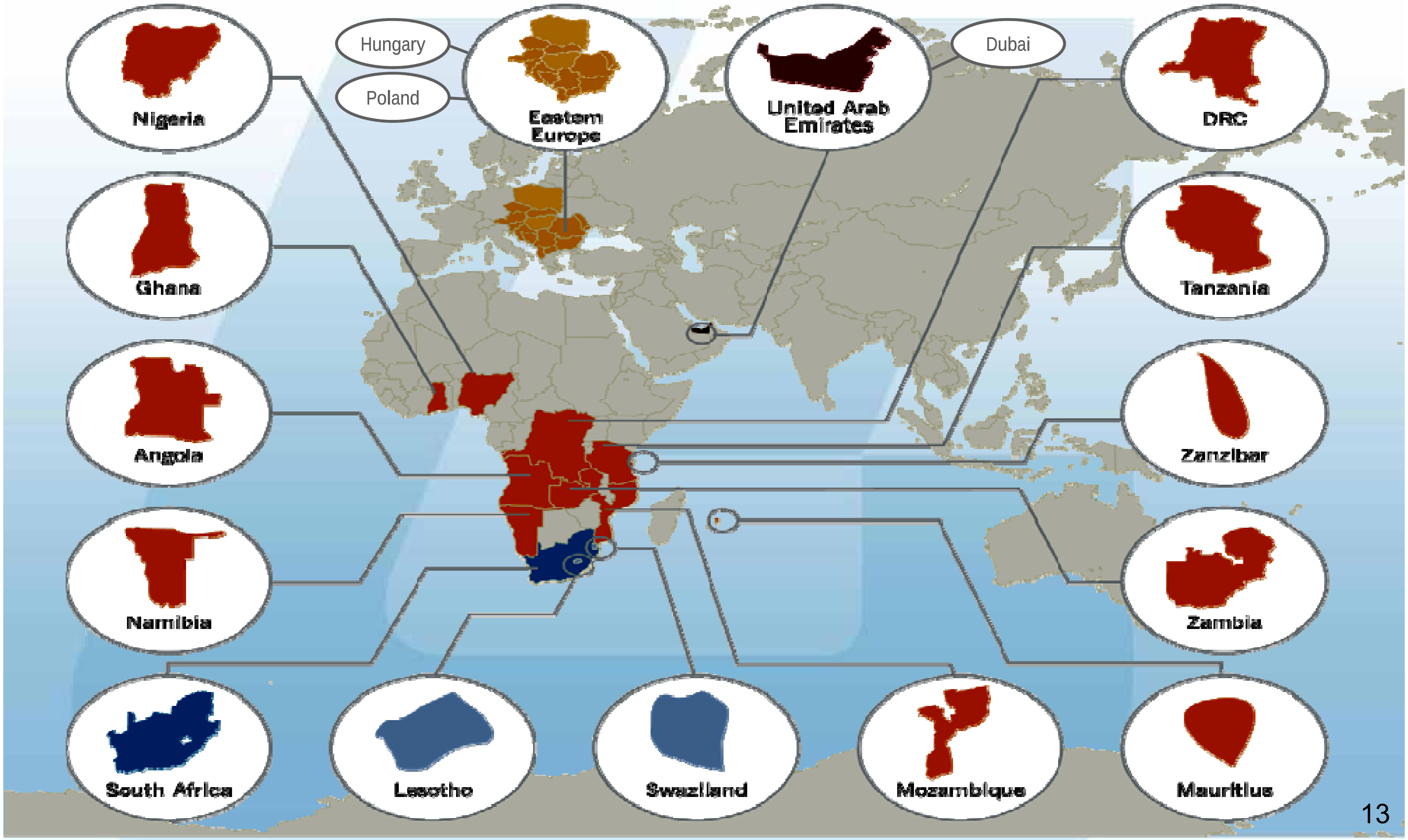
| Investments & Concessions | Manufacturing & Materials | Construction |
|---|---|---|
| • Expansion into new concession equity and revenue streams, eg. power, infrastructure projects, etc | • Adding repeat income streams aligned to the construction value chain<br>• M&A activity | • Focusing on the upper end of the value chain from Constructor to Project Leader through alliancing<br>• Market positioning & capacity building |

**Focused geographic diversification:**

- A small share of the cross border markets in Africa, the Middle East and Eastern Europe, carefully chosen and well managed, achieves higher margins
- G5 nevertheless maintains the ability to gear up quickly to take advantage of opportunities as the SA market continues to grow

# Where We Operate

*(37% foreign revenue as at 30 June 2006)*



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# How We Manage Risk

- Our philosophy is the careful, comprehensive management of risk - enterprise wide management of the four key risks:
  - Strategic
  - Operational
  - Reporting
  - Compliance
- Execution:
  - A dedicated member of Exco, the G5 Group Risk Officer, is also a member of the International Construction Risk Group
  - The Board has appointed a Risk Committee
- We partner with top local and international players (eg. G.E. in Power, Bouygues, Strabag, Skanska and others on European toll roads)
- Exchange rate risk:
  - All income and cost currencies are matched
  - The only risk is profit translation

# Group Five Super-ordinate Goals

| Goal | Progress *(By year ended 30 June 2006)* |
|---|---|
| Each financial year should open with 66% secured construction order book for the year | 82.5% |
| HEPS growth $\geq$ 20% p.a. from F2007 onwards | 5-yr EPS CAGR of 22% to 30 Jun 2006 |
| 33% of total earnings to be from continual stream business | 11.3% |
| Top three market share in each segment of the SA market in which the group operates | Estimate achieved |
| Cash generated = net income | Cash generated > net income by ZAR 242,8 million |
| 60% overall rating on Construction Charter scorecard | 50.7% |

# Key financial ratios (incl. super-ordinate goals) at Group Five

| | FY 2006 Audited | FY 2005 Audited Restated | FY 2004 Audited Restated | Goals |
|---|---|---|---|---|
| Dividend Cover | 3.5 | 3.7 | 4.2 | n/a |
| Profit Margin % | 4.1% | 2.6% | 2.6% | 5.0% |
| Gearing – Debt to equity ratio % | - | 2.5% | 22.3% | 33% |
| Capital Expenditure (ZAR Million) | 266 | 202 | 166 | n/a |
| Interest Cover | 8.6 | 6.2 | 5.0 | n/a |
| Cash Generated (ZAR 000's) | 391 | 111 | 49 | 148 |
| Revenue per employee | 573 | 492 | 369 | n/a |
| External Bank Guarantees Avail. (ZAR Million) | 1 410 | 1 028 | 198 | n/a |
| Return on Shareholders Interest % | 25% | 26% | 33% | 25% |
| Secured 12-month order book (ZAR Million) | 4 653 | 4 000 | 3 030 | n/a |
| % of Foreign Revenues | 37% | 31% | 36% | 33% |



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# Our results by division

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# Divisional Analysis – Revenue

| R' 000<br>Year-end June | H1 2007<br>Unaudited | H2 2006<br>Unaudited | H1 2006<br>Unaudited<br>as restated |
|---|---|---|---|
| Infrastructural Developments | 227 961 | 176 044 | 140 173 |
| Property Development Services | 130 461 | 81 104 | 45 866 |
| Infrastructure Development Services | 97 500 | 94 940 | 94 307 |
| Manufacturing | 261 019 | 230 619 | 242 356 |
| Everite | 232 001 | 216 653 | 234 083 |
| Group Five Pipe | 29 018 | 13 966 | 8 273 |
| Construction | 3 515 844 | 2 548 737 | 2 526 792 |
| Building and Housing | 1 868 676 | 1 263 548 | 1 524 918 |
| Civil Engineering | 1 271 391 | 945 099 | 717 601 |
| Engineering Projects | 375 777 | 340 090 | 284 273 |
| Total Revenue | 4 004 824 | 2 955 400 | 2 909 321 |

# Divisional Analysis – Operating profit

| R'000<br>Year-end June | H1 2007<br>Unaudited | H2 2006<br>Unaudited | H1 2006<br>Unaudited<br>as restated |
|---|---|---|---|
| Infrastructural Developments | 6 103 | 23 696 | 8 754 |
| Property Development Services | 5 663 | 18 390 | 6 854 |
| Infrastructure Development Services | 440 | 5 306 | 1 900 |
| Manufacturing | 38 067 | 30 035 | 30 616 |
| Everite | 31 265 | 27 572 | 29 537 |
| Group Five Pipe | 6 802 | 2 463 | 1 079 |
| Construction | 93 378 | 101 572 | 46 126 |
| Building and Housing | 46 807 | 49 266 | 32 201 |
| Civil Engineering | 29 629 | 41 278 | 10 372 |
| Engineering Projects | 16 942 | 11 028 | 3 553 |
| Total Operating Profit | 137 548 | 155 303 | 85 496 |

# What influences our future?

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# Construction – SECURED Order Book

## *As at December 2006*

| Period | Building and Housing | Civil Engineering | Engineering Projects | Total |
|---|---|---|---|---|
| R millions | Low / Medium margins | Medium margins | Medium / High margins | |
| Financial year ended 30 June 2006 (Actual) | 2 788 | 1 663 | 624 | 5 075 |
| % over-border | 27% | 65% | 67% | 44% |
| Financial year ending 30 June 2007 (forecast) | 3 023 | 2 789 | 677 | 6 489 |
| % over-border | 28% | 70% | 74% | 51% |
| Calendar year ending 31 Dec 2007 (forecast) | 1 734 | 2 747 | 476 | 4 957 |
| % over-border | 8% | 79% | 42% | 50% |
| Estimated annual capacity | 3 000 | 3 000 | 750 | 6 750 |



***Notes: 1) Capacity based on current resources and skills***
***2) Excludes contribution as preferred bidder on King Shaka Airport & Durban Stadium***

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# Market Outlook

## *Focus on 4 Geographic Regions*

- G5's strategy is to balance its exposure to the South African market with exposure to higher margin opportunities outside South Africa
- G5 has an established track record in its non-SA areas of operation in Africa, the Middle East and Eastern Europe
- A small share of these markets, carefully chosen and well managed, should achieve higher margins
- G5 nevertheless maintains the ability to direct resources to take advantage of opportunities in the very active SA market

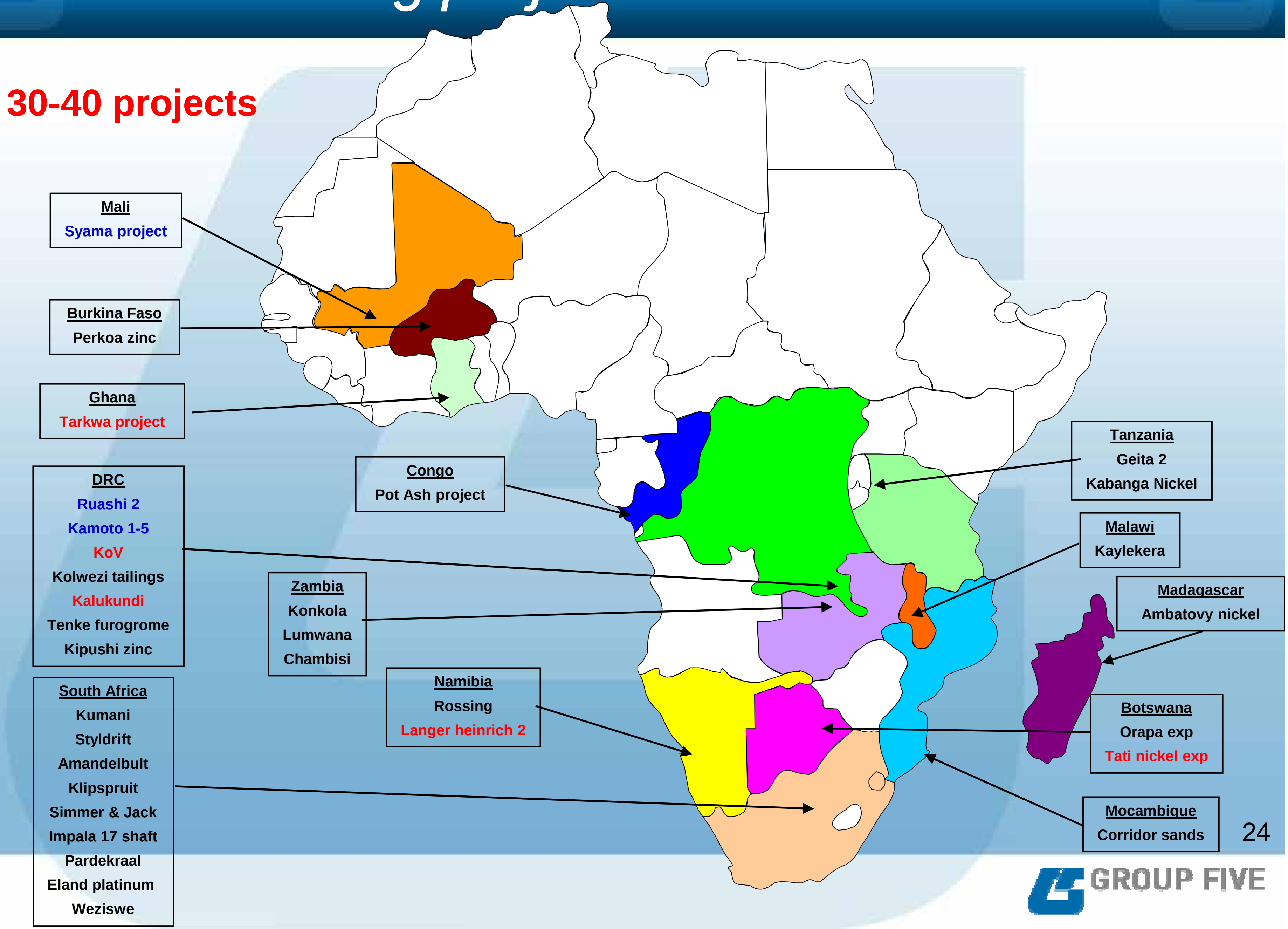
# Market Outlook

## Focus on 4 Geographic Regions: 1. Africa

- Boom in commodity prices - gold, oil, uranium, platinum, copper, nickel, cobalt
  - Large increase in exploration and mining spend
  - Multiplier effect on housing, power and infrastructure spend
- G5 Focus: profitable regions on the West Coast of Africa
- G5 strategy is flexible - able to switch emphasis as markets change

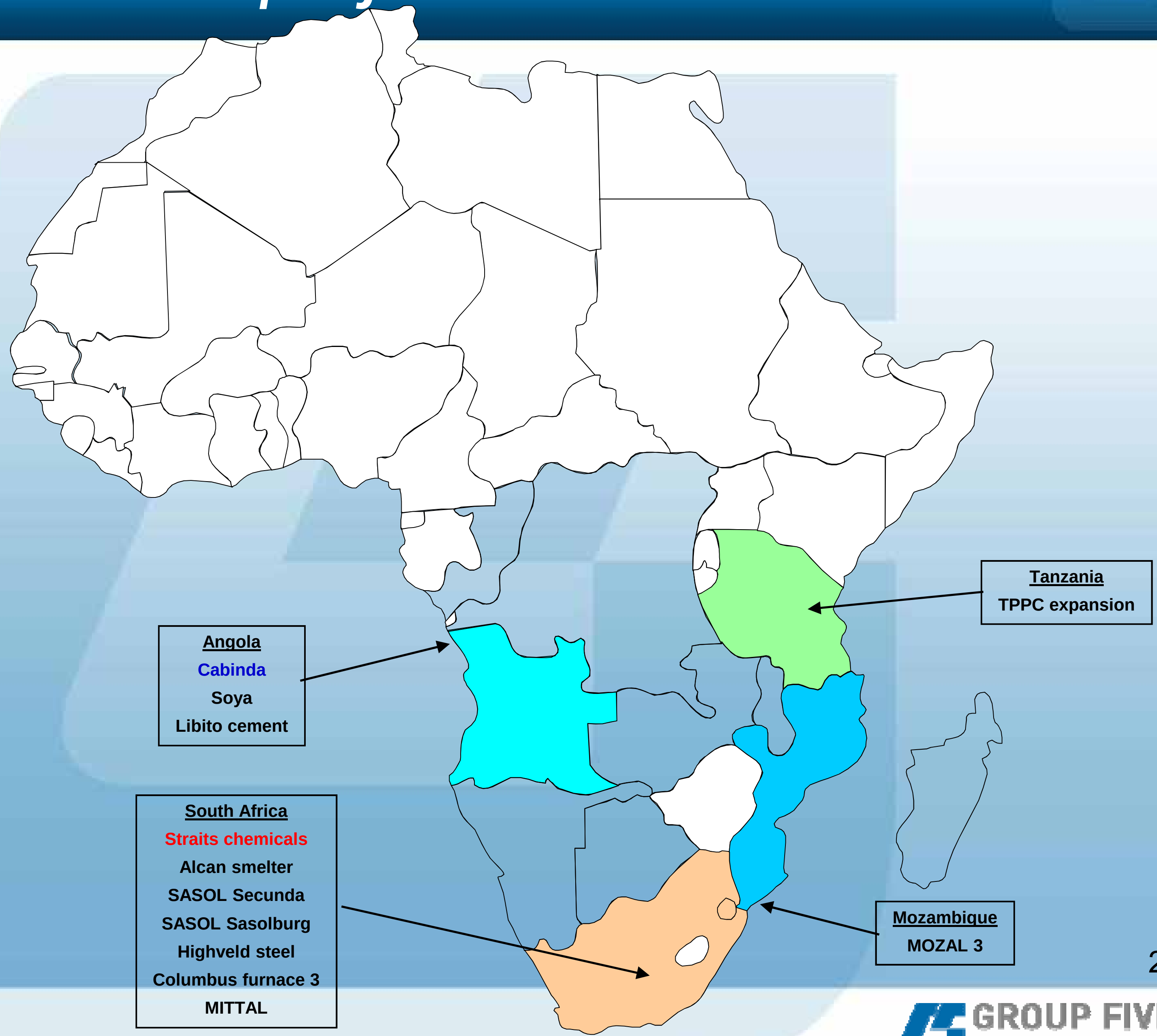

G5 ACTIVITY

# Mining projects in Africa



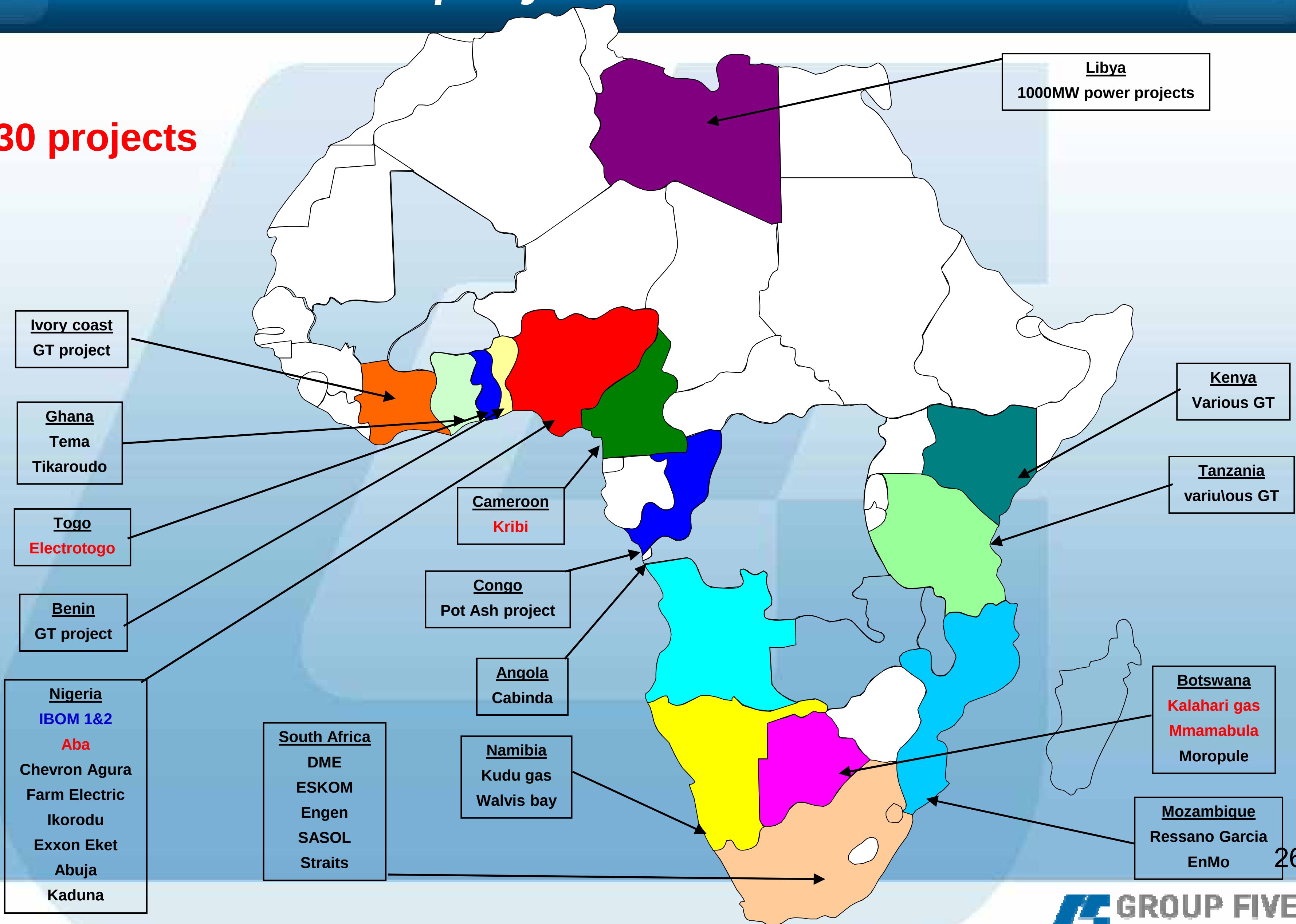
# Industrial projects in Africa

**10 projects**



# Power projects in Africa

## 30 projects



# Market Outlook

## Focus on 4 Geographic Regions: 2. Middle East

- G5 Operations established in early 2004 in partnership with Al Naboodah (largest local contractor)
- Strong regional economic growth sustained through possession of 57% of the world's proven oil reserves and 45% of proven gas reserves
- G5 Target: Construction contracts for Dubai and Jebel Ali airports
  - $26bn infrastructure spending expected over next six years
- Significant opportunities exist in the niche markets of Dubai and other Emirates


G5 ACTIVITY

# Market Outlook

## Focus on 4 Geographic Regions: 3. Eastern Europe

- G5 focus: Toll road operations and investment, with substantial international partners such as Bouygues, Strabag and Skanska
- Pursuing further toll road opportunities in partnership
- Sustainable growth opportunities through:
  - Capitalizing on G5's established reputation in the region
  - The definitive trend towards tolling of vehicles for the use of highways


G5 Activity

# Market Outlook

## Focus on 4 Geographic Regions: 4. South Africa

- Construction activity in excess of ZAR150bn* (>$20bn)
- Emphasis in construction activity is changing towards public sector-led spending
  - Main infrastructure growth will come from the power and transport (incl. ports) sectors
- Group Five's client base is in the upward phase of 15-20 year planning cycles

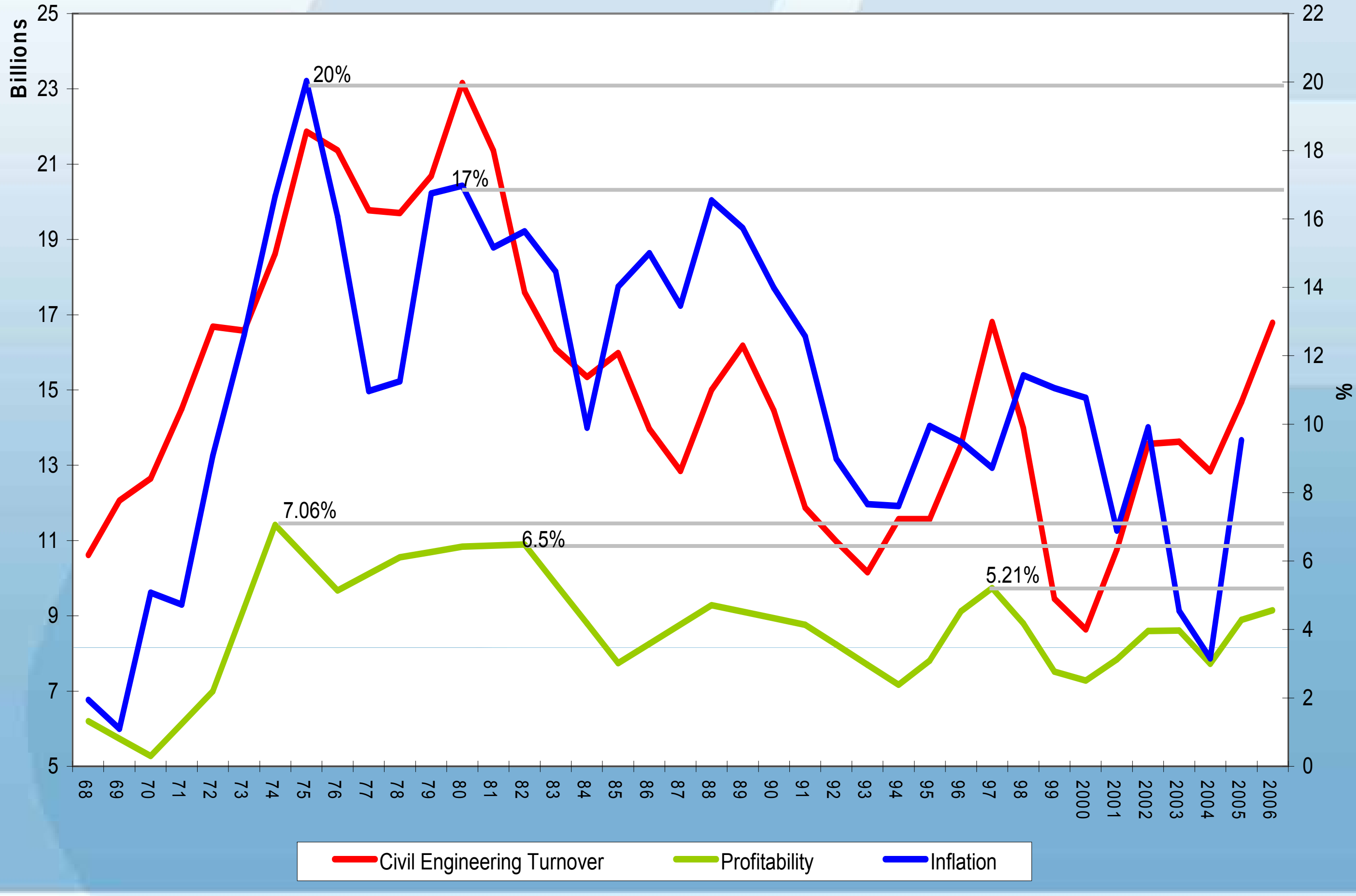


** Source: Equity Research and Advisory Services*

# Market Outlook

## Focus on 4 Geographic Regions: 4. South Africa

Civil Engineering Turnover (2000=100), inflation (%), Profitability (%)




Group Five future focus:

- Energy
- Transport
- Public infrastructure
- Housing
- Water & Waste

Forecast = R300bn in total or R80-100bn p.a.



*Source: South African Federation of Civil Engineering Contractors (SAFCEC)*

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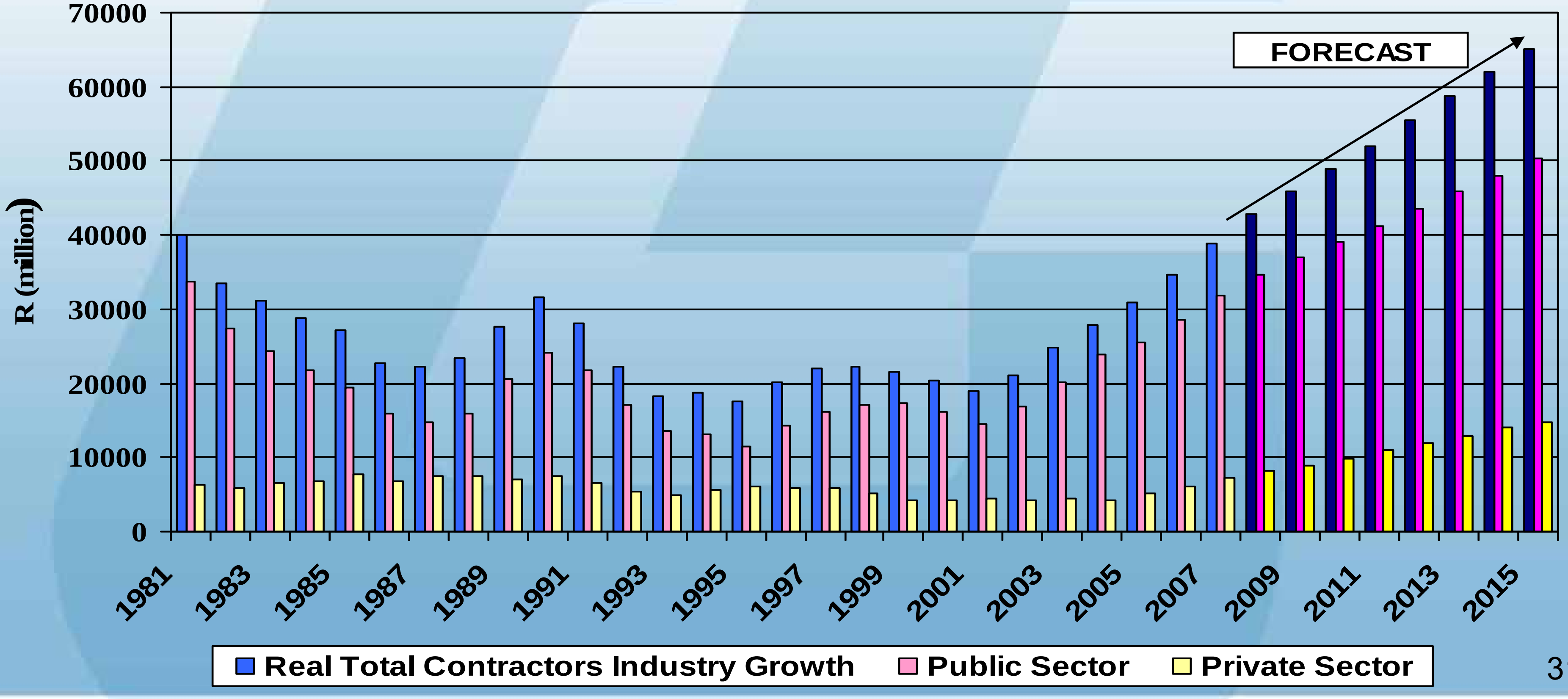
# Market Outlook

## *Focus on 4 Geographic Regions: 4. South Africa*

- Growth momentum set to continue well past World Cup 2010
- Real (inflation excluded) Investment in Total Construction Works is a good example:



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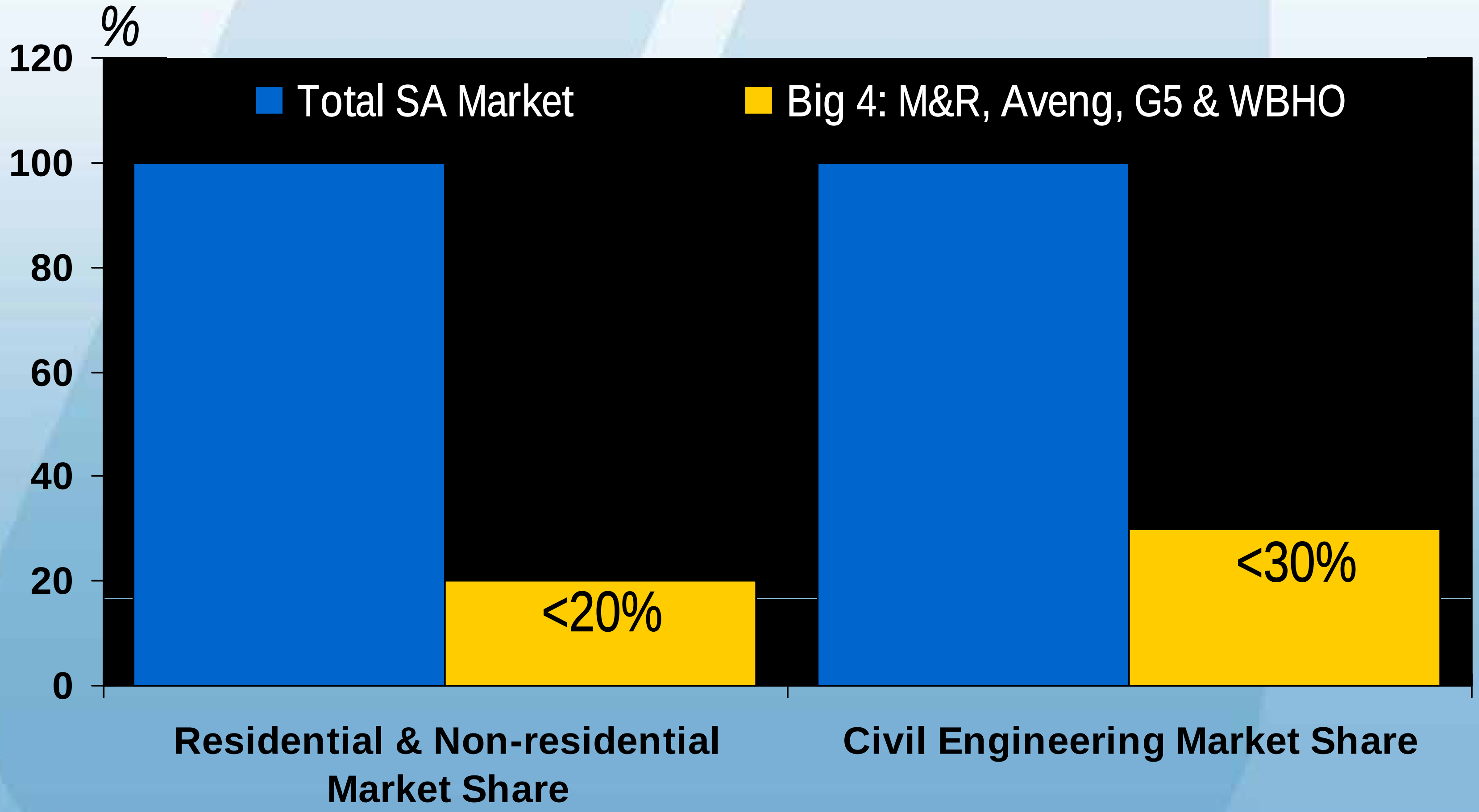
*Source: BER, Stellenbosch*

# Market Outlook

## *Focus on 4 Geographic Regions: 4. South Africa*

*Potential to increase market share in a growing SA market*



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# Market Outlook

## *Focus on 4 Geographic Regions: 4. South Africa*

Some significant projects:

- +/-R2bn Durban stadium (G5 share R700m)
- R6.8bn King Shaka Airport (G5 share approximately R2.5bn)
- R400m mining plant project (design and construct)
- R1bn of airport design and construction work in Dubai
- R1.5bn Durban port entrance widening project

# Market Outlook

## *Focus on 4 Geographic Regions: 4. South Africa*

- Forecast volumes of activity never seen before
- Group Five will manage the higher levels of activity by:
  - Picking the work yielding the best returns
  - Negotiating better margins, cash flow and contract conditions
  - Maximizing opportunities for partnerships with Government, Parastatals and the Private Sector
  - Maintaining a balanced portfolio – niched over-border activity and a balanced approach to Concessions/investments, Manufacturing/Materials and Construction
  - Superior risk management
  - Managing the labour base

# Factors Affecting Execution Capacity

- Human resources. This is being addressed through:
  - Transferring skills from Building & Housing to Civil Engineering, to address higher margin work
  - Skills Development: R14m spend through skills training, 161 learnerships and student management. Training accredited by Construction SETA
  - Bursaries – 149 bursaries (triple previous years)
  - Enterprise Development – Official development agreements in place
  - The G5 Training Academy – Includes PMD programme, Junior Management Training, Programme in Project Management, Executive Development, Competency streams, Operational Training
  - Manpower capacity assessments based on secured and forecast order books to 2010
  - Bringing home G5 employees from outside SA and replacing them with overseas employees and indigenous people in the region of operation

# *Factors Affecting Execution Capacity (contd)*

- Availability of materials
- Input cost increases exceeding inflation
- Bank Guarantees – spare capacity available
  ZAR 3bn (sufficient to meet 2009 expectations)

# Focus going forward

- Making the most of the construction boom from a solid base with a successful team
- Revenue enhancement
  - Eg. regional business, long term revenue streams, group projects
- Operating margin enhancement
  - Focus on margins and cash returns
  - Vigorous selection of high margin projects
  - Vigorous attention to management of construction risk & reward
  - Further investment in skills in project delivery
- Sustainability
  - Recruitment, development & retention of skills
  - Differentiation through innovative strategic positioning
  - Continually hone strategy by revisiting:
    - Margin opportunities on existing revenue streams
    - New revenue streams that will be sustainable for the next 5-10+ years
    - Balance between organic and acquisitive growth

# Conclusion

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# Conclusion

- Group Five is well positioned to take advantage of a new era of opportunity, supported by:
  - A strong, motivated management team
  - An established presence in the domestic, African, Middle East and Eastern European markets
  - Industry diversification / vertical integration
  - Contributions from acquisitions
  - World-class risk management, IT and systems
  - A strategy that allows for flexibility
- Sector growth looks set to last well beyond World Cup 2010
- Our objective is sustainable double-digit year-on-year EPS growth

# Contact details

*For more information please contact:*

Mike Upton
Chief Executive
Telephone: +2711 806 0111
Email: mupton@g5.co.za

Eric Vemer
Executive Director
Telephone: +2711 806 0111
Email: evemer@g5.co.za

Our website: www.g5.co.za