MURRAY & ROBERTS HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
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("Murray & Roberts" or "Group" or "Company")

SEVENTY-SECOND ANNUAL GENERAL MEETING: BUSINESS UPDATE

Murray & Roberts is a multinational, specialised engineering and construction group, currently delivering circa 100 projects across six continents. Implementation of the Group's *New Strategic Future* strategy over the last five years has had the desired effect of developing and diversifying the Group's three business platforms.

The Group recently broadened its market focus, to mitigate market cyclicality which is typical of natural resources markets. This broader market focus includes sectors that present an opportunity for growth, diversification, and differentiation for each of the business platforms. In addition to natural resources, the industrial, energy, water and specialised infrastructure sectors all form part of the Group's target market. Accordingly, the business platforms were renamed to better describe the market sectors in which they are positioned to operate as specialist contractors.

The Oil & Gas platform was renamed the Energy, Resources & Infrastructure platform, the Power & Water platform was renamed the Power, Industrial & Water platform and the Underground Mining platform was renamed the Mining platform.

The Group released its FY2020 annual financial results on 26 August 2020 and Annual Integrated Report to stakeholders on 30 September 2020. Full details of the Group's financial results and Annual Integrated Report have been published on the website at www.murrob.com.

COVID-19 UPDATE

FY2020 was a difficult year for the Group. The operational delays and disruptions during FY2020 in the Group's portfolio of projects, caused by the restrictive measures imposed by governments around the globe to limit the spread of the COVID-19 pandemic, had a financial impact estimated at R622 million.

The effects of COVID-19 are continuing into FY2021, more so in the Group's operations in the northern hemisphere, although generally not at the level that was experienced in FY2020. Client investment decisions continue to be affected by the pandemic, and delays in new project awards have been observed across all three platforms.

The expectations for economic recovery after COVID-19 are uncertain and revised frequently. The Group is, however, well positioned to operate through the short to medium term uncertainty, and the economic stimulus packages already announced by many governments should create new business opportunities in the medium to longer term. The relevance of natural resources, commodities, utilities, energy and infrastructure, and the Group's exposure to these markets, support our view of expected growth in Group earnings, especially after FY2021.

ORDER BOOK AND NEW SOLE-SOURCE PROJECT OPPORTUNITIES

The Group reported a significant, quality order book of R54,2 billion at the end of FY2020. The order book, which includes several multi-year contracts, increased further to R60,5 billion, as at 30 September 2020. This increase is primarily due to the award of the A$1,5 billion TransGrid project, to a 50/50 joint venture between Clough and Elecnor, as announced on 12 October 2020.

The project pipeline is robust and includes four projects which are being negotiated on a sole-source basis, one in the Mining platform and three in the Energy, Resources & Infrastructure platform, with a combined value of circa R40 billion. It is expected that these projects may be awarded before the end of the current financial year.

BUSINESS PLATFORM UPDATE

Energy, Resources & Infrastructure – The platform is structured into two regional businesses: the APAC region and the Americas. The platform which in recent years was focused on the LNG sector is recovering from a very low base and the strategic decision to broaden its market focus has enabled it to build a solid order book, with a strong pipeline of new work opportunities.

The platform has done well by establishing a prominent position in the specialist infrastructure and resources sectors in Australia, which are expected to remain buoyant over the next decade. Australia's post-COVID economic recovery will rely extensively on state-funded investment in public infrastructure, with annual transport infrastructure spend expected to peak at A$22 billion in 2023. Mining majors in Australia are forecasting a collective capital project spend of over A$3,5 billion per year for the next decade.

Currently, new investment in LNG projects is limited but demand is expected to increase in the longer term as the global transition to a carbon-neutral economy gathers momentum. In the United States, the energy market presents opportunity and Clough USA, as a new entrant to this region, is considering several partnerships that will make it a strong contender for engineering, procurement, and construction projects.

The platform's order book increased to R41,8 billion as at 30 September 2020 (June 2020: R34,4 billion).

Mining – The Mining platform is structured into three regional businesses: sub-Saharan Africa, the Americas and Australasia. The platform continues to perform well, although the mining businesses in the Americas are experiencing a prolonged COVID-19 impact, manifesting as disruption to project operations and the softening of markets, which is creating order book pressure.

There is an increased demand for vertical shaft work in Australia and several projects are expected to be awarded during FY2021. The platform is well positioned for this opportunity considering its service offering and the competitive landscape. In sub-Saharan Africa, the commencement of work on a new project, and the award of two contracts have been delayed.

Capital investment in the mining sector continues mainly in brownfield expansions although it is expected that, considering commentary from mining clients, investment in new mines will return from 2021 onward. Currently, the platform is experiencing order book pressure in all regions and it is too early to assess whether this has been brought about by COVID-19 uncertainty, or whether other dynamics are applicable and that the commodity cycle might have reached a plateau.

The platform's order book decreased marginally to R18,5 billion as at 30 September 2020 (June 2020: R19,4 billion).

Power, Industrial & Water – The platform operates in sub-Saharan Africa, a region which currently presents limited large-scale project opportunity, and available opportunities are being delayed. The platform has completed its scope of work at the Medupi Power Station, and work at the Kusile Power Station is expected to be completed by the end of FY2021.

Apart from the LNG investments currently underway in Mozambique, which will present opportunity as from FY2022, capital investment in the short term in the platform's target market sectors is expected to remain limited.

The recently announced infrastructure plan by the South African Government to stimulate the economy should present opportunity in the medium term, especially the planned procurement of 11.8GW of new non-Eskom generation capacity over the next three years. Substantial investment in the short to medium term is expected in the transmission and distribution subsectors of the power market. Several transmission tenders invited by Eskom are currently under adjudication and the platform is well positioned for this opportunity.

Investment in the South African water sector continues to be limited. An agreement has been concluded to relocate the platform's Organica wastewater treatment demonstration plant to the V&A Waterfront. During the year, the platform was awarded the Athlone wastewater project in Cape Town, which is due to commence in the next few weeks.

The platform's order book decreased to R0,2 billion as at 30 September 2020 (June 2020: R0,4 billion).

Investments

The full forecast COVID-19 impact on the Bombela Concession Company, in which the Group holds a 50% interest, was accounted for in FY2020. A COVID-19 business disruption insurance claim has been submitted, for which in terms of industry practice the insurer is resisting admitting liability.

The Gautrain is still operating with capacity restrictions, although current ridership levels are not constrained by these restrictions. Demand is expected to remain depressed until all COVID-19 lockdown restrictions have been lifted. Current ridership is between 13 000 and 14 000 passengers per day, compared to about 55 000 passengers per day prior to COVID-19.

Closure of business in the Middle East

The Group continues to manage several claims and counterclaims on completed projects in the Middle-East. Considering the progress made with the legal processes required to close-out all commercial matters, the Group expects to exit this region within the next calendar year without any further material impact on its adopted accounting position.

ATON GMBH ("ATON") UPDATE

Shareholders of Murray & Roberts are referred to the various announcements published by both the Company and ATON regarding ATON's expired mandatory offer. Based on the Competition Commission's investigation into the 2018/2019 proposed acquisition, it recommended that the proposed acquisition be prohibited.

Following ATON's offer expiring in September 2019, the Company's share price declined mainly due to a severe contraction in traded liquidity, exacerbated by a broad sell-off in industrial stocks as a result of the COVID-19 crisis. Murray & Roberts notes ATON's intent to remain invested in the Group as a significant shareholder (circa 44%).

PROSPECTS STATEMENT

Despite the uncertainty in the global economic outlook, the Group believes that its *New Strategic Future* strategy, and the assumptions on which it is based, remain sound. The Group has built a significant, quality order book of R60,5 billion with near orders of R12 billion as at 30 September 2020.

COVID-19 is continuing to impact certain project operations, global markets, and client investment decisions. Organic growth is thus expected to be slow and acquisitions will be important to accelerate growth. The Group is confident that its growth plans over the medium term are achievable and it has the necessary financial capacity to support these plans.

Recent new project awards will not contribute materially during the first half of FY2021, and it is expected that the results for the second half of FY2021 will be much better than the first half, especially as the impact of COVID-19 is expected to decline.

The Group is focusing on growing its order book, improving project execution, improving liquidity, progressing digitalisation, and exiting the Middle East – which the Board believes will support a return to profitability in FY2021 and a path to earnings growth beyond.

The information contained in this Business Update has not been reviewed and reported on by the Group’s external auditors.

Bedfordview
26 November 2020

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