



INTRODUCTORY REMARKS BY THE CHAIRMAN OF DENEL SOC, MS MARTIE JANSE VAN RENSBURG, AT THE 2014 ANNUAL RESULTS PRESENTATION TO THE PORTFOLIO COMMITTEE ON PUBLIC ENTERPRISES

29 October 2014

*The Chairman of the Portfolio Committee on Public Enterprises, the Honourable Dipuo Letsatsi-Duba; Honourable Members of the Committee; the Group Chief Executive of Denel and members of Management with him; members of the Media.*

Denel welcomes this opportunity to brief Honourable Members on Denel's Annual Report and Financial Statements for the 2013-14 financial years. This engagement with the Honourable Members today is of special significance to us because this is our first opportunity to be meeting with the Portfolio Committee on Public Enterprises since the establishment of South Africa's 5<sup>th</sup> Parliament. I speak on behalf of both the Board and the Executive Management of Denel when I say we truly look forward to a very constructive engagement with the members of the committee both today and as you exercise oversight and guidance to Denel over the next 5 years.

In laying the context for this briefing, allow me Honourable Members to reflect for a moment on the key role of Denel. Denel exists to supply strategic defence technology and capabilities to the SANDF on a commercially viable basis. In doing so, we have also become a catalyst for advanced manufacturing within the South African economy; while at the same time improving our revenue and increasing our socio-economic impacts.

In presenting this Annual Report, Honourable Members will be provided with a comprehensive overview of the activities, achievements and challenges experienced by Denel in the year under review. The first key achievement the Board is immensely pleased with is that for the fourth year running, Denel has once again returned a positive profit. We welcome the sustained improvement in the operational and financial performance of the company, and more importantly, a strengthening balance sheet.

Denel's performance demonstrates once again the correctness of the company's strategy, which is underpinned by revenue growth, cost optimisation, enhancing capabilities through innovation, as well as leadership development and transformation. Denel is without a doubt on a sustainable long term growth trajectory. It becomes even more poignant that these results are achieved in the year that South Africa is celebrating 20 years of Freedom and Democracy.

As a State-Owned Company, Denel is very conscious of its role within South Africa's developmental agenda, and in that regard I am proud to briefly share with you our contribution to South Africa's broader developmental objectives – particularly in the area skills development. As we enter the third decade of South Africa's democracy, the Board is particularly proud of the contribution Denel is increasingly making towards skills development, educational initiatives and job creation in the downstream manufacturing industries. In the financial year under review, we invested more than R64-million in skills development. This covers support for educational initiatives, to bursaries, internships and internal leadership and management development programmes.

We strongly support Government's efforts to create a greater interest in, and improve the outcomes of, Maths and Science education among South Africa's youth. I can give you the example of Itumeleng Mofokeng, a former pupil at Vaal Reefs Technical High School who participated in our schools outreach programme in the North West and scored an astonishing 100% for Physics and 99% in Mathematics in the 2013 Matric exams. This young achiever, who hails from Kanana in the Dr Kenneth Kaunda District, is currently studying actuarial sciences at the University of the Witwatersrand.

The Denel Technical Academy in Kempton Park is one of the country's best-rated institutions for the training of apprentices who will later become fully-accredited artisans and technicians. The Academy is known for its ability to support the South African aviation sector through its training in various trades. In recent years, however, the Academy has branched out into other technical disciplines in support of Government's objectives to meet South Africa's demands for skills in line with the growth of our economy.

High-performing learners who excel in maths and science in high school are offered Denel bursaries to study engineering at various universities in the country. They are further offered vacation work which helps in familiarising them with a real workplace environment.

On the transformation front, Denel has embarked on a number of initiatives to improve the demographics of our workforce. This is done through succession planning, leadership development and strategies that enable us to retain our skilled human resources. You will note in the Annual Report that there is significant growth in the percentage of historically disadvantaged employees over the past three years and that we have a dedicated focus to attract young black women and people with disabilities into our ranks. /

Chairperson,

Denel has been fortunate to host the previous Portfolio Committee during oversight visits at our various facilities across the country. I want to extend a standing invitation to the Honourable Members to continue with such visits; and look forward to your first visit to the Denel Group as soon as your programme allows. As I hand over now to the Group Chief Executive; allow me to also take this opportunity to thank each and every member of this Committee for your continued support, and also for this opportunity to engage you on our Annual Report.

I thank you.