

63rd ANNUAL GENERAL MEETING

21 October 2011

The strong global demand for commodities continues although the world economy remains vulnerable. The South African construction economy is depressed but there are early signs of a slow recovery in the local market and the medium term outlook is positive given the major and growing infrastructural backlog in South Africa. The South African Government's R810 billion infrastructure investment programme supports the long term growth prospects for the construction and engineering sector, although the timing of this programme is uncertain.

Operating Platform Update and Market Outlook

All Operating Platforms, other than *Construction Africa and Middle East*, are forecast to experience improved trading conditions in the short- to medium-term:

- *Construction Africa and Middle East* – the South African construction economy remains weak whilst market conditions in the Middle East have deteriorated further. The building market in Dubai has come to a complete standstill and activity in Abu Dhabi is muted. The business is shifting its focus to Qatar which in the medium term will present opportunity for civil and building works.

The Gorgon Pioneer Materials Offloading Facility (GPMOF) project undertaken by Murray & Roberts Marine is experiencing programme delays. Piling works are progressing slower than planned as a consequence of adverse weather, productivity and geological issues. The project is envisaged to be completed towards the end of the third quarter of the financial year, about three months later than previously expected. The current forecast loss at completion has increased by an estimated R520 million, which is over and above the loss accounted for at the end of the previous financial year. A geotechnical analysis is underway to establish the extent of the geological issues. The outcome of this analysis is important to determine whether the additional costs are recoverable.

The water ingress rectification works on the Gautrain project are currently progressing in line with the assumptions used to calculate the costs to completion as accounted for in June 2011 and should be substantially completed by the end of December 2011.

- *Construction Australasia Oil & Gas and Minerals* – growth is expected from this business in Western Australia due to strong global demand for minerals as well as several large oil & gas project opportunities.
- *Construction Global Underground Mining* - due to strong global demand for commodities, this business is well positioned for continued growth.
- *Construction Products Africa* – although this business is dependent on the level of activity in the local construction sector, an improved performance is expected for the current financial year.
- *Engineering Africa* – this business is currently mainly involved with the Eskom power programme which is progressing in line with financial forecast. Various other opportunities in the market are being explored.

Progress on Major Claims

The Group is engaged in claims resolution processes on a number of its major projects:

- The Statement of Case for the Gautrain delay and disruption claim has been submitted to the Arbitration Foundation of Southern Africa. The Group, together with its partners, continues with its preparation for the arbitration process. Resolution of the claim is not expected before 2013.
- Several claims on the GPMOF project are in arbitration and the Group is in consultation with the main contractor, Boskalis, and the client, Chevron, in an attempt to resolve its claims. No resolution is expected prior to project completion.
- The Medupi Civil Works project is progressing well and the Group continues to work with Eskom on meeting the tight programme and resolving various contractual disputes.

- Settlement of the Dubai Airport final account is in arbitration and the arbitration hearing is expected to be heard towards the end of the current financial year.

Competition Commission

As previously reported, the Group participated in the Competition Commission's Fast-Track Application process in April 2011. The Group has received provisional leniency for some of the contracts included in the submission and some of the contracts have prescribed. On the remaining contracts the Commission has engaged various employees (both past and current) to obtain clarification on certain aspects of the submission. The penalty provision raised in the previous financial year is based on known transgressions by former subsidiary company employees and in terms of the guideline schedules provided by the Competition Commission. However, it is possible that the Fast-Track Process may identify further projects, unknown to the board, where the provisions of the Competition Act may have been transgressed and which may give rise to additional penalties. At this stage the timing for closing out this matter remains uncertain.

Liquidity

The Group's liquidity remains under pressure and will return to a net debt position by December 2011 due to ongoing funding requirements to complete the Gautrain and GPMOF projects.

The Group is in the process of restructuring its debt facilities, which upon conclusion will enhance headroom for the Group to engage in new opportunities as presented by the market.

Disposals

The disposal of discontinued operations is well advanced:

- Proceeds, in the order of R91,5 million, from the sale of Johnson Arabia will be received by end-October 2011.
- Clough announced the sale of its marine construction division for approximately R860 million on 8 August 2011 and the proceeds are expected to be received by December 2011.
- The Group will endeavour to complete an agreement for the disposal of the Steel business by 31 December 2011 and, if achieved, the proceeds are expected to be received towards June 2012.

Prospects

The Group's order book remains strong at R56 billion, marginally up from the R55 billion as reported at the June 2011 year-end.

It is the Group's objective to return to profitability as soon as practicably possible and further guidance will be provided with the publication of the half-year results on or about 29 February 2012.

The above financial information has not been reviewed or reported on by the Group's external auditors.

Bedfordview
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