

WILSON BAYLY HOLMES - OVCON LIMITED  
 Building and civil engineering contractors  
 (Registration no. 1982/011014/06)  
 ISIN No: ZAE 000009932  
 Share code: WBO

MARKET UPDATE: JUNE 2017

The directors of Wilson Bayly Holmes-Ovcon Limited ('WBHO' / 'the group') wish to advise shareholders of developments within the group during the second half of the financial year ending 30 June 2017.

**Order Book:**

Order book by segment (Rm)	%	30 June 2016	%	31 December 2016	%	30 April 2017
Building and civil engineering	20	8 683	20	8 090	16	6 946
Roads and earthworks	8	3 041	15	5 839	15	6 870
Australia	72	30 976	65	26 224	69	30 630
	<b>100</b>	<b>42 700</b>	<b>100</b>	<b>40 153</b>	<b>100</b>	<b>44 446</b>

**Building and civil engineering:**

The Building division commenced FY17 with a strong order book and has executed projects effectively throughout the year. As was reported in the latest interim results, local building markets are showing signs of tapering, particularly within the retail and commercial office sectors. Additionally various high value projects have either reached completion or are nearing completion which together with a lower order intake is reflected in the 14% decrease in the overall building and civil engineering order book at 30 April 2017.

While the Civil engineering division has struggled with a low order intake for some time, the award of the commercial crude oil terminal at Saldanha, to be executed in conjunction with the Roads and earthworks division, has alleviated some pressure.

**Roads and earthworks:**

The Roads and earthworks division has performed well in the current year to date. The second half of the year saw a marked improvement in the value of secured work across a wide range of sectors resulting in an 18% increase in the division's order book since 31 December 2016. Pleasingly, activity levels in West Africa have improved with the division securing new mining projects in Guinea, Burkina Faso and Ghana.

**Australia:**

Despite the previously reported loss-making project in Brisbane, the building divisions within Probuild continue to perform satisfactorily and, having secured a number of iconic projects during the year, the order book remains healthy. The planned strategy to strengthen the business's presence in other key states in order to reduce reliance on the Victorian market continues to progress well.

Whereas WBHO Infrastructure's penetration of the metropolitan infrastructure markets has been slower than anticipated, the business has performed above expectations in Western Australia.

**Construction materials:**

Reinforced Mesh Solutions (RMS) continued to encounter strong competition and aggressive pricing during the second half of the year.

**Corporate activity:**

The group has recently concluded a number of corporate transactions. These relate to the restructuring of two subsidiaries, namely Edwin Construction and Capital Africa Steel, and a new investment as the group seeks access to new geographies.

#### *Edwin Construction*

In order for Edwin Construction to qualify as a 'black-owned' company under the Settlement Agreement signed with Government earlier in the year and to enable WBHO to meet its obligations under that agreement, the group has reduced its controlling interest in the company from 57% to 49% through a share buy-back, for which WBHO received a consideration of R44 million.

#### *Capital Africa Steel (CAS)*

Following a decision of the minority shareholders to exit the business and place their shares on the market, the group decided to purchase the 44% minority shareholder interest in CAS for a consideration of R95 million. Despite the challenging conditions currently facing the steel market, CAS remains a strategic asset in support of the group's local construction activities.

#### *Byrne Group plc*

Limited growth prospects within local sectors and the potential to build for existing clients in developed markets in Europe and the United Kingdom (UK) prompted the group to explore a possible entry into these markets during the course of the year. After due consideration the UK market was identified as offering the most potential at acceptable levels of risk.

The group has acquired a 40% interest in the Byrne Group for a consideration of £12 million. The Byrne Group, established in 1969 is one of the leading frame contractors within the Greater London area as well as a smaller main contractor, a strong strategic and cultural fit which will benefit both the Byrne Group and WBHO's growth objectives.

#### **Settlement Agreement:**

While certain companies which are party to the above agreement have elected to dispose of an interest in their businesses, WBHO elected the second option and has identified three established black construction companies whom we will work together with over the coming years. Subject to the approval from the Competition Commission, the commencement of the 7 year period over which to meet the 25% turnover target is 1 July 2017.

The full liability in respect of the contributions to the socio-economic fund was recognised in the consolidated financial statements of the group at 31 December 2016.

This statement has not been reviewed or reported on by the company's auditors.

By order of the board

Johannesburg  
23 June 2017

Sponsor: Investec Bank Limited