

September 2007

MURRAY & ROBERTS GROUP MAGAZINE

ROBUST



ACQUISITIONS

CONCOR
STRENGTHENS
CONSTRUCTION
CAPACITY

GLOBALLY
BENCHMARKED
**CONSTRUCTION
MATERIALS &
SERVICES**

HUMAN CAPITAL

EXECUTIVE
APPOINTMENTS
BOOST LEADERSHIP
CAPACITY

GLOBAL WARMING

Taking care of our future

MAJOR PROJECTS

Gautrain, Coega

POWER of acquisition

Building capacity to deliver



WORLD CLASS FULFILMENT IN EVERYTHING WE DO

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Editor: Lesley Lambert e-mail: lesley@wisenet.co.za, tel + 27 11 325-5388, fax + 27 11 325-5315

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Tel: +27 11 532-4000, Fax: +27 11 646-6040.

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MESSAGE FROM THE CE

DEAR READERS

In my previous *Robust* message, I talked of global equity markets being at an all time high. How times have changed! The current crisis of confidence is probably a welcome correction to what had seemed to be an unstoppable bull run. Murray & Roberts has not escaped the fallout, but we remain ahead of our year-end closing price of 6400 cents at a market capitalisation above R20 billion.

We were entered onto the JSE Top 40 index in May 2007, increasing the prestige and exposure of our share. Subsequently, we surpassed PPC to become the largest company by market capitalisation in our sector. This is testimony to the considerable effort by all our people in Murray & Roberts to engage this current market for best performance and value.

We have closed out the 2007 financial year a very different organisation to what we were just a year ago. The acquisition of Concor has substantially enhanced our domestic capacity and critical mass, while our Australian associate Clough will be consolidated into the Group from this year. In preparation, Clough has taken a significant financial write-down against its legacy projects and will enter the Group under new leadership and with good forward prospects, backed by a financial rescue package arranged by Murray & Roberts.

Notwithstanding the current turmoil in financial and equity markets, we are confident that our market has growth and development resilience for many years into the future. Our core ongoing business is twice the size it was just two years ago and we expect to double our size again within the next three years. This offers significant challenge and opportunity for all our executives and employees in the years ahead.

Thank you all for your considerable efforts in making Murray & Roberts the great company it is. But remember, the construction industry is unforgiving and offers us no opportunity to rest on our laurels.

Brian Bruce

POWER_{of} ACQUISITION

In recent years, Murray & Roberts has acquired significant capacity to position itself for opportunities that are now being realised in its selected markets. *Robust* explores the extent to which new acquisitions will enable the Group to deliver its value proposition beyond 2010



Earlier this year, Murray & Roberts became the 39th largest company listed on the JSE, entering the hallowed Top 40 index in terms of market capitalisation. This landmark event, scarcely contemplated a few years ago when the share price was languishing, has been brought about primarily as a result of some astute acquisitions as the Group has efficiently deployed capital and cash reserves released by the disposals of Unitrans in 2004 and other non-core businesses.

Being in the Top 40 has an accelerator effect – many index-traded funds and fund managers are forced to buy the stock, which has added additional momentum to a share price that was already in an upward trajectory. But it also creates enormous expectations of consistent “blue chip” performance.

It is this expectation that is exercising the minds of Murray & Roberts executives as they look beyond the 2010 Soccer World Cup for growth that will smooth out the historic cyclicity of the construction industry.

Murray & Roberts has had a successful run of acquisitions, explains group chief executive Brian Bruce: “With the benefit of hindsight, the acquisitions of Concor and Cementation now seem inspired. And I believe that in time the purchase of Clough will be seen in the same light. Clough is still troubled, but we’ve achieved much in setting that company up for a great future. Since July, it has already become the biggest company in the Group by a factor of two. All the building blocks are in place for it to soon start contributing its rightful portion of group profit.”

These three companies will deliver 25% of group profits this year. To put this in context, these profits are already double what they were when the acquisition trail began. But this is

by no means the end of acquisitions for Murray & Roberts. The global construction industry is evolving too fast for any company to remain static.

Globalisation often poses political challenges. With massive infrastructure projects in the pipeline locally, and the focused pressure of meeting 2010 deadlines, government expects companies such as Murray & Roberts to repatriate their resources for the national

“Murray & Roberts has had a successful run of acquisitions. With the benefit of hindsight, the acquisitions of Concor and Cementation now seem inspired.”

interest. Local investment analysts are constantly asking the same question, because nobody wants the World Cup to be a failure.

“The direct answer is that we cannot. We’ve globalised too far: it is our very global presence and global partnerships that today clinch contracts, whether in South Africa or elsewhere, and those resources are needed where they are. The World Cup is simply one important element of a broader strategy.”

GLOBALISING MURRAY & ROBERTS

What has been driving the Globalising Murray & Roberts strategy? While the construction industry remains relatively fragmented around the world, the same cannot be said of the industries currently undertaking major capital expenditure projects. For instance, more than 50% of the global mining industry is controlled by just three companies. This in turn is driving the consolidation and globalisation of construction: the last place a global client is likely to look for a contractor is South Africa, even for a project in South Africa.

“Globally, the construction industry is currently focused on acquisitions. We’re in the fortunate position of being ahead of the curve. Nonetheless, that curve is always present and we have to continue on the acquisition path,” says Brian.

CAPACITY TO DELIVER

“We win tenders because we’re known globally, have a reputation for capacity and delivery, and because of our

established global partnerships and footprint. Our major clients want to deal with a partner that will service them on a global basis. In South Africa, by comparison, we deal with a multitude of clients competing against a multitude of competitors.”

What drives the acquisition strategy? Murray & Roberts has identified its key growth markets as the construction economies of Southern Africa and Middle East and the specialist mining and energy natural resource markets of South Africa, Australia and Canada. Acquisitions enable the Group to strengthen its position within the selected regional markets and to grow its global footprint in the resources-driven markets. Every Murray & Roberts business conforms to one of these strategies.

Murray & Roberts Engineering Solutions, for instance, provides a local solution for global companies but also offers global capacity through its network of global engineering partners. Brian admits this business is unique in being focused on South Africa, “and that’s a risk”.

CEMENTATION

The acquisition of Cementation has been one of the success stories of the turnaround of Murray & Roberts. This was not an acquisition of a

distressed company, but a mutual decision with its previous owner, Skanska, that the sale would suit the future strategies of both companies. Skanska wanted to focus its core

business on the northern hemisphere, while Murray & Roberts had recognised the need to globalise its underground mining business in order to maintain pace with the globalisation of its mining clients.

The Canadian assets of Cementation were acquired and the South African assets were merged with the existing Murray & Roberts RUC to become Murray & Roberts Cementation. The Group's Australian market is served by RUC Mining Contractors.

Since the acquisition of Cementation in 2003, the resources sector has been on a prolonged bull run. Whereas the Group's mining services division contributed R14 million to the bottom line in 2003, this year it has produced R233 million.

"This outstanding performance is the result of taking a small, focused South African company and turning it into the world's largest underground services contractor," explains Brian.

CLOUGH

The identification of oil & gas as a future growth market led to the acquisition of Clough, one of Australia's largest multidisciplinary engineering and contracting groups. Its operations in global industry sectors such as onshore and offshore oil and gas, petrochemicals, minerals and infrastructure match the strategic aspirations of Murray & Roberts in those sectors and provide the Group with an operational presence in the eastern hemisphere.

Recognising the challenges inherent in the business, Murray & Roberts has managed the acquisition with caution, injecting capital and gaining control of the business incrementally. This year the 50% ownership level was achieved and Clough will for the first time be consolidated into the Murray & Roberts balance sheet.



Murray & Roberts has focused on assisting Clough with its challenge to return to appropriate levels of profitability. "We've supported appointments that have given Clough more focus and we're confident that within the next three years it will deliver on the value proposition we anticipated when first making the investment. I don't believe we've over-paid for the business, and I don't see any reversal of fortunes in the energy sector. The growing trend in this sector is to look seaward for new reserves, and that is exactly where Clough's primary capability lies."

Murray & Roberts has been highly successful in its project strike rate, because it has been selective and ensured it has the right people and capacity to deliver success.

CONCOR

Next, Murray & Roberts set its sights on Concor as an ideal candidate to expand the Group's capacity in the domestic construction sector. The transaction was finalised with effect from June 2006 and Murray & Roberts embarked on a plan to position the business as a major player in the South African infrastructure sector.

This has the potential to be the best acquisition of all, says Brian: "By simply liberating the business by positioning it as a core business within our Group, this year alone we have seen a significant increase in performance – on no increase in revenue."

That's the magic of an appropriate acquisition and greater focus. An important decision was made not to merge the business with Murray & Roberts Construction as the two tend to serve different sectors and there was a sense that the effects of 'liberating' it might have been diluted by an inward-looking process of consolidation with another business.

LATEST ACQUISITIONS

Murray & Roberts has also made a number of smaller acquisitions. Oconbrick was recognised as an opportunity to strengthen the Group's existing capacity in the growing building materials sector, provided its capacity could be appropriately increased. The family owners agreed to sell 80% of the shares in the business with effect from September 2005. Since then, capacity has been increased by 20% and the business is performing to expectation.

In January this year, Murray & Roberts finalised the purchase of 80% of the

shares in privately held Wade Walker. As with Oconbrick, the remaining 20% of the shares will be acquired from the current owners in terms of a performance contract covering the next three years. Wade Walker is a medium-sized Gauteng-based electrical and instrumentation engineering contractor serving the South African and regional industrial and mining sectors. It will strengthen the Group's existing MEI capacity.

The return on investment from acquisitions has been exceptional. In a fast-growing market, Brian believes one cannot be too conservative in pricing a business. Nonetheless, Murray & Roberts has a rigorous pricing process that requires its acquisitions to deliver a return on investment from the first year. The rigour of the process comes from the competence of its due diligence process, which identifies any problems within the target business.

MANAGING RISK

"I'd say we have one of the best processes in the industry," says Brian,

"and we will walk away from an opportunity that does not meet our strict criteria."

Another success factor in the Murray & Roberts acquisition strategy has been the post-acquisition process. You cannot make an acquisition and ignore it, explains Brian: "You have to engage with it. It has to have an owner, not an investor."

At the same time, new businesses are permitted to retain their identities while assimilating the core values of Murray & Roberts. If the due diligence is done properly, there will in any case be an alignment of values.

"Having successfully got this far, we cannot stop. There is too much happening in the world to stop half way, and we have the balance sheet for more acquisitions. We are not in a consolidation phase but a growth one. However, much of our intensity today is not so much on corporate acquisition as project acquisition, though this may switch again."

PROJECT ACQUISITION

The Murray & Roberts project order book has grown exponentially in recent years. In 2004, it stood at R3 billion, last year it breached the R10 billion mark and today it has grown to R22 billion. While projects are not commonly perceived as an acquisition, Brian insists that the risk/reward character of projects should be emphasised due to the large amount of management time and investment that goes into them.

Murray & Roberts has been highly successful in its project strike rate because it has been selective and ensured it has the right people and capacity to deliver success.

So is the sky truly the limit, or are there any constraints to future growth inherent in the current Murray & Roberts structure? Brian says management is constantly evaluating all potential

constraints. Leadership can become a liability, as can geography. The Group has stated its intention to remain a South African company, yet it was the move offshore which sparked the remarkable globalisation of companies such as Anglo American, Billiton and SA Breweries.

"We're very conscious of our constraints in being South African domiciled," says Brian. He sees the forging of global alliances and relationships as bridging this limitation, and a strategy suited to the construction industry." BY EAMONN RYAN ○

MURRAY & ROBERTS SHARE PRICE (SEPTEMBER 2006 TO AUGUST 2007)



THE ACQUISITION TRAIL

Cementation (2004)

Murray & Roberts acquired Cementation Company (Africa) and Cementation Canada Inc from Skanska with effect from July 2004. They included global mine design, mine development, mine engineering and mine contracting services as well as contract mining operations. The South African operations of Cementation were merged with Murray & Roberts RUC to form Murray & Roberts Cementation, which focuses on the African mining market. Cementation Canada continues to serve its North American mining market, reporting through the international coordinating office in London.

Clough (2005)

Clough is one of Australia's largest multidisciplinary engineering, construction and asset management groups. The company operates globally in industry sectors including onshore and offshore oil and gas, petrochemicals, minerals and infrastructure. Clough has significant capability in project management, engineering services, construction, installation, commissioning, operations and maintenance. Recognising the challenges inherent in the business,

Murray & Roberts has managed the acquisition with caution, recapitalising and gaining control of the business incrementally.

Concor (2006)

The acquisition of Concor was finalised in June 2006 and Murray & Roberts immediately embarked on a plan to position the business as a major player in the South African infrastructure sector. Concor has maintained its own identity as the market segment it serves is often different from that of Murray & Roberts Construction. Murray & Roberts executive director, Keith Smith, has been appointed chairman of both Concor and Murray & Roberts Construction to ensure that each business remains focused on its target markets, with an integration of resources where necessary. Concor complements the existing construction activities of Murray & Roberts and has already contributed considerable new capacity at a time of significant growth in infrastructure investment.

Oconbrick (2006)

Oconbrick is the third largest supplier of clay bricks and, together with Technicrete – acquired as part of Concor – forms the core of the Murray &

Roberts strategy to serve the developing affordable housing market.

A new high speed production line was installed at Oconbrick during the year to increase volumes by 20% to 380 million bricks per annum and the business plans to expand its distribution network from a 100 kilometre radius to 140 kilometres. Oconbrick has applied for the rights to mine clay on land adjacent to its property which offers another 20 years of clay reserve.

Wade Walker (2007)

Wade Walker is a medium-sized Gauteng-based electrical and instrumentation engineering contractor serving the South African and regional industrial and mining sectors. The business worked alongside Murray & Roberts on a number of major projects before the acquisition and will strengthen the Group's existing mechanical, electrical and instrumentation capacity. While Wade Walker will operate as a self-standing business within Murray & Roberts to retain the strong reputation and brand identity it has developed over 20 years, it will work in close partnership with Murray & Roberts MEI on major projects such as the new Natal Portland Cement clinker plant and the Voorspoed diamond mine.

Building capacity

The acquisition of Concor in June 2006 has strengthened the construction capacity of Murray & Roberts at a time of new opportunity

Concor has established its position as a leading business in the domestic construction market since 1948. The company has undergone a significant transformation following a troubled period in recent years and has been positioned to benefit from the current growth in infrastructure investment.

With a strong focus on the South African public sector infrastructure market and a proven track record in complex engineering projects, Concor has strengthened the capacity of Murray & Roberts at a time of significant opportunity.

Since the acquisition became effective, Murray & Roberts has embarked on a plan to position Concor as a major player in the domestic infrastructure sector. Certain assets such as the resource base of the marginal underground mining business and concession investments have been relocated to Murray & Roberts while Concor's reputable roads & earthworks business has assumed responsibility for the Murray & Roberts activities in this sector, and the toll road operator Tolcon has been relocated to Concor. The core construction business will keep the Concor identity and continue to be managed as an independent entity as the market segment it serves often

differs from that of Murray & Roberts Construction.

Cobus Bester has retained his position as MD of Concor, while Murray & Roberts executive director, Keith Smith, has been appointed chairman of both Concor and Murray & Roberts Construction to ensure that each business remains focused on its target markets, with an integration of resources where necessary.

Concor's order book is R1,8 billion (2006: R1,5 billion), of which 70% is for the current financial year to 30 June 2008. This reflects the significant growth trend in the domestic building and civil markets. ○



■ Oprah Winfrey on a site tour with Stephaan Thompson



■ Concor built the Oprah Winfrey Academy for Girls at Henley on Klip

LEADERSHIP TEAM



1	■ Cobus Bester: Managing Director
2	■ Jerome Arendse: MD, Tolcon
3	■ Jean Charoux: MD, Engineering
4	■ Paul Deppe: MD, Technicrete
5	■ Trevor Robinson: MD, Civils & Open cast mining
6	■ Dick Taplin: MD, Plant
7	■ Frik Venter: MD, Roads
8	■ Brad Wantenaar: MD, Building
9	■ John Millward: Project Development
10	■ Chris Scholtz: Financial Director
11	■ Dirk Theron: HR Director

OPERATIONS

BUILDING

The Concor building operations have undergone a successful transformation in recent years, exiting all but the Gauteng market and strengthening management and risk management capacity. Concor recently completed the Bel Air shopping centre in North Riding, the Oprah Winfrey Academy for Girls at Henley on Klip and the International North Pier at the OR Tambo International Airport. Work commenced on an enabling contract to build the multi-purpose head office complex for the Department of Foreign Affairs in Pretoria which will be let under a PPP concession contract if financial close is achieved.

CIVILS

Concor is a leading civil engineering contractor in the mining and industrial sector. The business has strengthened its focus on heavy civil engineering, road building and infrastructure development with its specialist capacity to build incrementally launched bridges and sliding structures.

Major resource beneficiation and industrial programmes offer significant opportunity in the domestic civil engineering market and Concor has recently completed the Dwaalboom expansion project for PPC and work for Anglo Platinum at PP Rust.

Major opportunities in the power sector have started to materialise as Eskom commences the roll-out of its first phase R150 billion five-year capacity expansion programme. Murray & Roberts operations, including Concor, are prepared for a leading implementation role in the expansion of the Matimba power station and the Mmamabule power station in Botswana. In addition, Concor will tender in joint venture with Hochtief, Murray & Roberts Construction and Murray & Roberts Cementation for the Braamhoek pump storage system.

ROADS

Concor Roads has built a reputation as a professional and competent road building company in Southern Africa. While the business focuses on the construction

of major road projects, its core competencies extend to all earthworks and mining infrastructure related projects.

Concor Roads is currently working on road contracts valued at R1,1 billion, including bulk earthworks for the Sishen and Assmang projects, Gautrain and the Voorspoed mine. The business has also been awarded the expansion of the railway between Sishen and Saldanha for Transnet.

Having completed an exploration tunnel for the Braamhoek pump storage system, Concor has submitted a tender in joint venture with WBHO for work on two dams that will supply the power generation system.

ENGINEERING

A reputation for precision work, attention to detail and meeting strict deadlines has secured Concor Engineering preferred contractor status with key clients. Concor is currently installing four platinum concentrators as part of the major producers' expansion programmes.

OPEN CAST MINING

Concor's open cast business focuses on steep dipping hard rock mining. Concor has a number of long term contracts in this market and new contracts will require significant capital expenditure due to the increasing depth of the pits.

TECHNICRETE

Concor Technicrete is the largest cement paving manufacturer in South Africa with 14 factories throughout the country. It produces paving blocks, roof tiles and masonry products for the commercial building market and cementitious products for underground mining.

The business will undertake a significant upgrade of its facilities and capacity in 2008, including possible geographic expansion, to entrench a market leading position. Acquisitions concluded over the past two years have been bedded down and will add value to the business in future. Other acquisitions in the masonry stock brick and tile sectors are under consideration.

2010 PROJECT UPDATE



GAUTRAIN

The Gautrain Rapid Rail Link project has been underway for nine months following commercial close in September 2006. Since then, there has been significant progress in the construction programme:

SOUTHERN (UNDERGROUND) SECTION

PARK STATION

Tunnel canopy tube installation has commenced and tunneling towards Rosebank is 10 metres from the opening. Utilities under Wolmarans Street are being diverted. Diaphragm wall construction around the station box is being completed and excavation of the station box will start soon.

ROSEBANK STATION

The north shaft excavation has reached its final depth 30 metres below surface. Tunnelling towards the Sandton Station began mid-August. Installation of piles for lateral support during excavation is completed. The station box excavation is now three metres deep. A 885 ton German tunnel boring machine will start boring towards Parktown Ridge in January 2008.

EMERGENCY SHAFT E2 NEAR THE WILDS

E2 site establishment is in progress and shaft collar excavation has started. The tunnel section between Park Station and Marlboro Portal will feature seven emergency access shafts.

EMERGENCY SHAFT E5 IN DUNKELD

E5 has reached its final depth of 62 metres and concrete lining is in progress. Construction of a gantry crane with noise hoardings covering the shaft opening has started and will be used to hoist excavated rock and lower equipment into shaft.

SANDTON STATION

Diaphragm wall and pile construction around the station box is complete and the construction of capping beams is in progress. The northern shaft is used for station excavation and the southern shaft for tunnelling towards Rosebank and Mushroom Farm Park. Construction of foundations for the south shaft gantry structure is in progress.

MUSHROOM FARM PARK CONSTRUCTION SHAFT AND TWO TUNNELS

The vertical shaft reached its final depth at 31 metres. The two horizontal tunnels have reached 30 metres from the tunnel openings. One tunnel will be excavated towards Sandton while the second tunnel will link up with the Marlboro Portal tunnel. A gantry crane is installed above the shaft to hoist excavated material and lower equipment into the shaft. The positioning of noise hoardings around the steel is nearing completion.

MARLBORO PORTAL

The tunnel has reached 470 metres from the portal opening (17%). Low profile dump trucks remove spoil to a crushing plant near Linbro Park for recycling.

EAST-WEST (AIRPORT) LINK – MARLBORO STATION TO OR TAMBO INTERNATIONAL AIRPORT

MARLBORO STATION AND N3 UNDERPASS

Pier lifts for two viaducts (rail bridges) over East Road and the cut and cover for the N3 highway underpass are in progress.

LINBRO PARK TO RHODESFIELD STATION

A cleared section of the Modderfontein Conservation area is being fenced. Houses

along Fitter Road have been demolished and those along Old Pretoria Road are being demolished. Utilities are being relocated to give construction workers access to land. Piling and formwork for three viaducts over Centenary Way, Zuurfontein Road and Pretoria Road/R21 is in progress and preparations are underway to start with viaduct abutments.

OR TAMBO INTERNATIONAL AIRPORT STATION

The establishment of the construction site is underway. Gautrain's elevated station at OR Tambo International Airport will be fully integrated into the OR Tambo International Airport terminals.

NORTHERN SECTION -Y JUNCTION TO PRETORIA AND HATFIELD STATION

BUS DEPOT, TRAIN DEPOT, OPERATIONS CONTROL CENTRE AND PRE-CAST YARD

Train depot workshop building columns are being constructed. Scaffolding for the train depot office building's first floor slab is being installed. The bus depot administration building has reached completion. Electrical fittings, plumbing and paving are in progress. Viaduct spans and M-beam casting (used in the construction of bridges) is in progress.



TSHWANE

Temporary hoardings are being erected around Jean Avenue and Hatfield Station construction sites. Several viaducts (rail bridges) will be built in Tshwane. Preparations are underway for viaduct foundation shaft excavation in the dolomitic areas near Jean Avenue and the construction site is being established. The preparation work for the cut and cover tunnel structure under Eeufees Road (Salvokop) has started. Hatfield Station underground parking excavation is expected to start at the end of August. ○

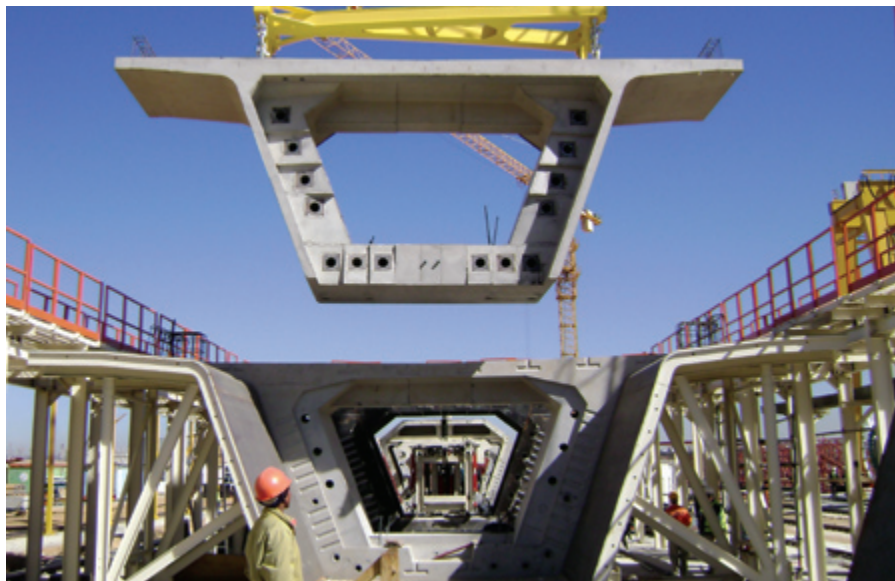
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ALCAN SMELTER

Murray & Roberts, in partnership with SNC-Lavalin and Hatch, has been awarded the US\$100 million contract for the front-end engineering and design (FEED) and engineering, procurement and construction management services (EPCM) for the first phase of Alcan's Coega Aluminium Smelter Project in Port Elizabeth. Upon completion of this first phase, the smelter will have an initial capacity of 360 000 tonnes per annum.

While the total value of the contract is for the first phase of the project, the second phase, which would bring aluminum production to an estimated 720 000 tonnes per annum, is also included in the contract.

"Our scale, experience and presence is an essential factor in procuring the appropriate resources, skills and partnerships to deliver such world class projects as the Coega Aluminium Smelter," Brian Bruce commented.



MARKET LEADERS

Business operations in the Murray & Roberts construction materials & services cluster are reaping the benefits of a restructuring programme that positioned them for the current upsurge in infrastructure investment

The business operations in this sector have again delivered exemplary performances again in the financial year to 30 June 2007, contributing one third of group revenues and over 50% of operating profits, as gross fixed investment in their Southern African and Middle East markets continues to grow.

STEEL PRODUCTS

Murray & Roberts offers proven capability in the full cycle of steel production and application. Murray & Roberts Steel is the mainstay of the construction materials & services cluster, offering a comprehensive range of reinforcing steel products.

Five years ago, Murray & Roberts embarked on a strategy to leverage the value chain in the steel sector and position the Group for significant growth in domestic and international markets. The timing could not have been better. A major capital investment programme implemented by Rob Noonan, managing director of Murray & Roberts Steel, has doubled primary steel production capacity in the domestic market and created significant new capacity in selected international markets. Key features of the programme have been automation of production processes to improve productivity, and strengthening of human capacity.

Sufficient capacity has been developed in the domestic market

to meet the demands of major 2010 projects, while maintaining ongoing business and market engagement. The business has established a dedicated bar yard facility in Olifantsfontein to deliver approximately 90 000 tons of steel to the Gautrain project.

On the international front, Murray & Roberts has acquired new capacity in Mauritius and will become the primary manufacturer and distributor of reinforcing steel products on the island, extending the Group's market position in the Indian Ocean Islands.

Expansion plans in the UAE are nearing finalisation and are expected to quadruple the volume of rebar and mesh Murray & Roberts supplies to the burgeoning Middle East steel market to approximately 270 000 tons per annum.

INFRASTRUCTURE MATERIALS

With its extensive range of products and services, supported by world class capability, Murray & Roberts is well positioned to service the exacting demands of its key infrastructure markets.



Keith Smith (pictured above) relinquished executive responsibility for the construction materials & services cluster on 30 June 2007 to focus on SADC construction. Keith's entrepreneurial leadership has guided the transformation of the cluster into a globally benchmarked and market leading group of businesses focused on the primary materials of steel, concrete, asphalt and clay.

Andrew Langham (pictured below) has been appointed as Keith's successor. Jim Wood retired as MD of Rocla on 30 June 2007 but will continue to offer the Group his leadership capacity in a consulting role. Lee Cochrane, the former GM of Harvey Roofing, has been appointed MD of Rocla with effect from 1 July, and he has been succeeded at Harvey by Judy van Es.





Rocla and Much Asphalt have underpinned the performance of the construction materials & services cluster in recent years, delivering good growth in their relatively mature concrete product and asphalt supply markets.

Rocla is Southern Africa's leading manufacturer of precast concrete products for infrastructure. The business has an extensive network of factories throughout South Africa, Namibia, Botswana and Mozambique.

Rocla's national presence and capacity has ensured a major role for the business supplying products to the Gautrain and Medupi power station projects.

Much Asphalt is a recognised industry leader positioned as the largest preferred supplier of premix asphalt in its markets.

Much Asphalt grew market share during the year, under the leadership of Phillip Hechter, achieving record sales as infrastructure spending by the national, provincial and local government authorities continued to increase.

Much became the first commercial asphalt supplier in southern Africa to achieve accreditation with the South African National Accreditation Systems for quality assurance standards this year. The business will invest R6 million over the next three years in upgrading its plants to ensure compliance with international environmental standards.

BUILDING MATERIALS

Murray & Roberts has established a presence in building materials and engages the domestic housing market from the platform created by Concor Technicrete, Oconbrick and Harvey Roofing.

Concor Technicrete is the largest manufacturer of cement paving products in South Africa, producing paving blocks, roof tiles and masonry products for the commercial building and housing markets and concrete products for underground mining. The business will undertake a major upgrade of its facilities and capacity during the new financial year, including possible geographic expansion, to entrench its market leading position.

Oconbrick, a major domestic supplier of quality clay bricks, recently installed a new high speed production line that has increased volumes by 20% to 380 million bricks per annum. The operation plans to expand its distribution network from a 100 kilometre radius to 140 kilometres and has applied for new mining rights to access high quality clay reserves on land adjacent to its property which offers another 20 years of production.

Harvey Roofing has benefited from growth in the rural housing market in South Africa and continues to increase its presence in this traditional market.

SERVICES

Based in Dubai, Johnson Arabia operates in the mobile crane industry in the Middle East under the leadership of Gerald Topfer. The business has tracked the growth profile of its market since it was launched with six hydraulic cranes in 2000. In partnership with the Kanoo Group, it now has a fleet of 122 hydraulic and crawler cranes and 350 access platforms in Dubai, and a fully-fledged business in Abu Dhabi. Plans to increase the fleet by 50% and expand into Qatar are well advanced.

Toll Road Concessionaires (Tolcon) currently operates the entire N3 toll route, the N2 North Coast toll road, the N2 South Coast toll road and has a 33% shareholding in Pt Operational Services which operates the N1/N4 Bakwena Platinum highway.

Tolrail, the new company established to undertake operations and maintenance work on the Gautrain project, commenced operations during the year providing resources to the Bombela Operations and Maintenance company.

PROSPECTS

The construction materials & services operations will continue to benefit from the expected growth in infrastructure investment in the period leading up to 2010 and beyond, particularly in the transport infrastructure, road refurbishment and power sectors. ○

New appointments

Clough has appointed **John Smith** CEO with effect from 1 August 2007.

John is an engineer with 30 years of deep international experience in the oil & gas contracting industry, having held a succession of engineering, project management and general management positions in the UK, Norway and Australia. Lately, he has been involved in leading the strategic process to the formation of Subsea7 and was CEO of that company for the first two years of its existence.

John has demonstrated strong operational and strategic leadership of contracting organisations similar in size and complexity to Clough. Clough is determined to grow its business, particularly in the oil & gas sector and John's strong industry knowledge will be a major asset to that process.

John Cooper, former Clough CEO, will continue with Clough as a company director.

Gerald (Ged) Evetts has joined the Murray & Roberts corporate office executive team to play a role in the Group's positioning in South Africa's significant power generation investment programme.

Ged has 40 years of experience in the engineering and contracting industry in South Africa and the UK. He joins us from the Babcock Group where he has been involved for the past 30 years in various aspects of the power sector, including engineering, construction and project management and maintenance services.

Ged will work primarily with Malose Chaba and the operating companies engaged in the programme, to ensure a clear understanding of the resource and performance requirements for our professional involvement.

Jerome Govender has been appointed by the shareholders of Bombela Concession Company as CEO. Jerome was previously MD of Murray & Roberts Concessions and transferred to Bombela from 1 July to succeed Denis Bouvette, whose contract as CEO ended on 31 August 2007.

Bombela holds the R25 billion twenty-year concession to build and operate the Gautrain Rapid Rail Link for Gauteng Province. This is the world's largest PPP infrastructure project under construction at present.

Jerome has committed for a period of at least five years covering the full implementation period and commissioning of the system. He has an MBA to complement his Quantity Surveying professional qualification and extensive experience in private practice, concession management and the public sector.

Yunus Karodia (35) was appointed to the dual corporate executive positions of group financial manager and company secretary with effect from 1 April 2007.

Yunus completed his articles with PricewaterhouseCoopers and joined Murray & Roberts in 1999 following which he spent three years as financial manager at Murray & Roberts International based in Dubai. He transferred back to South Africa in 2002 to join the Murray & Roberts Concessions leadership team and was appointed financial director in 2005 and a director of the N3 and N4 concession company boards. Yunus is a trustee of the Letsema Vulindlela Black Executive Trust.

Vaneshree Naidoo (33) was appointed MD of Murray & Roberts Concessions with effect from 1 July 2007. Vaneshree started her career in Murray & Roberts on an engineering bursary and joined Genrec in 1997 after qualifying with a BSc (Hons) (Mech Eng).

In 1999 Vaneshree was awarded a scholarship for advanced production engineering and management training in Germany. On her return in 2000 she was assistant project manager on the Muskeg River Oil Sands structural steel supply contract and subsequently project engineer on the Mozal II potshell fabrication project.

In 2002, Vaneshree transferred to Murray & Roberts Concessions where she has played a key role in many aspects of the Gautrain Rapid Rail Link project from bidding through to financial close.

Lee Cochrane was appointed MD of Rocla and its subsidiary companies with effect from 1 July 2007. Rocla is one of our Group's most valued companies, with operations across Southern Africa.

Lee joined Murray & Roberts as a financial executive 10 years ago and has been tasked with a number of executive responsibilities over the years, most recently as MD of Harvey Roofing.

Judy van Es joined Murray & Roberts on 1 June 2007 as GM of Harvey Roofing. Judy is a lawyer and admitted attorney with a proven record of business experience in manufacturing, rental, trading and corporate matters in both the logistics and property development sectors.

Brian Bruce receives prestigious global construction award

Murray & Roberts group CE Brian Bruce was awarded the Chartered Institute of Building President's Medal at the Institute's annual dinner at the Guildhall in London earlier this year. The award was made in recognition of Brian's "outstanding leadership in shaping the international construction market."



■ Brian Bruce

The CIOB is a leading global organisation for construction managers. Based in the United Kingdom, it is renowned for setting the pace globally for high standards of professionalism in the built environment. The CIOB presents the President's Medals annually for contribution to the construction industry. Brian is the first non-British construction leader to receive the award in the CIOB's 173-year history

In a citation read out at the dinner, CIOB President, Roger Flanagan, described Brian as "a giant in the construction industry. His influence spreads far and wide around the world of construction and engineering. He has championed safety, equality and opportunity. He has made a difference to the performance of the South African construction sector and in many overseas countries. He has made Murray & Roberts

one of the most admired construction organisations around the world.

"When Brian speaks people listen because they believe that he delivers on his promises. He has a huge depth of understanding of the challenges facing the construction sector; more importantly he has some solutions to making the world of construction a better place for everybody."

As a special guest speaker at the CIOB dinner, Brian addressed an audience of international construction executives, British Members of Parliament and ambassadors, including the South African Ambassador to the UK. He spoke about the challenges and opportunities of building in developing environments.

The other recipient of the 2007 CIOB President's Medal was Ray O'Rourke, chairman of Laing O'Rourke, which is part of the consortium that will deliver the London Olympics in 2012. ○

WORLD RECORD-BREAKERS AMONG 2007 FULTON AWARDS WINNERS

The 2007 Fulton Award in the Civil Engineering Projects category went to Impala Platinum Mine's Number 16 Shaft – a project that called for a towering headgear, the tallest in the world. The judges found that the quality of concrete that the construction team,

headed by Murray & Roberts Construction, achieved was outstanding. "This was even more emphasised by the scale of the project. Innovative shuttering methods were used to construct six metre deep beams, 92 metres above ground level, to house the Koepe winders. Due to the overall height of the structure – and

the volume of concrete required for the continuous slide – all the concrete had to be pumped to a height of 108 metres which makes it the tallest headgear in the world with an overall height from the foundation of 132 metres. Construction was further complicated by the fact that the mine shaft was being sunk at the same time as construction took place," the judges added in their citation.

The prestigious Fulton Awards are presented every two years by the Concrete Society of Southern Africa for excellence in the use of concrete in five categories: Civil Engineering Projects, Building Projects, Design Aspects, Construction Techniques and Aesthetic Appeal. ○

■ Impala Platinum mine No. 16 shaft





Stop.Think Climate Change

Former US vice president Al Gore's documentary *An Inconvenient Truth* has heightened public awareness of the dangers of global warming. How is Murray & Roberts responding to the call on industry to limit its impact on the environment?

Murray & Roberts has extended the principle of zero harm to all aspects of its business, including the social and natural environment in which it operates.

A risk based approach, adopted from August 2006 and guided by international standards (ISO14001 Environmental Management System), ensures that the management of environmental issues is governed by a philosophy of continual improvement. Currently, 30% of the Group's operating entities have certification or are in the process of attaining certification to this standard and the intention is to roll it out across the whole Group.

Key performance areas and indicators have been instituted to measure environmental risks and manage them down to acceptable levels. These are:

- Environmental or pollution incidents – uncontrolled releases, leaks, breaks and spills to air, surface water, ground water and land
- Air emission testing and targets
- Contraventions of local or national regulations, or client plans, such as environmental impact assessments, together with fines and penalties imposed
- Non-conformance registers and targets

The three operating environments within

Murray & Roberts – construction, mining and manufacturing (fixed facility sites) – have uniquely different environmental impacts. These different impacts are highlighted using a Source, Pathway, Receptor model to identify potential sources of emissions and the pathways they travel along to reach a receptor (eg. a river or ground water to people/downstream communities.) Once the source and pathway have been identified, preventive and corrective measures can be applied to protect receptors and close pathways.

Using this methodology it was established that air and effluent emissions remain the greatest risk for fixed facility sites; dust and environmental noise pollution for the construction environment; and soil and ground water contamination for mining. Other than at the fixed facility sites, group environmental practice is commonly integrated into clients' own environmental management objectives which are usually based on environmental impact assessments for individual projects.

An emergent environmental risk is that of climate change and its implications for existing processes and materials used by Murray & Roberts companies. South Africa, as a non-Annex country, is not obliged to uphold the Kyoto Protocol reduction requirements for the current period (2008-2012). However, with increasing carbon emissions, significant

global pressure will be applied to South Africa – and its corporations – to reduce the country's carbon footprint. South Africa is currently rated as the 14th biggest carbon dioxide producer in the world by total tons of greenhouse gases.

This year, Murray & Roberts is implementing a climate change strategy to measure its carbon footprint in terms of World Business Council on Sustainable Development standards and develop reporting requirements for direct carbon dioxide emissions.

Murray & Roberts is taking a proactive approach to managing the impacts climate change will have on its industry, and the strategy is consistent with the Group's approach to Stop.Think, risk and HSE management.

Stop.Think, the campaign launched last year to improve safety awareness and strive for zero harm in the workplace, has provided the platform through which Murray & Roberts can engage the HSE challenges it faces.

Murray & Roberts will initiate the climate change strategy by measuring its carbon footprint as this will reveal where its efforts need to be concentrated. There are a number of actions individuals and businesses in the Group can implement immediately to improve energy efficiency, limit electricity usage and reduce travel.

Following the establishment of the carbon footprint, meaningful targets,

efficiency upgrades and reduction strategies can be implemented. Future developments include expanding system boundaries to include scope 3 (indirect, embodied, and product) emissions, process and product modifications to low carbon alternatives, benign design solutions, and clean development mechanism (CDM) projects.

Climate change does present certain threats to Murray & Roberts, but there are opportunities that can be developed.

The approach to reduce the risks and enhance the opportunities lies in ensuring that the Group's activities do no harm and concurrently create value for all affected stakeholders. ○

BY TYRON BOTHA,
RESPONSIBLE FOR THE MURRAY
& ROBERTS RISK BASED
APPROACH TO HEALTH, SAFETY
AND THE ENVIRONMENT

What is climate change?

The climate of the world varies from one decade to another, and a changing climate is natural and expected. However, there is a well-founded concern that the unprecedented human industrial and development activities of the past two centuries have caused changes over and above natural variation.

Climate change is the natural cycle through which the earth and its atmosphere accommodate change in the amount of energy received from the sun. The climate goes through warm and cold periods, taking hundreds of years to complete one cycle. Changes in temperature also influence the rainfall but the biosphere is able to adapt to a changing climate if these changes occur over centuries. Unfortunately, human intervention is currently causing the climate to change too fast. (Climate models predict that the mean air temperature over South Africa will increase by an estimated 2°C over the next century). Plants and animals may not adapt as quickly to this rapid climate change as humans can and therefore, the whole ecosystem is in danger.

The global climate system is driven by energy from the sun. Several gases in the atmosphere act to trap the energy from the sun, thus warming the earth. These gases are called greenhouse gases and the process is the greenhouse effect. Without this there would be no life on earth. Human activities over the last 200 years, particularly the burning of fossil fuels

(oil, coal, natural gas) and the clearing of forests, have increased the concentration of greenhouse gases in the atmosphere. This is likely to lead to more solar radiation being trapped, which in turn will lead to the earth's surface warming up – the enhanced greenhouse effect.

The enhanced greenhouse effect can be slowed down by following two guidelines: 1. Increase sinks and 2. Decrease sources of greenhouse gases. A sink is a process which removes greenhouse gases from the atmosphere. For example, a growing tree where one did not previously exist provides a sink for carbon dioxide, because the tree extracts carbon dioxide for photosynthesis. A source is a place or activity from which greenhouse gases are emitted. This can be a process such as coal burning or a location such as cultivated fields.

What is the Kyoto Protocol?

The 1997 Kyoto Protocol resolved to reduce emissions of greenhouse gases, such as carbon dioxide and methane, on a global scale. Annex 1 Countries ratifying the Protocol must comply with the following requirements:

- Limit their greenhouse gas emissions to the amounts assigned to them

- Implement climate change policies
- Enhance energy efficiency
- Limit emissions in the waste and transport sectors
- Protect sinks
- Phase out market instruments that are counter-productive to the aims of the Protocol
- Promote sustainable forms of agriculture and relevant research

The Kyoto protocol set limits for the Annex 1 signatories to reduce emissions based on 1990 levels when the protocol was first drafted. The emission reductions are set to be implemented between 2008 and 2012.

INFORMATION SUPPLIED BY THE SOUTH AFRICAN WEATHER SERVICE.



Image: NASA and the National Space Science Data Center (NSSDC)

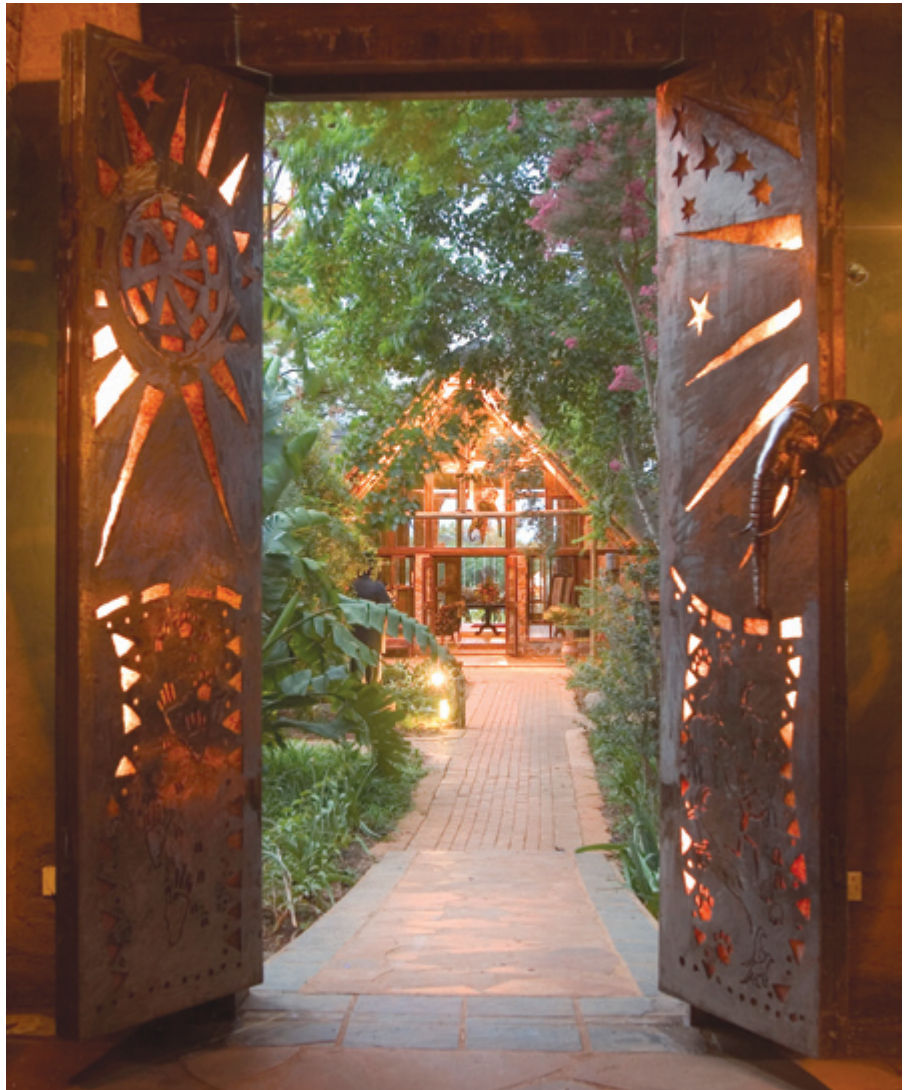


Experience Africa

Beauty can be yours. In nature, in architecture, in lifestyle. It reveals itself through unexpected pleasures – the sweet smell of indigenous fynbos; the cry of the wild; peace and tranquillity – the Kedar lifestyle.

Kedar Country Hotel, Conference Centre & Spa is situated on Boekenhoutfontein in the North West province, the historic farm of former president Paul Kruger. Boekenhoutfontein ("Beech-wood Spring") boasts one of the few peat wetlands in the North West province and is regarded as an historical jewel in the area, being the site of many valuable archeological findings. Stretching over 700 acres, the land has been game fenced and populated with a variety of game including eland, blesbok, impala, bushbok, nyala, kudu, zebra, blue wildebeest and giraffe. Extensive environmental work has been carried out to restore the natural wetlands that attract prolific birdlife to the area.

Kedar offers a choice of 62 African-themed suites, including a Presidential and a Royal suite, each of which feature a private lounge, enclosed garden, splash pool, outside shower and gazebo. In addition there are eight, fully equipped





One lucky couple can win two nights bed and breakfast in a Royal suite, with a hot stone massage.



Winner of the getaway to Dawson's Game and Trout Lodge: **Rochelle van Staden**

RULES OF THE COMPETITION:

1. The prize will be awarded to the first correct entry drawn.
2. The judges' decision is final and no correspondence will be entered into.
3. The prize is valid for six months starting October 2007.
4. All extras are to be settled direct.
5. Transport to the destination is not included.

conference rooms seating up to 120 delegates, and a health spa which is built over the natural wetlands, designed to allow guests to take full advantage of the breathtaking natural surroundings. The Spa offers a truly African experience using products and spa treatments crafted out of indigenous African herbs and oils. Guests can enjoy a range of activities including game drives, guided walks and fishing.

Kedar's culinary experience is a true reflection of the treasures of Africa. The Armoury Restaurant serves traditional South African fare and is decorated with portraits and weaponry from the Anglo-Boer war period. The 1872 Restaurant, the Victorian style house Pieter Kruger built for his family during the late 1800s, offers Afrikaans and Cape Malay cuisine. The Motswedi Pub, set in indigenous gardens, provides the perfect spot to enjoy a sundowner while watching an African sunset and the Boma offers traditional South African cooking under the stars, over an open fire.

Renowned artist, Adam Madebe, who has several bronze sculptures on display in the grounds, began making clay models and woodcarvings as a boy herding his father's cattle near Bulawayo. His unique technique for creating a clay sculpture, cladding it in welded metal sheets and then removing the clay leaving a hollow metal form, has been refined over a number of years. In recognition of his work he was awarded the President's Award of Honour in 1994, the most prestigious tribute granted during

Prize • Value
R11 500
Total •

17

Zimbabwe's annual Heritage Exhibition. His work can be seen in central and southern Africa and he has exhibited in Belgium.

Boekenhoutfontein and the historic buildings on the land were declared a National Monument in 1971. The main Kruger House is a museum showcasing a wide range of Kruger memorabilia and other items of historical interest.

Kedar is situated just one and a half hour's drive from Johannesburg and Pretoria and only 15 minutes from Sun City and the Pilanesberg Game Reserve – home to the "Big Five". Kedar Country Hotel, Conference Centre & Spa is part of the Recreation Africa group.

For more information, please visit www.recreationafrica.co.za or call reservations at (011) 950-6000.



Answer the easy question, complete the entry form and send to Murray & Roberts Competition, PO Box 1148, JHB 2000 – to reach us before 19 October 2007. You can also fax to (011) 646-6040 or e-mail competitions@profpact.com (remember to put Murray & Roberts competition in the subject line).

ENTRY FORM: AUGUST 2007 COMPETITION

Name: _____

Phone number: _____

Question: What is the Kyoto Protocol? _____

* Strictly one entry per person

Kirsten Brown, manager
ClientService

"ClientService will substantially increase the standard of communication and partnering opportunities between companies within the Group and with our market."

The Bridge.

The Bridge is the symbol we have selected to define the Murray & Roberts client service strategy. We offer the capacity to bridge knowledge gaps that exist between the company and its people and with the people of our potential clients, new clients and society. During 2006, we attended to a record 19 032 calls and enhanced our systems to ensure even better service in future.

Give us a call on 456 1144 & find out more.
Email: clientservice@murrob.com