



PRESENTATION TO  
FUND MANAGERS &  
FINANCIAL ANALYSTS

Transport Sector  
25 November 2013



**01**

SECTION 1

Africa



## Landscape – overall transport sector

### African transport sector

- Significant backlog in necessary infrastructure and limited infrastructure budgets in sub-Saharan
- Mainly public sector work
  - Generally interested in developing projects with developers able to source their own funding
- Typically African infrastructure projects are funded via
  - national/state governments, Public Private Partnership mechanisms, or are privately developed (eg. mining houses)
- Use of foreign manufacturers and suppliers allows better access to foreign aid funding
  - Opportunities to partner with foreign suppliers of infrastructure network elements
    - including rolling stock, harbor equipment, railway track & airport equipment suppliers



Group Five current activity



Future expansion opportunities

## Strategic positioning - the group's transport sector focus

### Competitive advantages

- Group Five a construction partner of choice through excellence of execution
  - E.g. Recent success on King Shaka, GFIP and Zimbabwe Roads
- 40 years of infrastructure experience in Sub-Saharan Africa
- Intertoll is the operator of choice in Africa due to our track record in SA & Zimbabwe
- World-leading tolling experience and own technology appropriate solutions in hard toll
- Vertically integrated value chain (cradle-to-grave infrastructure services)
- Active presence in West Africa since the 1990s
  - Increasing brand awareness in Ghana & Nigeria
- Quality management strategically positioned at centre of project execution and operations



## Landscape – road sector



### South Africa

- Objections to User Pay principle
- PPP opportunities limited in political environment
- Margins under pressure but stabilised
- Mature markets in SA
  - Current projects are stable and project cycle is predictable
  - SANRAL lowers entry barriers by separating contracts and roles



### Rest of Africa - Zimbabwe

- More positive attitude to PPP and infrastructure investment
  - Volumes still low, need for additional support (hybrid funding & implementation solutions)
- Group's current project has stimulated pipeline of possible projects
- Increased international competition
- High growth rate in traffic



### Rest of Africa – other countries

- High demand for infrastructure with low absolute GDP make PPPs ideal
  - Increasingly positive private and public environment
  - Some key growth countries provide pipeline e.g. Ghana
- Democratically elected governments eager to show service & infrastructure delivery
- Weak domestic funding reduces loan term & availability which reduces project viability
- Strong competition, especially from Asian companies



## Operations & maintenance - road sector

### Africa - current contracts



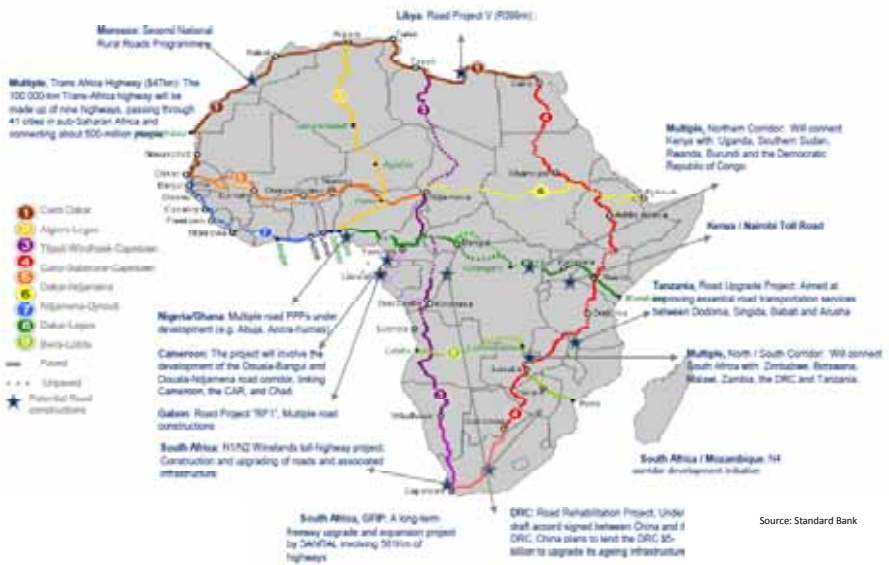
Project	Country	Type	Toll Lanes	KM	PPP or Contract End Year
N1S Toll Road	SA	O&M	50	530	2019
N2N Toll Road	SA	O&M	69	138	2017
N2 Tsitsikamma Toll Road	SA	O&M	8	78	2014
N4W Maglies Toll Road	SA	O&M	12	30	2014
Plumtree-Bulawayo-Harare-Mutare Toll Road	Zimbabwe	O&M PPP	38	815	2024
<b>Total</b>			<b>177</b>	<b>1 591</b>	



# Africa overview – road sector



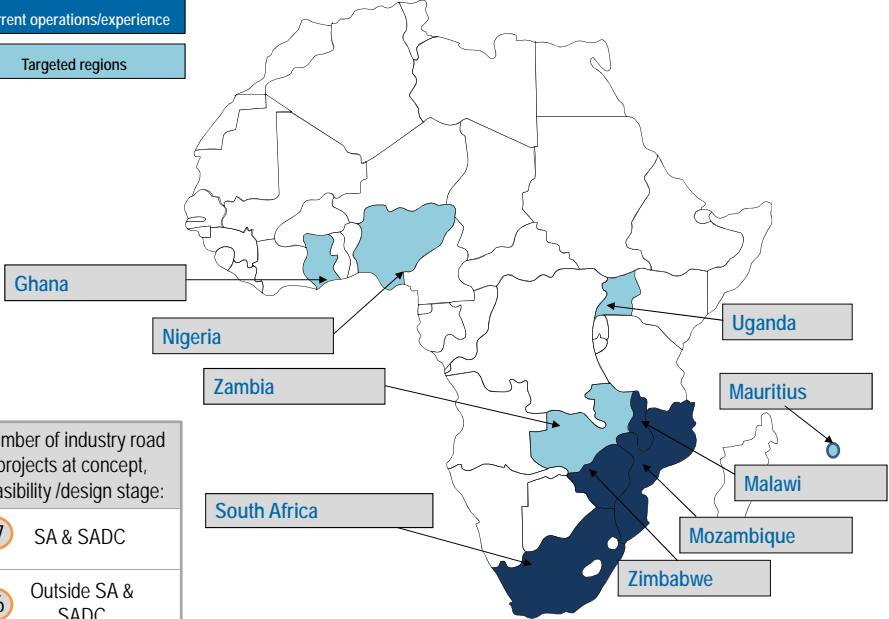
## Potential transaction opportunities



# Country focus – construction - road sector

Current operations/experience

Targeted regions



Number of industry road projects at concept, feasibility / design stage:

57	SA & SADC
56	Outside SA & SADC

## Operations & maintenance - road sector

Africa – target pipeline contracts

Country	Projects	Annual Revenue – R'000
Ghana	2	89,060
Kenya	1	45,260
Nigeria	2	117,450
RSA	3	183,760
Zambia	2	106,440
Zimbabwe	3	197,760
<b>Total</b>	<b>13</b>	<b>739,730</b>



## Landscape – marine sector



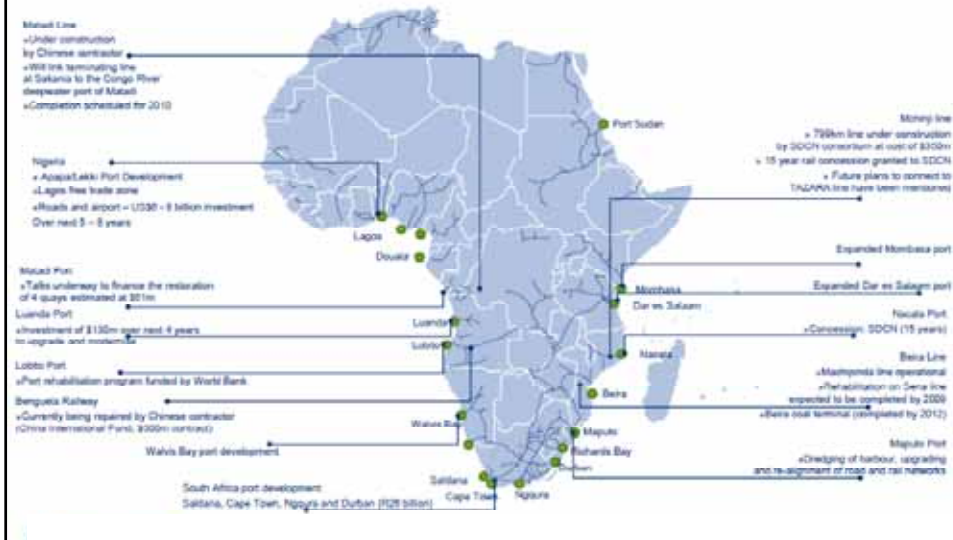
### The Marine Construction sector value chain



# Africa overview – marine sector



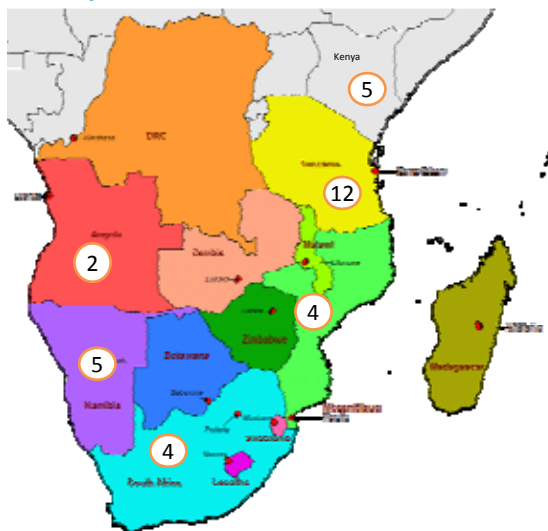
## Potential transaction opportunities



# Country focus – marine sector



## South Africa & SADC (current activity)



32 marine projects at concept, feasibility or design stage (SADC RIDMP)

(Excludes numerous dry ports and island states)

## Country focus – marine sector

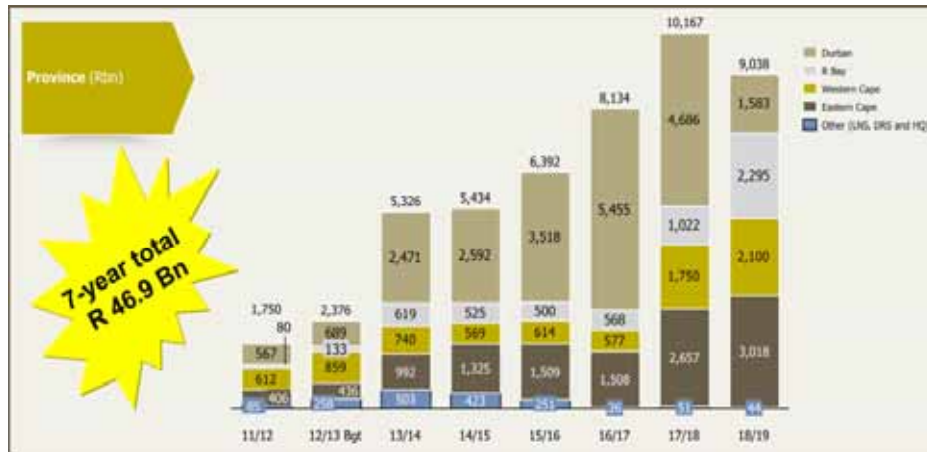


Transport

13

### South African market

- Marine Construction is expected to be a growing market in South Africa for at least ten years



Source: Transnet

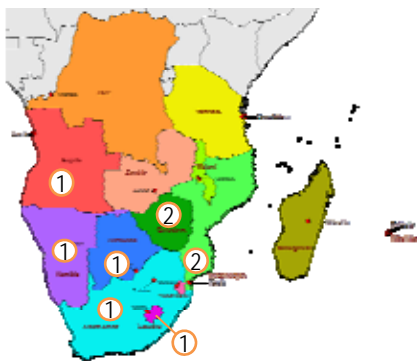
## Country focus – air transport sector



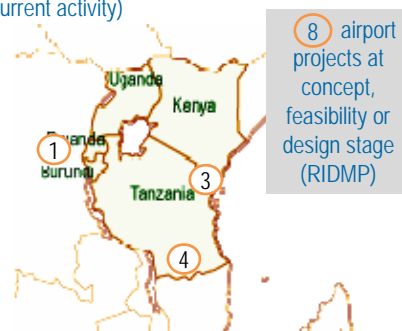
Transport

14

### South Africa & SADC (current activity)



### Outside SADC (current activity)



#### Ghana

Airport Development Projects	Est. US\$ (m)
Kotoka International Airport	402.00
Kumasi	173.20
Tamale	64.00
Sunyani	35.50
Takoradi	63.50
<b>Total</b>	<b>738.20</b>



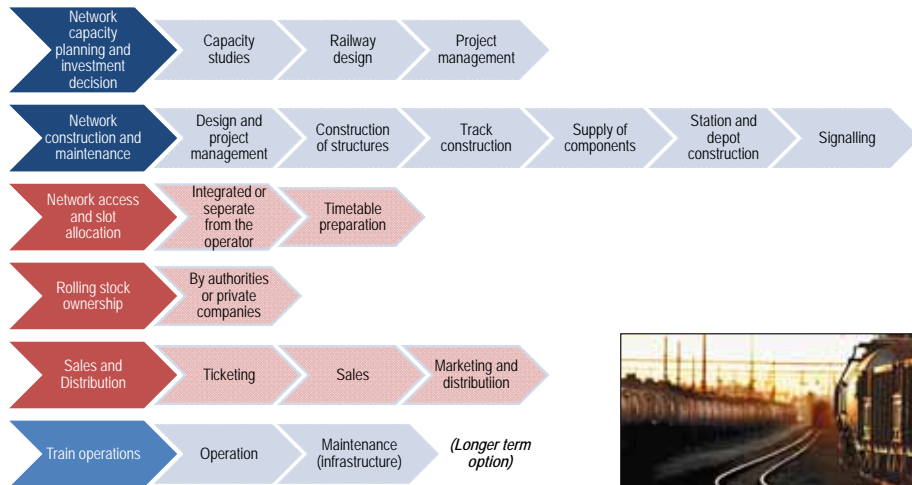
## Landscape – rail sector (future opportunity)



### Rail construction sector value chain

Identified medium - to long term points of entry into the rail sector

(areas shaded RED are Group Five NO-GO areas)



## Strategic positioning- the group's rail sector focus (future opportunity)



### Competitive environment and partnerships

- Group Five rail experience extends to signalling, overhead equipment, stations/transport hubs
- Many potential partners in the Control systems, Rolling stock, Infrastructure, Operations spheres:
  - Alstom, Racec/Grindrod, Bluetech, Tractionel, Advanced Rail Group, Vinci, Invensys, SIMS, FCC, RCC, VAE

### Opportunities

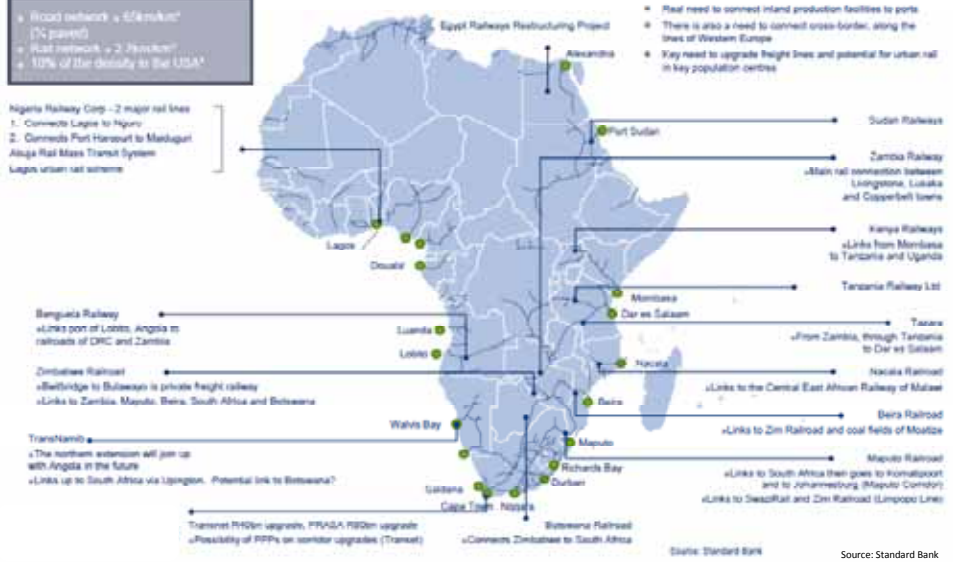
- Considering niche markets which established competitors are not already involved in:
  - e.g. Specialised components, signalling, station construction, property development and transport precinct development
- Challenging requirements of African network operators are a barrier to entry



# Africa Overview – rail sector (future opportunity)



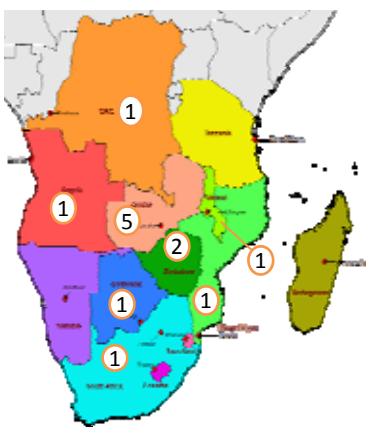
## Potential transaction opportunities



# Country focus – rail sector (future opportunity)



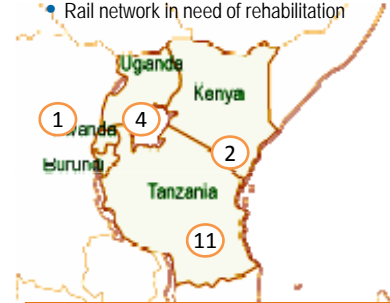
## South Africa & SADC (current activity)



13 rail projects at concept, feasibility or design stage (SADC RIDMP)

## ex SADC (current activity)

- East Africa
  - Numerous major gateways (Mombasa, Dar es Salaam) facilitating inter-regional trade
  - Northern corridor (Mombasa-Kampala) is most significant
  - Rail network in need of rehabilitation



18 rail projects at concept, feasibility or design stage (SADC RIDMP)



# 02

SECTION 2

## Central and Eastern Europe

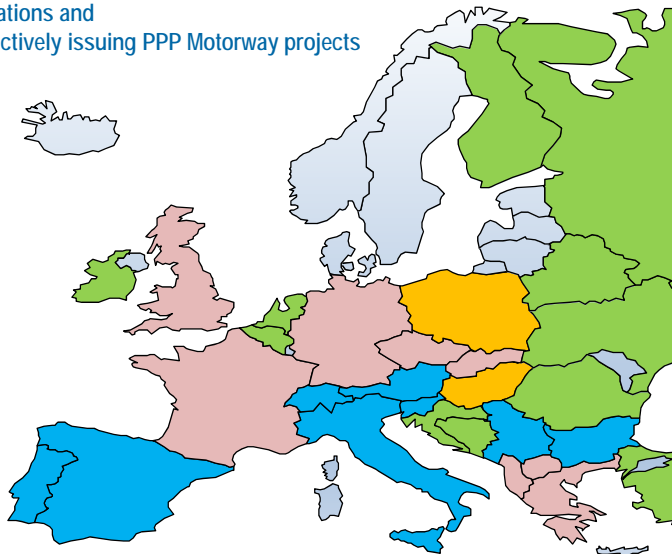


### Landscape – road sector



Current Intertoll operations and European countries actively issuing PPP Motorway projects

- Current Intertoll Operations
- Strong Active PPP pipeline
- Quiet PPP pipeline
- Slow but active PPP pipeline



## Landscape – road sector



### Intertoll - Future PPP and major O&M projects in Eastern Europe

#### Non EU – CEE

- Projects moving forward more rapidly in non EU countries
- Improving attitude to PPPs and less restrictions
- Increased competition: Intertoll is realigning itself with new partners or working with historical partners to establish consortia by project

#### Poland

- Although some public misperceptions, improving attitude to PPP & Infrastructure investment with announcement of new PPP in Nov 2013
- Pipeline of possible projects coming to market once EU Eurostat issues clarified. Increased competition from Asian, Western & Southern European construction groups
- Minimal effect from economic crisis; strong economic state compared to other countries; GDP growth

#### Hungary

- Nationalist political party anti PPPs or foreign investment
- Very limited future PPP opportunity

#### Russia

- Strong pipeline in Russia
  - Mainly domestic companies tendering on previous projects
  - Strong domestic funding from banks in Russia & Turkey
  - Strong interest for European companies to team with domestic banks and construction groups



## Landscape – road sector



Western European PPP competitive; strong local and international companies bidding; projects often have limited O&M scope

#### EU Eurostat decision on PPP's

- 2011 decision was issued on Portugal PPP (SCUT Motorways) which restricted new PPP's
- Effect is that Traffic Risk must come back to the Private Partner
  - New Payment Mechanisms needed to work around the ruling eg Traffic Guarantees
  - Number of Availability scheme projects are expected to decline

#### Recent EU decision made in principle to promote PPP's via rule relaxation on use of EU funding

- Rules are still being finalised but expected to include direct subsidies for funding construction capex and EU funds applied will be off state balance sheet
- This expected to drive new deal flow starting 2014

Other projects coming to market, including ETC and RUC projects (Intertoll focus)

## Strategic positioning- the group's road sector focus



Transport

23

### Strong base in Eastern Europe

- Operating in Europe since 1995, strong presence in Poland and Hungary
- Experienced management team

### Partners

- Excellent long term partnerships with Europe's leading construction groups and infrastructure funds, including Strabag, Bouygues, Colas, Skanska, Mota, ACS, and John Laing
- Operating partner of choice for PPP projects in Eastern Europe

### Performance

- Strong financial performance and financial base to grow / develop new projects
- Experienced operator/investor, with excellent track record and references



## Operations & maintenance - road sector

Transport

24



### Current contracts

- Protect current projects and margins from any political or re-pricing risks
- Expand services to existing clients and expand on our own economies of scale across Europe between projects

Project	Country	Type	KM	PPP or Contract End Year
M5 Motorway	Hungary	O&M PPP	157	2031
M6 Phase 1 Motorway	Hungary	O&M PPP	59	2026
M6 Phase 3 Motorway	Hungary	O&M PPP	80	2037
A1 Phases 1 & 2 Motorway	Poland	O&M & Tolling PPP	152	2039
A2 Motorway	Poland	Manual Tolling Contract	100	2016
S8 Motorway	Poland	O&M Direct Contract	84	2018
<b>Totals</b>			<b>632</b>	

## Contract activity - Future PPP and O&M Projects – road sector

### Target pipeline contracts

- Expand further East and South; Consortium is already Pre Qualified in Albania and is only remaining Bidder on a Bosnian project
- Actively expanding into Russia; prospects of a regional office & new partners
- Seeking new finance partners to take a larger share of projects
- Well placed to be part of a Consortium bidding for the projects previously mentioned
  - Strong track record, experienced management team, good local knowledge, Projects and partners

Country	# of Projects	Total Value €	Total length - km
Albania	1	€100m	118 km
Bosnia	2	€870m	87 km
Croatia	1	€3 bn	1,070 km
Macedonia	1	Not known	105 km
Poland	1	€100m	270 km
Romania	2	€3.7 bn	169 km
Russia	12	€16.9 bn	1,600 km
Slovakia	1	€1.3 bn	Not known
Turkey	1	€2 bn	95 km
Ukraine	4	€4.8 bn	636 km
<b>Total</b>	<b>26</b>	<b>€32.8 bn</b>	<b>4,150 km</b>

## Transport Sector - conclusion

### Current and future activity

- Numerous projects in concept, feasibility and design stages in road, rail, marine and airport sectors
- Tolling operations and maintenance has a healthy project pipeline, despite some negative political winds in Hungary

### Group Five target regions

- Remain ... per Africa and Intertoll Europe strategy
- Are showing continued growth and promise

### Group Five is keeping various projects “on the RADAR”

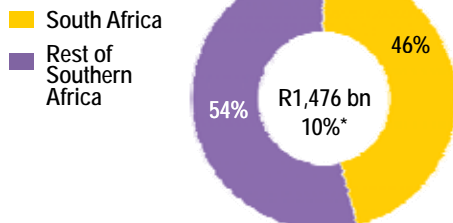
- Direct local and international contact
- Through our target project partners and funders/advisors



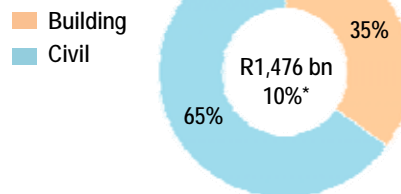
## In summary – transport sector

### Secured contracting transport order book

#### By geography



#### By segment



In addition to this contracting order book, the transport O&M order book is R4,2bn

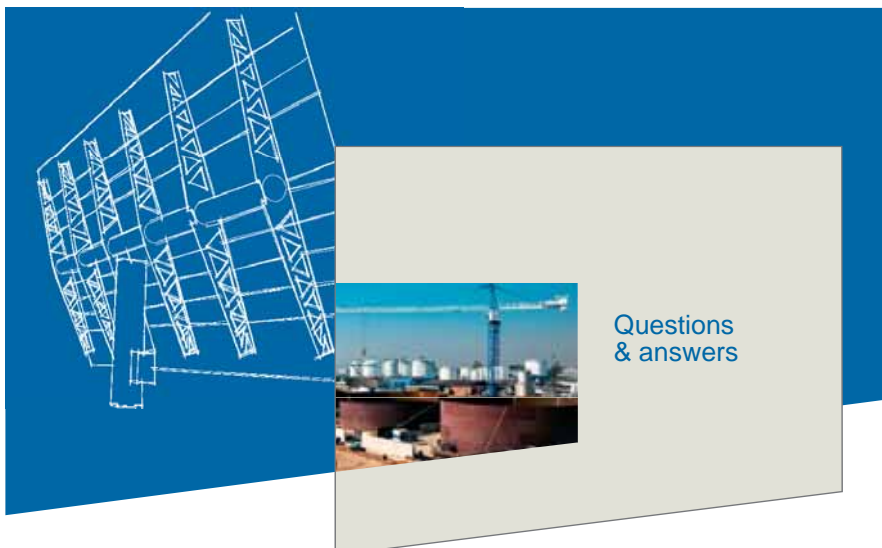
#### Targeted transport opportunity pipeline

Transport sector (Rbn)						
International split			Local split			Total
Total	Private	Public	Total	Private	Public	
42	14	28	30	3	27	72

#### Transport sector outlook

##### In summary

The sector is "slow" to "active"



For more information please contact:

**Eric Vemer**

Investments and Concessions Executive

Telephone: +2711 806 0111

Email: [evemer@groupfive.co.za](mailto:evemer@groupfive.co.za)

Our website: [www.groupfive.co.za](http://www.groupfive.co.za)

