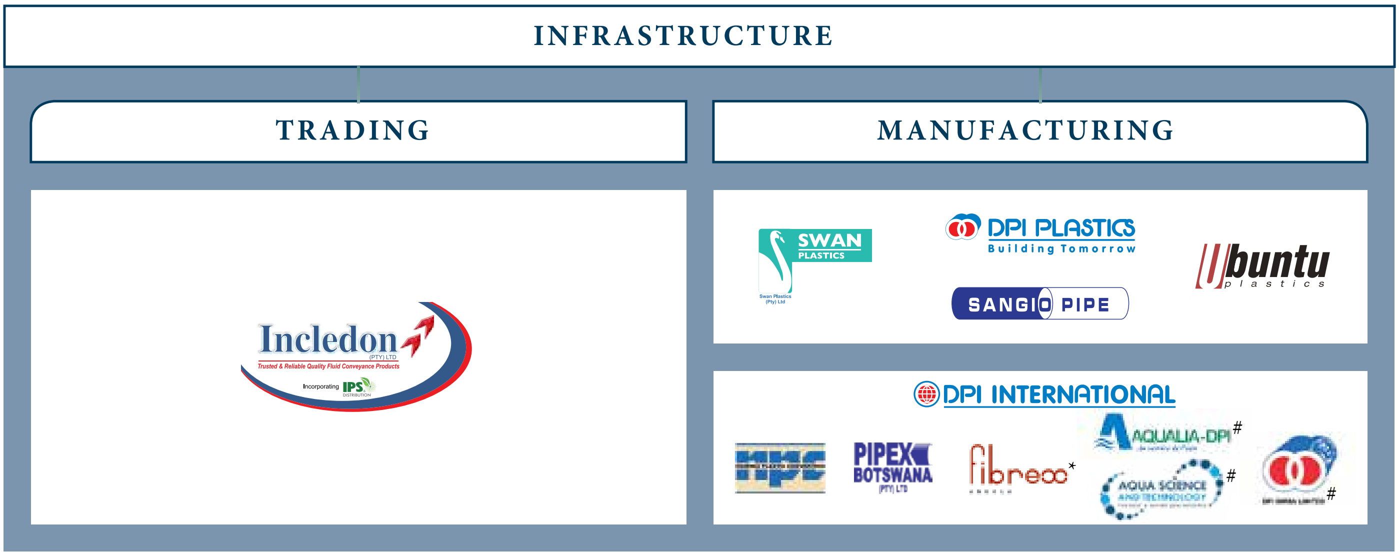
INFRASTRUCTURE SEGMENT

SEGMENT STRUCTURE



* Associate.
\# Joint ventures.

The infrastructure segment consists of infrastructure manufacturing (including DPI, DPI International, Swan, Ubuntu and Sangio) and Incledon, a trading business. Associates and joint ventures include Fibrex (Angola), Simba (Tanzania) and Aqualia (Mauritius).

OVERVIEW

The PVC pipe manufacturers performed reasonably well, with DPI, Swan and Ubuntu increasing profit after tax, but off a weak base in F2015, impacted by strike and power disruptions. Back-up power generators have since been installed. Sangio, the HDPE pipe manufacturer, made a substantial loss, impacted by the mining slowdown across Africa.

Incledon came under severe pressure during the second half and lost R220 million in revenue compared to H1 F2016, causing overall revenue to decline by 4% year-on-year. This was caused mainly by the mining and civil engineering sector slowdowns. As a result of this decline in revenue, Incledon responded by chasing sales on price, causing gross margins to decline substantially and pushing the business into a significant loss. The lack of government spend and payments drove a large part of Incledon debtors' book into an overdue situation.

Two joint ventures in this segment, Aqualia (Mauritius) and Simba (Tanzania), broke even. Fibrex (Angola), an associate, was impacted by a weak economy and the lack of foreign currency, resulting in operating losses, despite a small profit from a property disposal.

FINANCIAL CAPITAL

Revenue amounted to R2,4 billion in the 12 months to 31 March 2016 (F2015: R1,8 billion), an increase of 38%, driven by a 6% increase in price, but off-set by a 4% decline in volumes, as Sangio's HDPE pipe business, which is exposed to the declining mining industry, and Incledon, which is exposed to declining government water spend, came under severe pressure. The annualisation from nine months added a notional 36% growth.

The infrastructure segment incurred a net loss after tax, impairments and write-downs of R219,1 million.

OUTLOOK

DPI, Swan and Ubuntu are performing satisfactorily, but margin improvements will be sought at DPI in the year ahead. The aim will be to achieve a 12% operating profit and 2,5 times asset turn. A major restructuring will be undertaken at Sangio during Q2 F2017, but the business is expected to make a loss in H1 F2017.

At Incledon sales are under huge pressures with an expected drop of 30% on the top line and a loss being incurred in H1 F2017. New management was appointed in Q1 F2017 with a major restructuring planned for Q2 2017. Working capital reduction will be a priority in the year ahead. The aim will be to achieve a 5% operating profit and six times asset turn.

The Fibrex associate business in Angola will be moth-balled at the end of Q1 F2017. Joint venture, Simba in Tanzania, is expected to return to more normal trading conditions post the elections in that country. The joint venture in Mauritius, Aqualia, will either be moth-balled or DAWN will disinvest from this business.