



DENEL INSIGHTS

First Issue 2014



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CONTACT US

Vuyelwa Qinga
Group Communications Manager, Denel SOC Limited
Tel: +27 (0) 12 671 2662, Fax: +27 (0) 12 671 2751
Nellmapius Drive, Irene, P O Box 8322, Centurion, 0046, South Africa
www.denel.co.za

Editor’s Note

Welcome to the first edition of Denel Insights for this year! 2014 is a very exciting year for Denel. Significant in that South Africa is celebrating 20 Years of our very peaceful Freedom and Democracy! We add our collective voices at the 4000-plus Denel family to say: Halala South Africa, Halala!!!

Our contribution to the great story that our South Africa has grown into is in “Celebrating 20 Years of Innovative Defence Solutions”. For Denel to continue on the growth trajectory that we have been on for the past two to three years, we rely heavily on the strength of our stakeholder relationships, partnerships and industry collaboration. This is part of our profitability and sustainability strategy.

In celebrating 20-years of our company in a new democratic South Africa, we are celebrating our innovative combat turrets, artillery and vehicle systems, missiles, command and control, maintenance, repair and overhaul of aircraft (MRO), avionics upgrades, testing of airborne systems, munitions, development and design of aerostructures components, as well as humanitarian services which include demining. We are also celebrating our achievements in training the next generation of Engineers, Scientists, Technicians and Artisans. Our efforts to achieve major savings in energy efficiency continue to yield great results.

In the next edition, we will tell you more about progress on the delivery of the Badger infantry combat vehicle to the SANDF, and lift the veil on the successful flights of the new Seeker 400 UAV! In this edition, however, please allow us to blow our own horn as a high-technology powerhouse of innovation that every South African can rightfully be proud of as we celebrate 20 Years of Freedom and Democracy!

Enjoy the read, and please do give us feedback!

Vuyelwa Qinga
Group Head: Corporate Communications



Another Good Story to Tell in 20 Years of South Africa's Freedom & Democracy



In the 20 years since South Africa's democratic transition, Denel has contributed to the national good by ensuring a high level of strategic independence for the country's defence force and security services.

But, in this period, the company has also grown and matured into a high-technology powerhouse with products, systems and services that stretch beyond its primary defence mandate. Its contribution to the broader South African economy is closely aligned to the objectives of the National Development Plan.

- It has pioneered local research and development in advanced materials such as composites used in aerospace manufacturing. Across the group Denel now invests some R528-million in R&D of which R142-million is generated from internal funds.
- Through its bursary and internship programmes it is attracting the best and brightest young talents in the fields of engineering and technology into the company's ranks. Denel graduates are today making decisive contributions across a wide spectrum of economic activities from electricity generation to space science to the search for alternative fuel sources.
- It is contributing to the emergence of the next generation of skilled engineers and artisans through its enrichment programmes designed to improve education outcomes in the vital subjects of maths and science. Through such programmes Denel is responding to the challenge contained in

the National Development Plan for the country to achieve a fourfold increase in engineers, artisans and skilled people over the next 15 years.

- Denel is at the forefront of South Africa's growing relations with its partners in the BRICS alliance. At the BRICS Summit hosted in Durban the establishment of a Centre of Excellence for aircraft maintenance at Denel Aviation was highlighted as an example of our country's partnership with Russia. Denel Dynamics is working closely with Brazil in the development of the next generation air-to-air missile, the A-Darter.
- Iconic products such as the Rooivalk Combat Support Helicopter are providing vital backing to SANDF troops involved in peace-keeping operations, thus enabling South Africa to play a more decisive role in regional initiatives. The Badger, designed and developed by Denel Land Systems, will provide the SA Army with core combat support capabilities for decades to come.
- Through its financial turnaround strategy Denel has moved from a loss-making position to modest profits over the past three years. Its high standards in corporate governance and financial management have been recognised by international rating agencies and independent analysts from the University of Stellenbosch who recognised Denel as the best-run state-owned company.

Denel is a force for good in South Africa and a valuable national asset.

Our Products steal the show at DSA Malaysia 2014



If the response of visitors to the Denel Group's attention-grabbing stand at the Defence Services Asia (DSA) Exhibition in Malaysia last month is anything to go by, then one can safely say that Denel's reputation in the market seems very firmly established and recognised.

The Denel stand was located next to the South African pavilion, where other South African companies from the SA defence sector were located. Our stand was totally captivating and stood out with its striking blue colours and distinct lines.

Several dignitaries, including the Malaysian Minister of Defence, the Philippines Minister of Defence and senior members of Armed Forces from the region visited the stand and spent time talking with members of our high profile delegation. Our delegation included the Denel Group's Chairman, a member of the Board, the Group CEO, the Department of Public Enterprises' Director-General and a South African Defence Force general. The South African High Commission to Malaysia, Mr Thami Mseleku and the Chief of the Defence Force, General Solly Shoke also spent time on our stand interacting with the high-profile guests.

Denel became one of only a handful of companies that were invited to a private luncheon with the King of Malaysia at which only select guests from the Malaysian defence sector were present.

Denel-manufactured equipment which will be integrated in hardware being manufactured by DRB-DEFTECH was on display on the DEFTECH stand. DEFTECH is the largest Malaysian manufacturer of defence hardware and is the prime contractor on our AV8 programme. The Malaysian Prime Minister and the King of Malaysia are among the guests who saw our technology on the DEFTECH stand!

"The biennial DSA is one of the top five defence shows in the world and a major opportunity to reach decision-makers in the Asia-Pacific region. Delegations from more than 50 countries attended the DSA specifically to get updated on the most recent developments in the defence and security industries," says Riaz Saloojee, the Group Chief Executive of Denel.

"We have a strong relationship with the Malaysian defence sector and armed forces, but we also went there to demonstrate our capabilities and technology offerings to other countries in the region. It was a good investment in terms of exhibitions we had to attend this year!"

Back row from left to right

Piet Eksteen - Business Development Exec, DLS, Riaz Saloojee- Group CEO, Denel

Tshediso Matona- DG, DPE, Not known, Not known

Seated from left to right

Not known, Dato' Seri Hishammuddin Hussein - Minister of Defence, Malaysia

H.M Sultan Abdul Halim- Agong (King) of Malaysia, Not known

Tan Sri Mohd Khamil Jamil- Group CEO, DRB Hicom Berhad



Celebrating 20 Years of Freedom

As the country celebrates 20 Years of Freedom in 2014 everyone at Denel is invited to join in by supporting the Freedom Fridays Campaign. Employees are encouraged to show their support each Friday by wearing something that makes us proudly South African – the colours of the National Flag, traditional attire, national soccer or rugby team jerseys,

or anything else that reflects solidarity with the 20 Years celebrations.

The Freedom Fridays Campaign is in support of the 20 Years celebration. It calls on all South Africans to take pride in their nation and celebrate the road they have travelled since 1994.

Ratings Upgrade Confirms Denel's Financial Turnaround and Long-Term Potential

We welcomed the decision by the Fitch Ratings to upgrade the company's long-term rating and affirm our current short-term outlook.

"It is a vote of confidence in our prudent financial practices and a clear indication that our turnaround strategy is working and is recognised in financial circles and investor communities" said Riaz Saloojee, the Group Chief Executive of Denel.

"Denel is a valuable national asset which contributes more to South Africa than what is contained in its primary mandate to supply the defence community with defence-related technology and solutions," says Saloojee.

"We are growing into our role as a technology and advanced-manufacturing powerhouse which also contributes to the broader national objectives of skills development and job creation through its investments in research and development and technical education."

Saloojee said the long-term ratings upgrade to 'AAA(zaf)' from 'AA-(zaf)' reflects Denel's stable position as a state-owned company which is able to draw on guarantees from Government. It also recognises the success of the financial turnaround which led to Denel reporting moderate profits over the past three years.

Denel has managed to diversify its revenue base away from the South African defence sector with 50% of revenue now generated from exports, most notably to the Middle East and Southeast Asia. Fitch Ratings expects the export business to remain an important aspect of Denel's revenue growth but cautions that competitive pressure is likely to come from large global contractors.

Mr Saloojee said a higher credit rating for Denel will lower borrowing costs and result in an increase in profitability. Denel's national short-term rating was confirmed at 'F1+(zaf)' and its outlook is described as "stable."

"My Denel. My Values" Campaign Points Way to the Growth of a "New Denel"

- PERFORMANCE** – WE EMBRACE OPERATIONAL EXCELLENCE
- INTEGRITY** – WE ARE HONEST, TRUTHFUL AND ETHICAL
- INNOVATION** – WE CREATE SUSTAINABLE, INNOVATIVE SOLUTIONS
- CARING** – WE CARE FOR OUR PEOPLE, CUSTOMERS, COMMUNITIES AND THE ENVIRONMENT
- ACCOUNTABILITY** – WE TAKE RESPONSIBILITY FOR ALL OUR ACTIONS.

Denel's defining values took centre stage at the launch of the "My Denel. My Values" campaign held at the Kempton Park Campus in February.

Calling it "a historic event for the new Denel", Group CEO, Riaz Saloojee said the company is made up of "people who care, who are passionate, committed to the company and eager to bring in new ideas."

The "My Denel. My Values" campaign will continue throughout the year in all campuses to create awareness about our shared set of values within a united company with a single Vision.

Saloojee emphasised that the values "defined the character of the company" and the event should be seen as "a new beginning for a new Denel."

"We are secure in the knowledge that we can take the company into a sustainable future and make it a great company", he said. "This can only be achieved if we work together and base our unity on something that we all cherish and believe in, which are our values".

He urged employees to be proud of the company by living the values. This will become visible in the world where people will respect us, "not because we tell them what we can do but how we carry ourselves."

Group HR and Transformation Executive, Natasha Davies, said that values should be at the core of every action we perform, as we go about our daily tasks. "In a successful environment like ours, values should become part of our DNA and should be entrenched in our production processes" said Davies.

Brazilian visit strengthens ties with Denel



Members of the Denel Management team with Members of the Brazilian Ministry of Defence, Armscor and SAAF delegations.

Denel’s partnership with the Brazilian defence industry was strengthened during a recent visit by Defence Minister, Celso Amorim to Denel Dynamics.

During the visit Mr Amorim was given an overview on Denel as well as an update on the status of the A-Darter production and development contract. This was followed by a tour of the A-Darter facility.

The visit was hosted by Group CEO, Riaz Saloojee and the DD management team supported by members of Armscor and the SAAF.

Mr Amorim was on a visit to South Africa which included talks with the South African Minister of Defence, Ms Nosiviwe Mapisa-Nqakula. To strengthen the partnership and ensure the progress of bilateral actions, it was agreed to organize an annual meeting between the two ministers.

Speaking after the meeting Mr Amorim said Brazil and South Africa are “ideal partners in defence”. They are at a similar developmental stage and share common challenges and needs in the technological field.



Brazil Minister of Defence, Celso Amorim (Left) with Denel GCEO Riaz Saloojee during the presentation of the Denel overview



Deon Olivier, DD South American Marketing Manager discussing the development of the A-Darter Missile with Minister Amorim

Flying start for DAv’s new Port Helicopter Service



Rufus Lekala, Chief Harbour Master at Transnet National Ports Authority (TNPA) and Mr Mike Kgobe, CEO of Denel Aviation



Young pilots to be trained by Denel as part of the contract

Denel Aviation’s ship-to-shore operations at the ports of Durban and Richards Bay are off to a flying start following the awarding of a contract by the Transnet National Ports Authority.

In terms of the ccontract Denel Aviation provides a total package of aviation solutions to the Transnet National Ports Authority (TNPA). This includes giving practical experience to the Authority’s 17 cadet helicopter pilots, who have completed their courses and earned their commercial helicopter pilot’s licenses.

“We are committed to the transformation of the aviation industry through skills development and training,” says DAv’s CEO, Mike Kgobe. “Part of this contract is to provide the mentorship and guidance to TNPA pilots to enable them to perform the tasks when they have qualified.”

During the first year of the contract the service will be undertaken entirely by Denel pilots. Thereafter, the ratio will reduce by 20% per year for the next four years after which TNPA will take over the service.

Denel will also continue training TNPA’s six trainee helicopter engineers who have already completed the first year of their course at the Denel Technical Academy.

Kgobe says the contract with the TNPA supports the vision of the Department of Public Enterprises for state-owned companies to share expertise resulting in transformation and the consolidation of services.



New Badger to be Combat-Ready in Three Years' Time

The first Badger infantry combat vehicle will roll off Denel's production facilities in October 2016 – exactly three years after Armscor and the SANDF placed a multibillion order for 238 vehicles which will rejuvenate the country's landward defence capabilities.

Stephan Burger, the CEO of Denel Land Systems (DLS) says the industrialisation at its facilities in Lyttelton has already started and the manufacturing will commence in early 2016. The full fleet, which will replace the Ratels, currently used, will be delivered over a ten year period.

"The new Badger ICV is a locally-designed and produced vehicle, and represents the apex of the South African defence industry," says Burger.

"It will provide South Africa's soldiers with unrivalled firepower, mobility and maximum armoured protection. The SANDF will have an adaptable and flexible vehicle that can be used with equal confidence in both high-intensity warfare and peace support operations."

Burger says the Badger is the culmination of decades of research, testing and development that produced a mature vehicle designed to serve the requirements of the SA Army.

The Badger programme will contribute to a number of key objectives set by Denel, as a state-owned company and a strategic national asset.

- It confirms Denel's role as South Africa's premier producer of world-class defence products and systems and a strategic partner of the SANDF. The Badger is a "best-of-breed" infantry combat vehicle able to compete on equal terms with any other vehicle in its class.
- This is the most significant defence contract ever signed with a South African company. It demonstrates the Government's confidence in the ability of the local industry to produce frontline equipment for a modern defence force.
- The Badger contract strengthens South Africa's strategic independence in the fields of defence and security-related products and support.
- Through this programme Denel makes another decisive contribution to meet the country's industrial objectives with regards to advanced manufacturing, skills development, job creation and foreign-currency earnings due to export potential

- The Badger will contribute towards the long-term sustainability of the entire South African defence industry. It will focus global attention on the unique skills, innovation and capabilities within the local defence sector and open the door to future partnerships and joint ventures.
- The contract will create and retain at least 2 000 jobs in the downstream South African defence industry among local sub-contractors as well as 200 direct jobs at Denel Land Systems. These jobs cover a wide spectrum from graduate engineers, system designers and artisans to skilled and semi-skilled workers.

Burger says the recent involvement of South African troops in operations supporting the United Nations and the African Union again emphasised the need for protective mobility on the battlefield which the Badger now provides.

In peace-enforcement operations the vehicle enables soldiers to dismount and interact freely with the civilian population. But the same vehicle also provides troops with effective protection and offensive firepower in high-intensity warfare.

The development of the Badger has been a model of efficiency for the South African manufacturing industry. With a budget of R1.3 billion Denel Land Systems and its sub-contractors have, within five-and-a-half years:

- Developed five complementary variants of the Badger ICV with different armament and interior fits.
- Developed an enhanced armour envelope including a new flat-bottom mine-protection technology for the Badger.
- Developed two new weapons, an externally driven 30 mm cannon and a breech-loaded 60 mm mortar and the related ammunition for two of the variants.
- Tested seven complete Badger vehicles.
- Developed the driver and turret crew training simulators for the Badger.
- Developed the logistic support system for the Badger

"We are confident that the Badger will generate considerable international interest in the vehicle and open a number of prospects for future exports that could result in the injection of foreign direct investment into South Africa," says Mr Burger.

Jappie keeps Denel's name among the stars at scifest Africa

Denel Dynamics was well represented at the annual Scifest Africa festival in Grahamstown with Jappie Monele using the opportunity to inform young participants about the company.

During the week-long event Jappie was chosen by the National Research Foundation and the South African Agency for Science and Technology Advancement to visit local schools and to motivate children to follow careers in maths, science and engineering.

This was Denel Dynamics' first participation at Scifest Africa, the biggest festival of its kind on the continent drawing more than 68 000 visitors from 22 countries.

Jappie says his interaction with the youth focused primarily on information about the business of Denel Dynamics and the opportunities that are available with regards to bursaries and internships.

He also met with American pilot, Capt. Barrington Irvin Jr, the first black to fly solo around the world and local astronaut-in-training, Mandlenkosi Maseko, who was recently chosen to be the first black South African to go into space.



Mandlenkosi Maseko, a South African astronaut-in-training and Jappie Monele at the festival



Christo Versteeg (CSIR) and Jappie Monele

Celebrating 20 Years in a Free, Democratic and Safer South Africa



Today, Denel is a force for good in South Africa! As a proud strategic partner of the South African National Defence Force, we help to guarantee the country's territorial integrity and protect the lives of citizens. As a globally recognised manufacturer of leading-edge products, we earn valuable foreign exchange.

As a technology powerhouse, we lead the way in innovation and research and development.

As a responsible corporate citizen, we invest in fighting the triple challenges of poverty, unemployment and inequality through our CSI, training and skills development of future engineers, scientists, artisans, technicians and astronauts.

Denel's support to a democratic South Africa can also be measured by the quality of our people, products and nation-building programmes:

- **The Rooivalk Helicopter** – making its debut flight on the day President Nelson Mandela was released after 27 years of incarceration. Today this iconic indigenously developed combat helicopter provides valuable support to South African troops in peace-keeping operations across the continent.
- **The Seeker 400** – the new global standard in unmanned aerial vehicles and an invaluable tool in reconnaissance operations, border protection, wildlife management and search and rescue operations.
- **The Badger** – the SA Army's infantry combat vehicle of choice providing our troops with unrivalled mobility, firepower and protection.
- **The A-Darter** – a new-generation surface-to-air missile developed in collaboration with Brazil, South Africa's partner in the BRICS Alliance;

- **Denel Aerostructures** -- a leader in the design and manufacturing of complex metallic and composites structures for the global aerospace industry.
- **Denel Aviation** – a trusted partner of the SA Air Force, helping to keep key parts of its helicopter and fixed wing fleet in excellent flying condition.
- **Denel Mechem** – Africa's leading provider of humanitarian demining services, saving lives and stabilising communities in post-conflict regions.
- **Denel Overberg Test Range** - located on the southern-most tip of Africa, a much sought-after facility for international flight testing and a global ally in space launches and missions.

Twenty Years after South Africa's democratic transition, Denel partners the SANDF in support of the AU and UN in ensuring Peace, Security and Stability in South Africa and the rest of the continent.

South Africa, here's to another 20 Years of Peace, Freedom and Democracy!

Halala South Africa, Halala!!!



Successful Tests Prepare for Denel's New Seeker 400 UAV



Seeker 400 during the flight test at Alkantpan Range in the Northern Cape

Denel's Seeker 400 unmanned aerial vehicle system successfully completed its first round of flight tests after a three year development process.

Tsepo Monaheng, the CEO of Denel Dynamics said he is confident that production of the Seeker 400 for clients will start in the second half of the year. "This is a remarkable achievement for Denel and again confirms our global leadership position in the design and manufacturing of UAVs."

The tests done at the Alkantpan range in the Northern Cape focused on performance parameters. A second round of scheduled tests will determine the craft's production readiness.

The Seeker 400 can be used for a wide range of military and civilian missions, including disaster response and maritime surveillance. It can stay up in the air for 16 hours at altitudes of up to 6 000 metres. At typical operating altitudes of between 1 500 and 3 000 metres it is invisible to a person on the ground and is effectively inaudible at altitudes higher than 1 000 metres above ground.

The Seeker 400 has the ability to simultaneously carry two different payloads such as an optronics turret and synthetic aperture radar and a completely digital video system. These payloads can be changed over in the field, allowing the Seeker to be tailored for different tactical situations.

Monaheng said the Seeker 400 is a highlight in South Africa's development of a local UAV which started in the mid-1980s. Its forerunner, the Seeker 2, has been deployed in operational service by international clients, including in Afghanistan.

The Seeker was also the first UAV in the world cleared for operations in controlled airspace when it was deployed to monitor potential hotspots during South Africa's first democratic elections in 1994.

The Seeker 2 will be further developed by Denel Dynamics, rebranded as the Seeker 200, and offered to clients who want smaller air vehicles or do not require the greater endurance and dual payload capability offered by the latest version.

Dynamic Leadership to Steer Denel's Space Business

Patrick Ndhlovu has joined Denel as the new General Manager of Spaceteq, the space business unit of Denel Dynamics.

As a professional engineer, with a graduate degree from the University of Natal, Ndhlovu brings with him a wealth of experience in the local and global aerospace, satellite and software engineering sectors.

His career spans across organisations such as Eskom, Armscor and, more recently, at the helm of his own software engineering business. He has been a member of the board of the Civil Aviation Authority for the past three years and currently serves as the chairperson of its Finance and Audit Committee.

Ndhlovu's relationship with Denel goes back many years through his participation in the Airbus A400M project. He was involved in the Design, Development, Certification and Manufacturing of the A400M Aircraft at Airbus in Toulouse. During his tenure in France he also acquired a Master in Engineering from the French Civil Aviation University (ENAC) with specialisation in satellite-based communication, navigation and surveillance.

Spaceteq was incorporated into Denel last year as a specialised space engineering business unit. Denel also thanks Berthold Alheit who served as acting general manager of Spaceteq since July 2013.

Under Ndhlovu's leadership the unit will continue to strengthen Denel's position as a leader in innovative and advanced aerospace systems and technology



Patrick Ndhlovu, General Manager of Spaceteq

Major milestone reached on GBADS



GBADS system in action

The Ground-based Air Defence System (GBADS) programme has reached a significant milestone with the commissioning of the system more than a decade after it was first contracted.

The team from Denel Integrated Systems Solution (DISS) under the leadership of Jan Nienaber spent five weeks in Kimberley to complete the commissioning phase.

The contract for the development of the GBADS was first placed with Denel in 2003. It was delivered to its end-user, the SA Army in 2012 which then led to the commissioning phase.

During this phase the team had to ensure that all spares and logistic arrangements are in place for the project team to hand over a supportable system to the operational unit. It also included the final training of users and updates to the system.

Both the SA Army and the Armscor project team expressed their appreciation towards Denel for its efforts to commission the system and the successful completion of the project.

The system will now move into the support phase while the next stages of GBADS are initiated.

Visit leads to better insights into Denel Dynamics programmes



Members of the Executive National Security Programme (ENSP) with Denel staff

Members of the Executive National Security Programme and students at the SA Army and Air War Colleges recently received insights into Denel Dynamics' contribution to the defence industry.

The day-long visit included presentations on the company's various product lines, a tour of the campus and social function to end the proceedings.

This is an annual event intended to familiarise current and future decision-makers in the defence and security environment about Denel Dynamics' products and collaborative programmes.

The ENSP programme is of strategic importance to the defence industry. A previous attendee of the course is Brig Gen L L Mtirara of the Directorate Air Force Acquisition who plays a key role in Denel's business with the SAAF.

Among the delegation from the SA Army College were three foreign students who expressed their appreciation for Denel's hospitality and the insights they gained in the company's activities.

Col. Tristan la Grange (an ex Denel Dynamics employee), who is

now a trainer at the SA Air War College, said: "It is always good to come back home. It is even better that the students feel like they are at home and are now familiar with what the company has to offer. Thank you to Denel Dynamics Management and staff for a successful component of the course".



Dennis Wilson, Dynamics Air to Air Program manager giving the SA Air War college an overview of the Air-to-Air



More Artisans to Serve Local Engineering Industry

The Denel Technical Academy has widened the range of courses it offers to serve the entire South African engineering sector.

Rani Padayachey, the head of Denel Technical Academy (DTA) says it wants to play a more prominent role in the broader further education and training environment to help meet the country's huge demands for artisans and technicians.

The National Development Plan requires that by 2030 the country produce at least 33 000 artisans each year.

Ms Padayachey says the DTA has in the past focused predominantly on training artisans for the aviation sector with many of its graduates moving into this industry after the completion of their studies. Denel Aviation offers bursaries for students who qualify as aircraft mechanics and apprentices.

"The South African's government's plans to invest in a National Infrastructure Plan will increase the need for qualified artisans across all the engineering disciplines," says Ms Padayachey.

The Plan, announced by President Jacob Zuma, will lead to the rejuvenation of the country's strategic infrastructure in areas such as rail, roads, water, sanitation, power and housing.

As a state-owned company, Denel is strongly aligned with government's broad developmental objectives, including the need to prioritise skills development and training – especially in the fields of engineering and technology.

The company invests about R50 million a year in skills development programmes including bursaries and internships for engineers and artisans, career development and enrichment courses for high school learners in the subjects of mathematics, science and technology.

Ms Padayachey says the DTA recently signed a memorandum of understanding with the Manufacturing, Engineering and Related Services Seta to fund the training of 22 fitters and turners and two toolmakers. A further 57 students are sponsored by the National Tooling Initiative programme.

A mature and Confident Denel Land Systems

Denel Land Systems is now firmly established as Africa's leading supplier of land defence systems and poised to expand the range and quality of its products to local and export markets.

Speaking at the public launch of the Badger infantry combat vehicle, DLS CEO, Stephan Burger, referred to a range of developments that helped to cement the company's reputation.

Among these are:

- The incorporation of Denel Mechem, a global leader in humanitarian demining and the clearance of explosive remnants of war
- The acquisition of LMT (Land Mobility Technology) which strengthened the company's capabilities in the areas of design and protection for military vehicles.
- The decision to award the multi-billion contract for the manufacturing of the Badger to DLS. This demonstrated confidence in the expertise of the local defence industry, said Burger.

DLS is now a "mature and confident company which can build on a reputation and experience of more than 60 years. The next step will be to grow our share in the global markets – especially in our niche capabilities in artillery systems."

Burger also referred to Denel Mechem, which, he said, "is helping to create a safer world through its demining and battle

area clearance operations." It is one of the few demining companies accredited by the United Nations and is currently active in post-conflict zones in 11 African countries.



Aerostructures central to growth of Africa's first Aerotropolis

An Aerotropolis is described as a new urban development form comprising aviation-intensive businesses and related enterprises extending up to 25 kilometres outward from major airports. It has an airport city at its core surrounded by a cluster of aviation-related enterprises.

Because of the strategic location of Ekurhuleni in relation to the Oliver Tambo International Airport the metro is the prime candidate to grow into Africa's first Aerotropolis. The Denel Kempton Park campus is expected to play an anchor role in this future development.

DAe is well represented in the Aerotropolis Planning Committee and executives participate in the activities of the related work streams. In addition to Willie van der Walt, Executive Manager Engineering,

Senior Marketer, Shaun Harry serves on the communications and marketing committee and Chris Hughes (Executive: Quality, Research and Development) on the environmental and disaster management team. John Manzini, the Chief Information Officer at Denel Aviation adds his experience to the ICT work stream.

Denel is regarded as a highly-valued corporate citizen within Ekurhuleni. Through its pro-active involvement and leadership it will contribute to the growth and success of the Aerotropolis idea.

Energy Efficient Technologies Lead to Major Savings



Denel's current switchover to energy efficient lighting will save the company more than R10 million a year and contribute to a significant reduction in greenhouse gas emissions.

Terrence Chetty, Denel's Energy Manager says the steps taken to make the company's operations more energy efficient and create awareness among employees are already producing tangible results.

He recently completed an energy awareness roadshow at all Denel operations and launched a campaign to bring home the messages of energy savings and responsible consumption of power within the workplace. "If we could drive behavioural change in the work environment to achieve just a 1% impact on our energy consumption, we can save over a million kilowatt hours – this is definitely achievable," says Chetty.

"Our measurements show that our most energy intensive operation achieved a reduction of 8% – and the group achieved an overall reduction of 2% in energy consumption. This equates to 2.1 million kilowatt hours.

"If we continue to drive awareness and switch to more energy efficient production processes we will reach the group's minimum target of 10% savings."

The most dramatic improvement to date was achieved through

the switch to energy efficient lighting in all Denel's offices and factory floors. Old, inefficient lighting systems were replaced with the latest available technology and control gear.

Chetty says the technology intensive production processes in the Denel divisions consume vast amounts of energy on a daily basis. A comprehensive audit has been done at all Denel operations to determine the steps that can be taken to create cleaner production processes.

Chetty has developed an Energy Sustainability Policy which cements Denel's commitments to improving energy efficiency and reducing greenhouse gas emissions.

Denel, as a proudly South Africa company, signed the national "49M Power Pledge" designed to reduce the country's energy consumption. By moving to cleaner production processes the company mitigates greenhouse gas emissions contributing to a more sustainable environment whilst improving its financial performance.



Unifying our identity: New face for new Denel



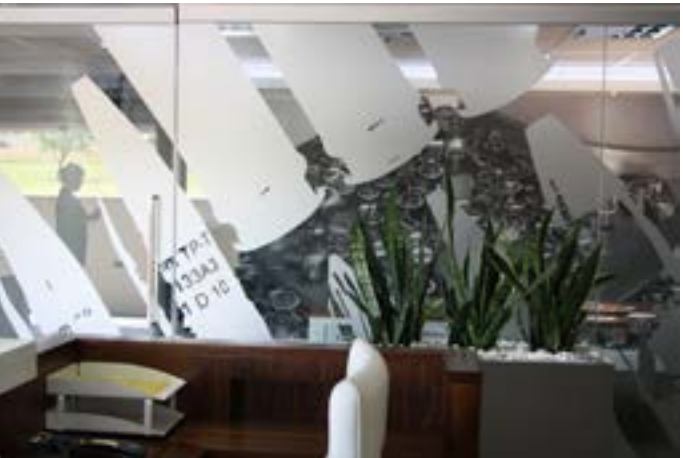
Denel Aerostructures' opening ceremony



Denel is in the process of unifying the Denel brand throughout the Group. Part of this process is in creating similar common areas in all the Denel buildings. The first phase of this project saw the opening of the new reception areas at Denel PMP and Denel Aerostructures.



Riaz Saloojee, GCEO and Phaladi Petje, PMP CEO Opening the new PMP Reception



International Missile Testing at Denel Overberg Test Range



Iris-T SLM missile launch at Denel Overberg Test Range

Observers from 16 countries were present at the Denel Overberg Test Range when Diehl Defence successfully tested its new IRIS-T SLM Ground-based Air Defence System.

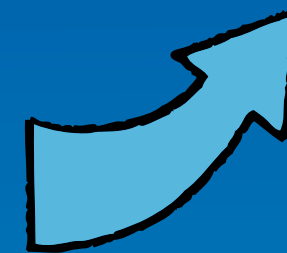
The Test Range was selected as venue because of its capacity to provide turnkey flight test, system certification and performance evaluation services for missiles, rockets, bombs, guided munitions and aircraft.

According to German company, Diehl Defence, it has tested the IRIS-T SL missile at Overberg before, but the tests conducted in January used different hardware and a new command and control system



DENEL GROUP VALUES

THE BELOW VALUES ARE GIVEN AS A GUIDELINE FOR THE GROUP, BUSINESS ENTITIES ALTHOUGH SIMILAR, MAY SUBSCRIBE TO THEIR OWN SET OF VALUES



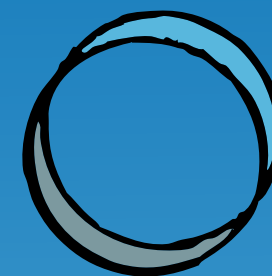
Performance

WE EMBRACE OPERATIONAL EXCELLENCE



Integrity

WE ARE HONEST, TRUTHFUL AND ETHICAL.



Innovation

WE CREATE SUSTAINABLE INNOVATIVE SOLUTIONS.



Caring

WE CARE FOR OUR PEOPLE, CUSTOMERS, COMMUNITIES, NATIONS AND THE ENVIRONMENT



Accountability

WE TAKE RESPONSIBILITY FOR ALL OUR ACTIONS.

DENEL GROUP

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