



Regional Review - Africa



Market conditions

SA Economy

1st Quarter 2009, down 6.4%

2nd Quarter 2009, down 3.0%

3rd Quarter 2009, up 0.9%

Green shoot ??

Construction Works

12 months to June 09, up 28%

Civil Works

12 months to June 09, up 16%

6 months to June 09, up 4%

Current growth due to pre-crisis awards, now slowing

Sector not immune to crisis, even if cushioned by infrastructure spend

Lower activity expected next two years



(cont.)

Tender Activity

12 months to June 09, up 4%

6 months to June 09, down 10%

Much keener pricing becoming evident

Tender Awards

12 months to June 09, down 27%

6 months to June 09, down 54%

Civil Engineering Confidence

Rapid decline since 2nd Quarter '08

Below 50%, first time since 2003

Last time below 50%, in the following year industry contracted 5%

SAFCEC Forecast/Expectation

Only 3% real growth 2009

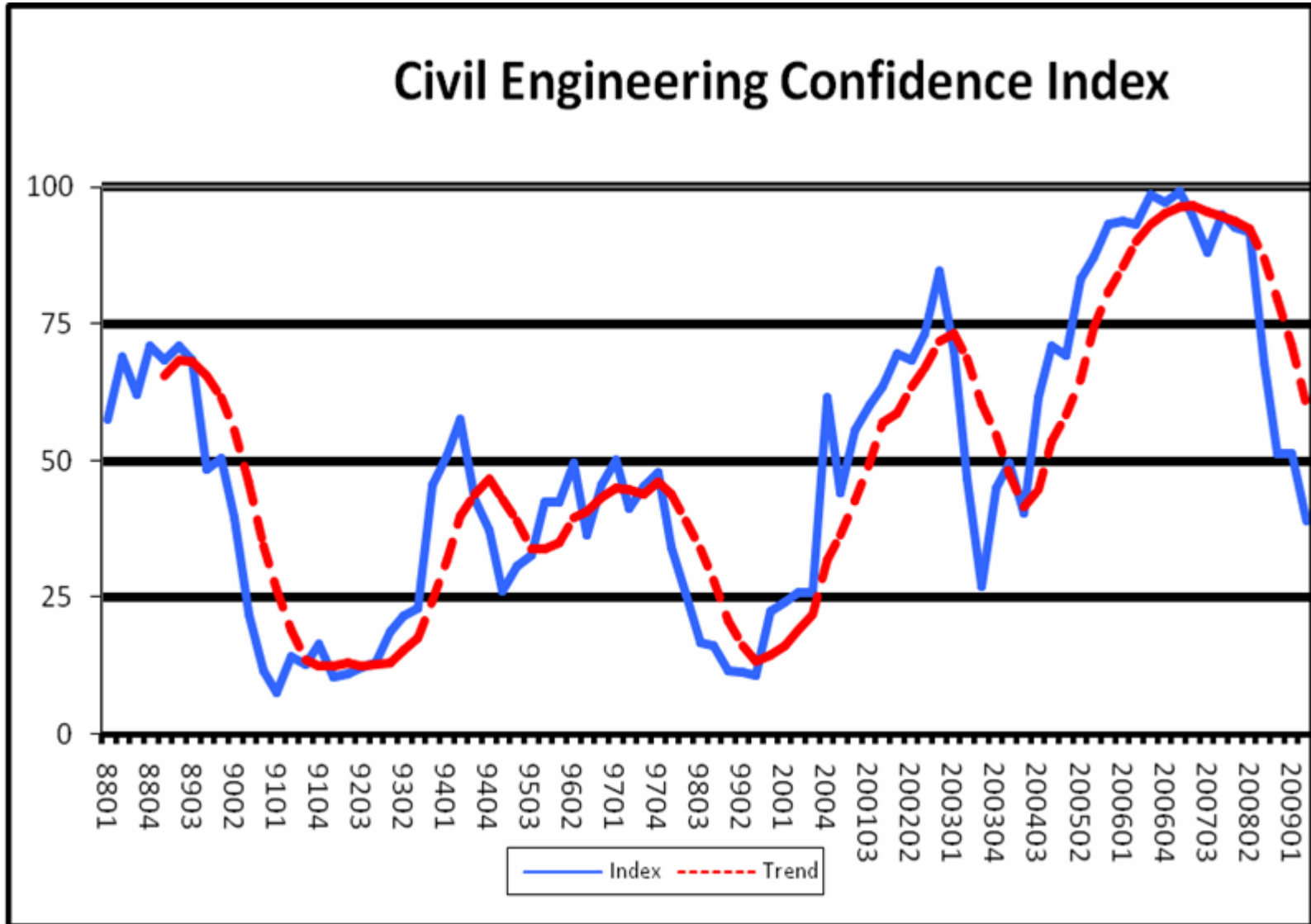
Bearish 10% real contraction 2010

High Road Recovery: final quarter 2010, into 2011

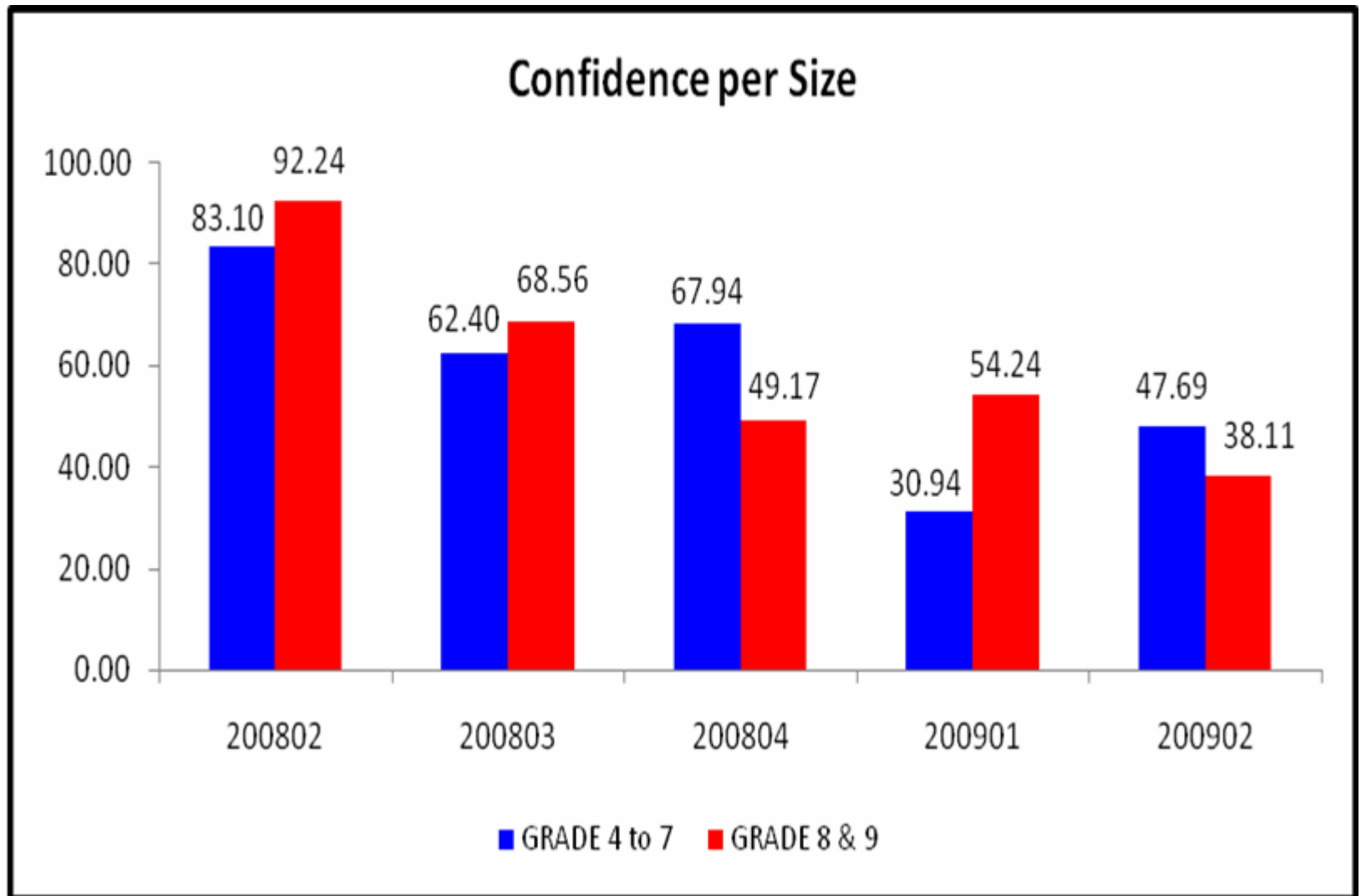
Likely Recovery: 2012/13



Confidence index



Cont..



Market Information

- SA economy is shrinking, or is it ?
- Construction growth is slowing
- Market confidence is falling
- Escalation is low, to negative
- Construction turnover is at record levels, but dropping

 ie There is an uncertain market out there!



Business Segment Overview

Mining

MARKET SIGNALS

Movement in the Commodity prices has resurrected interest especially in Copper; Uranium; Gold and Platinum markets. Have seen interest from international miners and financial institutions

Africa on the move with foreign interest in mineral rights growing. Special interest – DRC; Zambia; Ghana; Niger; Namibia; Botswana; Mozambique

Tender frequency and volumes have increased substantially.

Opportunities for coal in South Africa and Mozambique

Traditional EPCM's seem to be changing strategy, especially on Small Cap miners.

Business Segment Overview

Power

MARKET SIGNALS

Eskom tariff hike proposal and delay and cancellation of projects will drive private projects in SA and neighbouring countries. Interest from project finance institutions improving.

Africa Power projects are plentiful with power shortages a common occurrence. Project finance is slow and development time takes (1.5 – 2 years). Key prospects are West Africa due to WAGP and Kenya, where multiple coal projects are under development.

Renewable Energy is the buzz word in South Africa. Opportunity for wind, solar and biofuels. Key opportunities exist with Solar especially due to announced tariffs and interest from Project finance institutions.

Business Segment Overview

Oil and Gas

MARKET SIGNALS

Energy market in South Africa is fairly stagnant. More emphasis has been put on Maintenance, refurbishment and repair

Sasol is developing Mafuta in the Waterburg. Project is large and will utilise a high percentage of countries resources

Petro SA are developing a project in Coega. Will present opportunities to all disciplines.

Storage facilities throughout South Africa and neighboring countries are limited. Capex and maintenance funds are been made available for the new build and refurbishment of existing facilities.

Sasol have a "Growth" spend for next 4 years. We need to leverage good will to expand from Power into Oil and Gas projects.

Business Segment Overview

Industrial

MARKET SIGNALS

The South African market has been slow with no substantial project under development.

Last large project planned was the Couga Smelter, however this has now been cancelled.

Sugar projects have stalled and no further expansion is expected in the steel and cement industry.

Some opportunities in Africa

Need to investigate alternative revenue streams which may include desalination and water.

Business Segment Overview

Real estate

MARKET SIGNALS

Traditional housing market all but dead due to lack of credit . Some mining houses showing signs of hope/ spend . Government low cost housing role out well behind program , payment issues.

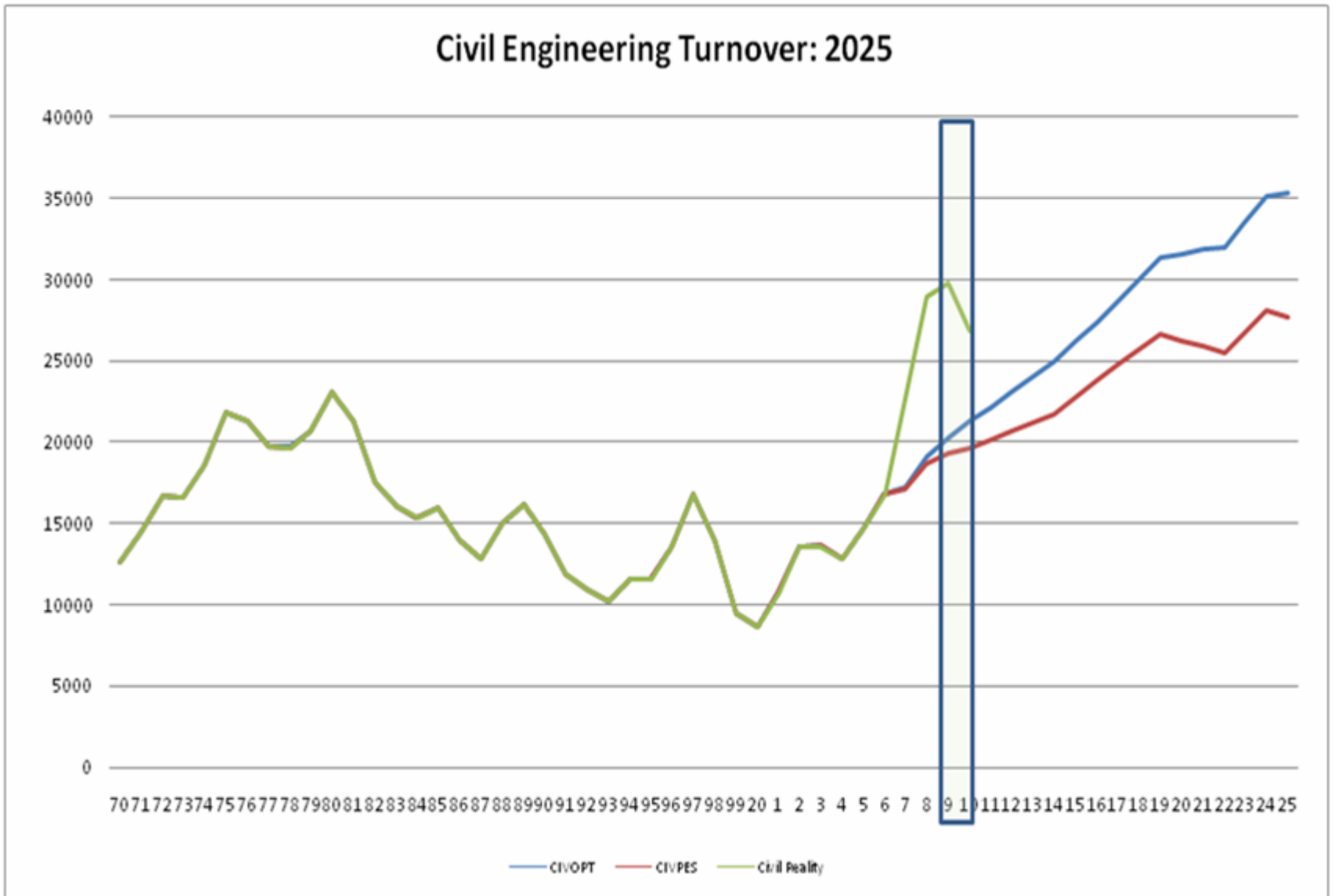
Few contracts going out to tender , stiff competition , contracts being bid at below cost as survival strategy.

High rise building opportunities few and far between , margins back down to 2 or 3 % at best

Move key people to other market segments to save inevitable retrenchments.
Look to alternative low cost building technology, and self funded projects.

Need to revisit opportunities in Africa , beware of government contracts

Civil Engineering Turnover: 2025





QUESTIONS?