Consolidated Infrastructure Group Limited




SUPPORTING PAN-AFRICAN GROWTH THROUGH INFRASTRUCTURE

UNAUDITED CONSOLIDATED INTERIM RESULTS

for the six months ended 28 February 2018
("interim period")

CIG shareholders are referred to the company's announcement published on SENS on 15 February 2018 in respect of the **"Extended Waiver"** to enable the group to focus on satisfying the further requirements of its Funders.

One of the initiatives undertaken as part of the Extended Waiver, was for CIG to commence a process to review and evaluate its optimal long-term funding requirements and capital structure. FirstRand Bank, acting through its Rand Merchant Bank division, was appointed to provide CIG with strategic advice in relation to the execution of this strategy.

In the recapitalisation announcement published on SENS on 18 May 2018, CIG shareholders were informed regarding the proposed transaction with Fairfax Africa Holdings Corporation (**"Fairfax Africa"**). Fairfax Africa's investment objective is to achieve long-term capital appreciation, while preserving capital, by investing in public and private equity securities and debt instruments in Africa and African or other businesses with customers, suppliers or business primarily conducted in Africa. Through this long-term partnership, CIG is now enabled to focus on preserving the sustainability of its operations, execute the turnaround and optimisation of Consolidated Power Projects Group Proprietary Limited (**"Conco"**) and maximise the value to be created for all CIG shareholders over the medium to long term.

Fairfax Africa is an investment holding company, listed on the Toronto Stock Exchange (under the symbol "FAH.U") with a market capitalisation of c.USD660 million.

As previously announced, in order to facilitate and enable this capital injection, CIG has entered into a suite of agreements (the **"Definitive Agreements"**) with Fairfax Africa Investments Proprietary Limited (**"FSA"**), a wholly owned subsidiary of Fairfax Africa, to implement a transaction (the **"Proposed Transaction"**), consisting of the following three components:

- *Component 1:* R300 million loan to be advanced by FSA to CIG (the **"Upfront Loan"**).
- *Component 2:* R800 million non-renounceable rights offer to CIG shareholders, fully underwritten by FSA at a fixed price of R4,00 per CIG ordinary share (**"CIG Share(s)"**) issued (the **"Rights Offer"**), representing a c,2% premium to the 30-day VWAP as at 16 May 2018.
- *Component 3:* Conversion rights under which FSA has an option to convert the Upfront Loan into CIG Shares and, under certain circumstances, CIG has an option to convert the Upfront Loan into CIG Shares (the **"Conversion Rights")**.

Component 1 addressed the short-term capital requirements, whilst component 2 is critical for CIG's long-term strategy to preserve and maximise the existing value for shareholders.

As part of the Proposed Transaction, CIG agreed to revised terms with respect to the Extended Waiver which significantly relaxes the default trigger covenants and reverts the cost of debt to what was originally agreed, whilst the amended capital repayment profile, as previously agreed, remains in place.

Implementation of the Fairfax Africa transaction will ensure that:

- Conco is optimally turned around and that its value is maximised for CIG shareholders through:
  - right-sizing the business;
  - optimising its business model;
  - providing prospective customers, suppliers and insurers with the necessary comfort with respect to CIG's solvency and liquidity;
  - attracting and retaining talent; and
  - focusing on cash flow return on investment
- a sustainable long-term capital structure, suited to CIG's business risk profile, is established, whilst the current funding, provided by the CIG Funders, remains intact and its costs are normalised;
- significant CIG shareholder value is unlocked;
- significant additional value is created by pursuing growth initiatives within CIGenCo Proprietary Limited (**"CIGenCo"**) and Conlog Proprietary Limited (**"Conlog"**), which will focus on increasing the annuity income generated within the Group; and
- partnering with a like-minded, financially strong strategic investor with a long-term perspective, which creates significant strategic optionality.

GROUP OVERVIEW

CIG is a decentralised infrastructure group operating across Africa.

The interim period proved to be challenging as cautioned to shareholders in the 2017 Integrated Annual Report. While restructuring initiatives at Conco progressed well in the interim period, this came at great cost and impacted negatively on profitability. In addition, the legacy operational and trading problems continued.

As a result, group revenue decreased by 52% to R1,3 billion (2017: R2,7 billion) leading to an operating loss of R1 472 million (2017: operating profit of R215 million) and a loss after tax of R1 203 million (2017: profit after tax of R203 million). The group incurred a loss per share of 612,9 cents (2017: earnings per share of 111,0 cents). After eliminating the impact of the impairment of the entire goodwill at Conco and the impairment of the carrying value of AES, the headline loss per share was 341,7 cents (2017: headline earnings per share 111,1 cents).

Despite the significant operating loss, R255 million of cash was utilised in operations.

DIVISIONAL OVERVIEW

Power

- Revenue R0,9 billion (2017: R2,3 billion)
- Loss before interest, taxation, depreciation and amortisation R789 million (2017: EBITDA R275 million)
- Order book down 11% to R5,5 billion (2017: R6,2 billion)

Conco

During the period under review, performance was impacted by exceptionally tough trading conditions, mediocre management and the adverse effects of the restructuring process resulting in low levels of execution and disruption to operations. Conco recorded an operating loss of R1,009 million.

The critical steps identified to restructure Conco outlined in the 2017 Integrated Annual Report are in the final stages of implementation, the impact of which will be beneficial in future periods. The short-term impact of cost overruns, labour underutilisation and project delays decreased margins in the interim period. Furthermore, an underrecovery of fixed overhead, an increase in provisions relating to bad debt and potential customer claims, coupled with inadequate commercial management, continued to impact the profitability of the business. The retrenchment process, required to right-size the business, has resulted in uncertainty amongst staff and a consequent decline in morale. These events have had a negative impact on projects that span multiple fiscal years and result in downward margin adjustments. The aforementioned have had a disproportionately negative impact on the current results, which affected the interim earnings by R584 million.

As a result of the aforegoing, CIG has impaired the entire goodwill of R398 million and provided for R100 million relating to retrenchment and restructuring costs.

During the period under review, Conco had no claims for delays or damages.

Looking ahead, a re-energised, sustainable Conco will be well positioned to take advantage of the improved outlook in South Africa as well as selected opportunities across Africa, particularly in areas of clean energy.

A deferred tax asset has been recognised based on cumulative losses incurred to date, the extent to which the aforementioned turnaround in Conco will result in utilisation of the deferred asset

FINANCIAL RESULTS

through future taxable profits will be reassessed at year-end.

Rest of the Power Division

CIGenCo is a developer and investor in small and midsize renewable energy plants. In the interim period it successfully reached financial close of its first independent power supply project in Namibia, which is exceeding expectations on the initial return benchmarks.

Consolidated Power Maintenance Proprietary Limited (**"CPM"**) provides operation and maintenance services on renewable energy sites and transmission substations. The business performed in line with expectations.

Conlog, a leading developer, manufacturer and distributor of pre-paid smart solutions including electricity meters and support, continued to deliver to expectations.

Building Materials

- Revenue down 2% to R243 million (2017: R247 million)
- EBITDA down 21% to R30 million (2017: R38,2 million)

Building materials supplies aggregates, clay bricks and concrete roof tiles in the Gauteng region. A decision to reduce inventory levels at West End Clay Brick resulted in decreased output which led to an underrecovery of overhead.

Oil and Gas Services

- Profit attributable to AES down 69% to R10 million (2017: R33 million)

AES collects, recycles and disposes of waste generated in the oil production and drilling process from oil and gas rigs located off the coast of Angola.

As anticipated, the number of rigs actively drilling in Angola continued to drop in the interim period with a negative impact on revenue. This resulted in a 69% decrease in equity-accounted profits compared to the prior period. In the 2017 Integrated Annual Report, shareholders were cautioned as to the devaluation of the Angolan Kwanza to the US Dollar. Consequently, an impairment of the carrying value of the investment of R134 million has been recognised.

Rail

- Revenue down 3% to R148 million (2017: R152 million)
- EBITDA down 83% to R3 million (2017: R18 million)

Tractionel specialises in the electrification of railways and installation of overhead traction equipment. The loss for the six-month period arose as a consequence of a weak South African macro environment, coupled with difficult operating conditions due to client-induced delays relating to strike action as well as inclement weather impacting projects. Corrective action has been taken to minimise losses.

OUTLOOK AND PROSPECTS

The trading period has been the toughest ever experienced by the management team. The failure to anticipate the impact as well as the poor response to the challenges cannot be repeated. The effort to revise and revitalise the business, together with the loan advanced by FSA and the underwritten rights offer, provides the liquidity lifeline as well as the necessary time horizon for the group to emerge positively from the current environment.

The recommencement of the Round 4 REIPPP bodes well for Conco, and will contribute to earnings in the next financial year. The niche expertise in CIGenCo, CPM and Conco as late-stage investor operator and constructor will be harnessed as the continent adopts cost-efficient clean energy.

The BECX range of meters were launched by Conlog on 15 May 2018. CIG is optimistic that the new generation of radio frequency and power line communication meters will establish new markets across the continent. Extensive efforts are under

way to develop a services and product platform, the result of which will contribute to a higher proportion of annuity revenues. These initiatives are set to contribute positively to the next financial year.

The management team and the CIG board firmly believe that the Fairfax Africa transaction presents shareholders with the best opportunity to maximise value over the medium to long term by aligning the group with a strategic investor with common objectives for long-term capital growth. Further, with an aligned Africa expansion strategy based on shared conviction that infrastructure will continue to power African growth, positions the group to deliver sustainable returns.

DIVIDEND

The group's policy is for the board to consider a dividend on an annual basis after reviewing the annual results.

BASIS OF PREPARATION

The unaudited interim consolidated financial statements for the period ended 28 February 2018 are prepared in accordance with the JSE Listings Requirements for interim reports and the requirements of the Companies Act of South Africa. The JSE Listings Requirements require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34: *Interim Financial Reporting*. The accounting policies applied in the preparation of the interim consolidated unaudited results are in terms of IFRS and are consistent with those applied in the financial results for the year ended 31 August 2017.

These interim results have been prepared under the supervision of the Group Financial Director, I Klitzner CA(SA).

These interim results have not been reviewed or reported on by the company's auditors.

SUBSEQUENT EVENT

In Conco, continuous assessment of projects is performed. The assessment relating to the interim period resulted in the operating loss reported. The analysis of the cost to complete all contracts along with the resultant anticipated margin that will be achieved, has indicated that project margins previously estimated will be reduced. This decline, post year-end, has indicated that the goodwill in Conco had been eroded at 28 February 2018 to the point that management has decided to impair the entire goodwill as the nature of the turnaround strategy indicates a longer than initially estimated return to profitability.

INVESTOR PRESENTATIONS

Shareholders are referred to the company website for investor presentations relating to:

- interim results; and
- material non-public information disclosed to relevant stakeholders prior to the recapitalisation transaction announcement.

APPRECIATION

The directors and management of CIG wish to thank all staff for their loyalty in these difficult times and their fervent commitment to improving the business going forward. We also thank our customers, business partners, advisers, suppliers and our shareholders for their ongoing support.

By order of the board

Frank Boner
Chairman

Raoul Gamsu
CEO

23 May 2018

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

for the six months ended 28 February 2018

	Unaudited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
Revenue	**1 303 973**	2 698 907	4 368 875
Cost of sales	**(1 500 531)**	(2 059 097)	(3 772 258)
Gross (loss)/profit	**(196 558)**	639 810	596 617
Other income	**28 004**	42 162	74 810
Operating expenses	**(513 158)**	(347 999)	(628 335)
Foreign exchange (loss)	**(92 777)**	(5 505)	(37 728)
(Loss)/earnings before interest, taxation, depreciation and amortisation ("EBITDA")	**(774 489)**	328 468	5 364
Impairment of carrying value in joint arrangement	**(134 401)**	–	–
Depreciation and amortisation	**(56 200)**	(45 421)	(97 678)
Impairment of goodwill	**(397 938)**	–	–
(Loss)/profit before interest and taxation	**(1 363 028)**	283 047	(92 314)
Interest received	**10 939**	14 971	34 520
Interest paid	**(130 019)**	(83 420)	(138 211)
Equity-accounted income from joint arrangement	**10 419**	33 389	50 558
(Loss)/profit before taxation	**(1 471 689)**	214 598	(145 447)
Taxation	**268 992**	(44 805)	(5 009)
(Loss)/profit for the period	**(1 202 697)**	203 182	(150 456)
Total (loss)/profit for the period attributable to:			
Equity holders of the parent	**(1 202 916)**	203 063	(146 787)
Non-controlling interest	**219**	119	(3 669)
Other comprehensive income:			
Recyclable in profit and loss:			
Exchange rate differences on translating foreign operations	**(27 433)**	(116 471)	(133 891)
Remeasurement of defined benefit liability	**1 012**		1 021
Total comprehensive (loss)/income	**(1 229 118)**	86 711	(283 326)
Total comprehensive (loss)/income attributable to:			
Equity holders of the company	**(1 229 337)**	86 592	(280 318)
Non-controlling interest	**219**	119	(3 008)
Basic (loss)/earnings per share (cents)	**(612,9)**	111,0	(77,5)
Diluted (loss)/earnings per share (cents)	**(612,9)**	108,8	(77,5)
Reconciliation of headline earnings:			
(Loss)/profit attributable to ordinary shareholders	**(1 202 916)**	203 063	(146 787)
Adjusted for:			
Profit on disposal of property, plant and equipment	**(151)**	(32)	(1 231)
Impairment of goodwill	**397 938**	–	–
Impairment of carrying value in joint arrangement	**134 401**		
Tax effect on adjustments	**42**	9	345
Headline earnings attributable to ordinary shareholders	**(670 686)**	203 086	(147 673)
Weighted average number of shares in issue (000's)	**196 255**	182 873	189 484
Diluted weighted average number of shares in issue (000's)	**200 087**	186 705	192 275
Headline earnings per share (cents)	**(341,7)**	111,1	(77,9)
Diluted headline earnings per share (cents)	**(341,7)**	108,8	(77,9)

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

as at 28 February 2018

	Unaudited as at 28 February 2018 R'000	Unaudited as at 28 February 2017 R'000	Audited as at 31 August 2017 R'000
ASSETS			
Non-current assets	**2 321 458**	2 547 606	2 708 085
Property, plant and equipment	**495 582**	482 151	513 660
Goodwill	**754 029**	1 232 111	1 151 969
Intangible assets	**153 743**	64 578	163 373
Deferred tax	**385 928**	44 127	140 293
Investment in joint arrangement	**521 036**	706 146	724 783
Financial assets	**11 140**	18 493	14 007
Current assets	**3 459 615**	5 312 491	4 303 542
Inventories	**257 799**	188 377	232 208
Financial assets	**5 890**	1 381	7 191
Trade and other receivables	**447 251**	536 036	522 958
Amounts due from contract customers	**2 338 540**	3 956 808	3 107 633
Taxation receivable	**106 743**	45 251	73 334
Cash and cash equivalents	**303 392**	584 638	360 218
Total assets	**5 781 073**	7 860 097	7 011 627
EQUITY AND LIABILITIES			
Equity	**2 616 004**	4 207 821	3 839 348
Share capital	**2 328 926**	2 327 007	2 328 926
Share-based payment reserve	**55 184**	49 765	49 410
Foreign currency translation reserve	**16 849**	62 363	44 282
Non-controlling interest	**(1 691)**	1 217	(1 910)
Accumulated profits	**216 736**	1 767 469	1 418 640
Non-current liabilities	**310 988**	1 085 376	229 319
Financial liabilities – interest bearing	**120 860**	925 008	111
Financial liabilities – non-interest bearing	**79 618**	87 885	87 144
Provisions	**17 346**	24 385	6 905
Operating lease liability	**6 569**	–	6 569
Instalment sale liabilities	**17 800**	24 429	25 480
Deferred tax	**68 795**	23 669	87 512
Current liabilities	**2 854 081**	2 566 900	2 942 960
Other financial liabilities	**945 399**	42 398	932 389
Trade and other payables	**1 118 121**	2 204 277	1 466 352
Amounts received in advance	**181 792**	112 888	79 325
Amounts due to contract customers	**65 323**	145 958	68 276
Bank overdraft	**522 042**	36 542	370 774
Provisions	**589**	–	589
Instalment sale liabilities	**12 198**	13 254	15 838
Operating lease liability	**3 377**	–	3 377
Taxation payable	**5 240**	11 583	6 040
Total equity and liabilities	**5 781 073**	7 860 097	7 011 627
Number of shares in issue (000's)	**196 255**	195 826	196 255
Net asset value per share (cents)	**1 333**	2 149	1 956
Net tangible asset value per share (cents)	**870**	1 487	1 286

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

for the six months ended 28 February 2018

	Unaudited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
Cash flows from operating activities			
Cash (used)/generated from operations	**(96 498)**	152 639	(43 142)
Interest income	**10 939**	14 971	34 520
Finance costs	**(130 019)**	(83 420)	(137 180)
Tax paid	**(39 482)**	(56 606)	(121 812)
Net cash flows used in/from operating activities	**(255 060)**	27 584	(267 614)
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(38 273)**	(53 131)	(83 309)
Proceeds on sale of property, plant and equipment	**151**	1 167	3 506
Purchase of other intangible assets	**–**	–	(39 563)
Business combinations	**–**	(673 102)	(824 623)
Acquisition of financial assets	**–**	(5 222)	(4 305)
Net cash flows from investing activities	**(38 122)**	(730 288)	(948 294)
Cash flows from financing activities			
Proceeds on share issue	**–**	720 948	720 947
Increase/(decrease) in financial liabilities	**109 885**	(9 226)	(55 169)
Repayment of instalment sale liabilities	**(17 300)**	(14 737)	(25 197)
Net cash flows from financing activities	**92 585**	696 985	640 581
Total cash and cash equivalents movement for the period	**(200 597)**	(5 718)	(575 327)
Cash and cash equivalents at beginning of the year	**(10 556)**	557 925	557 926
Effect of foreign currency translation on cash balances	**(7 497)**	(4 111)	(6 845)
Total cash and cash equivalents at the end of the period	**(218 650)**	548 096	(10 556)

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the six months ended 28 February 2018

	Unaudited six months ended 28 February 2018 R'000	Unaudited six months ended 28 February 2017 R'000	Audited year ended 31 August 2017 R'000
Balance at beginning of the period	**3 839 348**	3 393 272	3 393 272
Issue of share capital and share issue expenses	**–**	720 948	720 948
Share-based payment reserve	**5 774**	6 890	8 454
Total comprehensive income for the period	**(1 229 337)**	86 592	(280 318)
Non-controlling interest	**219**	119	(3 008)
Balance at end of the period	**2 616 004**	4 207 821	3 839 348

SEGMENTAL ANALYSIS

for the six months ended 28 February 2018

	Unaudited 28 February 2018 R'000	Unaudited 28 February 2017 R'000	Audited 31 August 2017 R'000
Revenue			
Building materials	**242 954**	247 244	533 499
Power	**913 067**	2 299 310	3 441 010
Rail	**147 952**	152 353	394 366
Total	**1 303 973**	2 698 907	4 368 875
EBITDA			
Building materials	**29 525**	38 188	99 010
Power	**(788 642)**	274 855	(128 036)
Rail	**2 709**	17 880	41 987
Corporate	**(18 081)**	(2 455)	(7 597)
Total	**(774 489)**	328 468	5 364
Profit after tax			
Building materials	**8 474**	15 724	47 189
Power	**(678 904)**	124 416	(305 448)
Oil and gas	**10 419**	33 389	50 558
Rail	**(5 119)**	9 874	24 073
Corporate	**(537 567)**	19 779	33 172
Total	**(1 202 697)**	203 182	(150 456)

SEGMENTAL ANALYSIS continued

for the six months ended 28 February 2018

	Unaudited 28 February 2018 R'000	Unaudited 28 February 2017 R'000	Audited 31 August 2017 R'000
ASSETS			
Building materials	**669 080**	625 950	689 374
Power	**1 939 851**	3 521 489	2 598 469
Oil and gas	**521 036**	706 145	724 783
Rail	**215 623**	207 475	292 316
Corporate	**3 185 162**	3 682 185	3 613 744
Inter-group elimination	**(749 679)**	(883 147)	(907 059)
Total	**5 781 073**	7 860 097	7 011 627
LIABILITIES			
Building materials	**438 037**	432 741	471 176
Power	**1 905 291**	2 230 633	1 766 687
Oil and gas	**79 618**	87 885	89 330
Rail	**122 195**	119 270	193 407
Corporate	**962 396**	1 118 669	1 000 501
Inter-group elimination	**(342 467)**	(336 922)	(348 822)
Total	**3 165 069**	3 652 276	3 172 279

CORPORATE INFORMATION

INDEPENDENT NON-EXECUTIVE DIRECTORS

F Boner *(Chairman)*, K Bucknor*, A Darko*, AD Dixon, K Kariuki**, J Nwokedi, K Ojah***

EXECUTIVE DIRECTORS

RD Gamsu, IM Klitzner

Independent non-executive director, R Horton, announced his resignation effective 31 March 2018

**Ghanaian*

*** Kenyan*

****USA*

COMPANY INFORMATION

Consolidated Infrastructure Group Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2007/004935/06)
JSE share code: CIL
ISIN: ZAE000153888
Debt company code: CIG

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COMPANY SECRETARY

CIS Company Secretaries Proprietary Limited

TRANSFER SECRETARIES

Computershare Investor Services Proprietary Limited

SPONSOR

Java Capital

AUDITORS

Grant Thornton

INVESTOR RELATIONS

Singular Systems IR

Visit our website, www.ciglimited.com, to review the investor presentation relating to the interim results for the six months ended 28 February 2018.

Disclaimer

The group has in good faith made reasonable effort to ensure the accuracy and completeness of the information contained in this document, including all information that may be regarded as "forward-looking statements". Forward-looking statements may be identified by words such as "believe", "anticipate", "expect", "plan", "estimate", "intend", "project", "target". Forward-looking statements are not statements of fact, but statements by the management of the group based on its current estimates, projections, expectations, beliefs and assumptions regarding the group's future performance and no assurance can be given to this effect.

The risks and uncertainties inherent in the forward-looking statements contained in this document include but are not limited to changes to IFRS and the interpretations, applications and practices subject thereto as they apply to past, present and future periods; domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political risks; and the effects of both current and future litigation.

The group does not undertake to update any forward-looking statements contained in this document and does not assume responsibility for any loss or damage and howsoever arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits or consequential loss or damage.

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