



MURRAY & ROBERTS HOLDINGS LIMITED

(Incorporated in the Republic of South Africa)

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(“Murray & Roberts” or “Group”)

69th ANNUAL GENERAL MEETING: BUSINESS UPDATE

The Group issued its 2017 annual financial results on 23 August 2017 and Annual Integrated Report to stakeholders on 29 September 2017. Full details of the Group’s financial results and Annual Integrated Report have been published on the website www.murrob.com.

HEALTH AND SAFETY

The board of directors of Murray & Roberts (“Board”) deeply regrets the death of Hendry Munardi (49), a RUC Cementation employee, on 17 October 2017. Hendry and two colleagues were preparing a stope for production at the Big Gossan mine in Indonesia, when they were later found unconscious on their work shift, with no visible external injuries. Mine Rescue responded and the three team members were taken to the hospital. Regrettably, Hendry had passed on. His two co-workers remain under observation and are out of danger.

We are deeply saddened by this event and share our condolences with Hendry’s family, friends and colleagues during this difficult time. A comprehensive investigation is underway to determine the cause/s and learnings from this incident.

BUSINESS PLATFORM UPDATE

Oil & Gas – The major greenfields LNG projects in Australia into which Clough contracted reached completion and strategies are in place to secure work on brownfields LNG projects, operations & maintenance works and public infrastructure projects. The platform recently announced smaller contract successes in its planned areas of expansion:

- A five-year contract, with an option to extend for a further five years, to provide maintenance services to Norwegian company Yara International ASA;
- The Clough Suez joint venture was awarded an engineering, procurement and construction contract from Water Corporation of Western Australia to complete an expansion at the Beenyup Advanced Water Treatment Plant;
- The BAM Clough joint venture was awarded a contract to provide technical support and constructability input during Front-End Engineering Design works for the Ship Lift and Marine Industries Project in Darwin, Northern Territory; and
- An engineering, procurement, and construction contract, in joint venture with Wartsila, to develop a gas turbine Power Station near Port Moresby in Papua New Guinea.

Platform earnings growth from this current low base is only expected in the medium term, when global energy producers’ confidence is expected to return and they start investing in new projects.

The Oil & Gas platform maintained its order book at R5,2 billion as at 30 September 2017 (June 2017: R5,2 billion) with no near orders at 30 June or 30 September 2017.

Underground Mining – The platform recorded a strong financial performance in FY2017, against the background of mining companies' focus on preserving capital, which continues to limit the number of project opportunities associated with new mines.

All geographic regions are currently performing to management's expectations. Demand for commodities is anticipated to grow in the short term on the back of supply and demand dynamics. There is a large investment pipeline of underground mining projects in countries and regions where the platform is established and it is well positioned to rise to any upturn in the commodity cycle. The platform is actively working on bids for several large greenfield opportunities.

The Underground Mining platform order book as at 30 September 2017 was R16,8 billion (June 2017: R17,5 billion) and near orders were R11,9 billion (June 2017: R6,3 billion).

Power & Water – The platform's financial results for FY2017 continued to be underpinned by the boiler erection work on the mega power station projects at Medupi and Kusile. Medupi and Kusile, once fully operational, should provide opportunity for maintenance services.

The platform is pursuing work in:

- power station maintenance;
- oil and gas services, targeting structural, mechanical, electrical, instrumentation and piping work;
- electrical and instrumentation services (including high voltage transmission and distribution infrastructure); and
- the water sector (desalination, innovative municipal wastewater treatment technologies, industrial modular water treatment plants and acid mine drainage).

The market for this platform's services, however, continues to present limited opportunity. The Power & Water platform order book as at 30 September 2017 was R3,4 billion (June 2017: R3,7 billion) and near orders was R0,2 billion (June 2017: R0,7 billion).

Closure of business in the Middle East

In line with the Group's strategy to exit the civil engineering and buildings market, the Board resolved to close the business in the Middle East. A substantial loss of R570 million was recorded in FY2017. The remaining projects are scheduled to be completed by the end of FY2018.

Close-out of the business in the Middle East continues to present major risk, but all known project losses have been accounted for in FY2017. After a recent management visit to the region, there was no evidence of any further material losses from this region. Costs during FY2018 should be limited to a significantly reduced overhead cost, and ongoing legal fees on the Dubai Airport dispute. The Dubai Airport claim is in arbitration, with an award expected in May 2018.

ORDER BOOK AND NEAR ORDERS

The Group's order book for continuing operations at 30 September 2017 was R25,8 billion (June 2017: R26,9 billion) and near orders for continuing operations was R12,1 billion (June 2017: R7,0 billion).

ACQUISITION OF A FURTHER INTEREST IN THE BOMBELA CONCESSION COMPANY

Shareholders are referred to the announcements released on the Stock Exchange News Service of the JSE Limited ("SENS") on 22 and 23 August 2017 respectively, regarding the acquisition of a further 17% in the Bombela Concession Company (RF) (Proprietary) Limited ("BCC") by Murray & Roberts Limited for a total consideration of R405 million. BCC holds the 15-year concession for operating and maintaining the Gautrain system until March 2026. We expect this low-risk investment in BCC to continue providing strong returns. The implementation of the transaction remains subject to BCC lenders' and regulatory approvals and should be concluded by the end of November 2017.

DISPOSAL OF GENREC TO SOUTHERN PALACE GROUP OF COMPANIES

Shareholders are referred to the voluntary announcements released on SENS on 24 October 2016 and 30 October 2017 respectively, regarding the sale of Genrec, the Group's last remaining manufacturing business. Genrec has been sold, subject to certain conditions precedent, to the Southern Palace Group of Companies, a black-owned and managed South African industrial group. Certain assets and liabilities are excluded from the transaction and will remain with the Group. The assets and liabilities included in the transaction, were sold at book value.

SHARE REPURCHASE PROGRAMME

Shareholders are referred to the announcements released on SENS on 30 June 2017 and 23 August 2017 respectively, regarding the Company's share repurchase programme to the value of R250 million. As at close of the market on 01 November 2017, 2.46 million Murray & Roberts' shares representing 0.55% of the issued share capital, to the value of R37.8 million had been bought, at an average price of R15.36 per share.

PROSPECTS STATEMENT

Although market conditions remain challenging, especially for the Oil & Gas and Power & Water platforms, and subject to no further material losses in the Middle East, we believe an improvement in the Group's financial performance can be expected in FY2018. All platforms will continue to focus on cost reduction and operational excellence to preserve margins.

Near orders are robust in the Underground Mining platform and the Group's overall medium-term project pipeline remains strong, which is specifically encouraging for the Oil & Gas platform's prospects.

The information contained in this Business Update has not been reviewed and reported on by the Group's external auditors.

Bedfordview
02 November 2017

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