

**GROUP FIVE LIMITED**  
 GROUP UPDATE &  
 FOCUS AREAS FOR F2013  
 UPDATE: NOVEMBER 2012

**Construction**

Key focus areas for F2013	Desired results	Progress
<b>Building and Housing</b>		
Segment offering <ul style="list-style-type: none"> <li>• Design to build and construction of large buildings and human settlements</li> </ul>		
<b>Margins</b>	<ul style="list-style-type: none"> <li>• 3 – 4% short term range</li> </ul>	<ul style="list-style-type: none"> <li>• Lower than guidance in the short term,</li> <li>• Improvement expected only from F2013</li> </ul>
<b>Buildings</b>		
<b>Expand African buildings market</b>	<ul style="list-style-type: none"> <li>⊕ Bring contracts to fruition through the West African Retail Initiative, as well as build an order book in Central Africa</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Capital Place building (Ghana) expected to be awarded, once funding by developers finalised</li> <li>⊕ Further opportunities in selected African regions in progress</li> </ul>
<b>Waterfall strategy</b>	<ul style="list-style-type: none"> <li>⊕ Build on our established track record of delivery in this prestigious development, with a potential build value of R25 billion over 10 – 15 years</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Completed 7 projects successfully, meeting cost, time &amp; quality standard, 2 under construction &amp; 3 to start</li> </ul>
<b>Regain local market share</b>	<ul style="list-style-type: none"> <li>⊕ Achieve invited bidder status with all domestic developers</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Achieved, group is working with a number of developers in invited bidder status</li> </ul>
<b>Housing</b>		
<b>Shortage of houses in the resources sector</b>	<ul style="list-style-type: none"> <li>⊕ Expand the housing footprint into the Northern Cape and Limpopo regions</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Shortlisted in both regions</li> </ul>
<b>BNG housing contracts</b>	<ul style="list-style-type: none"> <li>⊕ Secure 30% of Housing turnover on BNG contracts</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Currently at 83% of housing secured construction order book with additional projects under adjudication</li> </ul>
<b>Africa execution</b>	<ul style="list-style-type: none"> <li>⊕ Secure further housing work in Zambia, as well as other selected over-border opportunities</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Bids in progress for Zambian mine housing</li> <li>⊕ Further opportunities in East Africa are being developed</li> </ul>
<b>Shortage of capacity and skills</b>	<ul style="list-style-type: none"> <li>⊕ Recruit and fill current employee shortages and bolster senior site management</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Order book high and skill resources are in demand</li> </ul>
<b>Affordable market</b>	<ul style="list-style-type: none"> <li>⊕ Secure and execute another affordable housing contract in collaboration with a financial institution in South Africa</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Finalising next phase of Crystal Park housing project</li> </ul>

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<b>Civil Engineering</b>		
<b>Segment offering</b> <ul style="list-style-type: none"> <li>• Construction of large structures in public and private infrastructure, including heavy civil structures, roads, ports, airports and pipelines</li> </ul>		
<b>Margins</b>	<ul style="list-style-type: none"> <li>• 4 – 6% short term range</li> </ul>	<ul style="list-style-type: none"> <li>• Unchanged</li> <li>• Short-term at lower end of range</li> </ul>
<b>A key focus area remains rebuilding the order book. Whilst the 12-month order book improved significantly, the longer term order book still needs to be improved</b>	<ul style="list-style-type: none"> <li>⊕ To grow the F2013 turnover substantially and to build a multi-year order book</li> </ul>	<ul style="list-style-type: none"> <li>⊕ y-on-y revenue growth expected in F2013</li> <li>⊕ Focus on extending length of order book continues</li> </ul>
<b>Expand our activities in the rest of Africa, focusing particularly on the mining and transport sectors</b>	<ul style="list-style-type: none"> <li>⊕ Sustainably exceeding our current minimum target of 40% of work outside South Africa in the selected sectors</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Achieved on current order book</li> <li>⊕ Order book is diversified between transport, mining, water and power sectors</li> </ul>
<b>Position ourselves to participate in planned major infrastructure contracts in South Africa in the transport and power sectors through strategic partnerships, etc</b>	<ul style="list-style-type: none"> <li>⊕ Inclusion of technical and sector experienced partners to secure the opportunity to bid for these works</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Positive traction being attained in key sectors of power and additional engagements in transport sector</li> </ul>
<b>Manage local cost base to remain competitive in local market, given that current tight margins are expected to endure for some time</b>	<ul style="list-style-type: none"> <li>⊕ Ensure a competitive position to secure around 60% of our order book from the local South African market, whilst meeting group profit and cash targets</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Cost base continually reviewed for appropriateness of size. Currently in line with expectations</li> </ul>
<b>Revise the strategy and shed cost base for the Middle East business</b>	<ul style="list-style-type: none"> <li>⊕ Wind down or mothball operations at a rate, and to an extent commensurate with, the obligations we have in the region</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Significant progress has been achieved in this area with mothballing and or exiting strategies largely complete in H1 F2013</li> </ul>

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<b>Projects</b>		
<b>Segment offering</b> <ul style="list-style-type: none"> <li>Multi-disciplinary plant construction covering structural, mechanical, electrical and piping</li> </ul>		
<b>Margins</b>	<ul style="list-style-type: none"> <li>5 - 8% short term range</li> </ul>	<ul style="list-style-type: none"> <li>Unchanged</li> </ul>
<b>Sub-contractor development</b>	<ul style="list-style-type: none"> <li>Develop domestic sub-contractor skills capacity through mentoring programmes</li> </ul>	<ul style="list-style-type: none"> <li>In progress</li> <li>A focus has also been placed on ensuring sub-contractors' BBBEE credentials are improved</li> </ul>
<b>Expand on our service offering within our African permanent establishments</b>	<ul style="list-style-type: none"> <li>Establish smart partnerships within the mining industry by using our in-country presence and knowledge</li> </ul>	<ul style="list-style-type: none"> <li>Established a track record in West and East Africa</li> <li>Currently looking at additional locations projects with potential partners</li> </ul>
<b>Investigate alternative sources of supply</b>	<ul style="list-style-type: none"> <li>Identify international suppliers based on cost, capacity and turnaround time without compromising quality</li> </ul>	<ul style="list-style-type: none"> <li>Pursuing foreign sourcing strategies, including China, Europe and Saudi Arabia.</li> </ul>
<b>Focus on new geographic territories</b>	<ul style="list-style-type: none"> <li>Pursue mining and industrial opportunities within certain countries in West and East Africa</li> </ul>	<ul style="list-style-type: none"> <li>Focused on mining opportunities and have incrementally extended footprint in West and East Africa</li> </ul>
<b>Address reliance on over-border new build African mining</b>	<ul style="list-style-type: none"> <li>Target 15-25% of turnover on South African contracts, expand mining services, and support the group's multi-disciplinary projects, while also evaluating opportunities in other over-border sectors</li> </ul>	<ul style="list-style-type: none"> <li>Secured Projects order book 39% SA in line with stated strategy</li> <li>The business is a significant participant in the group's multi-disciplinary offering in power, oil &amp; gas and mining sectors</li> </ul>

## Engineering and Construction

Key focus areas for F2013	Desired results	Progress
<b>Engineering and Construction</b>		
<b>Segment offering</b> <ul style="list-style-type: none"> <li>• Multi-disciplinary project delivery from feasibility through to supporting bankability and front-end design, as well as project management of contracts during execution to completion               <ul style="list-style-type: none"> <li>◦ Current focus on power and oil &amp; gas</li> </ul> </li> <li>• Industrial services contractor</li> </ul>		
<b>Margins</b>	<ul style="list-style-type: none"> <li>• 3–5% short term range</li> </ul>	<ul style="list-style-type: none"> <li>• Unchanged</li> </ul>
<b>Execution of renewable projects</b> <ul style="list-style-type: none"> <li>• Wind projects (window 1, 2 and 3)</li> <li>• Solar PV projects (round 1, 2 and 3)</li> <li>• Operations and maintenance for wind and PV solar</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Convert commitments made by developers for the construction of photo-voltaic solar and wind projects in Window 1 of the REIPP programme. These projects include both long term operations and maintenance contracts. This will represent the first step in establishing a sustainable business in the renewable sector</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Secured contracts in Window 1, 2 and 3               <ul style="list-style-type: none"> <li>- 2 wind projects</li> <li>- 1 solar PV project</li> </ul> </li> <li>⊕ Window 2 and 3 enquiries commencing for both technologies</li> <li>⊕ Established a power operating capability to provide O &amp; M for above when construction is complete               <ul style="list-style-type: none"> <li>- O &amp; M contracts secured for Window 1 Wind and PV since year end</li> </ul> </li> </ul>
<b>Capacity building for oil and gas growth</b> <ul style="list-style-type: none"> <li>• New structure to ensure operational excellence</li> <li>• Growth by client and product</li> <li>• Geographic expansion</li> </ul>	<ul style="list-style-type: none"> <li>⊕ The successful implementation of a focused oil and gas structure to expand the client base to all of the South African market. Progress on geographic expansion outside of South Africa to be achieved based on existing oil major relationships and service successes</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Structure               <ul style="list-style-type: none"> <li>- Work in progress</li> </ul> </li> <li>⊕ New orders for product and services from targeted clients               <ul style="list-style-type: none"> <li>- Good progress made</li> </ul> </li> <li>⊕ Geographic expansion               <ul style="list-style-type: none"> <li>- No progress yet</li> </ul> </li> </ul>
<b>Estimating excellence with respect to:</b> <ul style="list-style-type: none"> <li>• Procedures and processes</li> <li>• Standard software tools</li> <li>• Norms and costing standards</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Demonstrate good execution on the EPC/EPCM contracts won</li> <li>⊕ Measure performance of the project management systems and processes implemented to ensure adequate risk mitigation during bid submission and execution phases</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Enhancement in estimating software and systems in progress</li> </ul>
<b>Refocus gas turbine offering into Africa</b>	<ul style="list-style-type: none"> <li>⊕ Continued progress and building on the contracts secured in Nigeria and Mozambique</li> <li>⊕ Ensure further order book growth into over-border markets in F2013</li> </ul>	<ul style="list-style-type: none"> <li>⊕ Kuvininga power contract secured (Mozambique)</li> <li>⊕ Other bids submitted and under adjudication</li> </ul>

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<b>Engineering and Construction</b>		
<b>Renew and revisit nuclear strategy and change as needed</b>	<ul style="list-style-type: none"> <li>☉ Secure first multi-disciplinary contracts for nuclear projects with Lesedi Nuclear Services</li> </ul>	<ul style="list-style-type: none"> <li>☉ New business opportunities created in both SA's nuclear programme and Eskom's additional power requirements               <ul style="list-style-type: none"> <li>- New bids to Eskom for Acacia relocation</li> <li>- Bids to Eskom for PTR Tanks and SGR replacement</li> </ul> </li> </ul>
<b>Strategy needed for:</b> <ul style="list-style-type: none"> <li>• Eskom's renewable build</li> <li>• Department of Energy – Co-generation feed in tariff (COFIT) programme</li> </ul>	<ul style="list-style-type: none"> <li>☉ Secure an industrial COFIT contract</li> </ul>	<ul style="list-style-type: none"> <li>☉ Submitted bids to Eskom on targeted projects and listed on their bidders list for renewables</li> <li>☉ Identified and pre-qualified for COFIT opportunities               <ul style="list-style-type: none"> <li>- First bid submitted in August 2012</li> <li>- Other pre-qualifications submitted</li> </ul> </li> </ul>