

Raubex Group Limited  
(Incorporated in the Republic of South Africa)  
Registration number 2006/023666/06  
Share Code: RBX  
ISIN Code: ZAE000093183  
("Raubex" or the "Group")

## **OPERATIONAL UPDATE FOR THE YEAR ENDED 28 FEBRUARY 2018**

Shareholders are advised that Raubex will be participating in the Bank of America Merrill Lynch 19<sup>th</sup> Annual Sun City Conference on Tuesday, 6<sup>th</sup> March 2018 and Wednesday 7<sup>th</sup> March 2018. The Group wishes to provide shareholders with the following operational update ahead of the conference.

The South African construction environment has not been conducive to growth during the past year. Against this backdrop, Raubex has continued to explore opportunities, both locally and internationally, to supplement its revenue streams while current local conditions remain subdued.

Good progress has been made during the second half of the year with regard to international expansion opportunities and replacement of the construction order book, which will better position the Group for the year ahead.

### **Materials Division**

The materials division has continued to contribute consistently to the Group's total operating profit for the year. The diversified revenue streams from this division, including commercial quarry operations, contract crushing and material handling and processing services for the mining industry, differentiates Raubex from its peers in the construction sector.

The slow-down in aggregate sales experienced during the first half of the year at this division's South African commercial quarry operations and in particular in the Gauteng region, continued during the second half of the year. Operations in Botswana performed above expectations in the second half of the year. Material handling and processing operations in the mining sector performed consistently throughout the year. Contract crushing and plant hire operations remained challenging in line with conditions in the overall construction sector.

### **Construction Divisions**

#### **Road surfacing and rehabilitation**

The road surfacing and rehabilitation division executed its order book well throughout the year. The first half of the year saw lower volumes of work released from SANRAL which situation has continued through the second half of the year. The division has targeted rehabilitation and maintenance contracts on the toll roads operated by concessionaires with some degree of success. Contracts awarded during the second half of the year included the rehabilitation of the N3 between Vaal River and Malanskraal for the N3 Toll Concession valued at R100 million, the rehabilitation of the N4 Toll Route MDC section 2D and 2E for Trans African Concessions (TRAC) valued at R139 million and the resurfacing of the N4 from Section 10 to Section 13 for the Bakwena Platinum Corridor Concessionaire

valued at R96 million. The lower SANRAL spend will subdue the overall performance of this division in the short term due to the resulting lower volumes of asphalt and bitumen supplied to the market. The division is however well positioned to capitalise on anticipated SANRAL spend in the year ahead.

### **Road construction and earthworks**

The road construction and earthworks division executed its order book well throughout the year with some major contracts substantially completed in the first half of the year, including the N1 Bloemfontein bypass and the two N8 contracts between Bloemfontein and Thaba Nchu. The division continued to experience tough competitive conditions throughout the year which has been exacerbated by the lower volume of SANRAL work out to tender.

The order book for the division however improved during the second half of the year with the award of contracts for the Bakwena Platinum Corridor Concessionaire for the construction of the second carriageway of the N4 between the Garankuwa interchange to Brits interchange to the value of R619 million over a 36 month period and also a contract for the upgrading of the P35/1 (R511) interchange for R59 million. These two contracts were awarded subsequent to the release of the Group's interim results in November 2017 and will alleviate pressure on the order book, it is however important that SANRAL resumes its budget spend in line with historical levels in the year ahead to absorb excess capacity in the division.

### **Raubex Infrastructure**

The infrastructure division, which specialises in disciplines outside of the road construction sector, experienced good growth in the affordable housing sector throughout the year and has also established a good reputation and client base in the commercial building space. The increase in work secured in the building sector has enabled the division to partially offset the delay in the roll out of projects related to the Renewable Energy Independent Power Producer Procurement Programme ("REIPPP"). The division is well positioned to participate in the construction works related to REIPPP projects in the year ahead which are dependent on Eskom signing the power purchase agreements.

The roll out of water infrastructure in South Africa has been slow during the year, with extremely competitive tendering conditions experienced for the limited amount of work available. With no signs of improvement in the short term, the Group has made the decision to discontinue the operations of L&R Civils (Pty) Ltd, a company acquired in July 2012 in anticipation of the much needed roll out of water infrastructure projects in the country, which did not materialise.

The Group has also made a decision to discontinue the operations of Strata Civils (Pty) Ltd, which specialises in small scale civil infrastructure projects, particularly in urban environments in the Western and Eastern Cape provinces. This market is not aligned to the Group's core businesses and the inability to execute this work profitably has led to the discontinuation of this business unit.

In order to further support growth in the infrastructure division, the Group has entered the niche market of renovating commercial buildings, including shopping malls and hotels, through the establishment of Raubex Renovo. This new business unit has made good progress during the year by securing an order book of R926 million including the renovation of Preller Mall in Bloemfontein, South

Africa, as well as construction of a hotel for the French based Onomo Hotel Group and a shopping mall for Actis and its local partner, Craft Development, in Douala, Cameroon.

## **International**

The Group's African operations performed consistently during the year, with stable conditions in the mining sector and current commodity prices supporting the international operations in the materials division, particularly in the copper and diamond mining operations in Namibia.

The construction market in Namibia has however experienced depressed conditions during the year which led to the discontinuation of the plant hire business of Burma Plant Hire (Namibia) (Pty) Ltd in the country.

The completion of the road contract between Rosh Pinah and Oranjemund in Namibia supported results in the first half of the year and the road construction and earthworks division continues to seek high margin replacement work in Africa to compliment the South African order book. Work on the link 8000 contracts in Zambia remains suspended due to the fiscal constraints experienced by the Zambian Government, although solutions to this funding impasse continue to be explored.

In Cameroon, the opportunities unlocked through Raubex Renovo are encouraging with the efficient execution and delivery of a quality product to the client being top priority in the period ahead while Raubex Renovo establishes itself in this new market.

The Group has made good progress with its strategy to look for growth in more developed international markets. Effective 1 January 2018, Raubex acquired 70% of the Westforce Construction Group ("Westforce"), based in Perth, Western Australia. Westforce was established in 2006 as a civil engineering contractor and has grown and diversified into a multi-disciplined contractor providing services to the power, water, defence, transport, industrial and mining sectors across Western Australia. Raubex acquired a 70% interest in Westforce for a consideration of A\$6,5 million that was settled in cash. The purchase price is contingent on Westforce achieving its profit forecast for the 12 months ended 30 June 2018. The Group is encouraged by the prospects in Western Australia and the opportunities that can be unlocked through the Westforce acquisition.

## **Industry matters**

Shareholders are referred to the announcement released on SENS on 11 October 2016 in which they were advised that Raubex had entered into a settlement agreement with the Government of the Republic of South Africa. In terms of the settlement agreement, Raubex undertook to develop and mentor two emerging contractors i.e. Enza Construction (Pty) Ltd ("Enza") and Umso Construction (Pty) Ltd ("Umso"). On 21 February 2018, the Competition Tribunal approved the economic alliance between Raubex (Pty) Ltd, Enza and Umso subject to certain conditions. This approval by the Competition Tribunal cleared the path for the Group to launch development initiatives and joint ventures with Enza and Umso that will deliver on the objectives of the settlement agreement.

**Conclusion**

On balance, the Group has experienced weaker second half trading conditions during the year. In spite of these challenging conditions in the South African market, the Group has maintained a strong balance sheet throughout the year and is well positioned to take advantage of local and international opportunities in the period ahead.

The release of the results for the year ended 28 February 2018 is anticipated to be published on or about 7 May 2018.

Centurion  
5 March 2018

**Sponsor**  
Investec Bank Limited