GROUP FIVE

INVESTOR MANAGEMENT DAY – MANUFACTURING

Investor Management Day - Manufacturing

- Components of the cluster
- Everite
- Group Five Steel
- G5 Plant & Equipment and Cosmos Building Supplies
- Manufacturing - outlook

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Components of the cluster

Components of the Manufacturing Cluster

- **Manufacturing** – John Wallace
  - **Everite** – Jurgen Stragier
  - **Group Five Steel** – Cedomir Djordjevic
    - Barnes Reinforcing Industries (50%) – Conre Breytenbach
    - Formwork (100%)
    - Structural Steel (100%)
    - Group Five Pipe (50%)
  - **Group Five Plant & Equipment** – Guy Hopkins
  - **Cosmos Building Supplies** – Siegfried Milbert

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Everite

Group Five Steel

Group Five
Plant & Equipment

Cosmos Building
Supplies

Everite – plan to improve performance

Current performance poor due to:

- H1 2008 - Pricing pressures from imported products (strong Rand)
- H2 2008 - Volume pressures due to merchant de-stocking as the housing market slows

Performance plan:

- Regain market share at increased returns in the weak Rand environment
- Regain long term agency relationships with the import agents as they become less competitive on the weaker Rand
- Reduce dependence on merchants and the market cycle
  - Direct focus on the low/medium (TRA/RDP*) cost market which is still relatively buoyant
  - The resulting increased volume throughput will enable Everite to access improved margins, particularly from the new S7 plant

* TRA = temporary relief accommodation RDP = Government subsidised housing

Everite – The S7 investment

S7 which is now fully commissioned provides

- Additional capacity of 4mil m^2v, as well as improved efficiencies and product quality
- Sufficient capacity to reduce reliance on machine S2 (which was temporary and expensive capacity)
- A quality Big Six roofing product (with a coating facility) to effectively re-enter the TRA/RDP cost housing market
- A position from which to develop a system housing offering as well as the newly launched TRA house

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Everite – Strategy

Taking advantage of currency movements

- Importers have had a field day in the strong currency environment
- However, the relative Rand weakness from January 2008 means that Everite can execute its pricing strategy with less import interference
- In addition, importers have a limited range with highly variable costs; key importers will be approached with long term Everite agreements

Change in market emphasis

- Earnings are *currently* aligned to the building merchant cycle
- However, the changing sales emphasis towards low/medium cost housing and systems housing will be evident in the income statement from H1 2009 onwards
- New product offerings allow a greater presence in the entry level market which will be served both directly (large projects) and through merchants
- Group Five Housing will be entering the entry level market promoting the new Everite range

With both price and volume addressed, this business will create sustainable and exciting returns

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Everite

Group Five Steel

Group Five Plant & Equipment

Cosmos Building Supplies

The steel cluster - strategy

- Evolved from G5's supply chain strategy
- Objective:
  - Create low cost, predominantly internal supply companies
  - Use existing shared structures to obtain value from G5's significant group steel spend
  - JV where appropriate
    (e.g. Barnes = new JV; G5 Pipe = existing JV)

The steel cluster - operations

Barnes Reinforcing Industries (50%)	Formwork (100%)	Structural Steel (100%)	Group Five Pipe (50%)

The new Barnes JV - BRI *(30 000MT when fully commissioned)*

- Excellent management team with 20 years of steel fabrication experience
- They have well established relationships with the mills
- Protects G5 from internal supply shortages
- Barnes would have been a competitor
- Barnes provides a low cost/fast launch base in Spartan

Reinforcing steel fixed prior to concrete pour

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The steel cluster - operations

Barnes Reinforcing Industries (50%)	Formwork (100%)	Structural Steel (100%)	Group Five Pipe (50%)

Formwork and structural steel have become focused G5 entities with aggressive growth plans

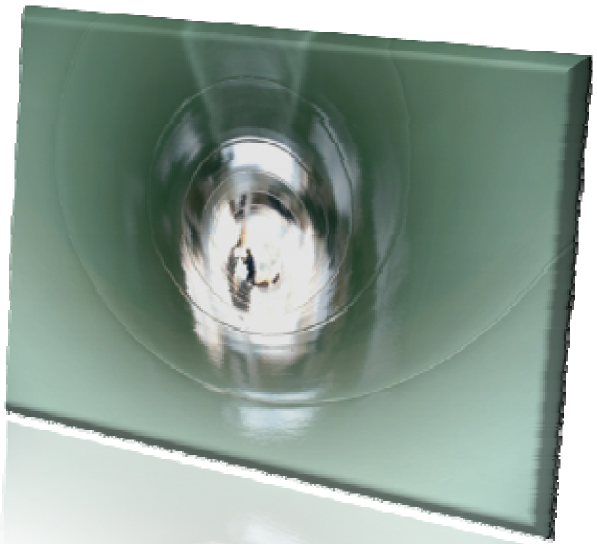
- These entities have existed for many years within G5 Plant and Equipment and have been incorporated into the steel cluster to extract value
- Formwork has been expanded to supply the entire group as well as third parties (90/10)
- R3m has been invested in structural steel (phase 1) to supply Civils and Projects, and will fabricate 2500 MT pa
- Phase 1 is to be built by June '08 and will contribute from FY 2009. A decision to expand beyond phase 1 will be undertaken based on the success of phase 1

The steel cluster - operations

Barnes Reinforcing Industries (50%)	Formwork (100%)	Structural Steel (100%)	Group Five Pipe (50%)

Group 5 Pipe

- Remains contract-orientated with low fixed cost base to minimise exposure when project activity is poor
- A significant tender list is awaiting award and prospects look favourable for FY 2009 pending the degree of tender bureaucracy



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Everite

Group Five Steel

Group Five Plant & Equipment

Cosmos Building Supplies

G5 Plant and Equipment

- Group Five Plant and Equipment is a R200 million entity (inter-company) that houses our centralized group plant
- The business model is to run the business at breakeven with plant rates slightly below market

Cosmos Building supplies

- Cosmos Building Supplies (51%) was established to supply the large Waterfall development in Midrand
- The profitability of this business has been retarded by the late start-up of the development due to the Eskom crisis – it will achieve breakeven awaiting the project start-up

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Manufacturing - Outlook

Manufacturing Outlook

- Expecting an improved H2 2008 half due to:
  - Barnes continuing to ramp up (plant commissioning in May 2008)
  - Structural Steel phase 1 capacity will be sold in-house as it is built
  - Formwork continuing to grow activity (G5 Buildings Coastal and inland)
  - Everite improving price levels and winning back agents to a degree offset by the downturn in the residential market affecting volumes
  - Group Five Pipe achieving a 2nd half breakeven as new projects are delayed
- The division is well placed to:
  - Meet the expectation set at interims that it will experience an improved 2nd half in deteriorating market conditions
  - Grow earnings again from its larger base from FY2009