MURRAY & ROBERTS HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
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JSE Share Code: MUR
ADR Code: MURZY
ISIN: ZAE000073441

("Murray & Roberts" or "Group")

68th ANNUAL GENERAL MEETING: BUSINESS UPDATE

The Group issued its 2016 Annual Integrated Report to stakeholders on 06 October 2016. Full details of the Group's financial results and Annual Integrated Report have been published on the website www.murrob.com. The Group recorded revenue from continuing operations of R26 billion (June 2015: R24 billion) and attributable earnings of R753 million (June 2015: R881 million). Diluted continuing headline earnings per share decreased to 175 cents (June 2015: 195 cents). The net cash position at 30 June 2016 increased to R1,8 billion (June 2015: R1,4 billion).

MATERIAL ANNOUNCEMENTS DURING THE 2017 FINANCIAL YEAR

Settlement agreement concluded between the South African Government ("Government") and seven construction companies – Murray & Roberts is a participant in the settlement agreement concluded between the Government and seven construction companies, as announced on the Stock Exchange News Service ("SENS") by the Group on 13 October 2016. This is a positive development in the restoration of the construction sector's relationship with Government. The agreement settles potential claims for damages from identified public entities arising primarily from the fast track settlement process launched by the South African Competition Authorities in February 2011, and signifies the Government's and construction companies' commitment to promoting sustainability, transformation and development in the sector.

Disposal of businesses
Infrastructure & Building - On 1 November 2016, Murray & Roberts announced on SENS the purchase of the Murray & Roberts Southern African Infrastructure & Building businesses by a consortium led by the Southern Palace Group of Companies Proprietary Limited ("Southern Palace"). The fully-funded purchase consideration is R314 million. The transaction excludes Murray & Roberts' investment in the Bombela businesses, as well as the buildings business in the Middle East. This transaction, which is still subject to several conditions precedent and regulatory approval, supports Murray & Roberts' long-term strategy and creates a large black-owned construction business in South Africa. Southern Palace is a wholly black-owned diversified industrial holding company with interests in numerous well-established businesses.

Genrec - Murray & Roberts announced on 24 October 2016 on SENS, the sale of Genrec, the only remaining manufacturing business in its portfolio of businesses to Nisela Capital, an asset management, private equity and advisory firm. The purchase consideration was R185 million.

STRATEGIC PLAN

The Group continues to implement its strategic plan. Its three multinational business platforms will continue to focus the Group's expertise and capacity on the selected oil & gas, metals & minerals and power & water market sectors.

Two of the three platforms operate in cyclical global commodity markets, which are currently at the bottom of the cycle.

Although demand for commodities are cyclical, the Group has taken a long term view in selecting these market sectors and it is well positioned to benefit from a recovery in the commodity cycle. The Group believes that global economic growth, global population growth and continued urbanisation, will support demand for commodities and provide a basis for sustainable growth over the long term.

ORDER BOOK AND NEAR ORDERS

The Group's order book for continuing operations at 30 September 2016 was R27,1 billion (June 2016: R28,7 billion) and near orders for continuing operations was R8,4 billion (June 2016: R8,6 billion). Subsequent to year end, the Underground Mining business platform secured a contract mining project extension from Lundin Eagle in Canada to the value of approximately R640 million.

BUSINESS PLATFORM UPDATE

Oil & Gas – This business thrived during the Liquefied Natural Gas ("LNG") major new build programme in Australasia from 2008 to 2014, contributing approximately AUD$115 million to Group earnings at its peak in FY2014. The conclusion of the LNG major new build programme and subsequent declining construction revenue opportunities, combined with the unexpected and substantial drop in the oil price towards the end of calendar year 2014, significantly impacted earnings, with the downward trend expected to continue in the current financial year. Consistent with prevailing market conditions, overhead costs have been reduced by approximately AUD$40 million per annum, which will ensure that the platform remains profitable in the current financial year. As major new build projects are not coming to market in Australasia, the platform is accelerating its strategy to become a more multinational business, having acquired three small niche engineering businesses in the United States, Canada and Scotland over the past two financial years. The Group is considering the acquisition of a capability to build projects in the Americas, in anticipation of several opportunities expected to come to market in this region in the medium term.

In the short term, the platform needs to optimise results from current projects and maximise its share of the commissioning and emerging brownfields and asset support opportunities on LNG facilities in Australasia, and in new markets such as the USA and Southeast Asia. In addition, whilst the Australasian oil and gas market remains subdued, Clough is selectively re-engaging in the infrastructure market and is currently bidding for a major civil and road infrastructure project in Perth called the Freight Link. The project is valued at approximately AUD$1 billion and Clough is one of two parties invited to bid on the project.

A recent research report by the Deloitte Centre for Energy Solutions forecast that at a minimum, the oil and gas industry requires an investment of about US$3 trillion during 2016 to 2020 to maintain its long-term health. Oil, after adjusting for excess inventories and slowing demand, likely requires an investment of about US$1,4 trillion, while gas, after taking into account a higher demand growth outlook, likely needs an investment of about US$1,6 trillion. This bodes positively for the medium-to long-term outlook for this platform.

The Oil & Gas platform order book as at 30 September 2016 was R6 billion (June 2016: R6,4 billion) and near orders was R0,7 billion (June 2016: R0,7 billion).

Underground Mining – Considering the impact of weak commodity prices, the platform recorded a resilient financial performance during FY2016, achieving its third best ever earnings contribution.

The platform continues to benefit from its project lifecycle service offering, securing contract mining projects in all main geographies where the companies have a presence. Its success in securing projects associated with mining companies' ongoing infrastructure replacement and development spend to sustain their operations, continues to provide a constant flow of orders. The businesses do not take commodity price risk and operate in a niche market, with the Cementation brand being respected globally.

The platform is actively pursuing multi-billion Rand greenfield opportunities in the contract mining and shaft sinking sectors with current and prospective clients in South Africa. Murray & Roberts Cementation has extended the tender validity on the Kalagadi project and expects to start the project early in the new calendar year. The Australasian business is delivering excellent work at the Freeport and Karari projects and budgeted revenue for the current financial year is already secured. The businesses in the United States and Canada are performing to management's expectations.

The Underground Mining platform order book as at 30 September 2016 was R13,9 billion (June 2016: R14,2 billion) and near orders was R7,4 billion (June 2016: R7,6 billion).

Power & Water – Medupi & Kusile will continue to provide baseload work for the next four years, with the majority of the remaining work being delivered in the next two years. The platform has identified a substantial project pipeline of opportunities in sub-Saharan Africa, both in the near and medium term. Major opportunities include the recently announced baseload Independent Power Producer projects (Thabametsi and Khanyisa), South Africa's gas-to-power projects (2 000 MW at Richards Bay and 1 000MW at Coega), the rebuild of the boiler at the Duvha Power Station and individual opportunities with Spanish company Sener, such as the 100MW Kathu Solar Park and 100MW Ilanga 1 developments. There are additional gas-to-power opportunities in Mozambique. Preferred bidder status was also obtained on the George Biomass project. It comprises full project life cycle participation (EPC and Operations & Maintenance), including equity participation as a developer for Murray & Roberts Limited.

Through Murray & Roberts Power & Energy, the platform continues to service complementary markets, such as construction and shutdown work for Sasol Limited in Secunda and Sasolburg, and is pursuing opportunities in water, specifically in desalination, innovative municipal wastewater treatment technologies, industrial modular water treatment plants and acid mine drainage. Murray & Roberts Water has identified several opportunities in mine water treatment and wastewater treatment retrofit. After a focused marketing and project development drive, a strong interest from municipalities, water boards and developers in deployment of the Organica-licensed wastewater treatment technology has been created.

The Power & Water platform order book as at 30 September 2016 was R6,1 billion (June 2016: R6,7 billion) and near orders was R0,3 billion (June 2016: R0,3 billion).

BOMBELA AND MIDDLE EAST ENTITIES (retained post the discontinuation of the Infrastructure & Building Southern African construction businesses)

These business include the Group's investment in Bombela Concession Company, Bombela Civils Joint Venture and the Bombela Operating Company, as well as the buildings business in the Middle East, where current projects are expected to be completed by December 2017 and no new projects are being pursued. The largest project is the Mafraq Hospital, which Murray & Roberts (30%) is undertaking in joint-venture with Habtoor Leighton Group (70%), scheduled to be completed towards the end of calendar year 2017, following significant client delays. The full update was published on SENS with the annual results announcement on 24 August 2016 and is available on www.murrob.com.

UPDATE ON THE GROUP'S MAJOR CLAIM PROCESSES

As at the end of June 2016, the Group's uncertified revenue, primarily represented by the Group's major claims on Gautrain and Dubai International Airport, totalled R2 billion. As at the end of September 2016, the uncertified revenue remained largely unchanged. Legal and arbitration proceedings are progressing and the Group continues to engage in an effort to resolve these claims. The Group remains committed to resolving these matters speedily and will update the market accordingly.

PROSPECTS STATEMENT

It is expected that difficult macro-economic conditions will persist for the medium term. The Group expects a decline in operational earnings for FY2017, when compared to FY2016, mainly due to persistent low commodity and energy prices, with a material impact expected in the Oil & Gas platform. All platforms will continue to focus on cost reduction and operational excellence to preserve margins during this period.

The natural resource market sectors are cyclical and the Group will trade through this difficult period. The Group's companies are all leading brands and service providers in their individual markets. These companies are respected for their capabilities and services and the Group is positioned well for the upturn in the commodity cycle.

The information on which this prospects statement is based has not been reviewed and reported on by the Group's external auditors.

Bedfordview
03 November 2016

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