

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

DECISION TO DISCONTINUE FINANCIAL ASSISTANCE TO WBHO AUSTRALIA PTY LTD ("WBHOA")

1. Background

1.1 Shareholders were advised in the 2021 Integrated Annual Report that:

"With the sale of Probuild not materialising, the Company implemented its Australian contingency plan incorporating a revised strategy for Probuild aimed at consolidating and stabilising the business.

The Australian construction environment has also become increasingly competitive and contractual, in our view, the potential risk on large mega-building projects outweighs the current margins available. With this in mind, the Company has adopted a more conservative bidding strategy focused on securing lower-risk and less complicated projects. Based on this approach, it was the Company's intention to see some decline in the order book as we reduced our exposure to high-risk projects. However, sourcing acceptable projects has been made more difficult with procurement activity and the number of available projects being impacted by Covid-19.

The Australian government's hard-line approach of managing Covid-19 through a combination of border restrictions, snap lockdowns and mandatory work-from-home regulations for many sectors, has had a considerable impact on property markets as well as other industries such as the leisure industry. Border restrictions have resulted in hundreds of thousands of foreign students, tourists and investors unable to gain entry to the country. Population levels in the two major cities of Melbourne and Sydney have shown negative growth as a result. The impact of lockdown restrictions on the retail, hotel and leisure and commercial office sectors of building markets have created high levels of business uncertainty in Australia and have significantly reduced demand and delayed the award of new projects in these key sectors of the construction industry."

1.2 WBHOA is a wholly-owned subsidiary of the Company, the shares in WBHOA being held through another wholly owned subsidiary, WBHO Construction (Pty) Ltd (WBHOC).

1.3 The Company has been monitoring the trading operations of WBHOA for a considerable period of time, and has made every effort to contain costs and restore a level of profitability to WBHOA. Of particular concern is the project delivery capability of the business which has been negatively affected by unplanned Covid-19 restrictions, the contractual environment and the increased difficulty in raising guarantee facilities necessary to secure new work. The protracted effect of Covid-19 has delayed any meaningful economic recovery and procurement activity in Australia.

1.4 Over the course of four years, the Company has provided financial assistance, through WBHOC, in the form of equity investments amounting to R2 billion and parent company guarantees to guarantee facility providers so as to enable WBHOA to continue operating.

1.5 During 2020, the Company entered into negotiations with a third party to sell the Probuild business, this transaction was progressed to agreed terms by December 2020 but approval from the Australian Foreign Investment Review Board was not obtained. Following on from this, WBHO implemented its strategy to downsize the business, and considered other sales options which proved fruitless due to concerns potential acquirers had as to the impact of the regulatory approach to Covid.

1.6 The Australian businesses have not being able to complete projects on time and not been able to recover variation and delay claims, resulting in material losses in the financial period to date and the requirement for further funding and balance sheet support from WBHOC.

1.7 Management have assessed the risk exposure to the group in continuing to support Australia against the risk to the group of discontinuing this financial support.

2. Decision by the Board

After considerable discussion and thought by the Board, particularly with regard to the historical performance of WBHOA, the level of risk versus reward in the Australian construction market and the consequences for all WBHO stakeholders, and given that:

- 2.1.1 the Board can no longer see a strategic imperative to retain WBHOA within the group; and
- 2.1.2 WBHOA has significantly depleted the resources of the group,

WBHO has determined that, with effect from 22 February 2022, the Company through WBHOC will no longer provide financial assistance to WBHOA. This has led the WBHOA board to commence with an application for the administration of WBHOA.

- 2.2 The Company has the support of its South African financial institutions and intends to honour its existing parent company obligations provided to Australian institutions.
- 2.3 The losses to date, together with the closure of WBHOA and the cost of the parent company obligations will have a significant impact on the Company's consolidated statement of financial position and consolidated statement of financial performance, however but the Company remains liquid and the limitation of losses from WBHOA is expected to have a positive effect on the financial position of the Company going forward.
- 2.4 Details of the financial effects of this decision will be available in the half year results to be released on 1 March 2022.
- 2.5 Shareholders are also referred to the Trading statement which has been released on the Stock Exchange News Service on the 23 February 2022.

By order of the Board

Johannesburg

23 February 2022

Sponsor: Investec Bank Limited