



DENEL

insights



FOCUSSING ON

strategic
initiatives

stakeholder
engagements

Denel scores
top honours
in integrated reporting

ISSUE 1
2012



Denel Corporate	4
The Denel Group will be focussing on three key areas to ensure the complete turnaround of the company; Denel participated in the Indian Ocean Naval Symposium; Denel signs 49m Power Pledge; SAAF leadership visits Denel; Budget vote week in parliament; Denel markets products at DSA; and Thabo Siavhe arrived home to a warm welcome	
Denel Dynamics	12
The use of Unmanned Aerial Vehicles is increasing worldwide, bringing a new dimension to airspace	
Denel Aviation	14
Denel Aviation's handover ceremony of Cheetah C supersonic fighters	
Mechem	16
According to UN estimates, there are at least 110 million active mines scattered across the world of which 44 million are on the African continent	
Denel Technical Academy	18
Denel Technical Academy has been expanding operations into Africa	
Denel Aerostructures	20
A new agreement with Airbus Military on the restructuring of Denel Aerostructures' work programme on the A400M heralds a new phase for the company	
Denel Industrial Properties	22
Denel aligns with government's industrial development plans	
Denel Overberg Test Range	23
The Test Range has forged close ties with its immediate neighbours; Denel Overberg Test Range deploys two telemetry specialists in New Zealand; and a Turkish delegation visits the Test Range.	
Pretoria Metal Pressing	24
Hunters throughout South Africa have anxiously awaited PMP's new range of hunting ammunition	
Denel Land Systems	25
DLS artillery guns on show at army parade and the G6 is still outgunning the competition after 25 years	
Denel Integrated Systems Solutions	26
The CEO of Denel Integrated Systems Solutions says the company has successfully completed the contractual hardware delivery requirements for the Ground-Based Air Defence System	

EDITOR'S NOTE

Denel scored top honours in two categories in an annual survey to recognise excellence in corporate reporting and ethical leadership – affirming our role as a credible and value adding company to South Africa.

The company scooped overall third position out of 19 companies in the Nkonki SOC Integrated Reporting Awards for 2012. Annual reports are assessed for this award.

Group CEO Riaz Saloojee, who took the helm in January, plans to build on this rich legacy and position Denel into a dynamic company at the forefront of the industry.

Plans include doubling of revenue over the next three years and achieving a home market/export revenue ratio of 40:60.

He wants to showcase Denel as a company rich in human capital with high-tech skills, and a major contributor to defence and security as well as peace-keeping and humanitarian causes.

The idea is to grow business from a revenue stream perspective and to become commercially more viable but at the same time to align ourselves with Government priorities in terms of developmental and socio-economic imperatives.

From a stakeholder perspective our expectations tend to be different from the bottom line of a private company.

But, having said that, we cannot rely exclusively on government financial support and it is vital that we become commercially more viable and sustainable.

The medium and long term viability of large entities such as Denel depends on

the development of technologies in our portfolio offerings and we have already launched an initiative to drive this aspect of our business.

We also have plans to look at emerging and developing markets and work towards partnerships with a significant value-add.

In this issue we highlight some of the value adding efforts from entities across the group. The push for skills development is paying off with some of the best results ever.

We are seeing more distinctions from maths and science learners in disadvantaged communities and our bursaries for engineering students is proving to be a valuable investment.

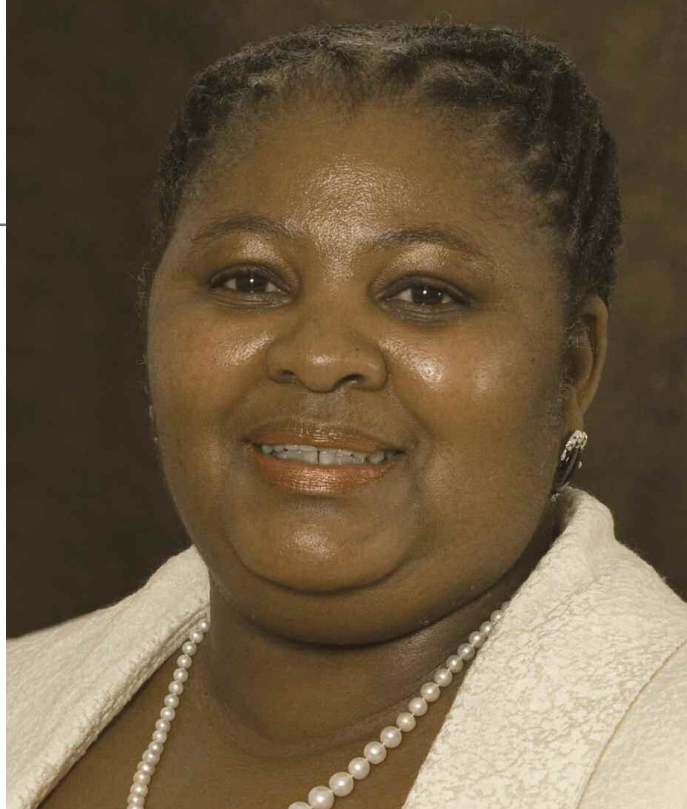
The latest cabinet re-shuffle has given us a new Minister of Defence and Military Veterans, former Correctional Services Minister Nosiviwe Noluthando Mapisa-Nqakula who replaces Minister Lindiwe Sisulu. We welcome her and wish her well in her new post.

Meanwhile, excitement is building up for the African industry's premier calendar event of the year – the Africa Aerospace and Defence (AAD) Expo which is being held in Tshwane from September 19-23. We hope to see you there!

We are expecting a good year and look forward to engaging with all of you, our stakeholders.

Best wishes,

Sinah Phochana
Group Communications Manager



New Defence Minister announced

President Jacob Zuma reshuffled his cabinet for the third time and announced, on 12 June that Minister Nosiviwe Noluthando Mapisa-Nqakula, the former Correctional Services Minister, takes over as the new Defence and Military Veterans Minister.

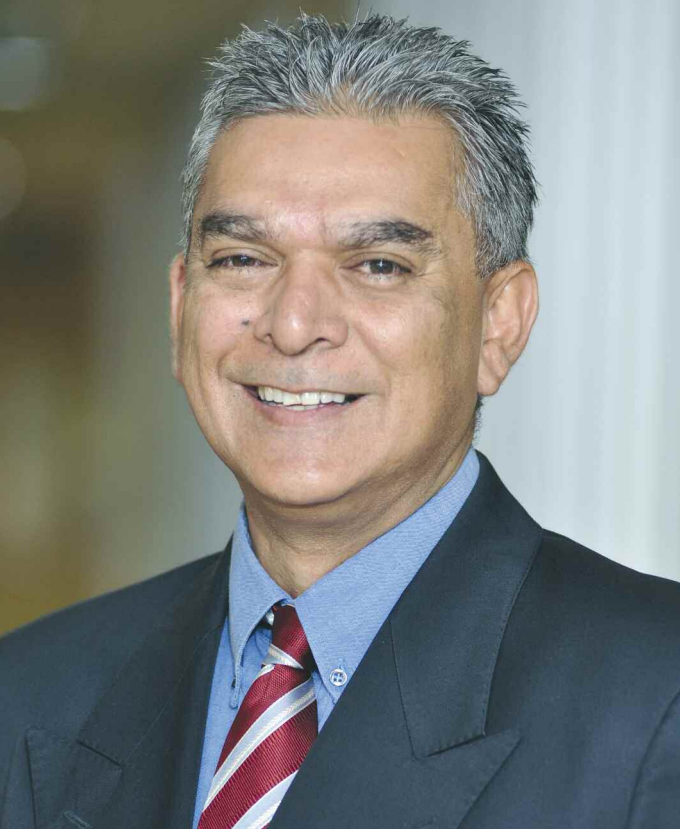
Minister Lindiwe Sisulu has been moved to fill the post of the late Roy Padayachie – who headed the public service and administration portfolio .

Minister Mapisa-Nqakula serves on the ANC National Executive and has been trusted with high-profile and organisational roles in the party since her earliest days in exile in the mid-1980s.

Minister Mapisa-Nqakula obtained a teacher's diploma from the Bensonvale Teachers College. In 1984, she left South Africa to undergo military training in Angola and the Soviet Union. In 1993 she became the Secretary-General of the ANC Women's League. Before her appointment as Minister of Home Affairs, she held the position as Deputy-Minister of the department.

She has been an MP since 2004, a member of the NEC since 2007, a member of the Joint Standing Committee on Defence since 1994, and a chairperson of the Joint Standing Committee on Intelligence since 1994.

Denel congratulates her on her appointment to a key portfolio.



Group Chief Executive of Denel

Mr Riaz Saloojee is the Group CEO of Denel. Prior to joining Denel Mr Saloojee held various senior leadership positions in the private sector including that of CEO of Tau Aerospace in 2000; CEO of Metatek in 2001; CEO of Grintek Integrated Defence Systems in 2002; Group Executive Saab Grintek Defence in 2006; Vice President Saab International (Sub Saharan Africa) in 2007 and in 2008 he was CEO of Saab South Africa and Acting CEO of Saab Grintek Technologies (Pty) Ltd.

In 1981, Mr Saloojee joined uMkhonto We Sizwe (MK) where he served until 1994. During his time at uMkhonto We Sizwe, he held various leadership positions in Angola, Botswana, Zimbabwe and Zambia.

In 1994, Mr Saloojee became a Colonel in the new South African National Defence Force, advising the Ministry of Defence on transformation and integration processes. Two years later, he became a member of the South African Air Force, responsible for transformation, integration and the South Air Force strategic direction processes. In the same year, he was SSO Int in 7 SA Army Division (conventional forces) as a Colonel.

In 1998, Saloojee was appointed as Director Operational Support and Intelligence System, with a promotion to rank of Brigadier General.

He is a board member of a few companies including Grintek Ewaton (Pty) Ltd; Saab South Africa (Pty) Ltd; Saab Grintek Defence (Pty) Ltd; Saab Grintek Technologies (Pty) Ltd and Omnigo (Pty) Ltd.

Mr Saloojee completed an Executive National Security Program, equivalent to Masters Degree, as well as numerous development and management courses from the University of Pretoria.

Denel Exco sets new strategic initiatives

Shortly after taking office the new Group CEO, Mr Riaz Saloojee, and his executive committee team, had a lekgotla strategic session where the new vision, purpose and strategic initiatives were developed.

The Denel Executive Committee (Exco), have set a number of new strategic initiatives to bring about the profitability and sustainability of the Group. The Denel Group will be focussing on three key areas to ensure the complete turnaround of the company:

- The external environment, which includes a major focus on increasing sales, building relationships with our stakeholders, of which the local defence community is the most important, and the branding and re-positioning of Denel.
- The internal environment, which focuses on efficiencies and costs.
- Leadership and transformation.

The Exco has been expanded and now includes all entity CEOs. This team will enable discussion on key strategic issues and ensure enhanced communication across the Group and externally.

The new Denel Vision and Purpose

Vision: The credible state-owned South African strategic partner for innovative defence, security and related technology solutions.

Purpose: As a values-driven SOC, Denel's purpose is to:

- Supply the Republic of South Africa defence and security environment with strategic technology capability, products, services and support.
- Leverage indigenous capability to access selected export markets.
- Contribute to the socio-economic imperatives of government, such as:
 - Job creation, skills development and social investment.
 - Enhancing the local technology and manufacturing base.
 - Supplier development.
 - Foreign policy and regional security objectives.
- Be a responsible corporate citizen to ensure:
 - Good governance and sustainability.
 - Transformation and employee well-being.

Strategy Lekgotla

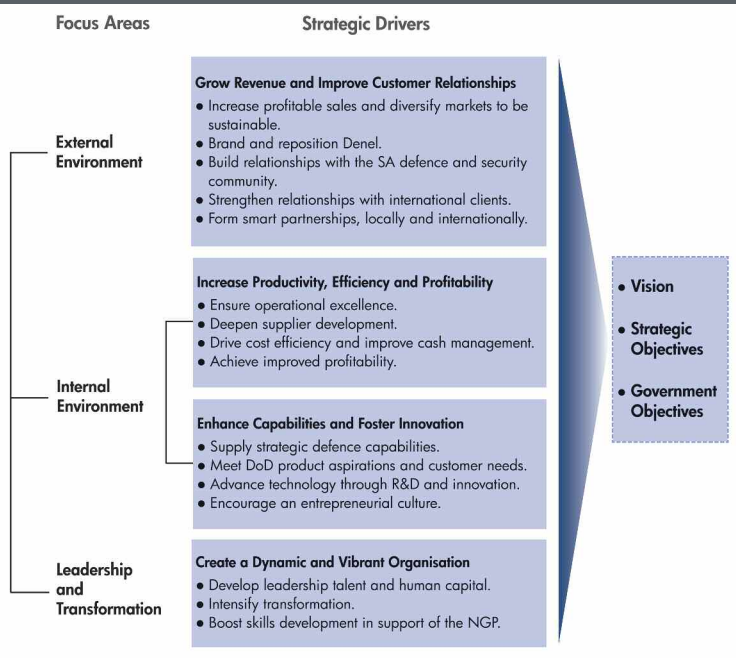
A strategy lekgotla was held in March 2012, where the Group's new strategic intent, vision, mission, key objectives and strategic drivers were developed. We have set very clear objectives for the organisation and a path to achieve our goals. The Strategic Intent for Denel is as follows: "To establish Denel as a dynamic, vibrant, financially sustainable, and profitable organisation, which has empowered its employees with regard to skills development, technology innovation, people retention and reflects the transformation imperatives of government."

The team revised Denel's vision and mission to reflect the new ambitions of the company, the stakeholder community and our contribution to the broader economy.



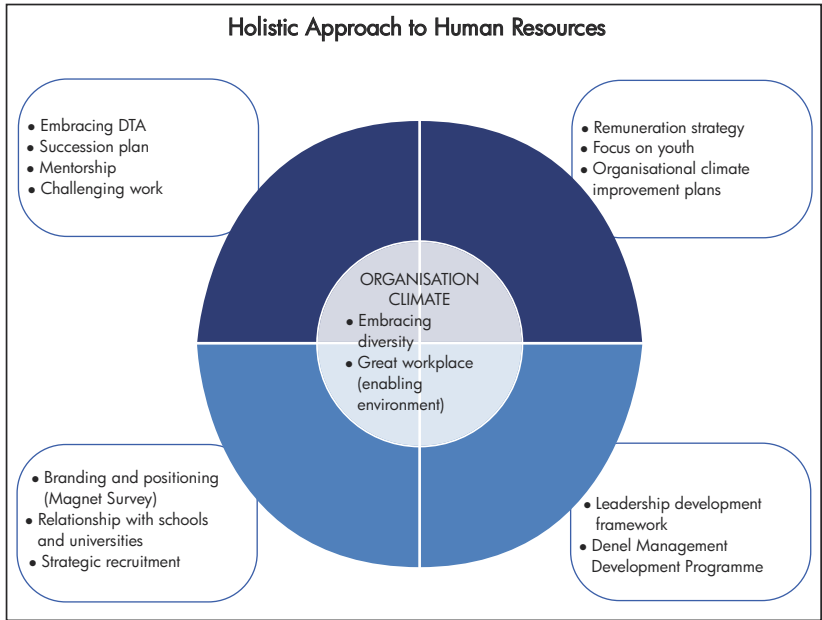
Strategic Drivers

Against the above backdrop, Denel’s strategic drivers have been revised. Innovation, including advancing Denel’s technology and creating an entrepreneurial culture, was further identified as a strategic driver at the Iekgotla. The conceptual framework is shown below:



The importance of transformation within Denel

There will be a major emphasis on ensuring that Denel has a more diverse workforce through transformation. We must ensure that this takes place in a responsible manner. There is no doubt that this is a critical imperative for both the company and our society. Mike Ngidi, the recently appointed head of HR and Transformation at Denel, says that “transformation needs to be informed – and always is – by an outcome of a sound HR strategy. Our transformation efforts will thus be located within the business agenda and will be informed by a robust and holistic HR plan.”:



Implementation

The problem with many company strategies is that they are conceptualised, filed away and not implemented. Two multi-disciplinary task teams have been established to drive implementation:

- Business Development, Marketing and Sales under the leadership of Zwelakhe Ntshepe, the Group Executive for Business Development.
- Finance and Business Support under the leadership of Fikile Mhlontlo, the Group CFO. This includes cash flow management and initiatives to increase profitability.

The workshop developed an implementation plan and the Office for Strategy Management (OSM) at DCO will be monitoring and evaluating progress against the plan, including clear Key Performance Indicators (KPIs) and targets across the Group. The success of the new strategic course for Denel depends on each and every employee of the Group as a collective. We will provide the necessary leadership whilst employees are required to play their part in terms of performance.

A communication campaign on each of the above components was launched throughout the Denel Group.

A first for South Africa

Denel congratulates Board Member, Dr Gert Cruywagen, on being awarded an Honorary Life Membership from the Institute of Risk Management of the United Kingdom (IRM UK).

Dr Cruywagen is the first and only South African to receive such an award. He was honoured for his significant contribution to risk management and his outstanding intellectual leadership in the profession. Dr Cruywagen is a member of the King Committee on Corporate Governance, where he was the convenor of the Risk Work Group of both King II and King III. The chapter on the ‘Governance of Risk’ of King III is viewed internationally as thought-leading in the discipline of risk.

A further contributing factor was the founding of the Cruywagen – IRMSA Risk Foundation, which facilitates international scholarships and internships to and from South Africa. The foundation also hosts the annual Risk Laboratory, which identifies and analyses topical risk matters that may affect business in South Africa.

This award is bestowed to individuals who have through their endeavours, played a significant role over the years in the field of risk management and have made an extraordinary contribution to the profession.

In 2006, Dr Cruywagen was honoured by the Polish Risk Management Association by being awarded honorary life membership for facilitating the founding of the association.

He was voted South Africa’s risk manager of the year in 2009, an honour also bestowed on him in 2002.

Indian Ocean Naval Symposium

Denel participated in the Indian Ocean Naval Symposium (IONS) held at the Cape Town International Conference Centre over the period 10-13 April. This must rank as one of the most significant events of its kind ever to be held in South Africa.

IONS is a voluntary initiative that seeks to increase maritime co-operation amongst navies of the littoral states of the Indian Ocean Region. This was the third such symposium to be held and the theme was Regional Maritime Security Initiatives aimed at reducing Modern Maritime Security Threats.

The Chief of the South African Navy, Vice Admiral Johannes Mudimu, was host to more than 38 Indian Ocean and other interested navies.

The symposium was opened by the former Minister of Defence and Military Veterans, Ms Lindiwe Sisulu. In her opening address, the Minister reiterated the commitment of the Republic of South Africa to the safeguarding of South African maritime interests.

The papers that were presented dealt with topics such as the economic value of the region, the current threat analysis, legal implications, the challenges of multi-agency operations and information sharing in a collaborative manner to improve situational awareness. Apart from members from Denel Head Office, Denel was also represented by Denel Dynamics and Denel Integrated Systems Solutions.



■ Delegates at the Indian Ocean Naval Symposium.

Denel signs Power Pledge

Over the past three years, Denel has sought to improve energy efficiency in line with global trends. This is in support of the envisaged government pact with State-Owned Enterprises (SOE) on energy saving initiatives. Malusi Gigaba, the Minister of DPE, Zoli Kunene, Chairman of the Denel Board and Riaz Saloojee, GCEO of Denel, all signed Eskom's 49m Power Pledge to lead by example in South Africa's drive to reduce energy consumption by 10% through the implementation of a voluntary Energy Conservation Scheme.

Denel – a top company

Denel took top honours in two categories in an annual survey to recognise excellence in corporate reporting for State-owned Companies (SOCs).

Denel achieved the top position in good corporate governance reporting in two areas, Ethical Leadership and Corporate Citizenship; and Boards, directors and remuneration, including the independence and quality of reporting. The company scooped overall third position out of 19 companies, whose annual reports were assessed.

Riaz Saloojee, Group CEO; Fikile Mhlontlo, Group Financial Director Denel; Zwelakhe Ntshope, Group Executive; and Gawie van Zyl, Acting General Manager of DTA, attended the awards and received the certificate on behalf of the Group.

Fikile Mhlontlo said the award is due recognition of the steps the company has taken in recent years to improve the quality of its financial reporting. "Our position in this survey confirms that Denel is transparent in its reporting and delivering on its vision to be a credible State-owned strategic partner for innovative security and related technology solutions," he said.

He added that the survey has set a benchmark for all State-owned companies and Denel will strive to continuously improve the quality of its financial disclosure and integrated reporting.

The Nkonki SOC Integrated Reporting Awards for 2012 assessed the annual reports of SOCs to determine how they have embraced the principles of integrated reporting in terms of the recommendations of the King III report on corporate governance. Integrated Reporting means an holistic and integrated presentation of a company's performance in terms of both its finance and sustainability. This can take the form of a single or dual report and the emphasis is substance over form and the recommended disclosure requirements are mandatory with effect from financial years ending 31 March 2011.

The awards ceremony was held on 15 June 2012 in Sandton, and the Minister of Public Enterprises, Malusi Gigaba was the guest speaker and presented the awards. Minister Gigaba commended the companies for good reporting and stated that his Department will assess how to ensure good reporting across the board.

The SOCs went through a rigorous process of judging and adjudication and their Integrated Reports for 2011 were analysed and assessed mainly against the King III Code 2009 recommendations for disclosure in Integrated Reporting.



Group CEO, Riaz Saloojee, spent his first few weeks in office visiting entities and reinforcing key messages of excellent performance, the importance of growing business, collective responsibility and living the Denel values.



SAAF leadership facility tour at Denel, Kempton Park Campus

In a move to strengthen relations with the South African Air Force, the Chief of South African Air Force, Lt Gen Carlo Gagiano, accompanied by his deputy, Maj Gen Gerald Malinga and their Executive team visited Denel on 7 June 2012.



■ From left: Mike Kgobe, CEO of Denel Aviation; Maj Gen Gerald Malinga, Deputy Chief of Air Force; Lt Gen Carlo Gagiano, Chief of Air Force; Riaz Saloojee, Group CEO of Denel; Shaun Harry, Senior Marketer, Denel Aerostructures and Ismail Dockrat, CEO of Denel Aerostructures.



■ From left: Maj Gen Gerry Malinga, Deputy Chief of Air Force; Lt Gen Carlo Gagiano, Chief of Air Force; Riaz Saloojee, Group CEO of Denel; Fikile Mhlontlo, Group Financial Director Denel; Mike Kgobe with students at Denel Technical Academy.

President of Equatorial Guinea visits Denel

Denel had the pleasure of hosting the President of Equatorial Guinea, HE Teodoro Obiang Nguema Mbasogo, and his delegation on Saturday, 26 May 2012.

The visit was used as an opportunity to showcase some Denel products, which the

Equatorial Guinea Armed Forces have shown some interest in.

The meeting was held at Denel Land Systems and as part of the demonstrations the flight of the Rooivalk Attack Helicopter was showcased at Waterkloof Air Force Base.



■ From left: Bafana Ngwenya, Denel Board member; HE Armando Dougan Champion, Equatorial Guinea; Equatorial Guinea President, HE Teodoro Obiang Nguema Mbasogo and Riaz Saloojee, Group CEO of Denel.

The visit started at Denel Aviation where Denel Group CEO, Mr Riaz Saloojee and his Executive presented an overview of the status of the business.

The delegation was taken on a tour of the Denel Technical Academy facilities with an overview of the training provided. This was followed by a tour of the Denel Aviation facilities which included the flight test, pre-production aircraft, the Drummer II and Rooivalk bench.

Lastly was the visit to Denel Aerostructures which included an overview followed by the facility tour.

The programme ended with a networking session where Lt Gen Gagiano expressed his gratitude for the support received from Denel. He said "I am grateful for your invitation and I am happy to see that things are looking much better at Denel, you now have a challenge of marketing the company more aggressively".

Mr Saloojee ended the session by thanking the delegation for visiting Denel. "This shows the level of relations we have and confirms that we are one family".

He pledged to continue supporting the SAAF and SANDF in achieving their national mandate.

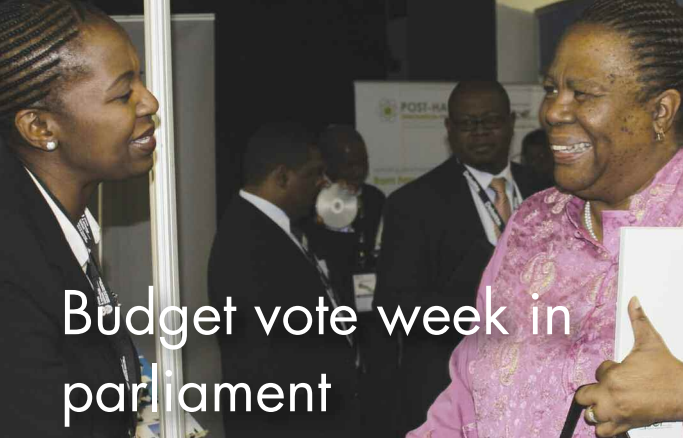
Secretary of Defence visits Denel

The newly-appointed Secretary of Defence, Dr Sam Gulube, visited Denel as part of understanding the Defence industry.

The Secretary of Defence was welcomed by the Group CEO and his Executive team on Friday, 13 April, at the Irene Campus. The visit provided an opportunity for Denel to share the company's overview and the latest developments with Dr Gulube. The programme included a facility tour of Denel Dynamics, UAVS and Carl Zeiss.



■ Secretary of Defence, Dr Sam Gulube, welcomed by the Group CEO, Riaz Saloojee and Group Executive Business Development and Corporate Affairs, Zwelakhe Ntshepe.



Budget vote week in parliament

■ Sinah Phochana, Group Communications Manager, welcoming Minister Naledi Pandor, to the Denel stand.

Denel participated in three Ministerial budget votes for the Department of Science and Technology on 15 May, the Department of Public Enterprise on 16 May and the Department of Defence & Military Veterans on 17 May. The objective of participating was to support the three ministries and to strengthen the relationship between our organisations.

Department of Science and Technology – 15 May

Three Denel entities, Denel Aerostructures, Denel Dynamics and Denel OTR, participated in the Department of Science and Technology. The three entities have been involved in the space initiatives and continue to support the department. Minister Naledi Pandor, Deputy Minister Derek Hanekom and DG Phil Mjarwa, visited the Denel stand. Minister Pandor said that she has heard good things about Denel and accepted an invitation to visit Denel.

Department of Public Enterprise – 16 May

The Chairman of Denel, Group CEO, Financial Director, Group Executive Business Development and two board members attended the Department of Public Enterprise budget vote on 16 May. The activities included the media briefing, the budget vote, the dinner, followed by the media breakfast the following morning.

Below is an excerpt of Minister Gigaba's budget vote speech:

Public Enterprises Minister, Malusi Gigaba, has expressed optimism for improvements in Denel's financial performance, programme delivery and penetration of export markets. Delivering his Budget speech in Parliament, Mr Gigaba referred to the fact that Denel has secured more than R5 billion in orders that will be delivered over the next five years. There is also "a substantial pipeline" which may require Government support to convert it into bankable orders.

The Department of Public Enterprises (DPE), together with the National Treasury, is exploring various sustainable funding mechanisms for Denel. There are still some key challenges that remain, it is also a fact that a complete turnaround of Denel "will not only depend on funding and new revenue streams, but also on improvements in operational efficiency as well as enhanced alignment with the Department of Defence".

Referring to Denel Aerostructures he said the renegotiation of the A400M contract with Airbus is proceeding well and will put the company on a firmer financial footing. The R700 million capitalisation of Denel Aerostructures announced in the Budget will allow the company to prepare itself for the serial manufacturing phase of the A400M starting in 2012/13.

Denel Aviation will deliver the last six fully certified and combat ready Rooivalk helicopter to the South African Air Force during 2012, "which makes this the first helicopter to be designed, built, qualified and fully certified in the African continent".

The DPE welcomes the publication of the Defence Review 2012 draft document. Together with Denel, the Department will make submissions to the Review Committee.

Mr Gigaba said despite concerns about the global economic outlook he remains confident about the future, based on the investment programmes of State-Owned Companies (SOCs) – "the aim of which is to get South Africa working, growing and moving".

SOCs will play a key role in national efforts "to get South Africa working and growing." They must play a leading role in efforts to reduce the cost of doing business, without compromising their financial sustainability. Mr Gigaba said one of the "critical pillars of the Department's vision" is to drive transformation. The DPE will host an SOC Transformation Summit in July to align the company's transformation programmes with the vision of Government.

Department of Defence & Military Veterans – 17 May

The Denel delegation attended the Department of Defence & Military Veterans vote on 17 May. The activities included the media briefing, the budget vote and the dinner.

Below is an excerpt of former Minister of Defence Sisulu's budget vote speech:

The former Minister of Defence and Military Veterans, Lindiwe Sisulu, says the public consultation on the Defence Review 2012 will be concluded in August and will be followed by an extensive meeting with all defence stakeholders to provide a final document.

Minister Sisulu was speaking in Parliament during the delivery of the 2012/2013 Defence Budget. The first draft of the Defence Review 2012 was handed to her in March and contains proposals and recommendations that will have a wide-spread impact on the South African defence industry.

She said the current budget is presented in a global economic environment that continues to be robust and uncertain, resulting in pressures being exerted on Defence budgets across the world. This requires the Department and the SANDF to achieve higher levels of efficiency in all its operations and more precise targeting towards the achievement of key priorities.

"While this is the case, it is also important to emphasise that the Defence budget cannot afford to take further cuts thereby shrinking the proportion to GDP to levels lower than the current low levels of 1.2 % of GDP as this will impact negatively on our readiness," she said.

The inputs made in the debate on the Defence Review will assist in determining the direction Government needs to take and the related resource allocations required.

Minister Sisulu said the Department of Defence will be revising its current procurement policies to strengthen the linkage between the SANDF and the communities within which they reside. This will be to the benefit of small and micro businesses as well as small scale commercial and emerging farmers in rural areas. The Chief of the SANDF will appoint a project team to develop this concept further and operationalise it as soon as possible.

The Minister once again reiterated her pledge to give the South African defence industry her high-level support, stating that she will assist companies to secure contracts and access markets in key countries.

Defence Review will influence future budget of SANDF

The former Minister of Defence and Military Veterans, Ms Lindiwe Sisulu, says the public consultation on the Defence Review 2012 will be concluded in August and will be followed by an extensive meeting with all defence stakeholders to provide a final document.

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■ Denelcor exhibitors from left, Gail Keavy, Connie Jooste, Sanusha Reddy, Ernest Ntata and Sinah Phochana.

Denel markets products at DSA



■ Ismail Dockrat, CEO of Denel Aerostructures; Zoli Kunene, Chairman of Denel; Zwelakhe Ntshope, Executive BD at Denel, with former Minister Lindiwe Sisulu, Department of Defence.

Zoli Kunene, chairman of the Denel Board, led the company delegation to DSA. Denel formed part of the South African pavilion at the show which was held at the Putra World Trade Centre. Denel had a strong presence at the 13th Annual Defence Services Asia Exhibition (DSA) held in Kuala Lumpur from 16-19 April.

Group CEO, Riaz Saloojee, said DSA provided the South African defence industry with a window of opportunities into the entire South-East Asian region. DSA is among the top three global defence shows hosted annually across the world with a strong presence of defence forces, governments and industry players from the ASEAN (Association of South East Asian Nations) countries.

"We demonstrated Denel's capacity and the range and quality of our products and systems across a wide spectrum of the defence industry," said Riaz. "This was an opportunity to meet with existing and prospective clients and to create a greater awareness of our products and services in a region that is growing in importance."

Denel has a special relationship with the Malaysian defence community which culminated in the supply of 25 G5 long-range artillery systems in 2001. For the past decade the company has provided logistic product support, spares and maintenance services to the Malaysian army. The South African developed G5 and the motorised artillery G6 system are still considered to be global leaders in the field of long-range artillery.

Denel Land Systems is also partnering with the Malaysian company, DRB Highcom (Deftech), in the development of a new range of 8X8 armoured vehicles for the country's defence force.

Denel Land Systems had a prominent display at DSA, most notably its ICT-30 turret systems that are fitted to an armoured vehicle and its NTW-20 anti-materiel rifle designed to destroy high-value targets over long distances.

Pretoria Metal Pressings (Denel PMP) demonstrated its newly developed range of 30mm ammunition utilised by combat vehicles. "The quality of this new product is among the best in the world – and comparable with any other international producer of 30mm X173 calibre rounds," said Carel Wolhuter, the CEO of PMP.



Denel assists Matrics to score top marks

In its ongoing skills development programme, Denel's maths and science tutoring is helping a growing number of high school students to achieve outstanding results with some learners from disadvantaged communities achieving distinctions.

Mike Ngidi, the Group Executive HR and Transformation, says Denel is contributing to an improvement in the quality of maths and science teaching through outreach programmes and additional tuition.

In Olievenhoutbosch, a sprawling informal settlement near Centurion, engineers from Denel Dynamics give extra classes to learners from the Steve Tshwete High School.

Venashree McPherson, the People Development Manager at Denel Dynamics, says the programme has been running since 2009 and benefits more than 80 learners every year. Three learners scored distinctions in maths and science in 2010, followed by another two last year.

The Denel Training Academy (DTA) has struck up a partnership with education authorities in the North West to beef up the quality of maths and science teaching in the province.

The DTA sponsors learners from five high schools to attend extra classes during weekends and holidays, at the Vaal Reefs Technical High. Five of the students of the 2011 matric class achieved distinctions in physical science, while a further three graduated with 'A's' in mathematics and four in life sciences.

Denel Aviation is offering bursaries to some 90 apprentices and artisans in the fields of aircraft repair and maintenance work. A growing number of these trainees will, in future, be drawn from the company's involvement in education projects in the Ramaphosa informal settlement on the East Rand, says Denel Aviation's communications consultant, Elelwani Mainganye.

Says Ngidi: "Through our involvement in education projects at high school level we hope to inspire a new generation of future engineers, technicians and artisans that will enable South Africa to maintain its high-tech leadership position."

Thabo Siavhe arrived home to a warm welcome

Mechem employee, Thabo Siavhe, arrived at OR Tambo to a joyful welcome after being held in Sudan for more than three weeks. He was met by media, family, friends, a delegation from Denel and Mechem including Group Chief Executive, Riaz Saloojee and Mechem Acting CEO, Peter Faro, on May 22.

Thabo and Mechem colleague Dongor Makeir, a South Sudanese citizen, were amongst four foreign nationals detained by the Sudanese Government. Once the men were released, Thabo was flown to South Africa and Dongor was reunited with his family in South Sudan.

Saloojee, who expressed his delight at the release of the Mechem employees, paid tribute to the African Union and its key representatives in Sudan, the Department of International Relations and Co-operation (DIRCO) and its representatives in Sudan, the various other diplomatic efforts from South Africa and other affected countries and the UN, for playing a key role in securing the release of the Denel employees.

"They did a tremendous job to secure the release and to keep us informed about the state of the negotiations and the condition of our colleagues. Denel, in turn, remained in close contact with family, friends and fellow workers of Thabo and Dongor," said Saloojee. Denel will be providing both Thabo and Dongor with psychological and other support, as required.



■ Riaz Saloojee, Group CEO of Denel; Ben Martins, former Deputy Minister of Public Enterprises; Tsediso Matona, Director General of the Department of Public Enterprises; Mieta Steander; Thabo Siavhe of Mechem and Minister Malusi Gigaba of Public Enterprises at the welcome home dinner hosted by Minister Gigaba.



■ Thabo Siavhe and Riaz Saloojee being interviewed by the media at OR Tambo.



Successful defence industry day

The former Minister of Defence and Military Veterans, Ms Lindiwe Sisulu, has given the South African defence industry her high-level support, stating that she will assist companies to secure contracts and access markets in key countries.

Former Minister Sisulu was speaking at the annual Defence Industry Day, organised by the AMD – the SA Aerospace, Maritime and Defence Industries Association – of which Denel is a member.

- She indicated that a “commitment to the defence industry” will be a defining feature of the Defence Review, expected to be completed by the end of July 2012. The Review was commissioned to ensure South Africa’s defence policies are relevant to changing circumstances and mandates.
- She urged the defence industry to be more responsive to a defence environment that “has undergone a major metamorphosis” with rapid technological innovation in weaponry and equipment, as well as with “the presence of new non-state actors”.
- The Minister called on the AMD to revisit its business model to make it more attractive to small, medium and micro enterprises (SMMEs,) especially given the important role they are playing in meeting government’s job-creation objectives.
- The Minister called on the industry to accelerate the incorporation of military veterans into the industry’s economic stream.
- The amended regulations on conventional arms control will be published by the end of June 2012 and will include several “industry friendly provisions” such as programme level permits.
- To strengthen support for the local industry she has designated this as a “command function” – meaning that every official of the department (DoD&MV) has a duty to promote the South African defence industry on all their visits abroad.

She referred to the assistance government has provided to the industry to secure contracts or access markets in countries like Benin, Ecuador, Uganda, Burkina Faso, Botswana and South Sudan.

They are also exploring collaborative prospects with partners in the IBSA countries (India, Brazil, South Africa) as well as directly with Russia and Argentina.



Procurement fraud – least visible, most costly

It was the Hollywood movie ‘Margin Call’, recently on circuit, which really brought home the importance of risk management. Risk analyst, Eric Dale (played by Stanley Tucci), who was quietly doing his day-to-day computer modelling, had the first inkling of the financial catastrophe that would ultimately collapse global markets (the film is loosely based on the fall of Lehman Brothers).

Risk management goes to the very heart of large corporations and covers a diverse array of threats, many of which could potentially derail a company. Themba Zwelibanzi, Group Risk and Compliance Manager, is the man in the hot seat. Procurement fraud is one of the most challenging aspects of his job as it is the Group’s second biggest cost driver after salaries. Fraudulent activity anywhere along the supply chain will push up costs and have an impact on pricing, ultimately affecting not only Denel, but its customers and regular suppliers. Therefore, risk should be assessed throughout the value chain.

Organised crime, unscrupulous foreign competitors and employees who are in cahoots with suppliers create problems for governance. Despite control measures in place, the temptation for fraud is inherent in the procurement process. According to the Association of Certified Fraud Examiners (ACFE), a typical organisation may lose up to 6% of its annual revenue to occupational fraud, and much of this is directly related to procurement fraud.

In order to remain one step ahead, Denel is continually creating checks and balances. Just this last year Zwelibanzi introduced the data analytics process in the internal audit plan, which analyses trends in the supply chain and this is already showing results. A hot line for employees and other stakeholders has been implemented to help report fraud. Internal audits also help curb fraud through proactive detection.

The risk management plans are continuously reviewed by management and reported to the group executives, the audit and risk committee and the Board, quarterly. The following potential behaviours have been identified as risks that must be eliminated to reduce fraud in the procurement process:

- Employees acting in cahoots with a supplier to ensure that such a supplier wins the tender and both parties unduly benefit. This could entail manipulating specifications to suit a particular supplier.
- Sharing privileged information with certain suppliers or sharing one supplier’s information with one or other suppliers to enable them to win the tender. This is illegal and makes it impossible for Denel to procure material or services at competitive prices.
- Members of adjudication committees with direct or indirect interest in Denel’s suppliers adjudicating tenders in favour of such suppliers.



Denel Dynamics hosts the UAS forum

The use of Unmanned Aerial Vehicles (UAVs) is increasing worldwide and this brings a new dimension to airspace.

Unmanned Aerial Solutions (UAS) can be used for different types of applications – these include border patrol, anti-piracy, oil rigs and pipes surveillance, game park surveillance, law enforcement and railway patrols, to name a few.

Incorporating UAS in the civilian airspace has, however, become a global challenge. From a commercial and economic development perspective these challenges need to be overcome.

Denel Dynamics recently hosted the UAS Forum of South Africa to address SA's predicament when it comes to using these systems in our airspace. Experts in this field not only highlighted the challenges, but proposed solutions at the seminar. The various organisations stemming from research institutions, designers, manufacturers and regulatory bodies discussed topics such as:

- How to safely use UAS in the civilian airspace
- Regulation for UAS in the country
- Technologies being developed to increase safety of operation
- Air traffic considerations
- Certification of UAV pilots and systems
- UAS capabilities in South Africa
- Operational requirements for UAS in South Africa

While the rest of the global industry works on legislation to certify flight in civilian airspace, South Africa is looking to participate in global forums to ensure that our national interests are taken into account.

This is a step in the right direction, especially after President Obama signed the Federal Aviation Administration (FAA) Reform Act into law, as reported in the UAS VISION Daily News on 16 February 2012.

Public airspace in the U.S. is expected to open to unmanned aircraft flights within four years and the bill will help speed the switch to an air traffic control system based on GPS (global positioning system) technology, rather than on radar.

Young Achiever Awards

A group of 47 maths and science bursary students from universities across South Africa who achieved over 140 distinctions between them in 2011, were honoured in January for their academic performance. The Young Achiever Awards 2011 event was held at the Centurion Country Club and was hosted by bursar sponsors Denel Dynamics.

"The emergence of this group is good news as South Africa works towards building a knowledge economy," says Jan Wessels, CEO of Denel Dynamics. Youngsters working from advanced technology environments have the potential to create from 10 to 1 000 jobs wherever they go in their productive lives."



■ Top performers for 2011.

■ Professor Tshilidzi Marwala (Chairman of Denel Dynamics Board) was the keynote speaker at the Top Young Achievers' Awards.



Young guided mortar team

Young engineers at Denel Dynamics are developing a guided mortar using rapid prototype technology. This has been inspired by the need for a low-cost guidance pack for an existing 120mm mortar.

The team from the Denel Dynamics' Engineering Academy of Learning began this project 18 months ago. On March 30 they gave colleagues, guests and media a demonstration by launching the mortar from an air cannon. Although the guidance section of the project has not yet been completed, the firing demonstrated the air-frame and aerodynamics. It flew the required distance very comfortably, to much applause!

"From nurturing a greater systems perspective, to providing real hands-on opportunities, to developing problem solving skills, this project has had a significant impact on the team," says team leader, Jacomine Grobler.

Dinesh Nandlal, Systems Engineer for the project, says that this intern project has given him a new appreciation for the thought that has to go into taking a concept and extracting meaningful, workable, harmonized system specifications.

"I obtained an opportunity to design and develop a complete navigation system" says Vivan Govendar, who is the Navigation Engineer on the project. "I have learnt the simple lesson that testing the hardware as early as possible leads to a reduction of problems at a later stage. I look forward to testing the final system."

Denel Dynamics is creating a reputation as a top graduate employer (voted third in the 2011 SA Graduate Recruitment Association Candidate Survey in the Engineering and Industrial category).



'The future belongs to those who prepare for it'

Denel Dynamics took its place alongside some of the world's leading defence and security companies at this year's Tri-Service Asian Defence and Internal Security Event for Land, Sea and Air held in Bangkok, Thailand, from 5-8 March.

This is one of the largest defence and security related exhibitions in the region representing over 300 defence and internal security related companies from 32 countries around the world. This year's theme was 'The future belongs to those who prepare for it'.

This show provided an opportunity for the former Minister of Defence, Lindiwe Sisulu, to raise South Africa's profile in Asian markets.

With its latest products on display, the Denel Dynamics stand was the place to be for those interested in its high tech products such as the A-Darter fifth generation air-to-air missile (which will be ready for production in 2013, having successfully fulfilled all its tests to date) and the Seeker 400, scheduled to take its maiden flight this year.



■ The former Minister of Defence, Lindiwe Sisulu and with Zwelakhe Ntshepe, being briefed by Deon Olivier, at the Denel Dynamics Stand.



■ The Denel Dynamics stand at the Defence and Security 2012 show, held in Bangkok.

The DoD supports technology development

The Department of Defence (DoD) continues to support technological development in the industry and there is talk of a follow-up missile development programme, says Denel Dynamics CEO, Jan Wessels.

The development of the A-Darter air-to-air missile project is coming to an end, and the focus will soon move to industrialisation and production. "I believe the DoD will contribute to the funding of a follow-up development missile programme, but its exact nature and funding model are still under discussion," says Wessels.

The DoD is also interested in the company's latest UAV, the Seeker 400. Initially funded by the Denel group as an internal investment, it is now being fully developed for an export order.

The Seeker 400 as a 'typical entry-level' long-endurance UAV, will be able to stay in the air for 16 hours and simultaneously operate two payloads. Initially, it will have a range of 250km, because it will use only line-of-sight communications, but it could be upgraded to use satellite communications, which would allow it to operate at much greater ranges.

The Seeker 400 is expected to make its first flight early this year and its flight test programme will run for most of 2012. Production should start by the end of the year.

The company plans, in due course, to add weapons to the Seeker 400. The prototype was displayed at the company's 2011 Show and Tell briefing in Centurion, with a Mokopa anti-tank missile (also a Denel Dynamics product) under each wing. A number of countries have already expressed interest in an armed version of the UAV.

Because of its size and capabilities, the Seeker 400 would find itself flying significantly higher and further than previous Denel UAV systems, and in airspace containing civil aircraft.

"There is a joint civilian and military work group in South Africa to define the standards for the safe use of UAVs like the Seeker 400 in our airspace," reports Wessels. "This is an important development."

Cheetah C supersonic handover ceremony

Denel Aviation's handover ceremony of Cheetah C supersonic fighters to Ecuador took place in February at the South American country's Air Force Base in Taura.

The ceremony was marked with a parade and a flypast of three Cheetah aircraft flown by South African-trained pilots from the Ecuadorian Air Force. Both the Cheetah Dual and Cheetah C aircraft were on display.

General Barreiro and the President, Rafael Correa, were the speakers at the handover function and spoke highly of the aircraft and its capabilities. DAv representatives had the opportunity to meet briefly with President Correa after the function.



Denel Aviation leads the continent in the training of artisans and technicians

Africa's next generation of aviation technicians and artisans started training programmes at Denel's campus in Kempton Park in January.

Fifteen new apprentices were selected from a large pool of applicants to undergo the three year training programme that covers both theoretical and practical aspects of aircraft maintenance and repair work.

"We are investing more than R100 000 a year per student by providing bursaries that cover tuition, study material, stipends and protective clothing," says Natasha Davies, Executive Manager: Human Resources. "Denel Aviation has an excellent reputation in the industry for the quality of the artisans we produce. The global need for technical skills in the aviation industry is growing and many of our former students are now employed across the world – in Africa, the Middle East, New Zealand and Australia.

"We see it as a strategic investment in an industry that demands the highest standards of craftsmanship, technical expertise and adherence to safety requirements," says Davies. Air traffic on the continent is



■ Denel Aviation leads the continent in the training of artisans and technicians.

growing in leaps and bounds and the growing number of aircraft require high level maintenance, repair and overhaul (MRO) work.

The selected students receive their first year theoretical training at the Denel Technical Academy (DTA) which provides a broad introduction to all the disciplines in the aviation maintenance industry. To grow the pool of prospective qualified students Denel Aviation has introduced a programme to teach mathematics and science to high school students in neighbouring communities. Engineers from Denel Aviation volunteer their skills and time on weekends to tutor learners from the Reiger Park High School.



Quality maintenance keeps SAAF aircraft flying safely

Denel Aviation's partnership with the SAAF has been strengthened with the signing of a Memorandum of Understanding (MOU) to promote collaboration and co-operation between the parties, and to ensure that there is a consolidation and retention of capabilities and scarce skills.

"We bring extensive experience, local knowledge and a strong record of flight safety to the relationship with the SAAF," says the Chief Executive Officer of Denel Aviation, Mike Kgobe.

It Gen Carlo Gagiano, the Chief of the SAAF, recently acknowledged the contribution of Denel Aviation to keep its transport workhorse, the Hercules C-130, operationally available. Some of the C-130s have been flying for more than 45 years and the quality of the maintenance and repair work done will ensure that they remain operational until 2020. Artisans and technicians trained by Denel Aviation are based at various air force bases in the country to complement the SAAF maintenance crew in performing the required maintenance actions.

Denel Aviation has completed work on the Botswana Defence Force (BDF) Air wing C130 B model which was delivered to the BDF in January after periodic depot maintenance (PDM) inspection plus other additional work as required by the BDF. With the Denel Aviation support available in the region and beyond, Denel Aviation is strengthening its position as a premier MRO solution and related services provider in Africa.

The majority of its artisans and technicians were trained at the Denel Technical Academy. Denel Aviation awards bursaries and sponsorships to more than 90 students who participate in the four-year basic course that includes a practical apprenticeship. Kgobe says the company's partnership with the SAAF is based on a "win-win approach."

Working with Russian Helicopters

Denel Aviation (DAv) hosted an important marketing seminar which focused on the need for a maintenance, repair and overhaul (MRO) centre for the Russian Mi Range of helicopters in Sub Saharan Africa.

Russian Helicopters is a helicopter design and manufacturing company headquartered in Moscow, Russia. The company designs and manufactures civil and military helicopters.

The Mi-8 is the world's most produced helicopter and is currently used in more than 50 countries including a number of countries on the African continent. In addition to its military applications it is used extensively for civilian applications such as passenger transport, medical evacuations, cargo transport, crop spraying, logging operations and polar expeditions.

The absence of an accredited support infrastructure for Russian-made helicopters in this region has created an opportunity for Denel Aviation. The company has been working in close collaboration with Rosoboronexport, Russian Helicopters, Heli Service Company and Oboronprom JSC, for the last two years regarding the establishment of such a facility.

There were about 50 delegates at the seminar which was held on April 17 at Emperors Palace, Boksburg.

In his welcoming speech, CEO Mike Kgobe said it was an important seminar which should increase opportunities for co-operation between the South African aviation industry and Russian Helicopters.



■ Delegates during the Russian Helicopter Seminar. The event was attended by Russian Helicopter operators in the African continent.

Working in Benin

Mechem sold 40 detection dogs to Benin. Twelve of the dogs were delivered three days after signing the contract. The dogs are performing well and positive feedback about them has been received.



Taking him under their wings

In August last year, seven-year-old, Steven Gatwech, was involved in a landmine accident on the road between Bentiu and Naidiu in Sudan. Mechem Group 1 team were working on the road and raced to help the victims.

They helped evacuate the wounded from the area to a nearby hospital. They took Steven under their wing and arranged rehabilitation and a prosthetic leg for him. In February, Steven was flown to Juba for six weeks rehabilitation. He was discharged at the end of March and is now back home with his family.



■ Steven Gatwech pictured with Ingemar Anderka, from Mechem.

Mechem participates in the Lend Your Leg Campaign

On April 4, celebrities, sportsmen, sportswomen and numerous luminaries from around the world rolled-up one trouser leg in an anti-landmine campaign. According to UN estimates there are at least 110 million active mines scattered across the world, of which about 44 million have been planted on the African continent.

April 4 was the International Day for Mine Awareness and Assistance in Mine Action, a campaign that was successfully launched in Columbia in 2011. It is a reminder of the importance of clearing lands of explosive remnants of war. "In addition to the obvious dangers to life and limb, landmines have a devastating impact on local economic development," says Ashley Williams, CEO of Mechem.

Mechem has cleared over 135 million square metres around the world and destroyed over 500 000 mines and UXOs (unexploded ordnances) in support the United Nations ongoing campaign to clear landmines around the world. People joined together in solidarity to take a stand, to step forward and to 'Lend a Leg for a mine free world', all through the simple gesture of rolling up their pants' leg or the sleeve on their arm.



■ Mechem employees participate in the Lend Your Leg Campaign.

Dogs help rhino

Mechem has donated a Belgian Malinois (Belgian shepherd dog) to the NGO Stop Rhino Poaching. 'Jack', the dog, will be able to help conservationists follow poachers in protected areas. Jack can serve as an early warning alarm and alert his human colleagues to the presence of armed poachers.

Since February, two NGOs, concerned about the scourge of rampant rhino poaching in SA, have arranged sponsors to fund the purchase and training of sniffer dogs. These dogs will scent and track poachers in conservation areas and sniff out rhino horns illegally smuggled from the country. According to Stop Rhino Poaching, 245 black and white rhino were poached in SA between 1 January and 12 June 2012.



Mechem products in Egypt

Mechem is helping Egypt in its demining projects with the sale of a Mechem Vehicle-Mounted Mine Detection System (MVMMDS).



The Executive Secretariat for the Demining & Development of the North West Coast of the Ministry of International Cooperation, Egypt, bought a MVMMDS system from Mechem in 2011.

This will be used mainly on the Egypt/UNDP Mine Action Project. The system was shipped to Egypt and arrived in Cairo in December 2011. During January/February a 10- day training session was held in Cairo for MVMMDS operators, technicians and CASSPIR drivers.

All the personnel trained were from the Egyptian Army as only the army is allowed to do demining in Egypt. During this time the army also scheduled an evaluation session of the system. An area was mined with 40 mines – most of which were plastic.

Local dogs sniff out drug haul in West Africa

Sniffer dogs, trained by Mechem, recently uncovered a major drug smuggling operation in the West African country of Benin.

Efforts to hide the heroin in aircraft parts, bolts and screws could not prevent the four-legged sleuths from detecting the contraband.

The dogs are deployed at ports and air fields to counter the growing trade of drugs and illicit substances in the region.

The first major bust was achieved within six weeks of the dogs arrival in the port city of Cotonou. Two Mechem instructors and three detection dogs were called out to inspect a consignment of aircraft parts. The dogs quickly alerted their handlers to the presence of drugs, and when the crates were opened more than 7kg of heroin was discovered.

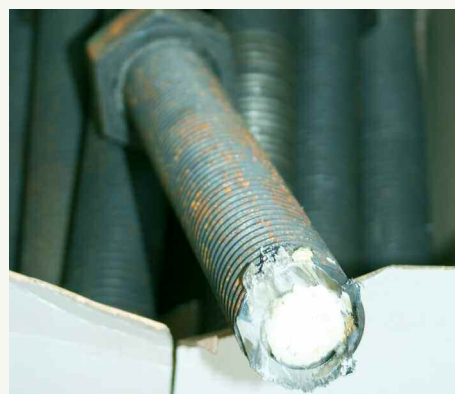
“The value of detection dogs in the war on drugs was again confirmed,” says Mechem CEO, Ashley Williams. “The contraband was well hidden inside metal parts and would not have been uncovered by physical inspection.” The parts and bolts had to be taken apart and sawed open to reveal the heroin.

The President of Benin, Thomas Boni Yayi, visited the Mechem training unit in Lytleton last year and was impressed by the extraordinary skills of the dogs and their handlers. Following his election as the new president of the African Union last month,

Mr Yayi identified drug trafficking as one of the most pressing challenges facing the African continent.

“Drug smugglers are using increasingly sophisticated methods to hide their substances. Our training of handlers and dogs are constantly updated to keep one step ahead of them,” says Williams.

The World Customs Organisation and Interpol recently stepped up its anti-drug operations at airports in West African countries such as Benin, Burkina Faso, Mali, Nigeria and Senegal. The airports are used by traffickers as staging points in the movement of illicit drugs between Latin America and markets in Europe.



■ Heroin was hidden in aircraft parts.



Greater visibility for Denel Technical Academy

Brian Kama, Zizikazi Mlokoti and Josephine Kekana visited schools in rural Mpumalanga areas for a few days in March to create awareness around DTA and the technical, engineering and aviation careers available to students.

"We had originally planned to visit the area for an exhibition in the Matibidi area – but this was cancelled because of a municipal strike. So we decided to visit a few schools in the area while we were there," said Kama.

"We managed to see three of them – Panorama High School, which has a 100% pass rate every year, Sekwai Secondary School with over 700 matriculants currently in the system and Pilgrim Rest High.

"We were assisted and supported by the Mpumalanga Provincial Department of Social Development. They helped us with transport and knocking on doors.

"It was a wonderful opportunity to address learners and teachers and promote maths and science as matric subjects."



■ DTA staff assisting learners.

Denel Technical Academy's breakthrough in Angola

Denel Technical Academy (DTA) has been expanding operations into Africa with progress made in Angola, Cameroon and Uganda.

The DTA acquired Civil Aviation Authority (CAA) certification from Angola, which means they are now able to market themselves to Angolan aviation companies for training.

Angolan CAA representatives visited DTA late last year to assess the academy and were reportedly highly-impressed. The visit has already produced a customer, Heli Malongo, and two learners are presently undergoing training.

The DTA also had visits from a Cameroon Defence Department delegation led by Brigadier General Momha and the Ugandan Minister of Defence, General Jeje Odongo. The Cameroonian delegation visited all areas of the school and liking what they saw, requested an urgent proposal. They said they would like 20 apprentices per year to be trained in different trades starting next year (subject to internal approvals).



DTA Open Day a great success

Over 1 000 visitors attended DTA's Open Day in April. Over 800 of these completed the entrance registrar. These visitors were from all over Gauteng, and interestingly, also from five other provinces – Limpopo, North West, Mpumalanga, Free State and Eastern Cape.

"It was not easy to host and feed this number of people with full DTA and technical careers information within the planned four hours, but we all managed thanks to good team work," said Brian Kama.

"This is a highlight for us and a way of showing Denel's capability outside main business areas. As usual most questions were around financial assistance which means a lot of knocking on doors for us."



■ Learners arriving at the Open Day.



■ Learners waiting to enter the DTA for a site visit and address on Open Day.



■ Deon Visser, Senior DTA instructor addressing learners at Open Day.



DTA assists learners to score top marks

Maths, science and accountancy learners at DTA were rewarded for their efforts at a ceremony held in Boksburg on April 20.

Soccer legend Phil Masinga inspired everyone by talking about his own experiences. The learners are recruited nationally and represent all nine provinces. They are previously disadvantaged and the idea is that after the learners have improved their maths and science marks they will be eligible for university entrance. The ceremony was held at the Birchwood hotel.



■ Learner, Johannes Molelemane, receiving awards for being the best in Maths, Physical Science and Algebra.



■ Learner, Bongani Ngobeni, the best learner overall in Maths, Numeracy and Accounting.



■ Two former DTA learners, Sharon Kekana and Jabu Ngcongwane, organised a career event at the Oasis of Life Church on 4 February, in Daveyton. They spoke to learners from eight different schools about careers in the aviation industry. These learners only see aircrafts from the sky and it's their dream to board them, let alone build and service them.

Denel Aerostructures (DAe): We make it fly

A new agreement with Airbus Military on the restructuring of Denel Aerostructures' work programme on the A400M, heralds a new phase for the company.

With DAe's new name, a fresh brand and sharpened business plan, the company can now position itself as a proudly South African company and a strategic partner in significant global projects.

DAe intends to build on its long-standing reputation for innovation and quality, thus enhancing DAe's role as a strategic industrial and economic asset for South Africa, as well as being a primary contributor to the growth of the aerospace sector.

The name change to Denel Aerostructures became official in March. Employees celebrated the day with activities and entertainment. Kitted-out in the new corporate uniform, all employees united and embraced the name change.

The past number of years have been characterised by uncertainty and concerns about the sustainability of the business. DAe's winning team, with their loyalty, passion, diligence and commitment, have enabled DAe to reach new heights in its turnaround strategy.



On a recent visit to South Africa, Cedric Gautier, the Head of the A400M programme said DAe is "one of Airbus's most reliable suppliers for the manufacturing of the A400M. We are pleased with the quality of workmanship and the engineering know-how available in the company."



DAe under one roof

Denel Aerostructures (DAe) is consolidating its operations in a cost-cutting move designed to improve efficiency.

The move will see the company's entire operations brought under one roof, says the Chief Executive of DSA, Ismail Dockrat. This includes the design, manufacturing and assembly of critical parts for the Airbus A400M – the world's most advanced military transport plane.

Dockrat says the reduction in occupied space will result in savings to the company of more than R20 million per year and the costs of the move will be offset within 24 months.

"By cutting down on our production costs and streamlining the workflow, the consolidation will contribute to the long-term sustainability of the company," he says.

Sections of the company are currently located in various buildings on the sprawling campus. The move, to be completed by the end of 2012, will bring the entire operation, from design to final assembly, into one location. It will reduce in half the space occupied by the company – from 50 000 square metres to 25 000 square metres.

The move will also strengthen the high-performance culture in the company and enable it to compete successfully in a competitive global environment.

"We will now have one company, with one vision, working together in one building," says Dockrat.





Denel Aerostructures' vital role in the manufacture of the Gulfstream executive jet

Denel Aerostructures (DAe) has completed the manufacturing of the 104th tail section fitted to the Gulfstream G150. This is one of the most widely flown mid-size executive jets. It is known to be the fastest aircraft in its class, and has won numerous international awards for quality and design.

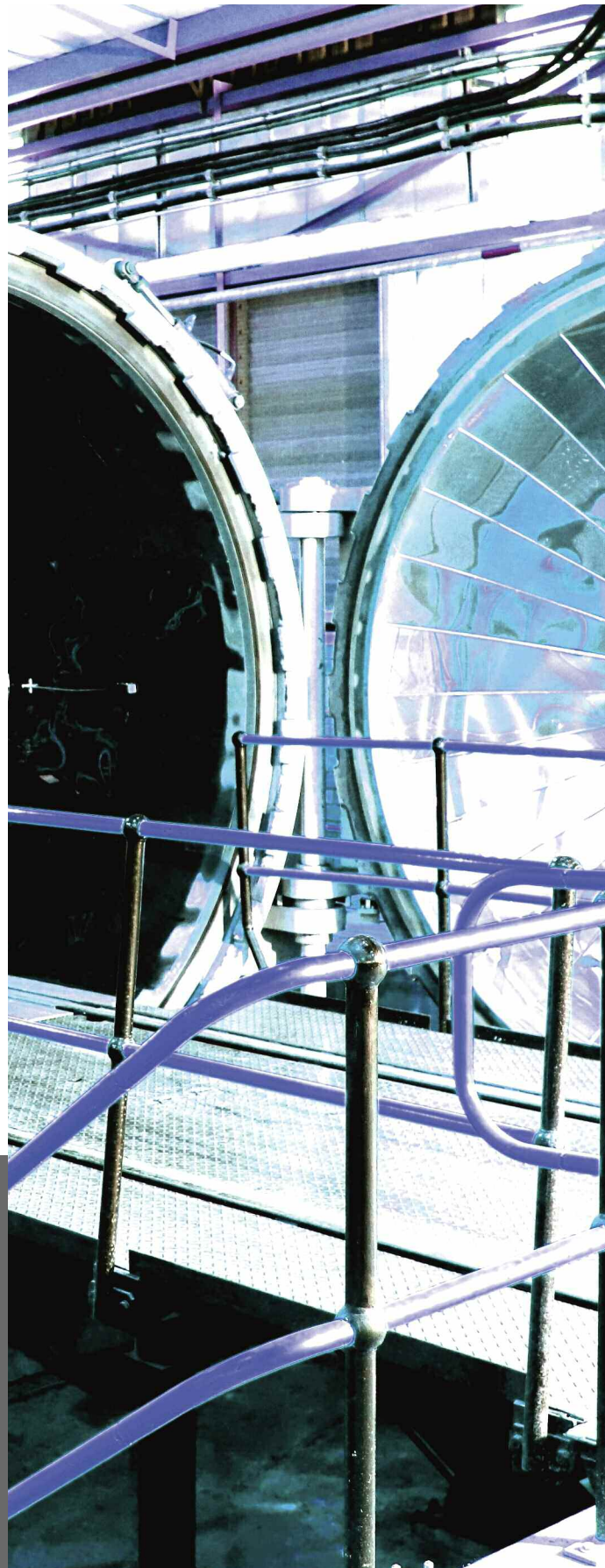
The tail section – or empennage – consists of the aircraft's distinctive vertical stabilizer, the horizontal stabilizer and the rudder, which are responsible for steering the aircraft. The empennage is a vital part of any aircraft because it gives stability and controls the flight dynamics and direction of the plane. It consists predominantly of aluminium, titanium and composite materials.

"Our successful participation in the manufacturing of the G150 is a major opportunity for our company to demonstrate its world production standards, quality controls and it demonstrates the confidence that the global aircraft industry has in Denel Aerostructures' capabilities," says CEO, Ismail Dockrat.

The Gulfstream G150 business jet fleet has surpassed 100 000 flight hours – nearly six and a half years after the mid-size aircraft entered service.

With 95 aircraft in service, the fleet has flown more than 100 000 flight hours and achieved more than 72 000 landings," says Gulfstream. The aircraft is certificated in 11 countries and has achieved 11 city-pair speed records from Gander (Canada) to Geneva (Switzerland) in five hours and seven minutes.

"This important partnership with a world-class company like Gulfstream, places Denel Aerostructures at the forefront of modern manufacturing processes and it proves that we have the skills to compete with the best in the world," says Dockrat.



■ Denel Aviation and Denel Aerostructures welcomed RUAG, a Swiss technology company, to their facilities. RUAG has its headquarters in Bern. Their focus areas are Aerospace/Aviation (civil and military), Ammotec, technology in component manufacturing, aerostructures and recycling and electronics. The meeting was aimed at discussing an MRO partnership. From left are: Martin Laubscher, Gavin Harisson, Chris Bryant, Phillippe Erni, Paul Lottering, Colin Singarum and Thomas Burki in the Rotary Wing MRO facility, Denel Aviation.



Deniprop aligns with government's industrial development plans

A growing number of small- and medium-sized enterprises (SMMEs) are moving into Deniprop's Kempton Park Campus, an area ideally placed to form part of the City of Ekurhuleni's planned Aerotropolis node.

The Kempton Park campus is a high-security site adjacent to the OR Tambo International Airport consisting of a total land area of over 240 hectares with the building area of the premises being in excess of 290 000 square metres.

The Campus has 68 private tenants, including aircraft operators who also perform their maintenance on the campus. These include SA Express, Skyclass, Star Air Cargo, Global Aviation, Foreland Aviation and Lecin Spray Painters.

Of these, 49 are SMMEs involved in business activities ranging from catering, training, aviation-related business, to light engineering and business administration.

Ekurhuleni announced that it will optimise the existence of the airport in its space together with other key development nodes, including the identified industrial development zones through the Aerotropolis strategy. This will entail investment on new economic infrastructure to support logistics, distributions and related green industries.

The vision of an Ekurhuleni Aerotropolis is one that is shared by the Gauteng Provincial government as well as the Government.

Key tenants occupying hangar, workshop, storage and office space are Denel Aerostructures, Denel Aviation, Turbomeca Africa, Denel Technical Academy, the French Simulator Company (Sim Aero Training) and several other companies performing engineering, light industrial, aircraft repair and overhaul functions.

The Kempton Campus still has 27 000 square metres of rental space available which includes offices, workshops and storage facilities. A rigorous advertising campaign has been launched to make this campus more visible to businesses looking for premises in the area.



Denel Overberg Test Range's support for international space station

Two telemetry specialists from Denel Overberg Test Range, Leon Korkie and Herman Steenkamp, were deployed in New Zealand to support the launch of the third automatic transfer vehicle (ATV3) to the international space station.

The "Edoardo Amaldi", is the third of a new series of autonomous spaceships designed by ESA (European Space Agency) to re-supply the International Space Station with food, water, fuel and other essential supplies. It successfully docked with the International Space Station on March 29. After transferring its cargo to the International Space Station, the ATV will be loaded with waste from the station. It will be attached to the space station for approximately six months, after which it will undock and follow a trajectory that will cause it to burn out harmlessly into the atmosphere.

The ATV3 was launched aboard an Ariane 5 ES launch vehicle on March 27, from Kourou in French Guyana. The elaborate planning for this mission entailed that the Test Range deployed its remote telemetry station, consisting of a mobile tracking antenna and its associated equipment, to Invercargill in New Zealand. This had to be integrated with the CNES (Centre National D'Etudes Spatiales) telemetry kit. The integration and different qualification phases of the telemetry network began in early January and ended with the launch in March. Given the timing and trajectory of the launch vehicle, the real-time telemetry data provided by the remote telemetry station of the Test Range was vital to confirm separation between the launch vehicle and the ATV3.

This is the second launch that has been supported by the Test Range under a five-year frame contract with the French Space Agency, CNES, for providing telemetry launch tracking support to future European space launches. The first work order under this Frame Contract was for providing mobile telemetry tracking from Invercargill in New Zealand during the launch of the "Johannes Kepler" Automated Transfer Vehicle (ATV2) that was launched last year. This followed as a result of the successful support that Denel Overberg Test Range provided with the launch of the "Jules Verne" Automated Transfer Vehicle (ATV1) from the same location in New Zealand in 2008. The Test Range has also supported several space missions for the United Launch Alliance (ULA) in the past.

ESA's third Automated Transfer Vehicle (ATV3) has been named Edoardo Amaldi after a leading figure in the Italian Space Science in the last century.

Dirk Viljoen, Project Manager of Denel Overberg Test Range says, "We have an impeccable track record and have become the logical choice for leading launch vehicle operators requiring telemetry launch support at remote locations where there are no fixed ground stations available in the southern hemisphere."



■ Mr Leon Korkie and Mr Herman Steenkamp from Denel Overberg Test Range, with Mr Gilles Sonny, Telespazio – Kourou and Mr Robin McNeill, Venture Southland – New Zealand, just after the first pass of the Automated Transfer Vehicle (ATV3).



Turkish delegation visits the Test Range

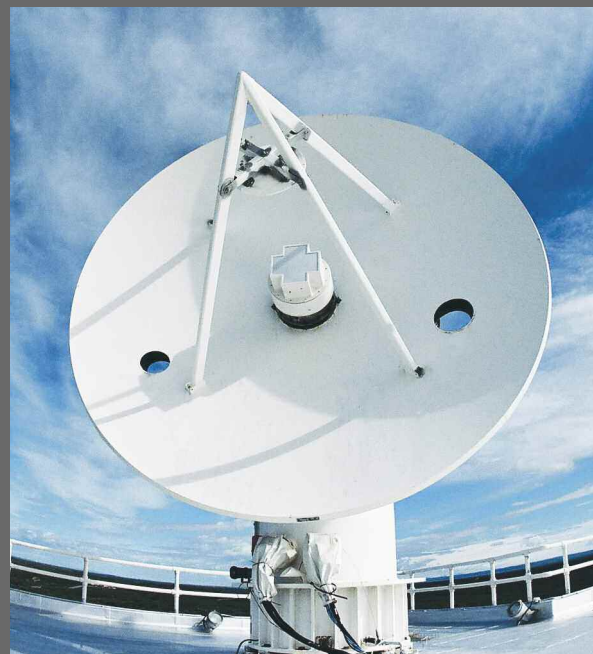
Admiral Emin Murat Bilgel, Chief of the Turkish Navy, visited the Test Range as part of a Turkish delegation in January.



■ Jannie Nel and Abrie van der Walt with Admiral Emin Murat Bilgel, Rear Admiral Pillay and Colonel Erdogan Alp, during their visit to Denel Overberg Test Range.

The delegation consisted of members from the Turkish Navy, Colonel Erdogan Alp, Turkish Defence Attaché, as well as members from the South African Navy under the leadership of Rear Admiral Pillay.

Willie Pienaar, from Denel Corporate Office and Dieter Grub, from Denel Dynamics, accompanied the delegation. After presentations by Abrie van der Walt and Jannie Nel, the delegation visited the control room and MS3 before they departed for Air Force Base Overberg.





PMP launches new hunting ammunition range

During the past few months there have been several media reports regarding the development of PMP's new range of hunting ammunition, but the name was kept secret. Hunters throughout South Africa have anxiously awaited this new addition to PMP's hunting ammunition range.

Carel Wolhuter, CEO of PMP, announced that the development of this new ammunition range has been completed. It will be known as the 'Kalahari Elite' and will initially consist of the following four calibres:

- .243 Winchester 90gr
- 25-06 Remington 100gr
- .270 Winchester 130gr
- 7mm Remington Magnum 150gr.

This development follows the successful launch of PMP's popular 'African Elite' ammunition range in 2008. This ammunition range is loaded with the well-known Swift A-frame bullet, which is imported directly from the USA and which consists of the following four calibres:

- .375 H&H Magnum 300gr
- .300 Winchester Magnum 200gr
- 30-06 Springfield 180gr
- .308 Winchester 180gr.

PMP's Standard, ProAmm and Super ammunition ranges are outstanding value for money and very popular in the American and European markets. However, the demand for an ammunition range which is loaded with a lighter bonded premium bullet type was identified.

The 'Kalahari Elite' ammunition range is loaded with another internationally known bullet, the Scirocco II, which is also a product of the Swift Bullet Company in the USA. The Scirocco II, with Signature Black Tip, is a superbly accurate hunting bullet designed for long-range efficiency. It carries velocity and energy better than any of its competitors. Its sleek design and high ballistic coefficients produce the flattest trajectory in downrange hunting, making it a perfect match for long-range cartridges. The Scirocco II produces positive expansion at minimal velocities, controlled expansion and high weight retention at close range. No other tipped bullet offers the terminal range of Scirocco II.

The production orders have been placed and the ammunition will be available at dealers during the coming hunting season.

PMP delivers on development project

South African ammunition manufacturer, Denel PMP (Pretoria Metal Pressings), has successfully completed the development of 30mm ammunition to be used by the locally-designed Badger combat vehicle.

The CEO of Denel PMP, Carel Wolhuter, says the company is ready to go into the production phase of the ammunition range and is working hard to secure orders. "The quality of this new product is among the best in the world – and comparable with any other international producer of 30 x 173mm calibre rounds," says Wolhuter. "This strengthens the wide range of quality small- and medium calibre ammunition that PMP has been producing for more than 70 years."

The development of the ammunition took place in tandem with the development of the 30mm Cam-gun for the Badger, done by Denel Land Systems. Both PMP and Denel Land Systems (DLS) are companies in the Denel Group, South Africa's premier manufacturer of defence and security products and systems.

The Section Variant and Fire Support Variant of the 8X8 Badger infantry combat vehicle will be equipped with a 30mm cam-operated cannon, integrated into the turrets manufactured by DLS.

Wolhuter says that PMP received an order for the development of three 30 x 173mm calibre rounds in February 2007 – namely PRAC-T, APC-I-T and SAPHE-I-T.

The specifications as well as the requirements for performance and interface between weapon and ammunition were extremely tight. Taking into account the time required between cycles of design, manufacturing and testing the project was completed over a relatively short period.

"PMP complies with very strict specifications and tolerances and we are proud to report that all the development challenges were overcome and that the product is now ready to go into full production," says Wolhuter.

A mixed consignment of 11 000 rounds has recently been manufactured, tested, accepted and delivered to DLS for Cannon and Turret qualification tests. The completed tests have shown that PMP has successfully met the major development challenges relating to dispersion, weapon functioning and the ballistic matching of the three ammunition variants.

The ammunition is interchangeable with the Bushmaster II Weapon and linked ammunition has already been fired successfully on this weapon.

PMP is one of the large business entities in the Denel Group, and is internationally renowned for world-class military and commercial small and medium calibre ammunition. It employs around 1 300 people and exports 30 – 40% of its turnover to more than 30 countries worldwide.

Two million hours of safety

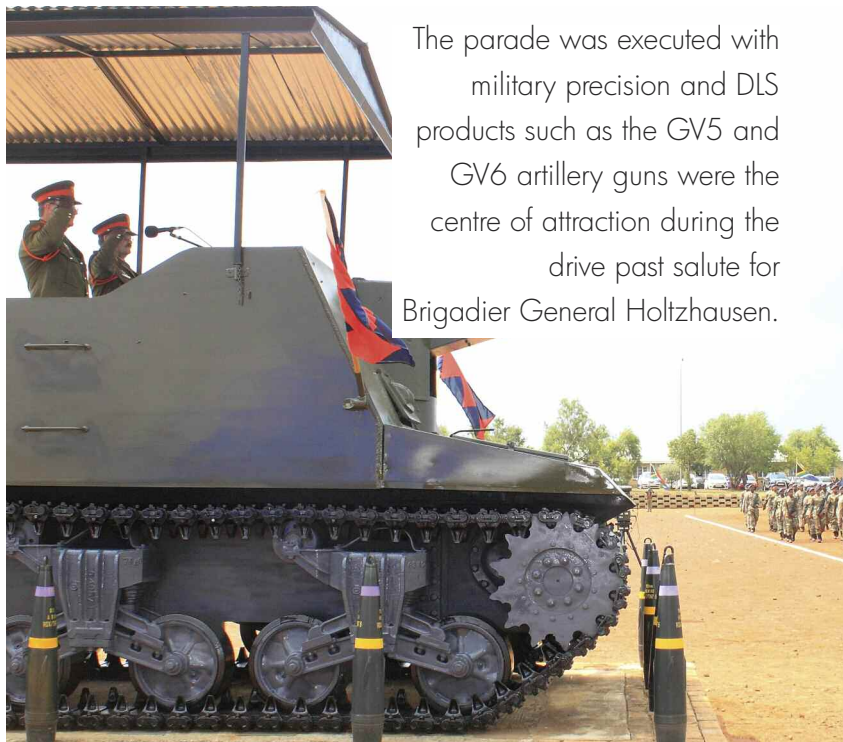
Congratulations to PMP for reaching two million hours without a reportable incident! They consistently raise the bar in safety standards – a fine achievement.



■ Eddie Stadler and Paul Mpofu of PMP stand proudly in front of the congratulatory banner.



DLS artillery guns on show at army parade



The parade was executed with military precision and DLS products such as the GV5 and GV6 artillery guns were the centre of attraction during the drive past salute for Brigadier General Holtzhausen.

Denel Land Systems (DLS) products took pride of place during a parade at 4 Artillery Regiment near Potchefstroom, in February.

The occasion was a handover ceremony when Brigadier General Deon Holtzhausen took command of the SA Army Artillery Formation.

The parade was executed with military precision and DLS products such as the GV5 and GV6 artillery guns were the centre of attraction during the drive past salute for Brig Gen Holtzhausen.

Brig Gen Holtzhausen, was posted as Military Attaché in the Kingdom of Saudi Arabia at his time of promotion and appointment. He holds a Masters Degree in Defence Studies from Kings College in London, UK.

We at DLS are looking forward to working with Brig Gen Holtzhausen to meet the SA Army's requirements for the support and upgrade of the existing equipment, as well as to develop products that will be required in future.

The G6 – still outgunning the competition after 25 years



■ The G6-45 155mm, designed and manufactured by Denel Land Systems. After 25 years it is still outgunning the competition.

Twenty five years after it astonished the global defence community, South Africa's G6 self-propelled Gun-Howitzer still sets the standards against which all long-distance artillery is measured.

"The G6 was ahead of its time when it was first launched in 1987," says Stephan Burger, the CEO of Denel Land Systems. "Through our continuous research and investment in the gun we have ensured it remains ahead of the pack as the most versatile

and reliable artillery system in its class. We are still outgunning all our global competitors by a wide margin."

Stephan says Denel Land Systems (DLS) is undoubtedly a world leader in the design, development and manufacturing of artillery. Modern armies still require agile and flexible artillery systems to support troops involved in both high-intensity warfare and peace-keeping operations.

Artillery is used to establish fire superiority and hit high-value targets over long distances, providing armies with a tactical and operational edge against enemies. The fact that it is self-propelled enables it to keep pace with mounted infantry and armour units over extended distances.

Based on the locally-developed G5, the 155mm G6 revolutionised artillery with its ability to hit targets over exceptionally long distances with an outstanding degree of accuracy. Mounted on a wheeled chassis the G6 is self-propelled, giving it a remarkable agility and ultra-quick reaction time. Its

ability to hit targets more than 65km away at a rate of fire of six rounds per minute confirmed its reputation as one of the most versatile artillery systems ever developed.

In addition to the South African National Defence Force the G6 has also been acquired by the United Arab Emirates and Oman.

Stephan says Lyttelton Engineering Works – the predecessor of Denel Land Systems – initially designed the G6 to meet the need for an accurate, long-range artillery system that is highly mobile and easy to operate.

The upgraded G6-52 was first launched in 2003 and is continuously being modified to "remain at the front of the pack" in modern artillery systems.

Some of the key features of the G6-52 are: mobility and speed, range, accuracy, ease of operation, rate of fire, full protection against counter-battery fire and adaptability.



GBADS Equipment Transferred to SA Army



■ The triumphant DISS team – GBADS LVS Delivery April 2012.

The equipment developed under Ground-Based Air Defence System (GBADS) Phase 1 project was recently inventoried by the SA Army.

The occasion of shipping the equipment to Kimberley was an important milestone for the Denel Integrated Systems Solutions (DISS) team and was recorded for prosperity.

Ralph Mills, CEO of DISS, attributes the successes that have been achieved over the last few years to

the dedication and loyalty of the team under very trying circumstances.

The system will now enter a two-year commissioning phase where the team from DISS will assist in the activities required to get the system to full operational status.

Successfully completing Phase 1 of the programme has unlocked the follow-on phases of the programme and DISS is currently responding to a

number of requests for proposals from the client that will place the company on a good footing for the future.

In addition, the human capital and complex system expertise that the company has built up has positioned the company well. It can now expand into other complex systems environments in line with the group goals of diversification and increasing revenue.



New milestone for Ground-Based Air Defence System

The South African Army's new Ground-Based Air Defence System has moved another step closer to operational readiness following the completion of a major milestone in its development.



Ralph Mills, the CEO of Denel Integrated Systems Solutions (DISS), says the company has successfully completed the contractual hardware delivery requirements for the Ground-Based Air Defence System (GBADS).

"The SA Army will now take the equipment on inventory and initiate the commissioning phase of the programme. This will take the system to operational readiness with support from Denel," he says.

The delivery of the project follows extensive evaluation and testing conducted last year at the Swartkop Air Field in Tshwane and the Combat Training Centre at Lohatla in the Northern Cape.

Soldiers from the Air Defence Artillery Formation assisted during the tests. The formation will be responsible for the deployment of the GBADS in anti-aircraft operations.

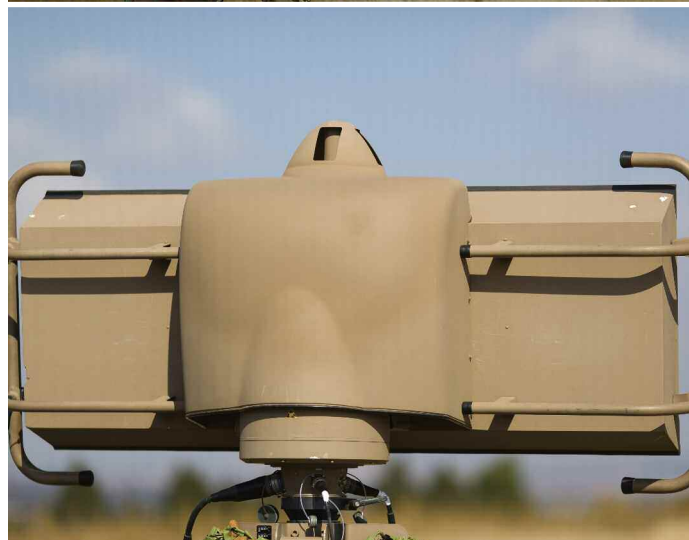
Mills says he is "extremely proud of the team" for reaching this milestone and thanked the Integrated Project Team, consisting of members from both the Department of Defence and Armscor, for their contribution to the programme.

System Integration skills have been identified as a key strategic capability for our country and in DISS we now have the basis to build on these crucial skills," says Mills.

"One of the programmes in progress at DISS is the development of young system engineers who are trained and mentored in the discipline of System Engineering.

"System Engineering as a discipline can contribute to many areas of our society and it is critical that we start developing the human capital now, to be ready for the programmes of the future," says Mills.

Riaz Saloojee, Group CEO, congratulated the DISS team on achieving this milestone. Saloojee indicated that "the successful finalisation of this phase of the programme had positioned DISS well for subsequent stages and the company is now in a position to expand into other domains".





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