

Group Five Limited
(Incorporated in the Republic of South Africa)
(Registration number 1969/000032/06)
Share code: GRF ISIN: ZAE 000027405
("Group Five" or "the Company" or "the group")

VOLUNTARY MARKET UPDATE

Group Five wishes to update shareholders on current market conditions and the resultant impact on its trading performance in the current financial year.

Although a trading update is not currently required to be issued in terms of the JSE listing requirements with regards to the expected earnings position for the interim reporting period ending 31 December 2015, the group considers it appropriate to issue a market update to stakeholders due to the impact of continued weak trading conditions on the Engineering & Construction cluster performance which has been offset by a stronger than originally forecast performance by the Investment & Concessions (I&C) cluster.

Engineering & Construction (E&C)

The South African construction and engineering market has experienced further delays in contract awards and low volumes of work flow in an industry already impacted by over-capacity. This has placed pressure on the replenishment of the group's contracting order book.

Although the construction industry in the group's targeted geographies and sectors has solid medium and long term prospects, short term conditions are remaining weaker for longer than expected.

In the first half of this financial year, the group incurred retrenchment and rationalisation costs, in addition to those accrued during F2015. This follows additional interventions not originally planned but which have been necessitated due to further market weakness. In addition, selected holding costs of core teams were incurred.

These factors have negatively affected performance, specifically within the Civil Engineering segment.

Tendering activity in the mining and oil and gas sectors is subdued, which has placed the Projects business under continued pressure.

Although bidding activity in the power sector remains buoyant, revenue and profit for this kind of work is cyclical by nature due to the length of time taken to achieve contract awards.

The group's contract loss ratio has improved over the last year, but has not yet reached optimal levels.

The group is making steady progress in its sector-led African expansion strategy which leverages off established bases in West, Southern and East Africa, with a particular focus on the energy, transport and real estate markets.

Manufacturing

Despite suffering declining volumes in the fibre-cement business and a lack of contract awards in the steel pipe water sector, Manufacturing has performed well and in line with forecasts.

A continued focus on cost efficiencies and diversification into a broader range of traded goods has assisted in negating the pressure from decreasing volumes in the South African market.

Investments & Concessions (I&C)

The weaker than expected E&C performance has been offset by an improved performance by the Investments & Concessions cluster. The underlying projects continue to deliver strong operating results. Increasing heavy and light vehicle traffic numbers are enhancing project cash flows, which drive investment performance. This led to improved overall financial performance from the European operations.

In the current period, the trading performance has been further boosted by improved fair value gains on service concessions as a result of improved project cash flows, reduced project risk premium and the depreciation of the Rand against the Euro.

The performance of this cluster has been further bolstered by development profits realised and gains made on the value of the G5 Properties' project portfolio.

It is pleasing to note that the beneficial contribution of the group's annuity-type businesses of Investment & Concessions and Manufacturing has mitigated the effects of current continued weakness in the South African construction and engineering market.

The above information has not been reviewed or reported on by the Company's auditors and the group will be in a position to provide further guidance to the market in January 2016, if required, ahead of its interim results announcement which is scheduled for release on 15 February 2016.

Sandton

15 December 2015

Investment bank and sponsor

Nedbank Corporate and Investment Banking