Consolidated Infrastructure Group Limited

Diversified capabilities, strength to deliver

UNAUDITED CONDENSED CONSOLIDATED **INTERIM RESULTS**

for the six months ended 28 February 2013

Revenue	EBITDA	HEPS	Order book
UP	UP	UP	UP
27%	27%	23%	17%
to R970 million	to R124 million	to 59,0 cps	to R2,1 billion

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited as at 28 February 2013 R'000	Unaudited as at 29 February 2012 R'000	Audited year ended 31 August 2012 R'000
ASSETS			
Non-current assets	**818 357**	819 418	819 151
Property, plant and equipment	**316 096**	312 950	313 704
Goodwill	**462 220**	462 220	462 220
Intangible assets	**30 084**	33 567	31 825
Deferred tax	**6 805**	8 124	8 250
Financial assets	**3 152**	2 557	3 152
Current assets	**1 477 028**	854 884	1 163 277
Inventories	**71 931**	44 354	65 972
Trade and other receivables	**55 701**	46 485	57 086
Amounts due from contract customers	**1 048 962**	611 151	635 412
Taxation receivable	**292**	352	368
Cash and cash equivalents	**300 142**	152 542	404 389
Total assets	**2 295 385**	1 674 302	1 982 378
EQUITY AND LIABILITIES			
Equity	**1 217 757**	1 053 020	1 146 503
Issued capital	**11**	11	11
Share premium	**726 892**	726 892	726 892
Share based payment reserve	**13 643**	–	11 545
Foreign currency translation reserve	**(4 401)**	(3 658)	(3 073)
Non-controlling interest	**361**	–	12
Accumulated profits	**481 251**	329 775	411 116
Non-current liabilities	**371 802**	134 542	396 053
Other financial liabilities	**308 711**	72 330	328 787
Provisions	**8 165**	7 964	8 065
Instalment sale liabilities	**10 114**	11 492	13 799
Deferred tax	**44 812**	42 756	45 402
Current liabilities	**705 826**	486 740	439 822
Other financial liabilities	**30 962**	10 845	17 711
Trade and other payables	**375 632**	229 089	232 569
Amounts received in advance	**78 302**	31 494	34 589
Amounts due to contract customers	**187 470**	186 058	108 930
Bank overdraft	**–**	2 967	–
Instalment sale liabilities	**10 490**	8 779	9 975
Taxation payable	**22 970**	17 508	36 048
Total equity and liabilities	**2 295 385**	1 674 302	1 982 378
Number of shares in issue (000's)	**118 841**	118 841	118 841
Net asset value per share (cents)	**1 025**	886	964
Net tangible asset value per share (cents)	**610**	469	549

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Unaudited six months ended 28 February 2013 R'000	Unaudited six months ended 29 February 2012 R'000	Audited year ended 31 August 2012 R'000
Revenue	**969 671**	763 524	1 553 522
Cost of sales	**(711 406)**	(560 696)	(1 116 409)
Gross profit	**258 265**	202 828	437 113
Other income	**7 000**	–	1 690
Operating expenses	**(145 516)**	(111 183)	(241 734)
Foreign exchange gain	**4 115**	5 767	27 990
Earnings before interest, taxation, depreciation and amortisation ("EBITDA")	**123 864**	97 412	225 059
Depreciation	**(20 630)**	(18 646)	(39 680)
Profit before interest and taxation	**103 234**	78 766	185 379
Interest received	**7 958**	3 510	18 457
Interest paid	**(14 211)**	(5 122)	(15 786)
Profit before taxation	**96 981**	77 154	188 050
Taxation	**(26 497)**	(21 603)	(51 146)
Profit for the period	**70 484**	55 551	136 904
Other comprehensive income:			
Exchange rate differences on translating foreign operations	**(1 328)**	266	851
Total comprehensive income	**69 156**	55 817	137 755
Total comprehensive income attributable to:			
Equity holders of company	**68 807**	55 817	137 743
Non-controlling interest	**349**	–	12
Basic earnings per share (cents)	**59,0**	47,8	116,5
Diluted earnings per share	**58,1**	47,8	116,2
Fully diluted earnings per share (cents)	**58,1**	46,7	115,0
Reconciliation of headline earnings:			
Profit attributable to ordinary shareholders	**70 135**	55 551	136 892
Adjusted for:			
(Profit) on disposal of property, plant and equipment	**(19)**	(3)	(407)
Headline earnings attributable to ordinary shareholders	**70 116**	55 548	136 485
Weighted average number of shares in issue (000's)	**118 841**	116 240	117 548
Diluted weighted average number of shares in issue (000's)	**120 748**	116 240	117 800
Fully diluted weighted average number of shares in issue (000's)	**120 748**	118 841	119 093
Headline earnings per share (cents)	**59,0**	47,8	116,1
Diluted headline earnings per share (cents)	**58,1**	47,8	115,9
Fully diluted headline earnings per share (cents)	**58,1**	46,8	114,6

CONDENSED CONSOLIDATED STATEMENTS OF CASHFLOW

	Unaudited six months ended 28 February 2013 R'000	Unaudited six months ended 29 February 2012 R'000	Audited year ended 31 August 2012 R'000
Cash generated by operations before changes in working capital	**115 640**	98 129	226 523
Changes in working capital	**(152 808)**	(110 944)	(225 068)
Net (interest paid)/received	**(6 253)**	(1 612)	2 671
Taxation paid	**(29 265)**	(5 208)	(13 845)
Cash flows from operating activities	**(72 686)**	(19 635)	(9 719)
Cash flows from investing activities	**(21 280)**	(22 632)	(42 789)
Cash flows from financing activities	**(9 995)**	55 806	320 870
Net (decrease)/increase in cash and cash equivalents	**(103 961)**	13 492	268 362
Effect on foreign currency translation reserve movement on cash balances	**(286)**	47	(9)
Cash and cash equivalents at beginning of year	**404 389**	136 036	136 036
Cash and cash equivalents at end of period	**300 142**	149 575	404 389

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Unaudited six months ended 28 February 2013 R'000	Unaudited six months ended 29 February 2012 R'000	Audited year ended 31 August 2012 R'000
Balance at beginning of period	**1 146 503**	946 310	946 310
Issue of share capital and share issue expenses	**–**	50 893	50 893
Share based payment reserve	**2 098**	–	11 545
Total comprehensive income for the period	**68 807**	55 817	137 743
Non-controlling interest	**349**	–	12
Balance at end of period	**1 217 757**	1 053 020	1 146 503

SEGMENTAL ANALYSIS

	Unaudited 28 February 2013 R'000	Unaudited 29 February 2012 R'000	Audited 31 August 2012 R'000	Unaudited 28 February 2013 % of total	Unaudited 29 February 2012 % of total	Audited 31 August 2012 % of total
REVENUE						
Building materials	**144 279**	123 329	272 898	**15**	16	18
Power	**825 392**	640 195	1 280 624	**85**	84	82
Corporate	**–**	–	–	**–**	–	–
Total	**969 671**	763 524	1 553 522	**100**	100	100
EBITDA						
Building materials	**26 344**	26 028	57 840	**21**	27	26
Power	**98 957**	78 987	179 264	**80**	81	80
Corporate	**(1 437)**	(7 603)	(12 045)	**(1)**	(8)	(6)
Total	**123 864**	97 412	225 059	**100**	100	100

	Unaudited 28 February 2013 R'000	Unaudited 29 February 2012 R'000	Audited 31 August 2012 R'000
RECONCILIATION OF PROFIT BEFORE TAX			
EBITDA per segment analysis	123 864	97 412	225 059
Depreciation	(20 630)	(18 646)	(39 680)
Net interest (paid)/received	(6 253)	(1 612)	2 671
Profit before tax	96 981	77 154	188 050
ASSETS			
Building materials	446 227	425 734	448 705
Power	1 206 823	851 623	868 846
Corporate	1 421 175	1 175 099	1 442 983
Total assets including group loan accounts	3 074 225	2 452 456	2 760 534
Inter-group elimination	(778 840)	(778 154)	(778 156)
Total	2 295 385	1 674 302	1 982 378
LIABILITIES			
Building materials	354 146	341 778	363 029
Power	699 110	468 327	419 397
Corporate	280 564	51 031	316 426
Total liabilities including group loan accounts	1 333 820	861 136	1 098 852
Inter-group elimination	(256 192)	(239 854)	(262 977)
Total	1 077 628	621 282	835 875

COMMENTARY

Consolidated Infrastructure delivered solid growth and strong profits over the past six months. This was driven by the South African Renewable Energy Programme and increased spending on electrical infrastructure in the rest of Africa.

Business overview

Consolidated Infrastructure, through its subsidiary Consolidated Power Projects (Pty) Ltd ("Conco"), is the largest turnkey developer and installer of high-voltage electrical substations and overhead cables and Renewable Energy balance of plant electrical work in sub-Sahara Africa.

Financial overview

Revenue grew by 27% to R970 million (2012: R764 million). Trading margins remained unchanged at 26,6% as management continued their focus on maintaining efficiencies, supply chain initiatives, geographic and project mix at Conco and margin focus in the Building Materials division.

The power and electrification sector is the core sector for CIG with 85% of CIG's revenue and earnings and 80% of earnings before interest, taxation, depreciation and amortisation ("EBITDA") directly attributed to this sector.

Profit and headline earnings for the six month period improved by 27% to R70 million from the prior year's R55 million.

Earnings and headline earnings per share of 59,0 cents represents an increase of 23% over the previous year.

The debt-to-equity ratio increased to 29,6% (2012: 9,8%) as additional funds of R270 million were raised during the prior year through the medium-term note programme. Despite the additional debt raised in June 2012, interest cover as measured against EBITDA remained at a satisfactory level of 19,8 times. The group still has R230 million of unissued debt available as part of the programme. The group has maintained a consistent Moody's Baa2.za credit rating.

Due to the timing of payment milestones, the Conco business funded a significant portion of the growth of the Renewable Energy projects through internally generated funds. As a consequence, no draw-down on any of the funds raised from the medium-term note programme was required. Subsequent to 28 February 2013, the group has deployed R100 million of these funds into Renewable Energy projects. These projects are expected to be completed by February 2014 at which time management expect at least 95% of all cash invested, to be returned.

The rapid growth in turnover within Conco has placed some additional strain on the business to ensure all elements of efficient project management are maintained, including the timeous invoicing of work in progress and collection of receivables. In the period under review there has been a build-up of amounts due from contract customers. Strict contract management has always been a strength of the business and management are satisfied that steps to ensure the timeous invoicing of work in progress are in place.

Those debtors that have exceeded credit terms are represented by blue chip clients with whom Conco has had long-standing and successful business relationships. Management actions are expected to improve the collection efficiency of our debtors' book by year end.

The second half of the financial year has historically produced a stronger earnings performance due to the December shut down period that takes place during the interim reporting period. The group expects this trend to continue in the current financial year.

Despite a constrained market the Building Materials division maintained its market share and produced a steady performance for the six months under review. The division recorded an increase in operating profit.

Divisional overview

Conco

Conco, a market leader in its field, performed well over the past six months, securing a healthy 17% increase in its order book to R2,1 billion (2012: R1,8 billion).

The division won substantial work of R800 million for Renewable Energy projects as part of the first round of the Department of Energy Renewable Energy Programme.

Conco won tenders to build and upgrade electrical substations across the African subcontinent, including Angola, Mozambique, Tanzania, Botswana, Ghana and Zambia. The market remained robust and significant work and tenders were submitted to Global Resource companies and African utilities. Despite winning a few small tenders in Saudi Arabia this market remains a challenge and prospects of securing a reasonable market share in the Middle East seem limited. The South African Municipality market, a key market for Conco, continued to remain disappointing and the levels of activity in this sector continued to decline.

Revenue from the division increased 29% to R825 million (2012: R640 million) and EBITDA improved 25% to R99 million (2012: R79 million). A supplier of choice, the division continues to differentiate itself through distinctive design, a superior skills base and an excellent delivery record.

Building Materials

The Building Materials division maintained its market share.

Revenue increased 17% to R144 million (2012: R123 million). EBITDA remained fairly static at R26,3 million (2012: R26 million) as the division was unable to sufficiently increase selling prices relative to the cost increases incurred in production

Angola Environmental Servicos Limitada ("AES") update

Management are making progress with regards to the completion of all regulatory requirements to effect the AES acquisition which is currently anticipated to become effective in August 2013. CIG's management team has become extensively involved in the operational management of AES and has been working together with the Angolan shareholders and management to enhance the business.

AES delivered solid growth in their past financial year with turnover increasing 29% to US$54 million (2011: US$42 million) to the year ended 31 December 2012.

If the deal had been effective for the current interim period ending 28 February 2013, headline earnings per share of 68,1 cents per share would have been earned as compared to our current 59,0 cents per share, an increase in headline earnings per share of 15% for the six month period.

As previously stated, CIG intends to issue equity to fund a portion of the AES acquisition although the timing of the placement is still to be finalised.

Prospects

The current order book at Conco together with higher than expected levels of bidding tenders awaiting adjudication and prospects places the group on a solid foundation to continue to deliver growth.

The group is strategically positioned to provide infrastructure to the African Power Market, with the majority of clients being South African or African utilities. The geographic mix provides a fairly robust buffer against the volatility of the market place. The drivers of growth in these markets remain the growth in commodity markets and urbanisation and we continue to pursue opportunities across the continent. Within South Africa the substantial backlog identified in the National Development Plan together with increased Renewable and Conventional Independent Power Providers offers sustainable longer-term growth opportunities.

It is expected that over the medium and longer term the greatest constraint to growth remains the availability of suitably qualified engineers to execute the expected increase in work.

The Building Materials division has made substantial progress in acquiring an aggregate and sand quarry in the Gauteng region and while the acquisition consideration is not substantial from the group's perspective, the improved geographic footprint within Gauteng will enhance the long-term growth opportunities.

The AES business continues to grow organically off the back of increased oil drilling in Angola and legislated changes in the drill cutting law which will become effective on 1 January 2014. It is anticipated that CIG will invest an additional US$7 million to support the organic expansion, after the effective date.

The newly launched Operations and Maintenance division made steady progress with the winning of two small electrical maintenance contracts. The objective of winning larger contracts to maintain and operate entire wind farms remains and the division is in extensive discussions with Original Equipment Manufacturers and Renewable Energy Developers.

Interim dividend

The group's policy is for the board to consider a dividend on an annual basis after reviewing the annual results. Accordingly, no interim dividend has been considered.

Basis of preparation

These consolidated interim results have been prepared in accordance with International Financial Reporting Standards ("IFRS"), Interim Financial Reporting (IAS34), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listings Requirements and comply with the South African Companies Act (2008), as amended. The accounting policies applied are consistent with those applied in the annual financial statements for the year ended 31 August 2012. These results have not been audited or reviewed by the group's auditors.

These unaudited interim results have been prepared under the supervision of the group financial director, I Klitzner CA(SA).

Appreciation

The directors and management of Consolidated Infrastructure wish to thank all staff for their focused efforts and loyalty. We also thank our customers, business partners, advisors, suppliers and our shareholders for their ongoing support and faith in the group.

By order of the board

Frank Boner
Chairman

Raoul Gamsu
Chief Executive Officer

17 April 2013

Consolidated Infrastructure Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 2007/004935/06)
Share code: CIL • ISIN: ZAE000148201
("Consolidated Infrastructure" or "CIG" or "the group")

Non-executive directors: K Bucknor*
Independent non-executive directors: R Horton, AD Dixon, A Darko*, J Nwokedi, F Boner *(Chairman)*
Executive directors: RD Gamsu, IM Klitzner, B Berelowitz **Ghanaian*
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Transfer secretaries: Computershare Investor Services (Pty) Ltd
Sponsor: Java Capital
Auditors: PKF (Jhb) Inc.

Consolidated Infrastructure Group Limited

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