Consolidated Infrastructure Group Limited

www.ciglimited.co.za

2012 REVIEWED CONSOLIDATED RESULTS

for the financial year ended 31 August

Diversified capabilities, strength to deliver…

SALIENT FEATURES

Revenue up 7,5% to **R1 553 million**
(2011: R1 445 million)

Ebitda up 20,5% to **R225 million**
(2011: R187 million)

HEPS up 15,5% to **116,1 cents per share**
(2011: 100,5 cents per share)

Order book up 33% to **R2 billion**

CEO of CIG, Raoul Gamsu commented, *"We achieved steady progress over the past year, benefiting from the continued demand for the upgrading of ageing electrical networks and the rolling out of new electrical projects in West and East Africa.*

In South Africa the group increased its market share from the infrastructure development and spend of Eskom and Transnet. The South African municipal market, traditionally a key source of revenue for Conco, has pulled back on spend over the past year, although their requirement to refurbish their ageing electrical grid remains.

In the alternative energy sector, Conco's South African expertise, track record and ability to execute the complex electrical work are fundamental for the successful implementation of the Renewable Energy IPP Procurement Programme. A number of agreements with wind and solar developers were concluded during the year.

The group expanded its service offering and established a separate operations and maintenance division. Incubated at Conco, the new division intends to supply the prescribed operational and maintenance services to turbine wind farms and solar parks on a long-term basis."

CONDENSED CONSOLIDATED **STATEMENTS OF FINANCIAL POSITION**

	Reviewed As at 31 August 2012 R'000	Audited As at 31 August 2011 R'000
ASSETS		
Non-current assets	**819 151**	817 424
Property, plant and equipment	**313 704**	307 528
Goodwill	**462 220**	462 220
Intangible assets	**31 825**	35 308
Deferred tax	**8 250**	10 118
Financial assets	**3 152**	2 250
Current assets	**1 163 277**	807 529
Inventories	**65 972**	40 228
Trade and other receivables	**57 086**	51 103
Amounts due from contract customers	**635 412**	569 624
Taxation receivable	**368**	7 811
Cash and cash equivalents	**404 389**	138 763
Total assets	**1 982 378**	1 624 953
EQUITY AND LIABILITIES		
Equity	**1 146 503**	946 310
Issued capital	**11**	11
Share premium	**726 892**	676 004
Share based payment reserve	**11 545**	–
Foreign currency translation reserve	**(3 073)**	(3 925)
Non-controlling interest	**12**	–
Accumulated profits	**411 116**	274 220
Non-current liabilities	**396 053**	132 570
Other financial liabilities	**328 787**	70 469
Provisions	**8 065**	7 881
Instalment sale liabilities	**13 799**	11 182
Deferred tax	**45 402**	43 038
Current liabilities	**439 822**	546 073
Other financial liabilities	**17 711**	10 029
Trade and other payables	**232 569**	299 816
Amounts received in advance	**34 589**	45 883
Amounts due to contract customers	**108 930**	170 851
Bank overdraft	**–**	2 728
Instalment sale liabilities	**9 975**	6 852
Taxation payable	**36 048**	9 914
Total equity and liabilities	**1 982 378**	1 624 953
Number of shares in issue (000's)	**118 841**	113 641
Net asset value per share (cents)	**964,7**	832,7
Net tangible asset value per share (cents)	**549,0**	394,9

CONDENSED CONSOLIDATED **STATEMENTS OF COMPREHENSIVE INCOME**

	Reviewed 31 August 2012 R'000	Audited 31 August 2011 R'000
Revenue	**1 553 522**	1 445 556
Cost of sales	**(1 116 409)**	(1 036 075)
Gross profit	**437 113**	409 481
Other income	**1 690**	1 274
Operating expenses	**(241 734)**	(216 870)
Foreign exchange gain/(loss)	**27 990**	(7 096)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	**225 059**	186 789
Depreciation	**(39 680)**	(27 469)
Profit before interest and taxation	**185 379**	159 320
Interest received	**18 457**	3 627
Interest paid	**(15 786)**	(8 546)
Profit before taxation	**188 050**	154 401
Taxation	**(51 146)**	(43 313)
Profit for the year	**136 904**	111 088
Other comprehensive income:		
Exchange rate differences on translating foreign operations	**851**	(545)
Total comprehensive income	**137 755**	110 543
Total comprehensive income attributable to:		
Equity holders of company	**137 743**	110 543
Non-controlling interest	**12**	–
Basic earnings per share (cents)	**116,5**	97,8
Diluted earnings per share (cents)	**116,2**	97,8
Fully diluted earnings per share (cents)	**115,0**	97,8
Reconciliation of headline earnings:		
Profit attributable to ordinary shareholders	**136 892**	111 088
Adjusted for:		
(Profit)/loss on disposal of property, plant and equipment	**(407)**	3 131
Headline earnings attributable to ordinary shareholders	**136 485**	114 219
Weighted average number of shares in issue (000's)	**117 548**	113 641
Diluted weighted average number of shares in issue (000's)	**117 800**	113 641
Fully diluted weighted average number of shares in issue (000's)	**119 093**	113 641
Headline earnings per share (cents)	**116,1**	100,5
Diluted headline earnings per share (cents)	**115,9**	100,5
Fully diluted headline earnings per share (cents)	**114,6**	100,5

CONDENSED CONSOLIDATED **STATEMENTS OF CHANGES IN EQUITY**

	Reviewed 31 August 2012 R'000	Audited 31 August 2011 R'000
Balance at beginning of year	**946 310**	835 917
Issue of share capital and share issue expenses	**50 893**	(150)
Share based payment reserve	**11 545**	–
Total comprehensive income for the year	**137 743**	110 543
Non-controlling interest	**12**	–
Balance at end of year	**1 146 503**	946 310

CONDENSED CONSOLIDATED ***STATEMENTS OF CASHFLOW***

	Reviewed 31 August 2012 R'000	Audited 31 August 2011 R'000
Cash generated by operations before changes in working capital	**226 523**	190 736
Changes in working capital	**(225 068)**	(179 741)
Net interest received/(interest paid)	**2 671**	(4 919)
Taxation paid	**(13 845)**	(39 986)
Cash flows from operating activities	**(9 719)**	(33 910)
Cash flows from investing activities	**(42 789)**	(58 567)
Cash flows from financing activities	**320 870**	(5 256)
Net increase/(decrease) in cash and cash equivalents	**268 362**	(97 733)
Effect on foreign currency translation reserve movement on cash balances	**(9)**	(91)
Cash and cash equivalents at beginning of year	**136 036**	233 860
Cash and cash equivalents at end of year	**404 389**	136 036

SEGMENTAL ***ANALYSIS***

	Reviewed 31 August 2012 R'000	Audited 31 August 2011 R'000	**Reviewed 31 August 2012 % of total**	Audited 31 August 2011 % of total
REVENUE				
Heavy building materials	**272 898**	202 890	**18**	14
Power	**1 280 624**	1 242 666	**82**	86
Corporate	**–**	–	**–**	–
Total	**1 553 522**	1 445 556	**100**	100
EBITDA				
Heavy building materials	**57 840**	28 299	**26**	15
Power	**179 264**	165 866	**80**	89
Corporate	**(12 045)**	(7 375)	**(6)**	(4)
Total	**225 059**	186 790	**100**	100

	Reviewed 31 August 2012 R'000	Audited 31 August 2011 R'000
RECONCILIATION OF PROFIT BEFORE TAX		
EBITDA per segment analysis	**225 059**	186 790
Depreciation	**(39 681)**	(27 470)
Net interest received/(paid)	**2 671**	(4 919)
Profit before tax	**188 050**	154 401
ASSETS		
Heavy building materials	**448 705**	422 956
Power	**868 846**	848 016
Corporate	**1 442 983**	1 137 134
Total assets including group loan accounts	**2 758 925**	2 408 106
Inter-group elimination	**(778 156)**	(783 153)
Total	**1 982 378**	1 624 953
LIABILITIES		
Heavy building materials	**363 029**	336 104
Power	**419 397**	515 704
Corporate	**316 426**	60 630
Total liabilities including group loan accounts	**1 097 243**	8
Inter-group elimination	**(262 977)**	(233 795)
Total	**835 875**	678 643

COMMENTARY

BUSINESS OVERVIEW

Consolidated Infrastructure, through its power subsidiary Conco, is the largest turnkey developer and installer of high-voltage electrical substations and overhead cables in sub-Sahara Africa. The group recorded another set of robust profits for the year ended 31 August 2012. The group remained focused on its strategy of investing for the medium and longer term by adding project execution and business development capacity for Conco, incurring substantial bidding, legal and due diligence costs in the Renewable Energy Division and expanding its footprint on the African continent.

CIG's Building Materials division produces and supplies a range of construction materials including aggregates and a wide variety of brick and roof tiles within its Building Materials division.

FINANCIAL OVERVIEW

Revenue grew by 7,5% to R1 553 million (2011: R1 445 million). Trading margins remained stable at 28% (2011: 28,3%) assisted by the increase in business from outside South Africa.

The power and electrification sector continues to be the core sector for CIG with 82% of CIG's revenue and earnings and 80% of earnings before interest, taxation, depreciation and amortisation (EBITDA) directly attributed to this sector.

Profit for the year improved by 23% to R136 million (2011: R110 million) while headline earnings improved by 19% to R136 million (2011: R114 million).

Earnings per share of 116,5 cents and headline earnings per share of 116,1 cents represents an increase of 19,1% and 15,5% respectively over the previous year.

The debt-to-equity ratio increased to 32% (2011: 10%) as additional funds were raised through the successful implementation of a R500 million medium-term note programme in June 2012. As at year end, the first R270 million raised to finance the growth expected from the alternative energy sector had not yet been deployed into any projects. The group obtained a Moody's credit rating of Baa2.za as part of the programme.

CIG's financial position remains strong due to strict contract management, where advance and progress payments are negotiated upfront. Working capital management remained an area of key focus. The current ratio has improved to 2,64 times (2011: 1,48 times) and on a year on year comparison there has been a reduction in the trade and contract receivables over 60 days.

As a result of the substantial increase in order-book and growth in tenders awaiting adjudication (including renewable energy work), sufficient working capital and guarantee facilities have to be in place for successful delivery of results. Accordingly, the group continues in its efforts with bankers and other providers of debt capital, to ensure appropriate levels of facilities are in place at all times. On 30 November 2011 the group raised R50 million cash by placing 5,2 million shares with selected institutions at R9,80 per share and in addition, secured a R100 million revolving credit facility with the Industrial Development Corporation (IDC) which at year end was unutilised.

The Building Materials division delivered an improved performance for the year. The division increased its market share and recorded a significant increase in operating profit for the period.

DIVISIONAL OVERVIEW

Substations and high voltage electrification work

Conco, a market leader in its field, continued with its excellent track record and delivered solid results for the year. Revenue from the division increased 3% to R1 280 million (2011: R1 242 million) while EBITDA improved 8% to R179 million (2011: R166 million).

Conco secured a sizable 33% increase in its order book to R2 billion (2011: R1,45 billion).

New business increased five-fold out of the South African transportation sector, where sizable tenders were won from Transnet for the upgrade and electrification of existing infrastructure across South Africa. These tender projects involve the electrification upgrade of the existing Metrorail network and port structures, the bulk of which will be executed during the coming year. Conco secured a number of three year contracts with some of South Africa's leading municipalities to upgrade ageing electrical infrastructure but overall work stemming from the South African municipalities was otherwise disappointing.

The division maintains a development programme for new operating capacity and has an enhanced profile throughout the African sub-continent, allowing it to win and execute work as and when it becomes available. Tenders were won to build and upgrade electrical substations across the African continent notably in Botswana, Namibia, Swaziland, Mozambique, Angola, Ghana, Kenya, Tanzania and Uganda.

Long-term power demands in the Middle East are still evident and although challenging, the Saudi Arabian office based in Al-Khobar remains active in seeking and tendering for opportunities.

Renewable energy

Conco concluded agreements with wind and solar energy developers and where applicable, with turbine manufacturers, for the provision of the electrical work required to connect renewable energy projects to the main electrical grid known as "Balance of Plant Electrical" work. These orders are subject to certificates to proceed, which are issued when the developers reach financial closure with the relevant regulatory authorities. In the first round of the Renewable Energy IPP Procurement Programme Conco signed contracts of R570 million and has letters of intent with other developers and turbine manufacturers for additional work.

Operations and maintenance

Management recognised an opportunity to provide ongoing maintenance to renewable energy turbine farms and solar parks. After due consideration, the group established a separate operations and maintenance company to be incubated at Congo. Pius Gumbi, the previous chairman of the South Power Pool and Chief Executive Officer of Swaziland Electric Company, was appointed as CEO. The company intends to secure work to serve as a locally headquartered independent service provider on behalf of the developers and original equipment manufacturers, which will have the additional benefit of providing the group with a stream of annuity income.

Developing skills

In order to overcome a potential skills constraint Conco implemented the Conco Skills Academy to educate and train quality young engineers. A recruitment drive to increase our skills base was undertaken and over the past year thirteen interns were enrolled in our programme.

Building materials

The Building Materials division had a successful year and gained market share particularly in the roof tile market.

Revenue increased 35% to R273 million (2011: R203 million) and EBITDA increased 104% to R58 million (2011: R28 million).

Prospects

The current order book at Conco together with higher than expected levels of bidding, tenders awaiting adjudication and the prospects of the Department of Energy Renewable Energy Tender places the group on a solid foundation to deliver growth and financial reward for our shareholders.

The group's geographical mix of about 60% supply into South Africa and 40% supply into Africa provides a robust buffer against the volatility of the market place. The continent continues to experience higher than average growth rates, which are expected to accelerate with the demand for minerals, oil, gas and food security. Favourable demographics and increasing population growth rates together with increasing urbanisation and purchasing power will increase the opportunities for Conco and the group.

The group's new investment into operating and maintaining wind turbines could provide upside to our already strong domestic foothold in the renewable market as well as provide the potential for annuity income.

The group is actively pursuing acquisitions in South Africa and on the African continent, which are synergistic to the current business lines or transformative in nature across the infrastructure services sector.

REVIEW OPINION

These consolidated annual financial results have been reviewed by PKF (Jhb) Inc. Their unqualified review opinion is available for inspection at Consolidated Infrastructure's registered address.

SHARES ISSUED FOR CASH

On 30 November 2011, the group placed 5,2 million shares (4,6% of shares in issue) for cash at R9,80 per share, to selected institutions. The proceeds raised will be used to bolster expected working capital requirements to facilitate further growth.

The increased number of shares has been used in calculating the earnings per share, diluted and fully diluted earnings per share for the year.

CHANGES TO THE BOARD OF DIRECTORS

Frank Boner, who has been acting as chairman since 10 January 2012, was appointed chairman of the group.

Kofi Bucknor and Judy Nwokedi were appointed to the board on 28 August 2012. Panos Voutyritsas and Nathan Mintah stood down from the board.

DIVIDEND POLICY

The dividend policy will be reviewed annually. After taking into account prevailing circumstances and future cash requirements, all earnings generated by the group will be utilised to fund the anticipated growth in the coming year.

Accordingly, no dividend has been recommended for the period.

BASIS OF PREPARATION

These reviewed consolidated annual results have been prepared in accordance with International Financial Reporting Standards (IFRS), Interim Financial Reporting (IAS34), AC500 series of interpretations and 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 prior year.

These reviewed 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 CEO

30 October 2012

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