GROUP FIVE
structured ingenuity


# PRESENTATION TO FINANCIAL STAKEHOLDERS

17 November 2014

# Agenda

| 1 | 2 | 3 | 4 |
|---|---|---|---|
| **Section 1** | **Section 2** | **Section 3** | **Section 4** |
| GROUP UPDATE<br>• *Mike Upton* | STRATEGY & OUTLOOK<br>• *Eric Vemer* | FINANCIAL UPDATE<br>• *Cristina Teixeira*<br>HR<br>• *Jesse Doorasamy*<br>AFRICA<br>• *Themba Mosai* | OPERATIONAL UPDATE<br>• *Willie Zeelie*<br>• *John Wallace*<br>• *Jon Hillary* |




# 01 GROUP UDPATE

*Mike Upton*

# Leadership transition

## Holistic and independent process followed

- Mandatory retirement of CEO Mike Upton at age 60
- External and internal succession search
    - Independently conducted, board managed
    - Global best practice assessments
    - Six month process
    - Majority of Exco and selected MDs participated
    - Gave great insight into strength of leadership across the group

***Eric Vemer announced as CEO designate 23 September 2014***

# Leadership transition

## Group CEO profile – Eric Vemer

- BSc Civil Engineering UCT: First Class Honours (1986)
- MBA UCT: (1991)
- 25 yrs SA and international consulting, engineering, construction, manufacturing, concessions, project and corporate finance experience
    - 1992-1996: Steel Industries – Dorbyl / Tubemakers of Australia (BHP)
    - 1997 – 2004: Investment Banking & Project Finance, ABSA and HSBC
    - 2005 – Current: member of Group Five EXCO – (9 yrs)
        - Head of highly successful Investments & Concessions cluster
        - Group lead on Mergers & Acquisition, BEE ownership structures
        - Harvard University: Executive Leadership Program (2014)

***Accomplished business leader & strategist with track-record of delivery***

# Leadership transition

## Transition programme

- 1 October 14: Role change
  - EV assumed duties of CEO
  - MU assumed duties of COO, retaining accountability to 30th Nov 2014
- October 14: EV review of all areas of business
  - EV appointed to the main board of Group Five Limited
- November 14 : EV leads group main board strategy session
  - EV presents way forward to board for discussion and approval
  - EV plans to communicate and implement change by Dec 14
  - MU retires 30th November 2014
- December 14:
  - EV formally assumes CEO position on 1 Dec 2014
  - MU on "call-in support arrangement" to Feb 2015
    - current discussion ongoing with regards to non-exec role following a 6 month period

# Market update

**South Africa**

*short term weakened during Q1 2015*

- **Civil infrastructure:** transport & infrastructure market weakened markedly
  - high tender load but margins further pressured
  - very few awards of significance
- Real estate
  - building market still good, margins stable to better
  - housing market constrained by government delays, better in mining
- **Mining and industrial:** activity weak
- **Power and water:** showing signs of improvement
- **Manufacturing:** demand flat, below expectations
- **CCSA**:** no progress on settlement; referral to Tribunal not unexpected, allows group to formally address issues previously discussed with CCSA

**CEE***

*prospects of scale continue with renewed drive*

- New markets and projects in development
  - current bidding for medium/long term returns in transport concessions

**CEE – Central and Eastern Europe*

***CCSA Competition Commission South Africa*

# Market update

Rest of Africa

*momentum building for strong medium - long term growth*

- **Concessions and contracting:** opportunities in power, and transport growing; in tender / negotiation stage
  - Ghana Kpone project expected to reach NTP* in H1 F2015
- **Mining:** subdued but order book being replenished off negotiated work
  - Ebola impact delays new and current projects
- **Industrial:** selected opportunities being presented
- **Oil and Gas:** opportunity pipeline positive
  - tendering; medium to long term outlook with developing technical partnerships in East Africa
- **Real estate:** developments pipeline expanding
  - East, West, Central Africa with South African and domestic development partners

**NTP – Notice to Proceed*

# Business update

| Cluster/segment | Trading conditions in Q1 F2015 | Response to short term outlook |
|---|---|---|
| Investments & Concessions | ▪ strong performance | ▪ direct resources for growth |

# Business update

| Cluster/segment | Trading conditions in Q1 F2015 | Response to short term outlook |
| --- | --- | --- |
| Investments & Concessions | ▪ strong performance | ▪ direct resources for growth |
| Manufacturing | ▪ stable but flat markets, prospect for recovery in F16 | ▪ focus on cost, product range & exports |

# Business update

| Cluster/segment | Trading conditions in Q1 F2015 | Response to short term outlook |
|---|---|---|
| Investments & Concessions | ▪ strong performance | ▪ direct resources for growth |
| Manufacturing | ▪ stable but flat markets, prospect for recovery in F16 | ▪ focus on cost, product range & exports |
| Building & Housing | ▪ market-related weak margins<br>▪ solid performance by buildings<br>▪ slow roll out of housing works | ▪ Buildings: further selective tendering<br>▪ Housing: working with government on large turnkey projects |

# Business update

| Cluster/segment | Trading conditions in Q1 F2015 | Response to short term outlook |
|---|---|---|
| Investments & Concessions | ▪ strong performance | ▪ direct resources for growth |
| Manufacturing | ▪ stable but flat markets, prospect for recovery in F16 | ▪ focus on cost, product range & exports |
| Building & Housing | ▪ market-related weak margins<br>▪ solid performance by buildings<br>▪ slow roll out of housing works | ▪ Building: further selective tendering<br>▪ Housing: working with government on large turnkey projects |
| Civil Engineering | ▪ poor performance, impacted by<br>— weak markets<br>— operational difficulties on one site<br>— restructuring costs<br>▪ recovery from F16 | ▪ substantial interventions in progress<br>▪ retaining core capacity but shedding complexity and cost |

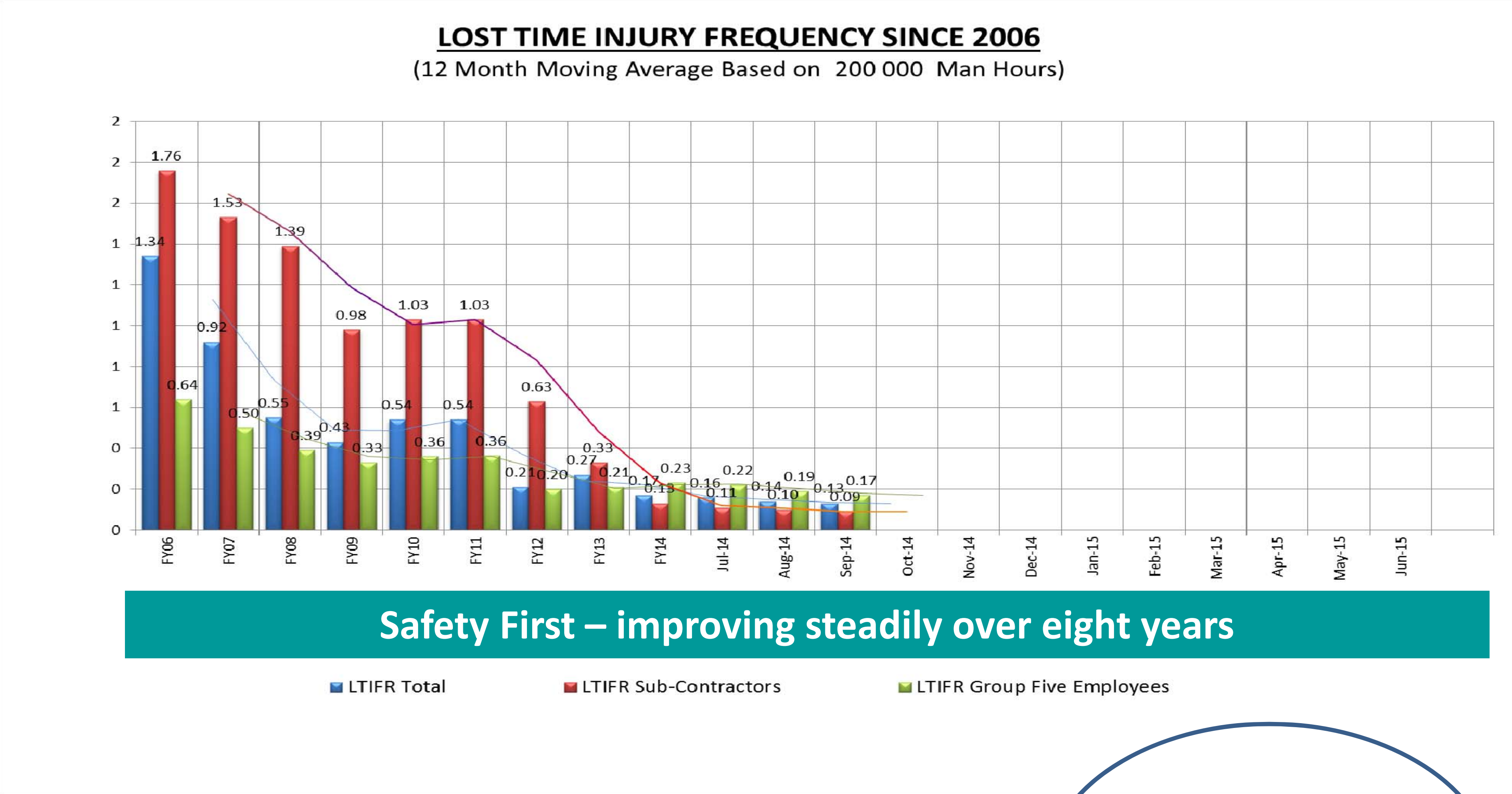
# Business update

| Cluster/segment | Trading conditions in Q1 F2015 | Response to short term outlook |
| --- | --- | --- |
| Investments & Concessions | ▪ strong performance | ▪ direct resources for growth |
| Manufacturing | ▪ stable but flat markets, prospect for recovery in F16 | ▪ focus on cost, product range & exports |
| Building & Housing | ▪ market-related weak margins<br>▪ solid performance by buildings<br>▪ slow roll out of housing works | ▪ Building: further selective tendering<br>▪ Housing: working with government on large turnkey projects |
| Civil Engineering | ▪ poor performance, impacted by<br>— weak markets<br>— operational difficulties on one site<br>— restructuring costs<br>▪ recovery from F16 | ▪ substantial interventions in progress<br>▪ retaining core capacity but shedding complexity and cost |
| Projects | ▪ good performance<br>▪ margin constraint on SA work | ▪ diversifying across new growth sectors and geographies |

# Business update

| Cluster/segment | Trading conditions in Q1 F2015 | Response to short term outlook |
|---|---|---|
| Investments & Concessions | ▪ strong performance | ▪ direct resources for growth |
| Manufacturing | ▪ stable but flat markets, prospect for recovery in F16 | ▪ focus on cost, product range & exports |
| Building & Housing | ▪ market-related weak margins<br>▪ solid performance by buildings<br>▪ slow roll out of housing works | ▪ Building: further selective tendering<br>▪ Housing: working with government on large turnkey projects |
| Civil Engineering | ▪ poor performance impacted by<br>— weak markets<br>— operational difficulties on one site<br>— restructuring costs incurred<br>▪ recovery from F16 | ▪ substantial interventions in progress<br>▪ retaining core capacity but shedding complexity and cost |
| Projects | ▪ good performance<br>▪ margin constraint on SA work | ▪ diversify into new growth sectors and geographies |
| Energy (E&C) | ▪ margin as guided for F2015 not H1<br>▪ technical commercial close-out on few current contracts | ▪ building further capacity off strong technical record in power, oil+gas<br>▪ focus on margin improvement |

# Business update

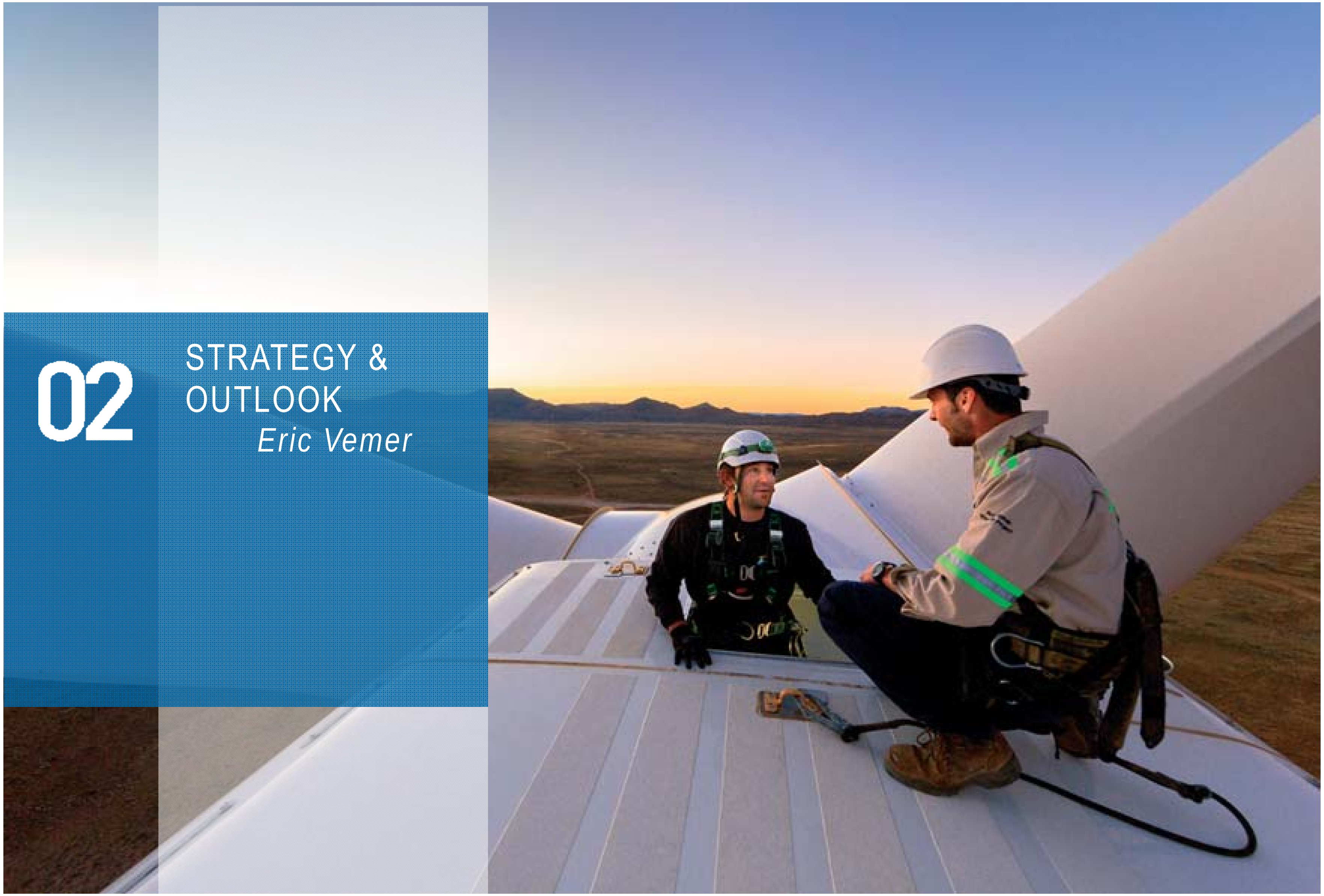



| Grouping | Latest LTIFR | 2006 LTIFR | % Change |
|---|---|---|---|
| Total for Group Five | 0.13 | 1.34 | 90% better |
| Group Five Employees | 0.17 | 0.64 | 73% better |
| Group Five Contractors | 0.09 | 1.76 | 94% better |

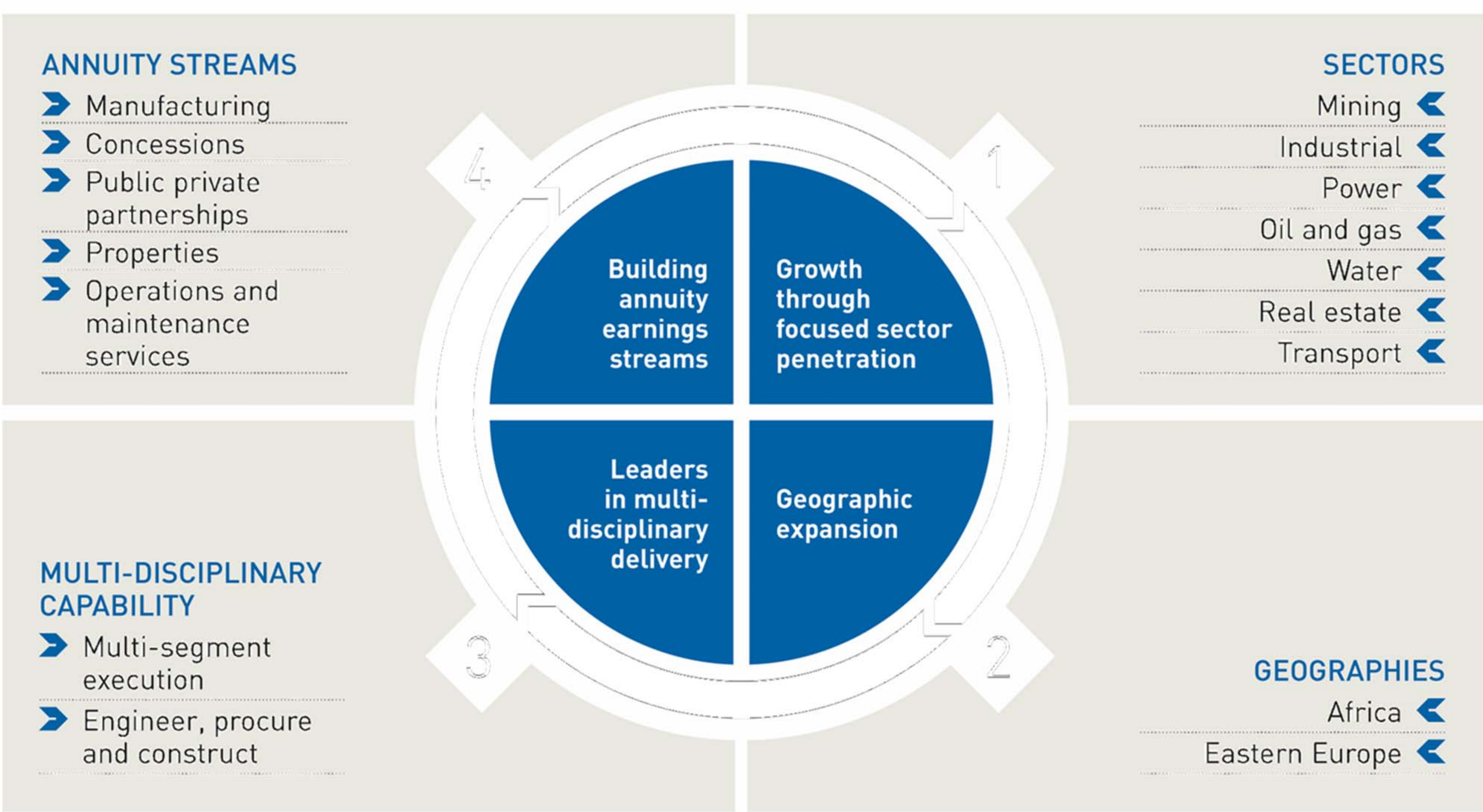
GROUP FIVE
structured ingenuity

# 02 STRATEGY & OUTLOOK

*Eric Vemer*



# Group strategy




**Capability to deliver over the whole lifecycle**

**Multiple revenues and improved blended margin**

# Group strategy - sectors


**Capability to deliver over the whole lifecycle**

**Multiple revenues and improved blended margin**

# Group strategy & outlook - Mining sector

## Sector is subdued, in line with lower commodity prices, but still presenting selected opportunities

- Increasing integration of other group businesses on projects – driving value add
  - Engineering & Construction: Housing, Civil Engineering, Projects and Energy
- Ebola has impacted West Africa

# Group strategy & outlook – Industrial sector

## Sector has been very quiet the last few years, but some recent signs of activity

- Better prospects in some our target African markets, specifically in sugar, dry port/logistics/handling facilities, manufacturing industrial (factory establishment)
- Locally remains slow but some prospects noted around commodities handling, tyre plants, general factory erection



# Group strategy & outlook – Power sector

## Further growth expected in Africa – high demand for EPC capability

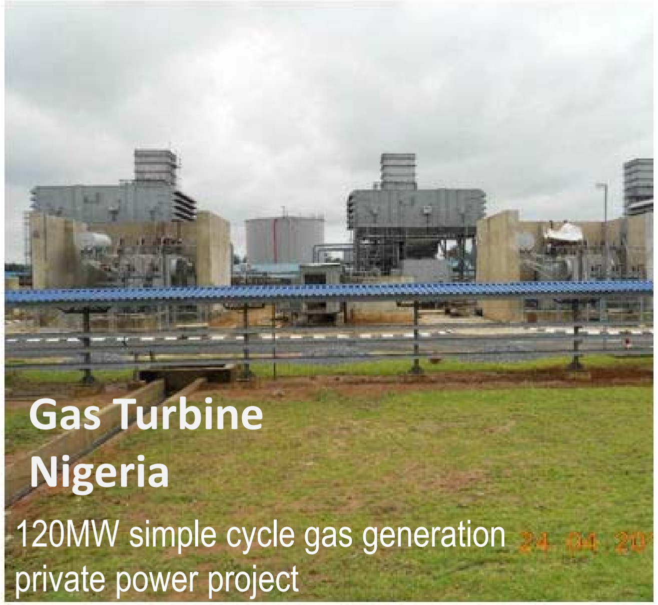
- Renewable projects – future is in Africa, South Africa REFIT is slowing down, although still in discussion on next rounds
- Thermal projects – particularly gas fired power solutions – both West and East Africa
- Energy team is well positioned to consolidate position as a leading “home grown” EPC contractor on the continent
- Projects underway or being pursued
    - Kpone, Ghana
    - Kuvaninga, Mozambique
    - Geo-thermal opportunities in Kenya
    - Renewables

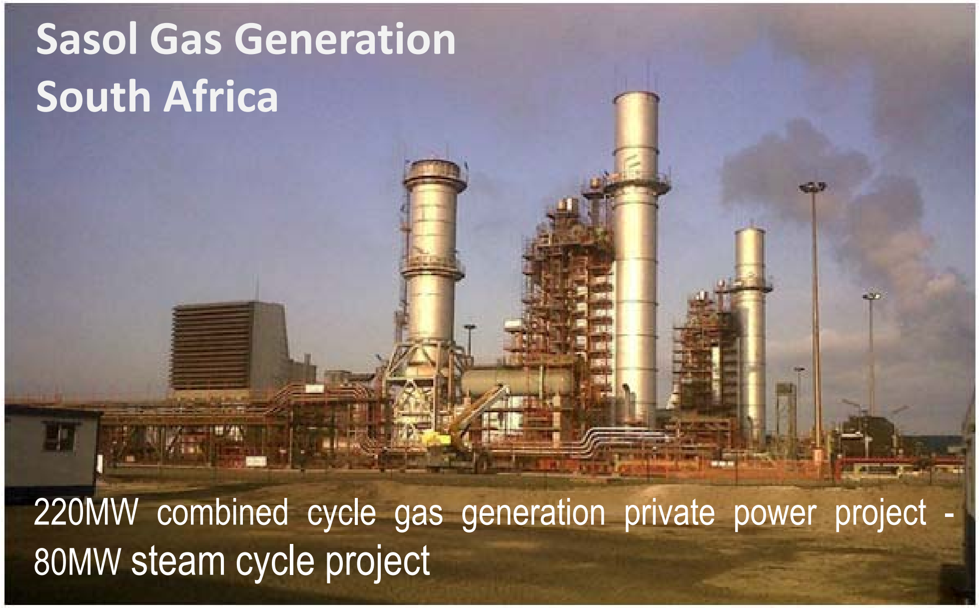
# Group strategy & outlook – Power sector






# Group strategy & outlook – Power sector



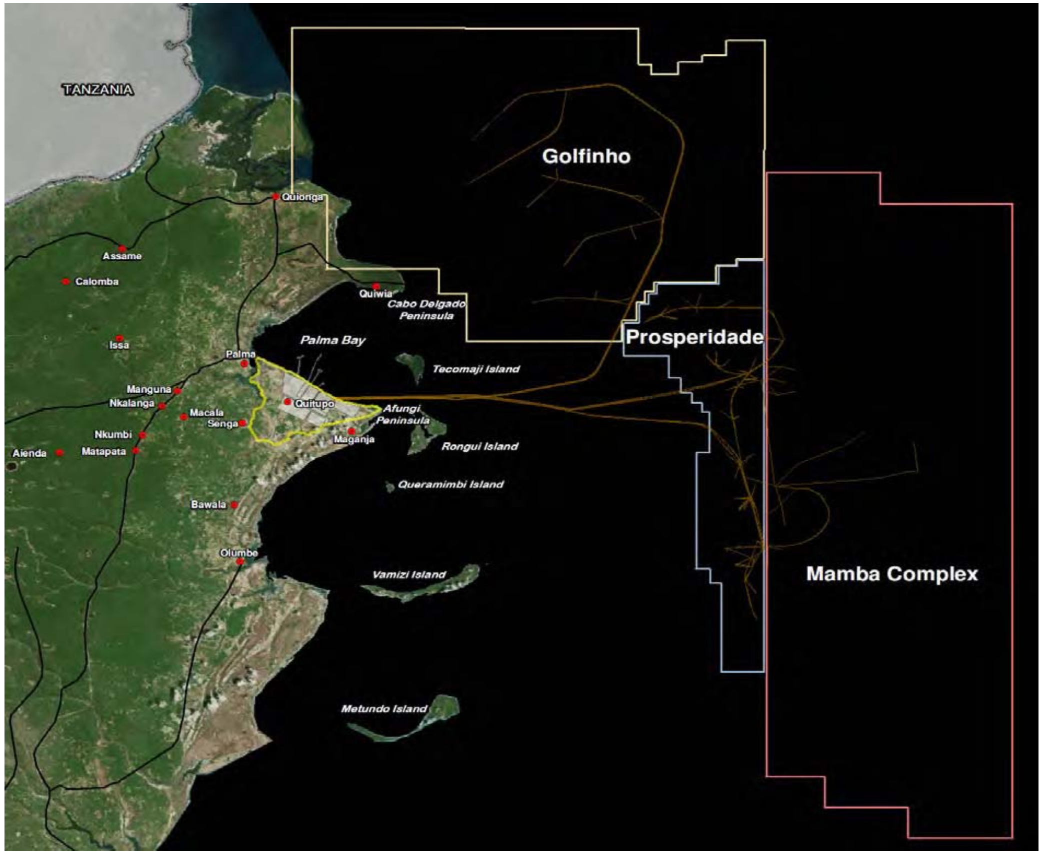





# Group strategy & outlook – Oil & Gas sector

## Significant opportunity for growth on East Africa gas & oil extraction

- Focus is on establishing a presence in East Africa - particularly Mozambique
- Product offering and experience is based on existing projects in South Africa
- Ongoing dialogue with key developers in the region



# Group strategy & outlook – Water sector

## Growth is lagging that of power in Africa – but sector will recover

- The group has partnered with technology suppliers for potential growth in Southern Africa
- Water treatment opportunities often closely linked with power developments
- Positioned to provide a full suite of solutions
  - design, construction, pipe manufacture and supply and technology through partnering

Lower Thukela Bulk Water Supply Scheme
South Africa
In progress

Spring Grove Dam
South Africa
Complete
Water from the dam will be transferred from the Mooi River catchment to the Umgeni River catchment to augment water supplies (by 60 million m3/annum)

Themba Water Treatment Works
South Africa
In progress

Darvill Waste Water Treatment Upgrades
South Africa
In progress
The most unusual structures on the project is the construction of two 36m high, 18m diameter Egg-Shaped Digesters.

Acid Mine Drainage
South Africa
In progress

# Group strategy & outlook – Real Estate sector

## Growing development and construction requirements in Southern Africa

- Development drive being led by property team
- Property fund under development to accelerate growth
- Properties & Building businesses completing office development in Accra, Ghana (Capital Place)
- Future development opportunities seen in West, Southern and East Africa
- Building growth in South Africa is reasonably strong
- Housing – refocusing on opportunities outside of mining – growth is tempering

Delft Precinct
South Africa

St Aidan's
South Africa

Integrated Development
Tanzania

Dingleton Relocation Project
South Africa

# Group strategy & outlook – Transport sector

## Low growth in South Africa, long project development cycle in **Africa**

- Numerous projects identified in Africa in target geographies, however the development cycle is long and not always certain
    - Opportunities include roads, ports and airports
- Tentative signs of growth in concessions including Uganda – (Kampala-Jinja expressway)
- N1-N2 Winelands project – there is hope that the review process will be completed next year
- Re-focusing and skills alignment for growth on the continent in civil engineering
- Intertoll continues to expand its operational offering, including toll system and plaza development


Zimbabwe Plazas

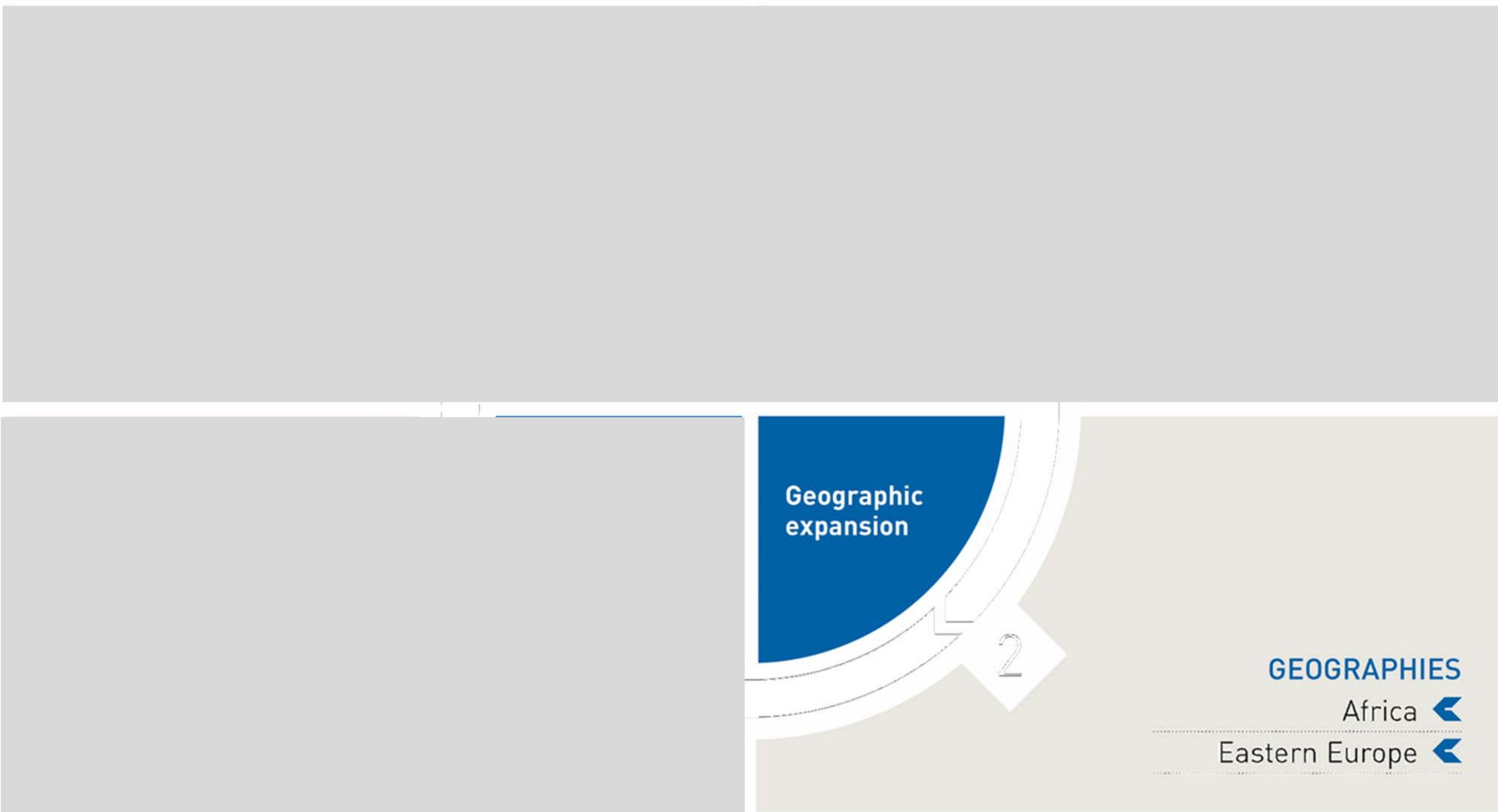
Zimbabwe Roads



KSIA Toll – South Africa


N2 Upgrade - South Africa

# Group strategy - geographies




**Capability to deliver over the whole lifecycle**

**Multiple revenues and improved blended margin**

# Group strategy & outlook - Africa

- Focus regions include West Africa, East Africa and Central Africa and Southern Africa
- Local country representatives appointed in:
  - Ghana
  - Mozambique
- Africa strategy continues to create traction, projects have been identified and are being developed in all the key regions across all of Group Five's sectors
- Relations and engagement with governments and key departments is ongoing
- Group Five is actively developing projects in over 10 countries in selected regions


Sasol Gas Turbine
South Africa


KSIA Toll Plaza
South Africa

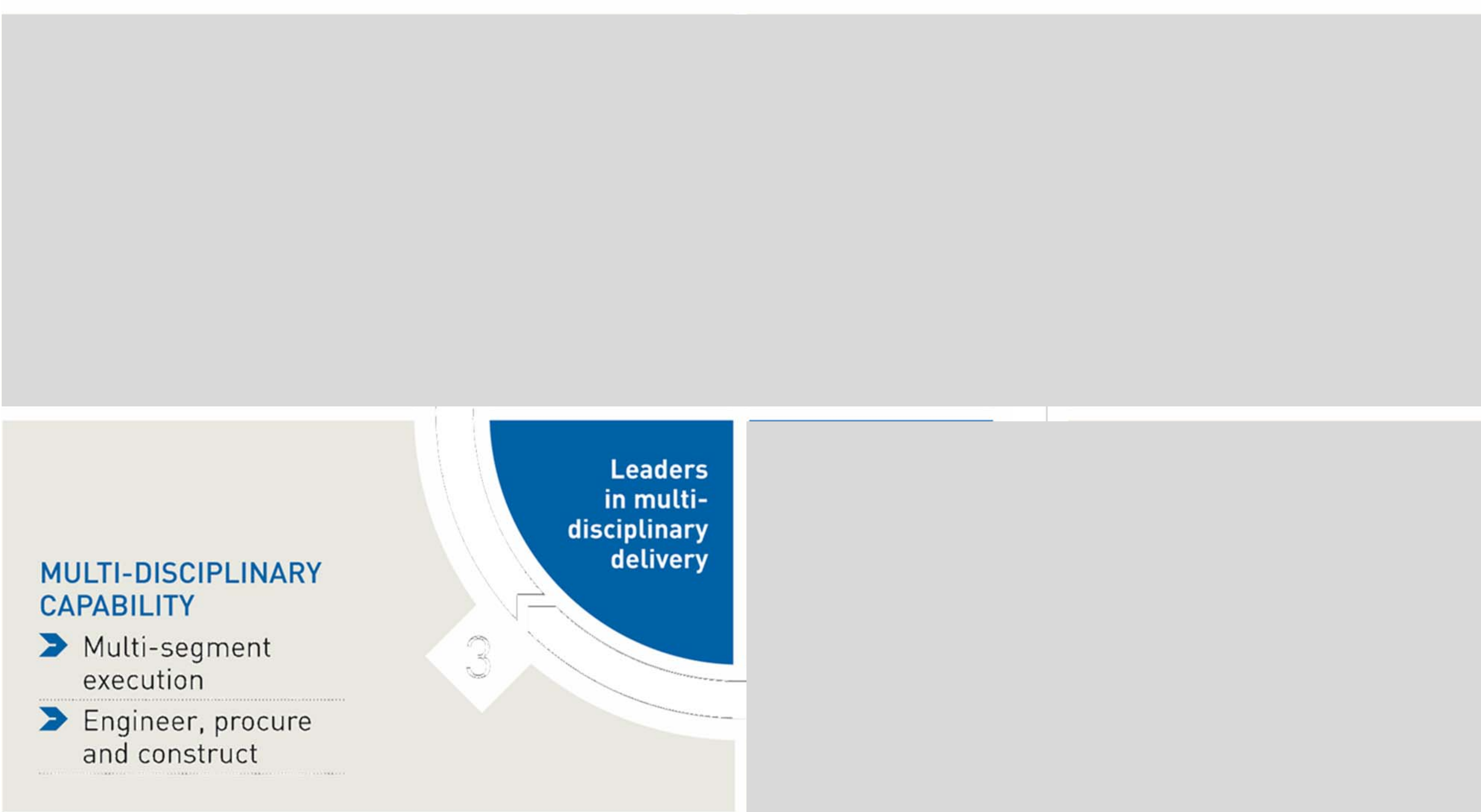

Zimbabwe Roads


Klipheuwel Wind Farm
South Africa

# Group strategy & outlook – Eastern Europe

- Expanding further into East Eastern Europe/CIS states
  - Russia, Balkans, Turkey

# Group strategy – multi-disciplinary capability




**Capability to deliver over the whole lifecycle**

**Multiple revenues and improved blended margin**

# Group strategy & outlook – multi-disciplinary capability

## Multi-segment execution

- Increasing trend of inter-BU co-operation
  - Power = Energy/Projects/Civil Engineering
  - Transport = I&C-Intertoll/Civil Engineering/Buildings (Airports)
  - Real Estate = I&C-Properties/Buildings/Housing

## Group operating structure

- Re-alignment supports growth direction of long-term order book
- Concurrently improve efficiency and effectiveness of contracting execution


Sasol Gas Turbine South Africa


Zimbabwe Toll Plaza


Capital Place Ghana

SA Toll Plaza

# Group strategy – annuity streams


**Capability to deliver over the whole lifecycle**

**Multiple revenues and improved blended margin**

# Group strategy & outlook – annuity streams

## Transport

- Good growth is expected in Africa - significant requirement for operations and maintenance solutions; and tolling solutions
- Development of a toll system suitable for local conditions is seen as a significant differentiator
- Eastern Europe growth is seen as promising – numerous projects on the horizon
- Country manager has been appointed for Russia – infrastructure development ahead of the 2018 World Cup is high on the agenda
- Review of North American market has begun



# Group strategy & outlook – annuity streams

## Transport






# Group strategy & outlook – annuity streams

## Manufacturing

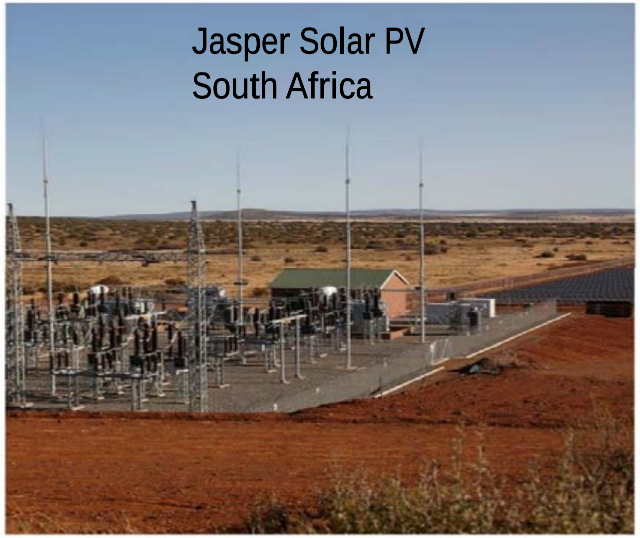
- Growth in South Africa is seen as muted
- Focus is on reducing costs, exporting into Southern Africa
- Prospect for investment in fibre-cement business in Africa under review
- Additional advanced/ fast build technologies are under review (ABT)

# Group strategy & outlook – annuity streams

## Energy – power

- Opportunity to provide O&M services to renewable projects has been converted into real projects – service to be offered on recently built projects
- Further offering for gas fired thermal plants is being developed


Sasol Gas Generation
South Africa


Jasper Solar PV
South Africa


Klipheuwel Wind Farm
South Africa

## Energy – oil & gas

- Team continue to offer operations and maintenance expertise to the industry
- Growth market is the burgeoning East Africa oil and gas beneficiation industry

# Group strategy – investment & balance sheet support

- Acquisitions
  - Support technological capability
    - Marine, pipelines, rail, tolling technology
  - Support faster geographic expansion
    - Ghana, Mozambique, East Africa
  - Support annuity business growth
    - Manufacturing, Intertoll
- Equity investment, capital/debt support
  - Concessions assets, property assets
- Strong return on investment focus in all our current and targeted activities

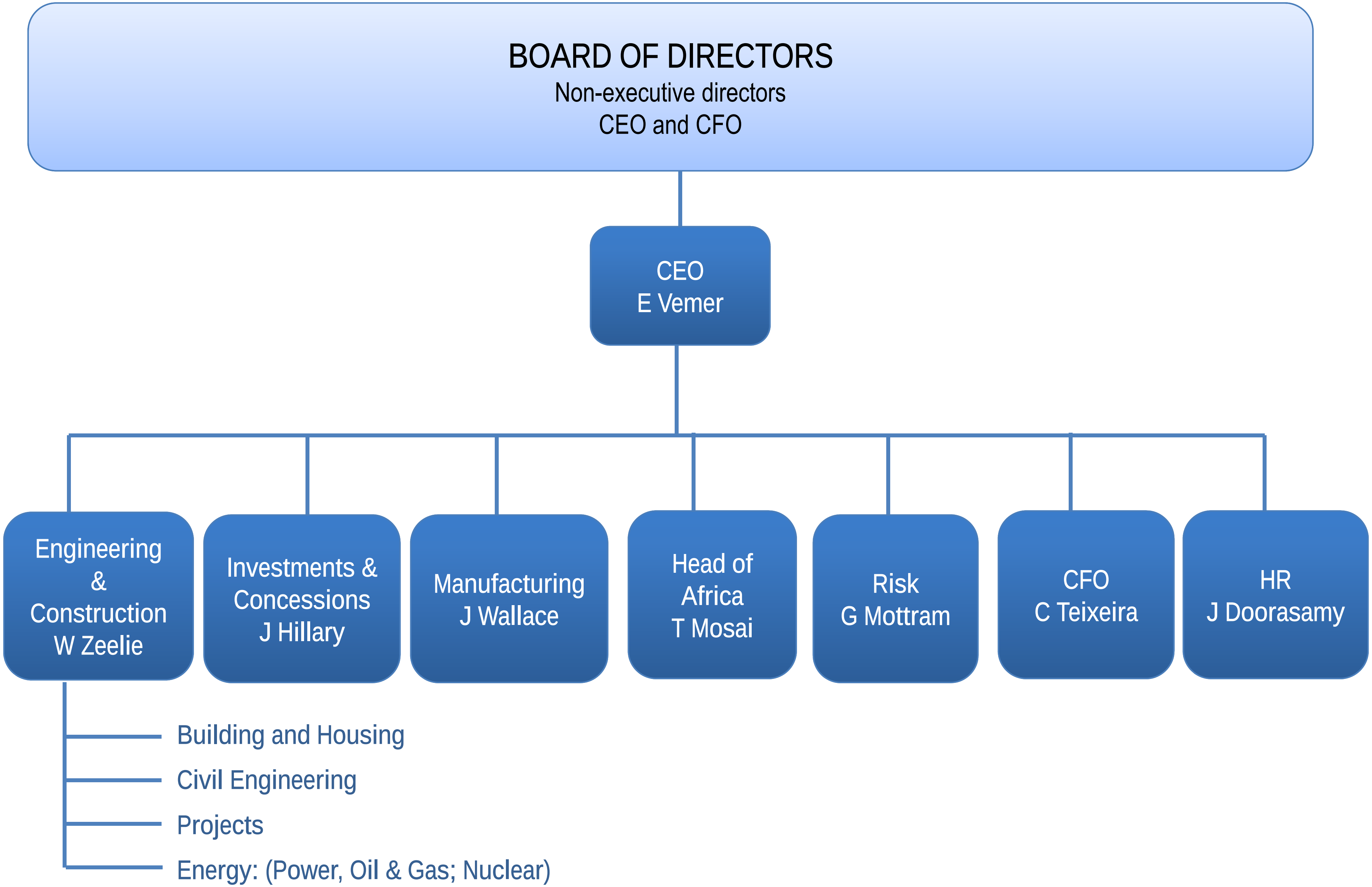
# Group strategy - confirmation

Four core legs of our strategy ✓

Need and opportunity for group structure refinement

- Leaner, faster, less complex
- Improve our delivery capability, efficiency, quality focus and capacity

# Group strategy – structure update



# FINANCIAL UPDATE 03

*Cristina Teixeira*

# HR

*Jesse Doorasamy*

# AFRICA

*Themba Mosai*

# Order book:
## *Secured operations and maintenance* – annuity income*

| | Actual revenue | | Order book | | |
|---|---|---|---|---|---|
| Rm | F2013 | F2014 | F2015 | 3-year to F2018 | Total secured * |
| Transport | 654 | 834 | 652 | 1 747 | 4 135 |
| Industrial, Oil & Gas | 59 | 224 | 97 | - | 97 |
| Power | - | - | 23 | 124 | 176 |
| Total | 713 | 1 058 | 772 | 1 871 | 4 408 |

* Total R4,4bn order book
- R4,6bn – June 2014
- R4,8bn - Dec 2013
- R4,5bn - Oct 2013
- R4,8bn - June 2013
- R4,6bn - Dec 2012

* *Total secured order book is:*
- *valuation to first review date of secured contracts only*
- *valued using real cash flows (excluding escalation clauses)*

# Order book:
## *Secured contracting order book*

| | Total | Building & Housing | Civil Engineering | Projects | Energy |
|---|---|---|---|---|---|
| Total order book – Rm | 10 761 * | 6 268 | 1 844 | 1 858 | 791 |
| % Over-border | 19% | -% | 20% | 75% | 39% |
| ▪ Public over-border | 2% | - | 14% | - | - |
| ▪ Private over-border | 17% | - | 6% | 75% | 39% |
| % Local | 81% | 100% | 80% | 25% | 61% |
| ▪ Public local | 38% | 42% | 61% | 4% | 35% |
| ▪ Private local | 43% | 58% | 19% | 21% | 26% |

## Order book still weighted towards SA

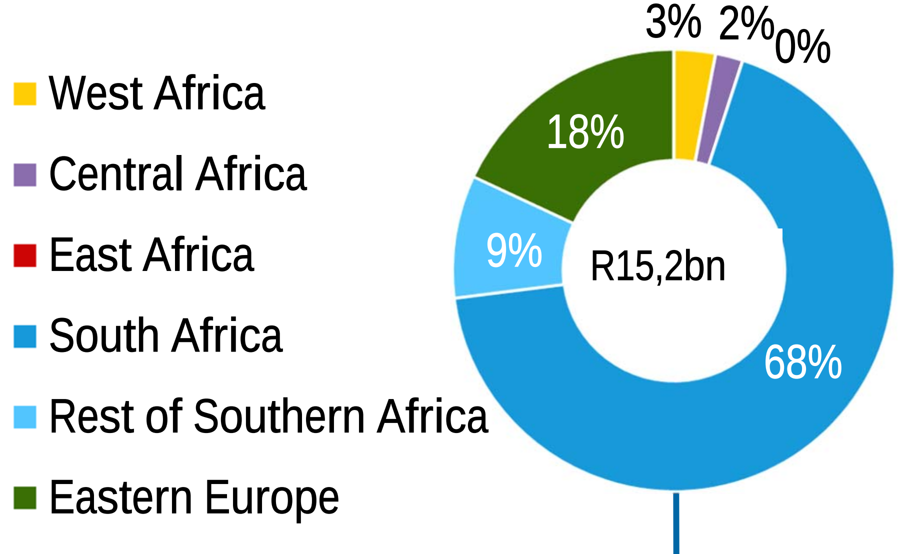
- Not reflective of over-border replenishment effort
- Merely time lag as new projects have long lead times

* Total R10,8bn order book
- R12,5bn – June 2014
- R14,0bn - Dec 2013
- R14,6bn - Oct 2013
- R14,2bn - June 2013
- R13,5bn - Dec 2012

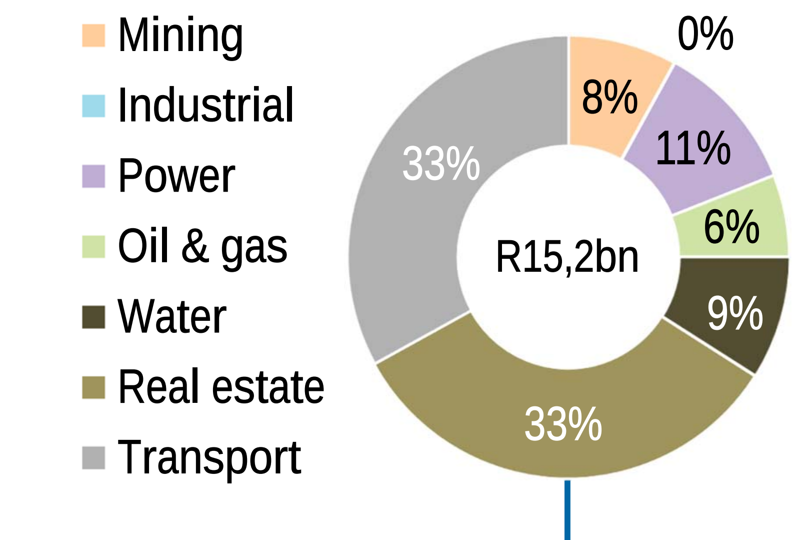
* *Values include only Group Five's portion of fully secured construction work*

# Secured total* order book

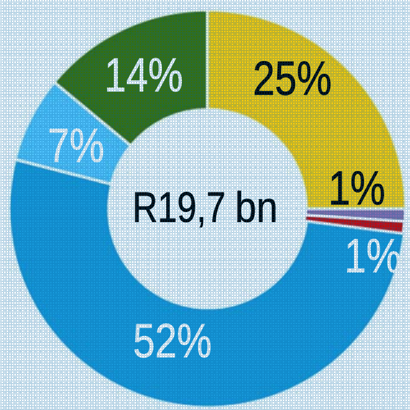
## By geography



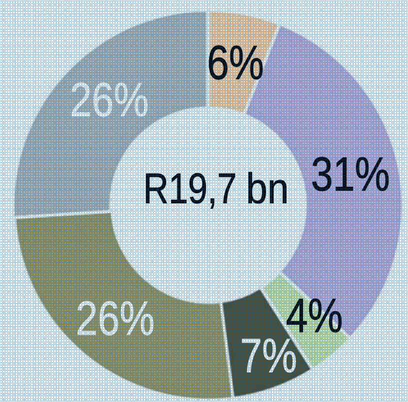

## By sector




For illustrative purposes




If R4bn** gas turbine contract is won




*** To be traded over 3 financial years*

** Total order book comprises secured Contracting and O+M order books*

# Multi-year target opportunity pipeline*

| | Total as at 30 September 2014: R205bn | | | | | | | June 2014 | Pre-Tender & Tender^ |
|---|---|---|---|---|---|---|---|---|---|
| | International split | | | Local split | | | Total | | |
| By sector (Rbn) | Total | Private | Public | Total | Private | Public | | Total | |
| Mining | 22 | 22 | - | 15 | 14 | 1 | 37 | 50 | 23 |
| Industrial | 6 | 6 | - | 3 | 2 | 1 | 9 | 4 | 6 |
| Power | 17 | 14 | 3 | 20 | 16 | 4 | 37 | 39 | 33 |
| Oil & Gas | 21 | 16 | 5 | 7 | 5 | 2 | 28 | 26 | 16 |
| Water | 8 | 8 | - | 7 | - | 7 | 15 | 10 | 10 |
| Building | 1 | 1 | - | 11 | 6 | 5 | 12 | 9 | 4 |
| Housing | 1 | 1 | - | 1 | - | 1 | 2 | 6 | 1 |
| Transport | 38 | 15 | 23 | 27 | 6 | 21 | 65 | 58 | 43 |
| Total | 114 | 83 | 31 | 91 | 49 | 42 | 205 | 202 | 136 |
| Pre-Tender & Tender^ | 83 | 59 | 24 | 53 | 33 | 20 | 136 | | |

- 56% = International opportunities
- 20% = SA public sector

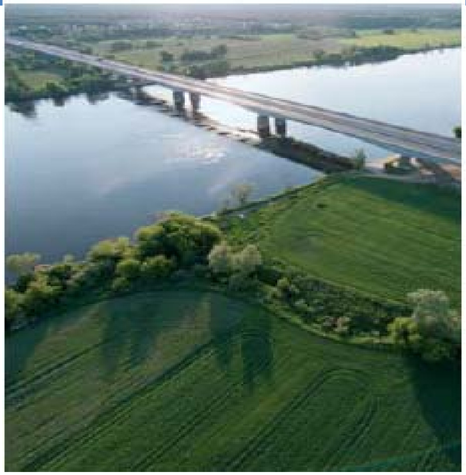
- Outlook in favour of key growth sectors of mining, oil & gas, power and transport

** These are the projects targeted by the group – not to be confused with the Engineering & Construction (previously Contracting order book*

*^ Value within the multi-year opportunity pipeline in pre-tender and tender stage*

# Financial performance

## Margin review

| | Investments and Concessions | Manufacturing | Engineering & Construction - Energy |
|---|---|---|---|
| |  |  |  |
| Guidance at June 2014 | 15 – 20% range including fair value adjustments | 6 – 8% range | 3 – 5% short term low end of range |
| Update: short term | Unchanged | Unchanged | Below range for H1 F2015, current view* 0% - 2%; previous range unchanged for F2015 |

** Most recent outlook on H1 2015 informs updated guidance, close out on contracts expected to improve margin, status of these in Jan 2015 will inform trading update guidance for H1 F2015*

# Financial performance

## Margin review

| | Engineering & Construction | | |
|---|---|---|---|
| | Building & Housing | Civil Engineering | Projects |
| |  |  |  |
| Guidance at June 2013 | 2 - 4% short-term low end of range | 3 - 5% range short-term low end of range | 5 - 8% range |
| Update: short term | Unchanged | Below range for F2015; current view* is 0 – (2%) in H1 and F2015, break-even before restructuring costs | Unchanged |

** Most recent outlook on H1 2015 informs updated guidance, further trading update guidance will be issued when recent outlook confirmed*

# Financial position

## Competition Commission (CCSA)

- Position unchanged from year end
  - Leniency obtained on all matters reported
  - Lack of evidence & factual discrepancies on 4 matters to be settled
  - Provision assessment of F2013 remains unchanged
  - Risk of civil claims exists; none received to date
  - Wider engagement between industry and government has commenced
- The group notes the CCSA statement w.r.t its referral of alleged collusive tendering by various firms incl. Group Five
  - This was anticipated
  - The group engaged in lengthy discussions with the CCSA and, having not reached consensus on the allegations made against the group, the group informed the CCSA that it elected to assess its position upon review of the CCSA referral to the Competition Tribunal
  - The group welcomes the opportunity to address and clarify this long outstanding issue in order to bring certainty to shareholders, employees and all other stakeholders

# Financial position

## Balance sheet

- Balance sheet largely unchanged
- Net ungeared position maintained
- Capital expenditure monitored and contained

## Cash flow and liquidity

- Local credit rating review – rating unchanged
    - National Long-term A - (Stable)
    - National Short-term A1- (Stable)
- Cash position
    - Working capital unwind higher than forecast
        - focus on
            - continued working capital cycle management
            - client collection of past due but not impaired debtors
    - Middle East quarterly payments received according to payment schedule

GROUP FIVE
structured ingenuity

# FINANCIAL UPDATE

*Cristina Teixeira*

# 03

# HR

*Jesse Doorasamy*

# AFRICA

*Themba Mosai*

# Human resources – key issues: Ebola

## The situation is a key focus for EXCO and the operational teams

- A working committee was established comprising our client, their engineer and Group Five for the contract in Liberia
- Each team focuses on the following to manage exposure, including
  - site security, medical checks, evacuation procedures, information updates from the Institute of Communicable Diseases, awareness and training on site, ISOS assistance
- Our staff have been provided the opportunity to leave site but have chosen voluntarily to continue on the project – staff are constantly updated on new risks or information
- None of our staff have been affected and all follow extreme lock down procedures – non compliance to communicated and agreed procedures leads to dismissal
- Senior staff responsible for the contracts in Liberia visit the site every 2 weeks to assess current conditions and risks
- Liberia new case reporting appears to be dissipating
- The wider West African scenario is being monitored – no risk on any other site reported

# Human resources – key issues: industrial action

## Strike action Q1 F2015

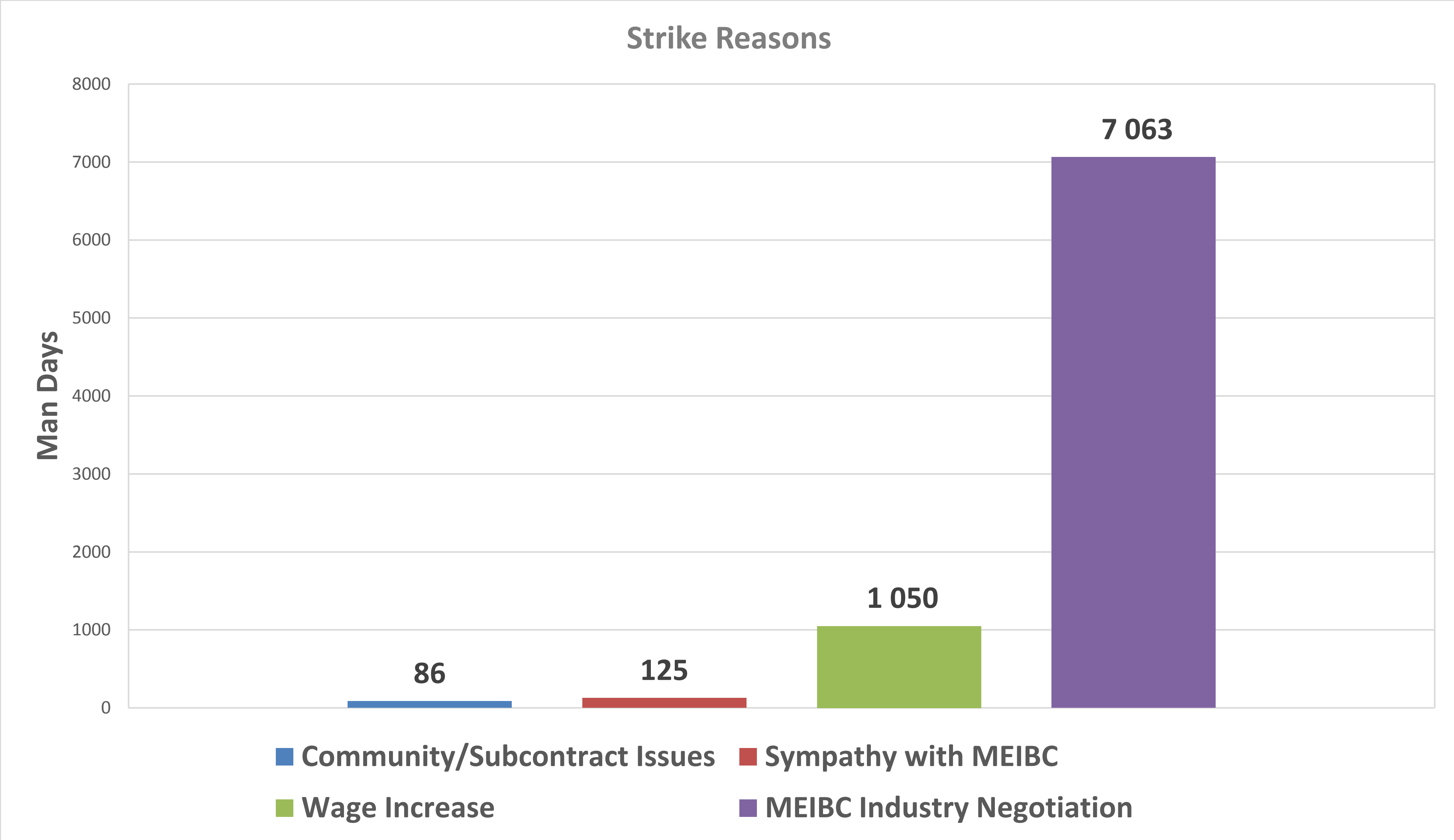
| Cluster | Business | Union | Industry dispute | Total Strikes | Protected Strikes | Man days Lost |
|---|---|---|---|---|---|---|
| Construction | Building and Housing | n/a | No internal | 2 | No | 44 |
| | Civil Engineering | NUM | No internal | 1 | No | 772 |
| | Civil Engineering | NUMSA | Yes Industry Wage Negotiations (MEIBC) | 1 | Yes | 445 |
| | Projects | NUMSA | | | | 1 012 |
| Manufacturing | Pipe | NUMSA | | | | 4 477 |
| | BRI | NUMSA | | | | 1 574 |
| Total | | | | 4 | | 8 324 * |

**91% of the man hours lost were as a result of the MEIBC strike**

** Represents 0.8% of group man days worked in Q1 F15*

# Human resources – key issues: industrial action

## Strike action Q1 F2015




Most strike activity in the quarter was as a result of NUMSA wage dispute at the MEIBC

# FINANCIAL UPDATE

*Cristina Teixeira*

# 03

# HR

*Jesse Doorasamy*

# AFRICA

*Themba Mosai*

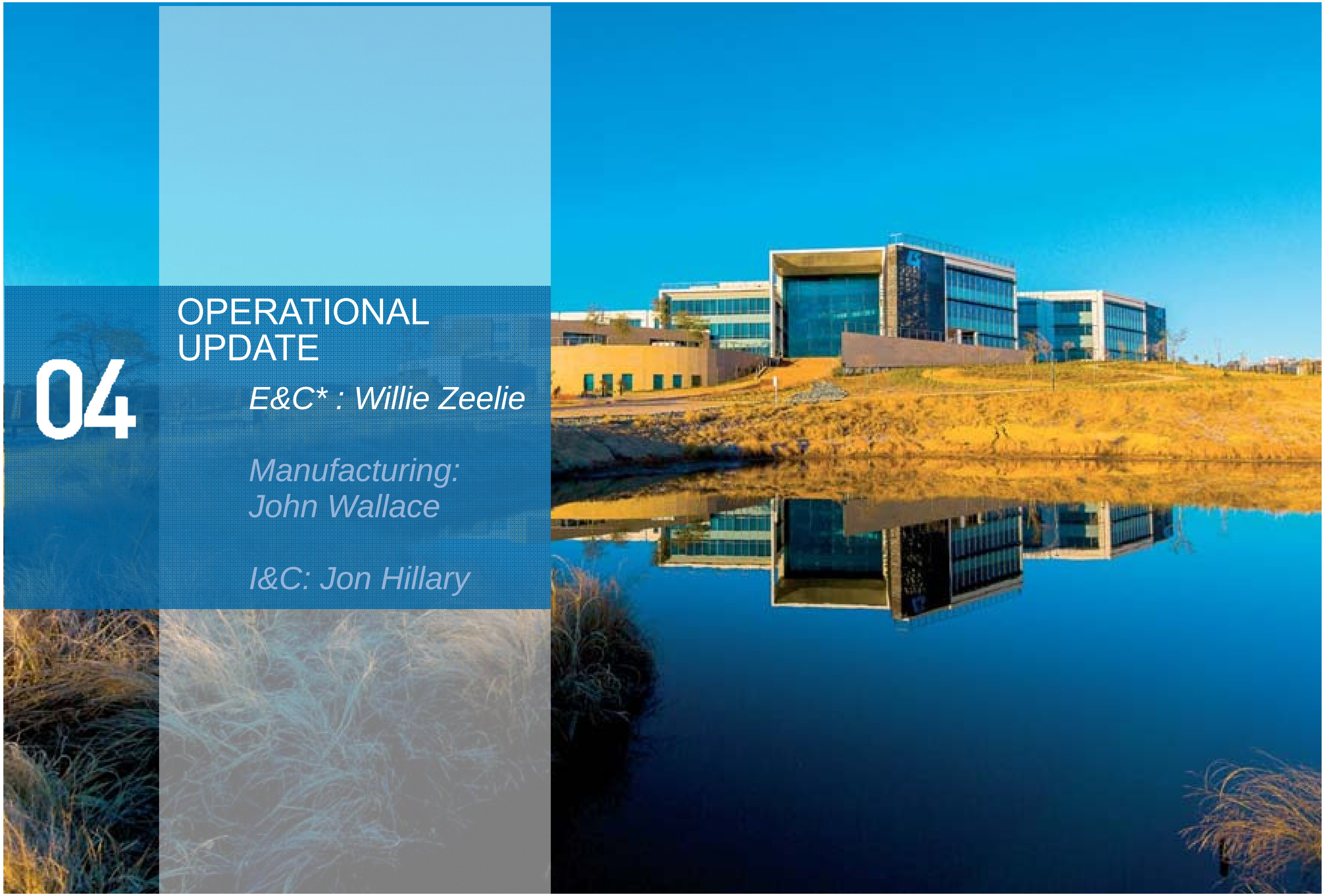
# Africa - expansion

| | |
|---|---|
| Market entry strategy | • Priority country targets agreed, and approach for sustainable in-country position continues to be fine-tuned<br>  • focus regions include West Africa, East Africa and Southern Africa<br>  • projects have been identified, and are being developed, in all key regions across all of the group's sectors – actively developing projects in 10 countries<br>• A "here to stay" attitude in our key markets<br>• Targeted project selection to optimise expected return vs risk and cost of development<br>• Thorough due-diligence process for local partner selection, long-term view |
| Resource alignment | • Continued alignment of resources with our target project/market needs<br>• Resources at senior group level now appointed and empowered to engage senior government officials in driving our Africa expansion on a continuous basis<br>• In-country staff appointed in Ghana and Mozambique |

# Africa - expansion

| | |
|---|---|
| Decision making | • Internal approval and review processes aligned to ensure further enhancement of due diligence on key project/country risks and opportunities, covering full project lifecycle issues from development to execution to operations |
| Institutional capacity | • Group involvement in assisting governments in:<br>• structuring projects to bring to market<br>• aligning projects with funder's and other key stakeholder requirements |
| Annuity income projects | • Long lead time projects, typically between 3 and 10 years<br>• Now at well progressed stage of development on a number of projects in our key target markets |

GROUP FIVE
structured ingenuity



# 04 OPERATIONAL UPDATE

*E&C* : Willie Zeelie*

*Manufacturing: John Wallace*

*I&C: Jon Hillary*

** Include all of the groups contracting businesses – Building & Housing, Civil Engineering, Projects and Energy (Power and Oil & Gas)*

# Engineering & Construction

## Period under review

### Building and Housing

#### South Africa

- High revenues
- High activity in Waterfall area
- Winning bids at improved margin
- Successful completion of first phase of large mine housing project
- Delayed major low-cost / social housing projects

#### Rest of Africa

- Capital Place in completion, Ghana

### Civil Engineering

#### South Africa and Rest of Africa

- High activity levels off large order book, associated delivery challenges on one contract
- Operating profit well below expectations – recovery in F2016
- Tender market highly competitive, low margins experienced
- Business not focused on securing revenue in current market
- Restructuring and cost rationalisation in progress – cost in H1 & H2 F15

#### Rest of Africa

- Commercial close out of completed DRC mining contract

## Projects

#### South Africa

- Continued to perform well in mining (coal) and power sectors
- Active in electrical disciplines

#### Rest of Africa

- Progressing well on Liberian contract, addressing Ebola challenges
- DRC project – further packages awarded
- Progressing on large uranium project awarded in Namibia

# Engineering & Construction

## Period under review

| Energy - power | Energy - oil & gas |
|---|---|
| **South Africa**<br>▪ All REIPP* projects generating into Eskom grid<br>- 27MW Klipheuwel Wind - O&M** operation<br>- 74MW Noblesfontein Wind - O&M** operation<br>- 36MW Touwsrivier Solar - Grid compliance tests<br>-75MW Jasper Solar - Grid compliance tests | **South Africa**<br>▪ Numerous contracts nearing completion phase<br>▪ Client base expanded - new awards from majors<br>▪ Excellent safety performance with all majors<br>▪ Strong client base for maintenance, turnaround and construction contracts - new turnaround contracts awarded in F2015 |
| **Rest of Africa**<br>▪ Kuvaninga gas Mozambique – Construction on track<br>▪ Kpone Power Project – EPC Contract signed*** | **Rest of Africa**<br>▪ First projects bid into East Africa in line with strategy |

## Energy - nuclear

### South Africa

- First contract for Eskom Koeberg Power Station now in construction phase
- Second contract for Eskom Koeberg Power Station awarded to the group in H1 F2015

* *Renewable Energy Independent Power Producer Programme*

*** Operations & Maintenance services*

**** Awaiting Notice to Proceed*

# Engineering & Construction - Building and Housing

## Outlook

### Housing: South Africa
- Large order book
- Delayed major low-cost / social housing projects
- Housing solutions for mining industry still offer an opportunity

### Housing: Rest of Africa
- Interest in mining housing remains but little traction in the short term
- Major mining and oil & gas projects require construction villages

### Building: South Africa
- Excellent order book
- Margins should continue to slowly improve
- Good prospects in coastal regions
- Sub-contractors and suppliers under pressure

### Building: Rest of Africa
- Pursuing further opportunities in West Africa
- Focus on private developments
- Continue to work with G5 Property developments on a number of prospects

# Engineering & Construction – Civil Engineering

## Outlook

### South Africa

- Delayed rollout of public infrastructure projects to continue into 2015
- Market expected to remain tough in the short to medium term
- Substantial delays between tenders and awards

### Rest of Africa

- Opportunities in SADC and in West Africa
- Key sectors will be power, transport and oil & gas

### Middle East

- Close-out continues; payments received per plan

# Engineering & Construction – Projects

## Outlook

### South Africa

- Market generally quiet with few significant possibilities, particularly in mining sector
- Further construction opportunities available in renewable energy sector

### Rest of Africa

- Mining activities have slowed somewhat, but expect to replenish order book as preferred contractor
- Industrial sector quiet, some new work seen in the pipeline for bidding in F16 in sugar, cement, energy

# Engineering & Construction – Energy

## Outlook

### South Africa & Rest of Africa

#### Power

- Multiple opportunities have long lead times - lumpy order book
- Demand for mining & industrial captive power - F2015/16
- REIPP^ Window 3 & 4
  - 16MW Mkuze Biomass (window 3) expected Feb 2015
  - Multiple Window 4 solar bids submitted, await DOE announcement
- Numerous IPP power bids submitted in East and West Africa, at different stages of development
- Renewable power slowly expanding into Africa
- Geothermal opportunities in Kenya
- Awaiting KIPP Notice to Proceed, expected in H1 F2015

#### Oil & Gas

- Clean Fuels has been delayed, but certain refineries continue at a slower pace
- Developing opportunity:
  - Mozambique LNG^^ projects – First bids submitted
  - Strong alliances being developed
  - Ghana storage projects
  - Tanzania gas expansion FEED studies in progress

#### Nuclear

- Await SA government announcement on New Build

*^ Renewable Energy Independent Power Producer Programme*

*^^ Liquid Natural Gas*

GROUP FIVE
structured ingenuity

# 04 OPERATIONAL UPDATE

*E&C* : Willie Zeelie*

*Manufacturing: John Wallace*

*I&C: Jon Hillary*

** Include all of the groups contracting businesses – Building & Housing, Civil Engineering, Projects and Energy (Power and Oil & Gas)*

# Manufacturing

## Period under review

### Everite & ABT

- Stagnant domestic market
  - SA demand capacity coming free to assist export drive
- Import volumes from developing countries subdue price and volume growth
  - created price and volume pressures
- ABT modular housing revenue down
  - delivery matched with client funding availability

### BRI

- Margins stable but low due to excess market capacity

### Steel Pipe

- Strike activity slowed H1 result
- Tender activity lumpy

# Manufacturing

## Outlook

### Everite & ABT

- Traditional building material market will remain flat, offset by:
  - focus on SADC export markets
  - adding traded complementary products
- Secondary equipment upgrades continue
- ABT is poised for growth
  - steady local demand
  - delivery matched with client funding availability
  - additional building technologies being evaluated

### BRI

- Focus on lowest cost in tight margin environment
- Market consolidation continues which is resetting the competitive landscape

### Steel Pipe

- De-bottlenecking capex releasing capacity
- Water infrastructure spend lumpy
  - order book weaker in short term
  - margins coming under pressure as tender activity slows

GROUP FIVE
structured ingenuity

# 04 OPERATIONAL UPDATE

*E&C* : Willie Zeelie*

*Manufacturing: John Wallace*

*I&C: Jon Hillary*

** Include all of the groups contracting businesses – Building & Housing, Civil Engineering, Projects and Energy (Power and Oil & Gas)*

# Investments & Concessions

## Period under review

### Intertoll Europe

- Strong performance on existing portfolio
  - good operating performance continued
  - growth in value of equity investments
  - cost efficiencies delivered good results

### Intertoll Africa

- SA CTROM market remains tight, but performing in line with expectations
- Development of Intertoll Toll System making solid progress in line with plan – operational in Zimbabwe and to be implemented at Magalies contract
- Zimbabwe toll plaza roll-out continues

### Property developments

Progress on track on secured private sector development projects

| | | | |
|---|---|---|---|
| Kalahari mall | retail | Upington | Operating well |
| Capital Place | mixed use | Ghana | Official opening November 2014 |
| St Aidan’s | residential | JHB | Under construction, phase 1 complete |
| The Angle on Oxford | mixed use | JHB | Market testing in progress |
| Kleinbron | industrial | Cape Town | Bulk infrastructure commenced |

# Investments & Concessions

## Outlook

### Intertoll Europe

- Wider geographical focus

  *further east*

  – clear targets in Balkan states, Russia and surrounds

  – pre-qualifications bids submitted in Russia, Croatia. Formal bid in place in Bosnia

  *further west*

  – North America – investigation underway

### Intertoll Africa

- SANRAL CTROM: mature market with few growth opportunities, Tsitsikamma contract ending
- Zimbabwe O+M* roll-out completion by H2 F2015
- Developing new concessions and O+M * projects in Africa for F2015/16
  - Ghana, DRC, Nigeria, Uganda, Zambia & Zimbabwe
- Toll system development – key differentiator

### Property developments

- Expansionary African footprint:

| | |
|---|---|
| Several new projects in pipeline | Ghana and Nigeria |
| Advanced targeted projects | Uganda, Tanzania, Kenya & Nigeria |

- South Africa

| | |
|---|---|
| Secured residential opportunities | Gauteng |

* *Operations and Maintenance Services*

# Infrastructure concessions pipeline

| | | Project | Country | ± Rm* | Status |
|---|---|---|---|---|---|
| Concessions | | N1-N2 Toll Road | SA | 10,000 | Preferred bidder – Court process continues |
| | | National route upgrade Phase II | Zimbabwe | 1,500 | In principle funding approved; target H2 F2015 |
| | | Kampala – Jinja Expressway | Uganda | 10,000 | Bid expected H2 F2015 |
| PPP's | Infra-structure | Various Infrastructure | S+E**Africa | >3,500 | Progressing submissions in support of funding |
| | | Power Projects | Bulgaria | >1,000 | Securing equity partner – increased interest post Euro zone crisis |
| | Serviced Buildings | City of Tshwane HQ | SA | 1,200 | Preferred bidder; target start H2 F2015; early works started |
| | | Public Buildings | S+E**Africa | >2,000 | Feasibility studies underway |
| Real Estate dev's | | Kleinbron – industrial & residential | SA | 300 | Bulk infrastructure underway |
| | | Bar Beach Integrated Development | Nigeria | 2,500 | Negotiating anchor tenants |
| | | Pegasus Retail Development | Kenya | 300 | Feasibility underway |
| | | TOTAL | | >32bn | |

** Total project value, Group Five and other consortium members*

*** Southern and East Africa*

# Infrastructure concessions pipeline

| Project | Country | ± Rm* | Status |
|---|---|---|---|
| N1-N2 Toll Road | SA | 10,000 | Preferred bidder – Court process continues |
| National route upgrade Phase II | Zimbabwe | 1,500 | In principle funding approved; target H2 F2015 |
| TOTAL | | >32bn | |

## Embraces all 4 elements of group growth strategy:

| | |
|---|---|
| 1. Sector expansion | • O&M diversification opportunity in transport & real estate |
| 2. Geographic expansion | • South Africa, West Africa, East Africa, SADC<br>• Russia & surrounds<br>• North America – investigative stage |
| 3. Multidisciplinary expansion | • Close collaboration with contracting businesses |
| 4. Annuity income expansion | • Position maximised through blended contracting, O&M and investment returns |

** Total project value, Group Five and other consortium members*

*** Southern and East Africa*

# For more information please contact:

## Eric Vemer

Chief Executive Officer designate
Telephone: +27 10 060 1555
Email: ericv@groupfive.co.za

## Cristina Freitas Teixeira

Chief Financial Officer
Telephone: +27 10 060 1555
Email: cteixeira@groupfive.co.za

Our website:
www.groupfive.co.za


GROUP FIVE
structured ingenuity