55th Annual General Meeting 27 October 2003

27 October 2003

BUSINESS UPDATE

Murray & Roberts has adopted a cautious but still positive outlook for the financial year to 30 June 2004. The global economy remains relatively depressed and major capital investors in the domestic economy await clarity from pending legislation in the mining sector and seek confidence in the direction of the SA Rand.

Considering the relative strength of the SA Rand, the Group has recast its budget projections at an average exchange rate of 7,25 to the US Dollar for the half year to 31 December 2003 and 7,50 to the US Dollar for the full-year to 30 June 2004. This is a reduction of 28% and 19% respectively against the previous corresponding periods and will have an impact on the financial performance of the Group.

Order books in the Group's mining and industrial contracting businesses are under pressure, but there is evidence of new project flows available in the new calendar year, which will only impact on the Group's performance from the 2005 financial year.

Middle East construction continues to command high working capital and the Group has decided to build a provision against client payment risk in the region. In Africa, construction remains high risk with long gestation periods characterising project development and award. Payment and approval delays continue to impact working capital and the Group will maintain its conservative approach to profit recognition.

The upturn in the domestic and regional construction and building markets has continued, supported by an improving interest and inflation rate regime and increased government expenditure in the sector. This increased activity is benefiting the Group's supply and services companies.

The Group's automotive and rolling stock operations are largely shielded from currency volatility and are experiencing improved market demand. The global demand for ISO tank containers has declined appreciably and the Group has been forced to institute radical cost reduction measures in this sector to maintain market leadership.

Murray & Roberts continues to pursue strategic partnerships to ensure value creation through its underlying business. The sale of 50% of AWI South Africa to Borbet of Germany has passed all regulatory hurdles and The UCW Partnership with J&J Group was recently launched. The Bombela Consortium, in which the Group holds a significant stake with local empowerment and international partners, has submitted a comprehensive proposal for the Gautrain Rapid Rail Project.

The Group's cash position remains strong and the operating margin is expected to remain within the target band of 5,0% to 7,5%.

Brian Bruce
Group Chief Executive