

# DENEL INSIGHTS

Second Issue **2015**

**Denel's Growth**  
as Africa's High-tech Powerhouse  
Continues

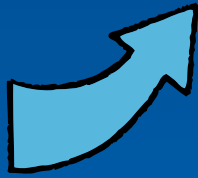
**Denel Book to  
Radically Change**  
South Africa's Maths, Science and  
Technology Landscape

**New Board**  
to Guide Denel Into the  
Future

**Denel Enters Top 100**  
of Global Defence  
Companies



# DENEL GROUP VALUES



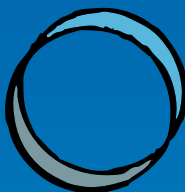
## PERFORMANCE

WE EMBRACE OPERATIONAL EXCELLENCE.



## INTEGRITY

WE ARE HONEST, TRUTHFUL AND ETHICAL.



## INNOVATION

WE CREATE SUSTAINABLE INVESTMENT SOLUTIONS.



## CARING

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



## ACCOUNTABILITY

WE TAKE RESPONSIBILITY FOR ALL OUR ACTIONS.

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## Editor's Note

We would like to hear from you!

Denel Insights has been created as an external communications platform to keep you – our stakeholders informed about the projects and developments within our Group. We would love to hear your comments and suggestions about stories that you would like us to update you on.

Please email your letter to the editor to [pamm@denel.co.za](mailto:pamm@denel.co.za), and include your name and contact details.

We look forward to hearing from you.

**Pamela Malinda**



Vuyelwa Qinga

*“This edition of Denel Insights reports extensively on the details of Denel’s excellent financial performance. But, more importantly, it also provides you with the reasons for its success...”*

## Editor-in-Chief

The recent release of Denel’s annual results, once again offered a picture of a dynamic organisation that finds itself at the frontiers of innovation and technology in South Africa.

In a period when questions are raised about the role of state-owned companies Denel stands out as a truly good example of a well-managed organisation and a valuable asset to the country and its citizens. Also, Denel is now ranked among the top 100 global defence manufacturers, and the second largest in the southern hemisphere.

For the fifth year in succession Denel has reported a profit. In his overview about the future, Group CEO, Riaz Saloojee, was optimistic that this trajectory will continue, based on a strong confirmed order book and the prospects of more business opportunities within South Africa and, especially, in foreign markets which now accounts for 52% of revenue.

This edition of Denel Insights reports extensively on the details of Denel’s excellent financial performance. But, more importantly, it also provides you with the reasons for its success – its unrelenting commitment to excellence and its continued investment in quality human resources who can lead the company now, and into the future.

The Denel success story encompasses more than our iconic products which are well-respected in the global defence and technology environment. It goes wider than our commitment to financial probity and adherence to the highest standards of corporate governance.

It is also reflected in our investment in leadership development, our nurturing of young talent within the organisation, the growth of our supply chain processes to bring more emerging companies

into the main stream of industry and our efforts to promote science and technology among a new generation of young South Africans.

We, thus invite you into the wider world of Denel through the reading of Denel Insights. It report on a busy period in which we attended a global defence and technology exhibition in Brazil, welcomed yet another new division – Denel Vehicle Systems – into our fold, launched a partnership with SANParks to combat the poaching of South Africa’s precious wild life resources, and launched a book aimed at informing young readers about the wide world of defence and technology, encouraging to consider it as future career prospects.

Shortly after the release of the Annual Results, the Minister of Public Enterprises, Ms Lynne Brown, announced the names of the new Board that will provide Denel with strategic direction for the next three years. We trust that they, too, will find Denel Insights to be a valuable source of information about our dynamic organisation.

Enjoy the read and, please, continue to give us your feedback.

**Vuyelwa Qinga**

Group Head: Corporate Communication & Public Affairs





Ms Lynne Brown, Minister of Public Enterprises, Mr Michael Kgobe, CEO of Denel Aviation, Ms Orcilla Ruthnam, Public Enterprises, Mr Theo Kleynhans, CEO of Denel Aerostructures and Victor Xaba, Deputy CEO of Denel Aerostructures



Some of the products displayed during the AGM



Denel executives during the press conference

## Denel's Growth as Africa's High-Tech Powerhouse Continues

The future of Denel is positive as reflected in growing profits and an order book of more than R35-billion.

Group CEO, Riaz Saloojee, describes this as the "highest order book in Denel's history" which provides the company "with a stable platform for future growth, expansion and sustainability."

Speaking at the 2015 Annual General Meeting, Saloojee said Denel is pursuing a number of significant opportunities totalling R37-billion. "We are quite confident that more than half of these opportunities will be concluded in the short-to medium-term."

The existing order book is largely focused on Denel's traditional strengths within the missile, artillery, military vehicles, ammunition and aerostructures capabilities. The company has deliberately strengthened its leadership position in landward defence systems and mobile infantry with the acquisition of BAE Systems' Land Systems South Africa (LSSA), subsequently renamed Denel Vehicle Systems.

Saloojee says for Denel to continue to grow into the future, the company must keep up with modern defence trends and requirements, while at the same time providing a wide spectrum of capabilities to customers.

The 2014 Defence Review calls for Denel to be the custodian of critical strategic and sovereign capabilities, especially in command and control and the maritime environment. "The recent establishment of a Denel Integrated Systems and Maritime division enables us to move rapidly into areas that are of strategic importance for South Africa's future security,"

The maritime division of the business has given Denel a strong initial foothold in the naval defence environment and the company is confident that it will become a catalyst in a number of maritime defence acquisition programmes that are currently in the pipeline.

A plant renewal process underway at Denel PMP, will improve its competitiveness in the export environment, grow its revenue base and enable it to continue meeting strategic national objectives.

### Improved Financial Results

During the 2014/15 financial year:

- Denel's revenue has grown by 28% to R5.85-billion;
- Exports surged by 34% and now accounts for 52% of total revenue.
- The company has achieved a net profit of R270-million, which shows an increase of R76 million on the previous financial year.
- Debt to equity ratio has remained steady at 1.1 and the earnings before interest and tax improved by 41% to R399 million. This can largely be attributed to the growth in export revenue and the effective management of operating costs.

Future growth will be built on Denel's ability to innovate, integrate systems and technologies and remain at the leading edge of the global high-tech environment. "For this reason, our focus is on investing in future capabilities and technology, the rapid expansion of our products and offerings, and our ability to integrate systems in a comprehensive manner," says Saloojee.

*In the financial year Denel invested R467-million in research and development, and expanded its partnerships with research organisations, the academic community and the defence and manufacturing sectors.*

Through this approach, Denel has increased its value to the South African defence and security sectors, while simultaneously growing South Africa's ability to play a leadership role in peace-keeping operations on the African continent.

In the financial year Denel invested R467-million in research and development, and expanded its partnerships with research organisations, the academic community and the defence and manufacturing sectors.

As a proudly state-owned company, Denel takes its contribution to the transformation agenda of the South African economy seriously. A transformation focus in human resources ensured that 87% of new appointments during the year were from the African, Coloured and Indian communities, in addition to other designated groups. "I have no doubt that Denel is emerging as a leader in transformation within the defence industry, in particular with regards to employee representivity in terms of race and gender," says Saloojee.

About 70% of the supply chain budget was spent on local suppliers, with a 22% allocation to black-owned companies. Spend on black women-owned companies grew from 2.8% to 8.1%, while the number of enterprise development beneficiaries in the same period grew from 67 companies to 114. Saloojee says Denel is determined to grow these numbers in the years to come with a sharpened focus on black youth-owned companies and enterprises owned by individuals with disabilities.

## Achievements in 2014/15

Denel has outperformed its contracted targets in most areas, most notably in the fields of revenue, profitability and order cover.

- Development has started on the new Small African Regional Aircraft – SARA – to serve regional destinations that are currently not accessible for existing passenger planes. "Through this process we are creating new horizons for young engineers and artisans who are entering the industry," says Saloojee.
- The establishment of Denel Integrated Systems and Maritime (DISM) to specifically focus on the design, development, installation and upkeep of integrated systems, command and control, and maritime technologies.
- The company's leadership role in landward defence systems and mobilised infantry was strengthened with the strategic acquisition of the BAE Systems LSSA business, now renamed Denel Vehicle Systems.



Ms Martie Janse van Rensburg, Outgoing Acting Denel Board Chairman; Ms Lynn Brown, Minister of Public Enterprises and Mr Fikile Mhlontlo, Denel Group Financial Director



Denel Group CEO with Senior DPE Officials during the results announcement media briefing



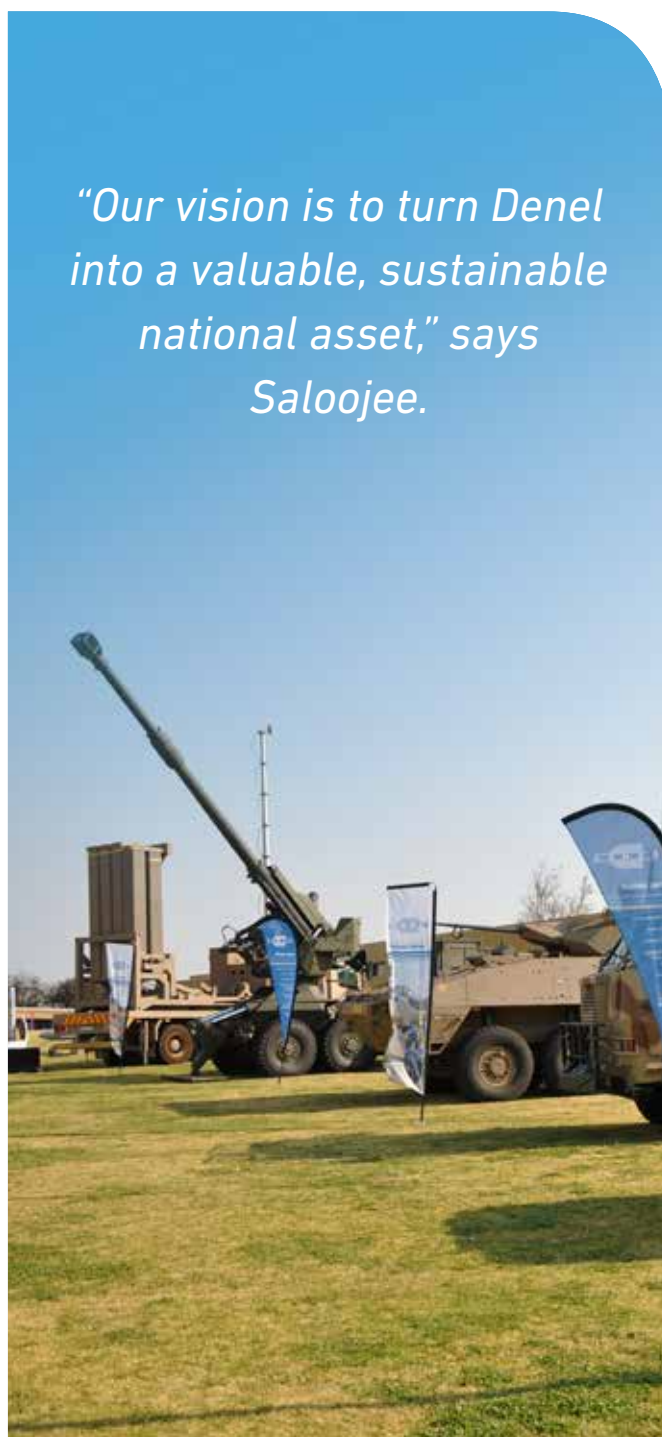


- Increasing the production rates on the manufacturing of key components on the A400M military airlifter from 16 ship sets to 24 ship sets per year. Denel Aerostructures' reputation for on-time and in-quality delivery has led to the company winning more tenders from Airbus Military.
- Securing an order to manufacture luggage racks and internal structures for passenger coaches as part of the revitalisation of SA's strategic rail infrastructure. This 10-year programme will strengthen Denel's capacity to diversify its business outside of the traditional defence environment.
- Developing a modern version of the iconic G6-52 artillery system at Denel Land Systems (DLS). In addition, DLS is also nearing the completion of the development phase of the Infantry Combat Vehicle program.
- Successfully completing the development of the A-Darter 5th generation air-to-air missile and progressing towards the qualification phase.
- Completion of the performance flight testing of the Seeker 400 unmanned aerial vehicle system and commencing with the certification process;
- Successfully completing various demining projects in various African countries and expanding Mechem's camp management services to international agencies on the continent.
- Providing telemetry support to the European space agency and hosting an international defence day at the Denel Overberg Test Range.
- Fully integrating the commercial satellite programme into Spaceteq which is now a subsidiary of Denel.

Saloojee says the leadership of Denel is quite positive about the future growth prospects of the group despite the slower-than-expected global recovery. The bulk of Denel's business is conducted with emerging economies, specifically those that are growing at a steady rate.

"Our vision is to turn Denel into a valuable, sustainable national asset," says Saloojee. 'I am extremely positive about the future of Denel in terms of financial performance, transformation and growing into a high-achieving advanced technology company aligned to the developmental, defence and security imperatives of the Government and our country."

*"Our vision is to turn Denel into a valuable, sustainable national asset," says Saloojee.*





# Denel Enters Top 100 of Global Defence Companies

Denel is now ranked among the top 100 global defence manufacturers, and the second largest in the southern hemisphere.

The ranking is done by the international publication, *Defense News*, and based on an analysis of revenue achieved during the 2014 financial year. This is the first time that Denel has entered the global top 100 list in the company's history.

Group Chief Executive, Riaz Saloojee, says the ranking reflects the rapid growth in the company's revenue over the past four years, from R3.2-billion in 2011 to R4.6-billion in 2014. Since the publication of the report Denel announced a further 28% increase in revenue for the 2014/15 financial year.

"As a state-owned company our primary focus is to ensure the strategic independence of the South African National Defence Force and enable it to protect the country's territorial integrity and

participate in peacekeeping operations on the continent," says Mr Saloojee.

"However, it is also important to note that exports now constitute 52% of Denel's revenue. This earns valuable foreign exchange for South Africa and creates a greater awareness about the qualities and capabilities of the country's manufacturing sector."

According to the ranking Denel is now the second largest defence manufacturer in the southern hemisphere, behind the Brazilian aerospace conglomerate, Embraer, which occupies the 55th position on the global list.

Denel's 17% growth in revenue also places it 13th on the list of companies in terms of year-on-year growth. "The global defence markets remain constrained but we are confident that we can maintain the growth trajectory for the foreseeable future," says Mr Saloojee.

## National Police Commissioner Visits Denel



National Commissioner, Ms Riah Phiyega with former acting Chairman of the Board, Ms Martie Janse van Rensburg



Riaz Saloojee, Group CEO welcoming General Phiyega

Denel had an opportunity to demonstrate the products and services which can be used by the South African Police Service to meet its objective to create a safe and secure environment for all people in the country.

During a recent visit to Denel a SAPS delegation, led by National Commissioner, General Riah Phiyega was taken through a display of products at the Irene Campus. "It is a pleasure to host the SAPS delegation as this broadens our scope of business," says Denel Group

CEO, Riaz Saloojee. "Some of our divisions are already doing work for the SAPS and we want to grow and expand this relationship."

In her reply General Phiyega thanked Denel for the invitation and the opportunity to observe the group's range of products.





New Denel Board Members during their Induction

## New Board to Guide Denel into the Future

Denel's new Board offers the state-owned company a strong, leadership team with extensive skills and experience in business, trade, and the global defence environment.

Mr Daniel Mantsha was appointed as the new Chairman of the Board for a three year period starting in July 2015. Eight new members were announced by Public Enterprises Minister, Ms Lynne Brown while Mr Johannes Motseki was re-appointed for purposes of continuity.

Ms Brown called on the new Board to work closely with the Denel executive team to solidify the group's operations with a strong emphasis on issues relating to transformation, skills development, and strategic partnerships in the region, the African continent and in the global arena.

The non-executive directors on the Board of Denel SOC are:

- **Mr Daniel Mantsha** obtained a B Juris in 1991 and LLB in 1993 both from the University of Venda. He is an attorney with extensive experience in corporate finance, transactional advising, business management, commercial law, media and communication law, administrative and constitutional law.
- **Ms Pinkie Martha Mahlangu** has a B Proc-degree from the University of the North-West. She is a Director at S.V Mahlangu Attorneys.
- **Mr Nkopane Johannes Motseki** first joined the Denel Board in 2011. He is a director of Gau Gold Investments and Mzantsi Veterans Minerals and Energy Resources. He has held executive positions in the intelligence community and at the Matjhabeng local municipality.
- **Ms Mpho Kgomongoe** obtained a B Com degree from the University of North West in 1999. She is currently employed by Sithole SS (CA) SA as an Internal Auditor. Ms Kgomongoe also worked as assistant state accountant at the National Prosecuting Authority.
- **Mr Thamsanqa Msomi** holds a B Juris from UNISA and is currently the Chairperson of Inanda Newtown Housing Project

Steering Committee as well as legal adviser to the Minister of Home Affairs.

- **Ms Khumbudzo Ntshavheni** obtained a Master's in Business Administration from Bradford University School of Management in the United Kingdom. She also has degrees in Development Studies, Political Science and an Honours in Labour Relations from the University of Johannesburg. She currently serves as Managing Director at Phore Farms (Pty) Ltd.
- **Mr Tauyame Mahumapelo** obtained a BSc Financial/actuarial mathematics from the University of Pretoria. He is currently Managing Director and the owner of Gadikala Lodge. Mr Mahumapelo has expertise and experience in financial management, information management and business performance.
- **Lt. Gen Themba Michael Nkabinde** obtained a Master's in Business Administration (MBA) from Unisa and is currently busy with his PhD at the University of the Western Cape. He is a retired Lieutenant General of the South African Army and previously held different positions as Umkhonto we Sizwe officer in exile.
- **Ms Nonyameko Mandindi** obtained a BSc. Quantity Surveying from the University of Natal and completed an Executive Leadership Development Programme from Arthur D. Little Management Education Institute, in Boston, USA. She was the CEO of Royal Haskoning DHV Engineers before going on sabbatical leave.
- **Ms Refiloe Mokoena** obtained an LLB from the University of Natal and a B.Juris from the University of Zululand in 1985. She has directorships at the Road Accident Fund and the Airports Company of South Africa (ACSA). Ms Mokoena is an Executive Director at Mageza Mokoena and Raffee Inc. and alternate director at the State Information Technology Agency (SITA).

Minister Brown paid tribute to the outgoing Board and commended the members for their professionalism and for handing over "a company that is truly on the path to sustainability.



Ms Martie Janse van Rensburg, former Acting Chairman of the Board

*"We are immensely proud and pleased of the financial and operational position the company is in"*

## "Future of Denel in Capable Hands," says Outgoing Chairman

Denel's improved financial performance and strengthened balance sheet demonstrate the success of the Group's turnaround strategy. "It gives us immense pleasure that we leave Denel on a sustainable, long-term growth trajectory," says the outgoing Chairman of the Board, Martie Janse van Rensburg.

Speaking at the release of the Denel Annual Results for 2014-15, Ms Van Rensburg said the turnaround is underpinned by revenue growth, cost optimisation, innovation, leadership and transformation.

Referring to the fact that Denel has returned profits "for the fifth year running," she said this was achieved in an environment where state-owned companies are faced with all kinds of challenges.

"We are immensely proud and pleased of the financial and operational position the company is in," she said. The outgoing board leaves Denel in a firm position to deliver sustainable positive returns, achieve long-term growth and deliver effectively against the Shareholder's targets.

'Denel's contribution to South Africa's broader developmental objectives – particularly in the areas of advanced manufacturing and skills development – is a source of immense pride,' Janse van Rensburg said. She highlighted the fact that about 25% of Denel's employees are under the age of 35 and almost two-thirds of all appointments made in the past year came from this youthful age group.

"The company has ensured a good balance between younger inexperienced employees and more mature seasoned professionals."

Janse van Rensburg expressed her appreciation towards the Minister of Public Enterprises, Ms Lynne Brown and the Department who gave the Board the opportunity to lead the company.

"It has been a humbling, empowering and exciting journey with a group of highly committed executives who have taken Denel to a company that, today, is undoubtedly on a sustainable long term growth trajectory," she said.

"I am encouraged by the fact that I leave it in very capable hands of an outstanding team of dedicated individuals – both in the incoming Board and within Denel."



Mr Riaz Saloojee addressing the Denel Vehicle Systems staff members

## Denel Vehicle Systems Welcomed into the Group

South Africa's landward defence capabilities have been significantly strengthened with Denel's acquisition of BAE Systems Land Systems South Africa.

The newly renamed Denel Vehicle Systems forms part of Denel's growth and sustainability strategy, which includes establishing additional capabilities to its products and services.

"Having Denel Vehicle Systems within the group is an exciting development for our company as it fits in perfectly with our strategy to achieve revenue growth and improve efficiencies while modernising our technology and capabilities," says Group CEO, Riaz Saloojee. It also means that the SANDF's primary landward capabilities are now vested in the state.

The capabilities of Denel Vehicle Systems complement those of two other businesses in the group's stable, Denel Land Systems and LMT. The new acquisition will minimise costs to establish capabilities that already exist in Denel Vehicle Systems. It puts Denel in a better position to participate in future vehicle programmes.

Denel Vehicle Systems is a global leader in the design, development and manufacture of mine and Improvised Explosive Device protected vehicles and wheeled armoured vehicles. The company also



Denel Vehicle Systems ( Gear Ration) staff being addressed by the Group CEO

manufactures power shift transmissions, axles, transaxles, torque converters, transfer gearboxes, wheel stations and traction gears, which are used in special on-and off-road vehicles, mining and earthmoving equipment, military vehicles, traction locomotives and industrial machinery. It also has expertise in turret systems and sub-systems.

We welcome the Denel Vehicle Systems colleagues into the Denel Group on our journey of growing from a "Good to Great" company!

*"Having Denel Vehicle Systems within the group is an exciting development for our company as it fits in perfectly with our strategy to achieve revenue growth and improve efficiencies while modernising our technology and capabilities," says Group CEO, Riaz Saloojee.*



# DEFENCE TECHNOLOGY MADE EASY



Minah Sindane Bloem  
Llewellyn Hartnick







From L to R: Riaz Saloojee, Denel Group CEO; Dean Mogale, AMD Board Chairman; Martie Janse van Rensburg, Denel Board Chairman; Llewellyn Hartnick, Co-Author; Bulelani Magwanishe, Deputy Minister Department of Public Enterprises and Minah Sindane Bloem, Co-Author handing over the book to learners from Vaal Reefs Technical High School and OR Tambo Primary School Janse van Rensburg, former Acting Chairman of the Board



Learners from OR Tambo Primary School



Ms Martie Janse van Rensburg, Denel Board Chairman handing over a copy of the book to Deputy Minister of Public Enterprises, Mr Bulelani Magwanishe



The authors with the Deputy Minister of Public Enterprises, Mr Bulelani Magwanishe



## Denel Book to Radically Change South Africa's Maths, Science and Technology Landscape

A new book, supported by Denel, is set to change the understanding of post-school application of mathematics, science and technology education for South African learners.

"Defence Technology Made Easy", aims to demystify the technology that drives the defence industry for school learners, and create greater awareness about innovation and opportunities for careers in these areas.

Denel's Group Head for Corporate Communication and Public Affairs, Vuyelwa Qinga says the book addresses common misconceptions that the defence industry is only about wars and conflict. "Throughout the world – and especially in South Africa – the defence industry has been a catalyst for research and development in a large number of areas that benefit the entire society."

Research done by Denel has led to the growth of technology in areas such as civil aviation, mine exploration, rail safety, power generation and nuclear medicine. Current projects of Denel support the fight against rhino poaching, the development of a civilian airliner and support for the country's growing space industry.

The book was commissioned by Denel in 2014 as part of the Group's celebrations of South Africa's 20 years of democracy. We are delighted to support an initiative that opens up the world of defence, particularly for the youth from historically disadvantaged backgrounds," says Qinga.

The book touches on a wide range of defence-related subjects, including aerospace, the growth of unmanned aerial vehicles, ballistics, advanced manufacturing and the naval environment. The focus is on the engineering, technology and science behind the products and solutions.

Ms Qinga says the book will be a valuable resource for young learners and will inspire the younger generation to pursue careers in the engineering, scientific, technology and manufacturing sectors, while also guiding them towards making the right subject choices at high school level.

"Defence Technology Made Easy." was launched during a function at the Denel Kempton Park Campus.

## PMP Set to Transfer Skills to Global Peers



Mr Phaladi Petje, CEO of Denel PMP

*Phaladi thanked all team members for their hard work and dedication in ensuring that PMP remains at the forefront of providing Defence solutions to local and global players.*

**D**enel PMP is poised to share its unique skills in occupational health and safety with its global peers.

In June PMP awarded certificates to eight employees of Caracal light ammunition, a company based in the United Arab Emirates at a function held at the campus in Pretoria West. This followed the successful completion of a three week course in Hazard Identification and Risk Assessment (HIRA) offered by PMP in partnership with Advantage A.C.T.

“It is crucial to cement and maintain fruitful relations South Africa and the UAE, both from a training perspective as well as in growing the business,” says Phaladi Petje, the CEO of Denel PMP.

Phaladi congratulated the recipients and encouraged them to go back to their country, and implement the lessons gained. “Continue to play a meaningful role in ensuring a safe working place for your colleagues back at home” said Petje as he concluded.

Phaladi thanked all team members for their hard work and dedication in ensuring that PMP remains at the forefront of providing Defence solutions to local and global players.



# One Denel Great for Business



*“Land Systems and PMP demonstrated the meaning of team effort when the Vehicle Systems Stream (VSS) of DLS, played a crucial role in the acquisition of two Bug Racer 600i vehicles for PMP’s Security Division.”*

The concept of one united Denel is not one that is only written on paper but is also evident in the actions of the people of Denel. Land Systems and PMP demonstrated the meaning of team effort when the Vehicle Systems Stream (VSS) of DLS, played a crucial role in the acquisition of two Bug Racer 600i vehicles for PMP’s Security Division.

DLS was approached by PMP, with a request for specialised cost effective vehicles that would be suitable for PMP’s security personnel in their pursuit of reconnaissance, border patrolling along with safety and security for the the division at large. The ideal vehicle would be one that would be suited for all terrains and agile enough to scale stony hillsides tall enough to float over rocks and debris, simple to drive, durable and most especially maintainable.

VSS’s team conducted a needs analysis along with investigations with various Mobility OEM’s and suppliers. This included mapping technical requirements, developing a viable business case and presenting the most cost effective solution to PMP management.

VSS initially looked at sourcing obsolete SANDF Vlermuis vehicles. Investigations revealed that these vehicles were historically used in similar type of operations as currently required by PMP however would need a refurbishment project to bring them back to standard operating conditions. VSS would lead the refurbishment project and provide PMP with suitable vehicles. This however did not materialise as the Vlermuis vehicles were consequently called back into service and destined to support the South African National Parks in curbing Rhino Poaching.

Subsequent to this VSS identified a similar cost effective product that met the challenges of a “go-anywhere” type vehicle with the most desirable attributes of short wheel base, long suspension, a low centre of gravity and high ground clearance. Following Denel’s acquisition process, this resulted in the purchase of two All-Terrain Vehicles (ATV) called Bug Racer 600i vehicles which were delivered to PMP on the 26th of January 2015. This is another example of the unity that exists within the Denel Family.



# Denel Dogs Sniff out Rhino Poachers in Kruger

The formidable tracking skills of Denel's trained dogs are now being used to sniff out rhino poachers in the Kruger National Park.

Specially trained dogs will be deployed in South Africa's top nature reserve for the next 18 months in terms of an agreement signed between Denel and SANParks.

Riaz Saloojee, the Group CEO of Denel says the company is looking forward to working with nature conservation authorities to combat the scourge of poaching. "There is global concern about the devastating impact of poaching on our resources, but the most effective action is to be on the ground, detect the poaching gangs and apprehend them before they can do further damage."

"The canine unit at Denel Mechem provides the most effective answer in the battle against poaching," says Saloojee. The dogs and their handlers have, in the past, been used to great effect to detect explosives and hidden landmines in war zones across Africa and the Middle East.

They also scored successes in sniffing out smuggled drugs, contraband and ivory at airports and border posts.

"Our focus is now on the illicit poaching of rhinos," says Saloojee. "Mechem will supply trained dogs and train SANParks dog handlers that will be deployed in Kruger Park. Technical K9 support and specialized dog care programmes will also be provided for the duration of the contract period".

"We are delighted to work with SANParks and to contribute to its extensive efforts to protect our natural resources. This is a case of two state-owned companies pooling their resources and expertise to participate in a project that is of national and regional importance," he says.

Dr Hannes Slabbert, the Senior Manager: Canine Business says Mechem has trained dogs available that can be deployed immediately to the Kruger Park. Over the past three years Mechem has supplied trained anti-poaching and specialized handler training to several private game reserves and SANParks.

Dog and handlers form formidable teams and we are confident that we can have a huge impact in breaking the back of rhino horn smuggling operations in the Kruger Park," says Slabbert.





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*“The canine unit at Denel Mechem provides the most effective answer in the battle against poaching,” says Saloojee.*





# Test Range Impresses Global Defence Observers



*"We had the opportunity to show the world the quality of our local defence products and the unique capabilities of the Test Range to conduct live firing operations and accurately measure the impact of the systems," says Riaz Saloojee*

The wide-ranging capabilities of the South African defence industry were showcased to an influential international audience recently hosted at the Denel Overberg Test Range.

Organised jointly by Rheinmetall and Denel the Defence Day 2015, attracted some 500 observers to the small town of Arniston in the Southern Cape for a two-day firing demonstration that saw the companies' finest products on display.

"We had the opportunity to show the world the quality of our local defence products and the unique capabilities of the Test Range to conduct live firing operations and accurately measure the impact of the systems," says Riaz Saloojee, the Group CEO of Denel.

Among the company's products featured was the iconic Rooivalk combat helicopter. Its firepower and mobility impressed the observers and kept their attention glued on the demonstration field. The pride of Denel Land Systems – the Badger -- also demonstrated its prowess by firing at targets with ammunition manufactured by Denel PMP. The capabilities of the Al Tariq strap-on bomb kit, produced by Denel Dynamics elicited positive reactions from the observers as it engaged targets some 50km offshore.

Commenting on the event, Maj Gen Gerald Malinga, the Deputy Chief of the SA Air Force said it demonstrated the value of the Test Range. There are only a few facilities in the world of this calibre and I am really proud of the Denel Overberg Test Range.

The Overberg Test Range hosted a top-quality demonstration that involved the testing of more than 20 weapon systems over the two day period. The CEO, Abrie van der Walt commented on the positive contribution that the international event has made to the economy of the entire region.





## Voices from the delegates



**General Gerald Malinga**  
Deputy Chief, South African Air Force

*"I always appreciate the Test Range and during an event such as this, it shows the value of the Test Range as there are only a few facilities of its kind in the world, I am really proud of the Denel Overberg Test Range.*

*I commend Denel for maintaining this facility."*



**A Khalid, Saudi Arabia**  
Capital Deputy of Authority of the Army

*"A programme to demonstrate weapons on a test range is not an easy task, but South Africa has done an awesome job of showcasing the products. The screens made it that much better to see action further away."*



**Rheinmetall Air Defence, Switzerland**

*"Amazing and well organised super friendly show, it is my first time in South Africa."*

**Lt. Col. Fletcher, Australia**

*"This day has made everyone feel much closer and the business is being cemented face to face rather than decisions made on paper."*



**Col. Ahem**

*"A programme to demonstrate weapons on a test range is not an easy task, but South Africa has done an awesome job of showcasing the products. The screens made it that much better to see action further away."*



# Denel Takes High-tech Defence Systems to South American Markets



Denel exhibition stand during LAAD 2015

Opportunities for South African defence and security products in South and Latin America are growing, and Denel is stepping up its marketing efforts in these key markets.

The Group CEO of Denel, Riaz Saloojee, says the company's participation in the LAAD 2015 trade and exhibitions show in Rio de Janeiro in April was a vital opportunity to showcase its products together with 700 other companies from 50 countries.

"We have a strong relationship with the Brazilian defence industry through the joint development of the A-Darter air-to-air missile, which has successfully completed advanced in-flight testing. We are confident that it will be a global leader in its class when production starts within the next 12 months," says Saloojee.

At LAAD Denel also had the opportunity to profile the Rooivalk combat helicopter as a capable system for guerrilla warfare within the context of its successful deployment in the suppression of armed conflict in Africa.

Saloojee says the successful deployment of the Rooivalk in peace-keeping operations in Africa has created a global awareness about the capabilities of the South African defence industry. "We have proven that we can deliver on very complex defence systems from design, through to the industrialisation and manufacturing phases, and into highly-effective deployment."

Denel Land Systems also highlighted the MT-105 turret weapon system which is being evaluated by the Brazilian army for its new VBR-MR armoured car. The MT-105 combines Denel's proven

experience in turret design and manufacturing with its recent innovations in fire control.

The decision by the SA Army to commission Denel to manufacture the Badger infantry combat vehicle demonstrate that local forces have confidence in the local industry to provide them with frontline equipment. "This is an important factor when we are marketing other landward defence products such as the T5-52 truck-mounted artillery and the small- and medium calibre range of ammunition manufactured by Denel PMP," says Saloojee.

At LAAD Denel emphasised the fact that its products are designed for rugged terrains and climate conditions that are similar to conditions in South America. Most of the company's products are battle-proven and have been deployed in operational circumstances.

"The quality of the diplomatic and trade ties between South Africa and countries in Latin and South America is of great importance for the defence industry because many contracts require government-to-government participation," says Saloojee.

South Africa and Brazil are both members of the BRICS alliance and LAAD presented Denel with opportunities to strengthen its ties with the Brazilian defence sector.





## Mechem Celebrates International Day for Mine Awareness

**D**enel Mechem participated in an annual global event to increase awareness about landmine clearing and support to those who have survived landmine accidents. The International Day for Mine Awareness is championed by the United Nations, one of Mechem's biggest clients.

One can show support for the "Lend your leg" campaign by rolling up the leg of a pant or the sleeve on a shirt.

The Mechem Business Unit specialises in demining services around the world. To date, Mechem has cleared over 150 million square miles around the world and destroyed over 500 000 landmines. Mechem has been actively involved in the clearance of explosive remnants of war in various regions around the world, including South Sudan, the Democratic Republic of the Congo, Western Sahara, Angola and Senegal.

In line with this year's theme of "More than Mines" Mechem employees gave short educational talks on the dangers of unexploded ordnance as well as a dog demonstrations at schools in the Atteridgeville area.

## Top Recognition for Denel's Group Financial Director

Group Financial Director, Fikile Mhlontlo was among a select group of industry leaders to be nominated as Public CFO of the Year.

To stand out among his peers from about 250 companies in the country is a rare achievement. "Denel was acknowledged as a nominee and as a leading finance leader in the presence of stakeholders like the Auditor General, financial institutions and major audit firms," says Mhlontlo. "I view this as an achievement for us."



*Fikile Mhlontlo, Group Financial Director*

# Denel Offered Wide Range of Products to African Defence Leaders



Denel Mechem Casspir vehicles

Denel's ability to provide African security forces with integrated defence solutions was highlighted at a summit of defence decision-makers held in Tshwane in July.

The Land Forces Africa conference in Thaba-Tshwane brought together heads of defence forces, military planners and analysts from more than 44 countries on the African continent.

"This was an opportunity for Denel to showcase our prowess as Africa's leading defence manufacturer and to demonstrate the quality of our products, systems and technology to people who take the important decisions about future acquisitions," says the Group Executive Business Development: Zwelakhe Ntshepe.

"There is a growing trend towards regional cooperation among defence forces on the continent and participation in multi-national peace-making and peace-keeping operations," says Ntshepe. "This opens new opportunities for a versatile technology company such as Denel with the ability to integrate command-and-control functions with the products used by forces on the ground.

"We have strong roots in Africa and understand the operational requirements of our clients and the demands placed on defence

technology and systems by climate, topography and logistical constraints.

Denel's approach is to provide comprehensive security solutions to clients and to support its products and systems with maintenance, training and logistical support," says Ntshepe. "This makes us the most cost-effective partner for national and multi-national defence forces in Africa."

Denel has built a strong reputation in the landward defence arena and the group is well-known for the quality of its artillery systems, armoured vehicles, mine-protection services and small- and medium-calibre ammunition.

Mr Ntshepe says Denel used the Land Forces Africa conference to create partnerships with defence forces on the continent to develop technology and products that can meet their specific requirements.

"The range of our products and services extend beyond conventional defence requirements and technology developed by Denel and is increasingly used in the fields of border security, anti-poaching operations and cyberspace, he says.



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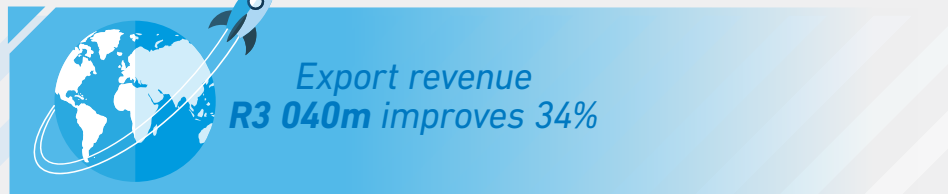
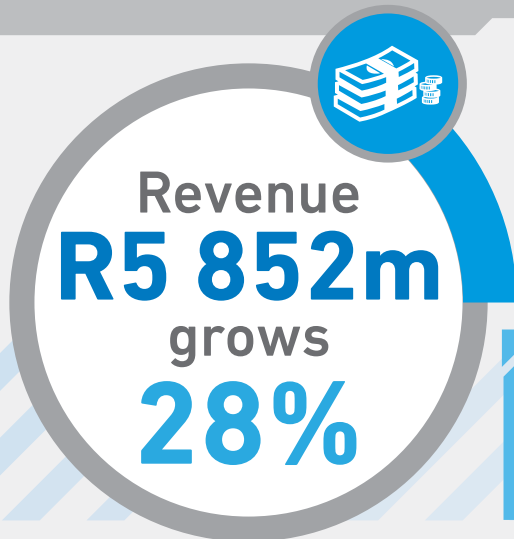
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# 2014/15 ANNUAL FINANCIAL RESULTS HIGHLIGHTS



Significant R&D  
investment **R467m**

Skills development  
spend **R65m**



Net profit  
**R270m**  
improves  
**R76m**

**EBIT R399m** improves 7%

