


2015






AVENG
Leaders in infrastructure

Unaudited Group results

For the six months ended December 2014

TODAY'S PRESENTATION

AVENG
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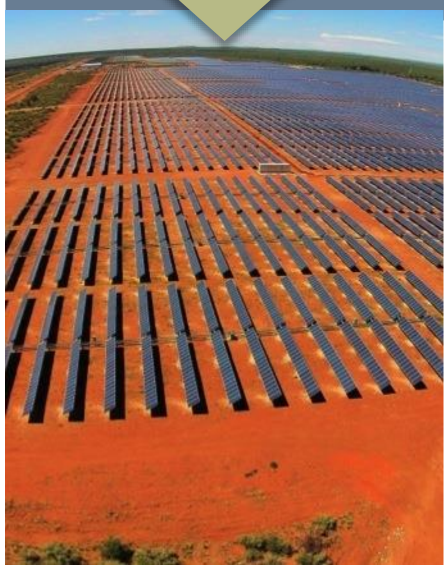
Today's presentation

OVERVIEW

FINANCIAL REVIEW



OPERATIONAL REVIEW

THE WAY FORWARD & OUTLOOK

OVERVIEW

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Operating environment

» Australasia and Asia

- Market conditions remain difficult with competitive pressures
- Lower commodity prices have resulted in declining resource-related opportunities
- Good opportunities in social and transport-related infrastructure projects
- Mixed activity levels in New Zealand and in South East Asia

» South Africa and rest of Africa

- SA market remains constrained due to the lack of investment in infrastructure
- Strong demand for concrete and rail products, as well as rail construction and maintenance services
- Competitive market conditions in the steel sector due to low levels of economic activity
- Limited new opportunities in the commodities sector, particularly in rest of Africa
- Energy and transport-related infrastructure opportunities in Africa

Salient features

» Revenue decreased by 14% to R23,9 billion (2013: R27,7 billion)

» Net operating earnings declined by 19% to R413 million (2013: R510 million)

» Headline earnings per share declined by 58% to 34,5 cents (2013: 82,1 cents)

» Aveng Grinaker-LTA turnaround

» QCLNG and Gold Coast claims resolution

» Manufacturing and mining operations performed well in difficult markets

» Sale of the Electrix business successfully completed

» Two-year order book flat at R32,5 billion compared to December 2013, down 12% from R37,1 billion in June 2014

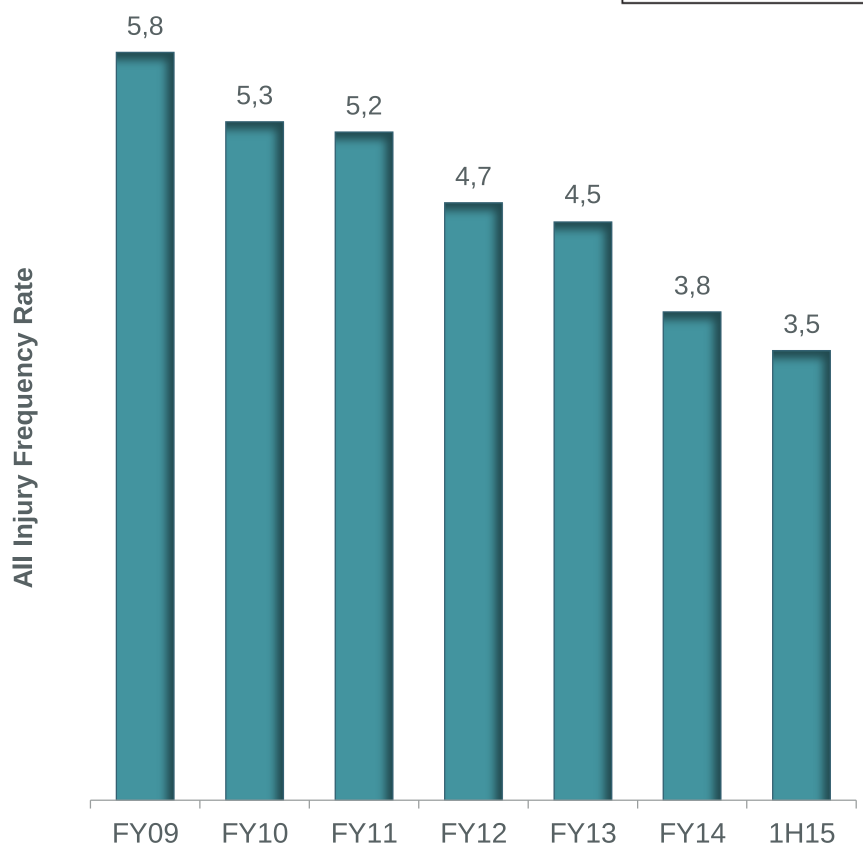
» Net cash improved to R1,7 billion from R1,3 billion in June 2014



Safety performance

- Further improvement in the All Injury Frequency Rate (AIFR) to 3,5
- Regrettably, two fatalities occurred at group operations
- Safety achievements:
  - M&E Sapref Durban - 7,1 million Lost Time Injury (LTI) free man-hours
  - M&E Medupi – 2,3 million LTI free man-hours
  - Sadiola (Mali) – 4,7 million LTI free man-hours
  - Erongo Desalination Plant 4 years LTI free
  - Chiquicamata (Chile) – Safety performance award for best underground contracting company

HOME WITHOUT HARM
EVERYONE EVERYDAY





FINANCIAL OVERVIEW

Leaders in infrastructure

Financial review

Statement of Comprehensive Earnings	H1 2015 Rm	H1 2014 Rm [1]	Change	H2 2014 Rm
Revenue	**23 864**	27 654	(14%)	25 305
Net operating earnings	**413**	510[1]	(19%)	289
Profit on sale of subsidiary / impairments	**240**	-	n/a	(831)
Net finance (expense) / earnings	**(166)**	(83)	(100%)	(100)
Taxation expense	**(125)**	(114)	(10%)	(47)
Earnings for the period	**362**	313	16%	(689)
Headline earnings	**138**	307	(55%)	114
Earnings / (loss) per share (cents)	**89,3**	83,9	6%	n/a
Headline earnings per share (cents)	**34,5**	82,1	(58%)	n/a

1. The prior year number has been adjusted by the fair value on the Goldfields Mall property (R7million).

Total revenue – Segmental analysis

	H1 2015 Rm	H1 2014 Rm	Change	H2 2014 Rm
South Africa and rest of Africa[2]	**4 294**	4 284	0%	4 393
Australasia and Asia	**11 804**	14 933	(21%)	13 236
Total Construction and Engineering	**16 098**	19 217	(16%)	17 629
Mining	**2 974**	3 461	(14%)	3 121
Manufacturing and Processing	**5 253**	5 265	0%	5 347
Other and Eliminations[2]	**(461)**	(289)	(60%)	(792)
Total[1]	**23 864**	27 654	(14%)	25 305

1. Total revenue per segment includes internally generated revenue
2. Aveng Capital Partners is now included in Construction and Engineering: South Africa and rest of Africa.



Net operating earnings – Segmental analysis

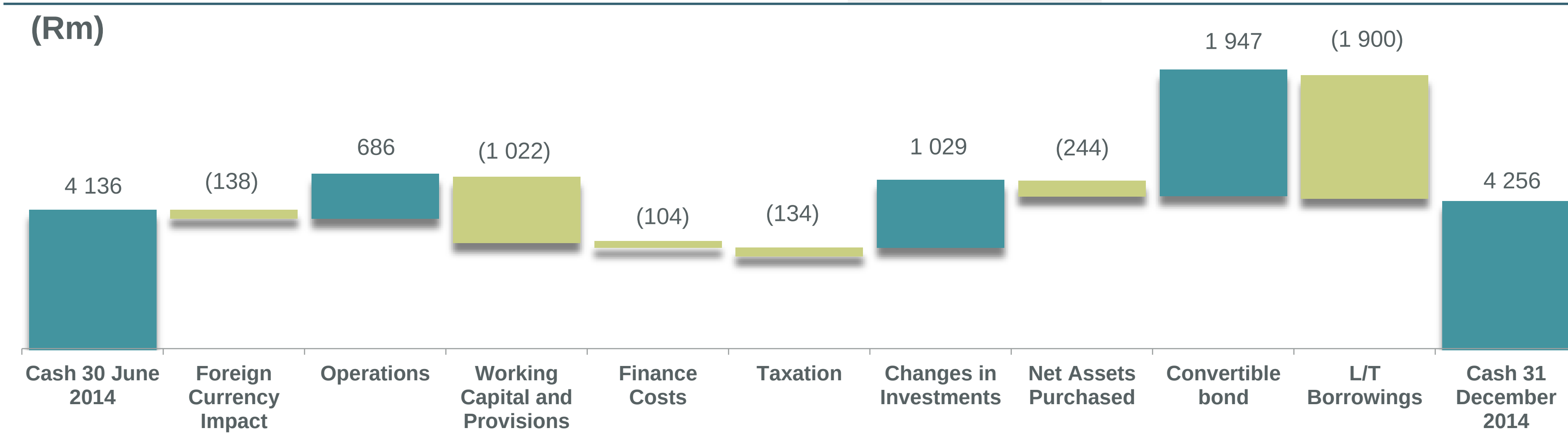
	H1 2015 Rm	H1 2014 Rm	Change	H2 2014 Rm
South Africa and rest of Africa[2]	**(229)**	(202)	(13%)	(232)
Australasia and Asia	**183**	191	(4%)	80
Total Construction and Engineering	**(46)**	(11)	(318%)	(152)
Mining	**241**	295	(18%)	234
Manufacturing and Processing	**79**	162	(51%)	202
Other and Eliminations[2]	**139**	64	117%	5
Total[1]	**413**	510	(19%)	289

1. Total revenue per segment includes internally generated revenue
2. Aveng Capital Partners is now included in Construction and Engineering: South Africa and rest of Africa.



Movement in cash and bank balances

		H1 2015 (Rbn)	H2 2014 (Rbn)	FY 2014 (Rbn)
Cash	South Africa	**1,3**	1,4	1,3
	Australia and other	**3,0**	3,5	2,8
	Total	**4,3**	4,9	4,1
Debt	South Africa	**2,3**	1,7	2,0
	Australia and other	**0,3**	0,9	0,8
Net cash		**1,7**	2,3	1,3
Operating free cash flow		**0,2**	(0,2)	(1,4)



Working capital

	H1 2015 Rm	H1 2014 Rm	Change	FY 2014 Rm	Change
Inventories	**3 056**	2 903	5%	2 793	9%
Receivables	**12 531**	12 252	2%	14 136	(11%)
Trade and other receivables	**2 433**	2 999	(19%)	2 785	(13%)
Amounts due from contract customers	**10 098**	9 253	9%	11 351	(11%)
Payables	**12 374**	13 389	(8%)	14 255	(13%)
Trade and other payables	**8 713**	9 402	(7%)	9 743	(11%)
Amounts due to contract customers	**2 353**	2 352	-	2 677	(12%)
Derivative instruments and Employee-related and other payables	**1 308**	1 635	(20%)	1 835	(29%)
Working capital	**3 213**	1 766	82%	2 674	20%

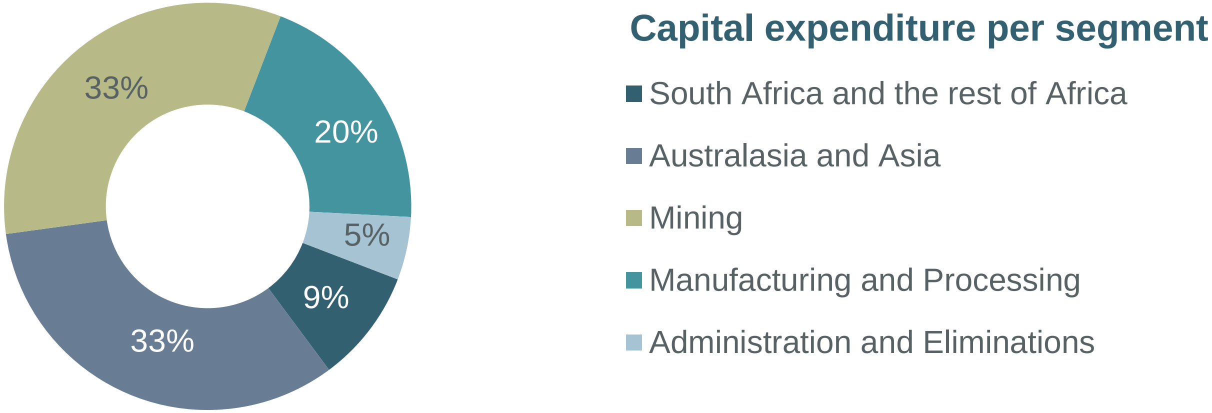
Programmes are being implemented throughout the Group to strengthen working capital management

Amounts due from / (to) contract customers

	H1 2015 Rm	H1 2014 Rm	Change	FY 2014 Rm	Change
Disclosed on the statement of financial position as follows:					
Uncertified claims and variations	**6 495**	5 535	17%	6 763	(4%)
Provision for amounts due from contract customers	**(964)**	(1 083)	11%	(1 102)	13%
Contract and retention receivables	**4 613**	4 852	(5%)	5 736	(20%)
Provision for contract receivables	**(46)**	(51)	10%	(46)	-
Amounts due from customers (current and non current assets)	**10 098**	9 253	9%	11 351	(11%)
Progress billings received	**(1 728)**	(1 852)	7%	(1 766)	2%
Amounts received in advance	**(625)**	(500)	(25%)	(911)	31%
Amounts due to customers (current liability)	**(2 353)**	(2 352)	-	(2 677)	12%
Net amounts due from contract customers	**7 745**	6 901	12%	8 674	(11%)

Capital expenditure

	H1 2015 Rm	H1 2014 Rm	Change
Replacement	**456**	320	43%
Expansion	**101**	271	(63%)
Property, plant and equipment	**557**	591	(6%)
Intangible assets	**26**	58	(55%)
Total capital expenditure	**583**	649	(10%)
Capital expenditure net of proceeds on disposal	**244**	505	(52%)
Depreciation and amortisation	**515**	584	(12%)
Multiple of depreciation spent	**1,1**	**1,1**	-



Capital structure review

» Objectives:

- Diversification of funding sources
- Extension of debt maturity profile
- Reduction of the Group's overall debt levels
- Continue pursuing outstanding claims to a positive conclusion and to take advantage of growth opportunities

» Initiatives:

- Convertible bond
- Sale of Electrix
- Sale of South African properties

» Status:

- Convertible bond successfully issued and listed on the JSE
  - Authority was granted by the shareholders to equity-settle the bond conversion
- Disposal of Electrix business finalised in October 2014
- Properties disposal in advanced stages of completion and should be finalised in 2H15

OPERATIONAL OVERVIEW

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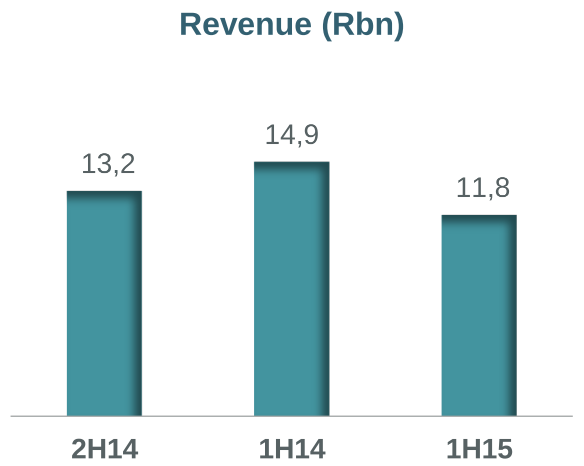
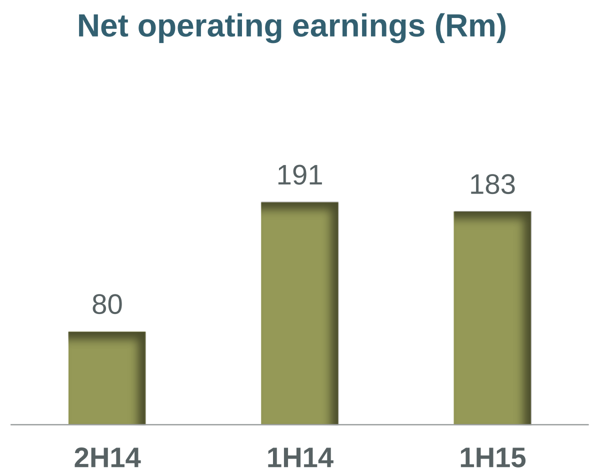
McCONNELL DOWELL

Construction & Engineering: Australasia and Asia

- Revenue decreased by 21% to R11.8 billion as several multi-year pipeline and building contracts were completed
- Improved revenue was achieved by the Australia Construction and Tunnelling business units
- Net operating earnings marginally lower but a substantial improvement on 2H14
- Profit of R777 million on the sale of Electrix (not included in Net operating earnings)
- Claims resolution on the QCLNG contract is progressing and remains within agreed timelines. Efforts to finalise and resolve claims on the Gold Coast contract have been intensified.

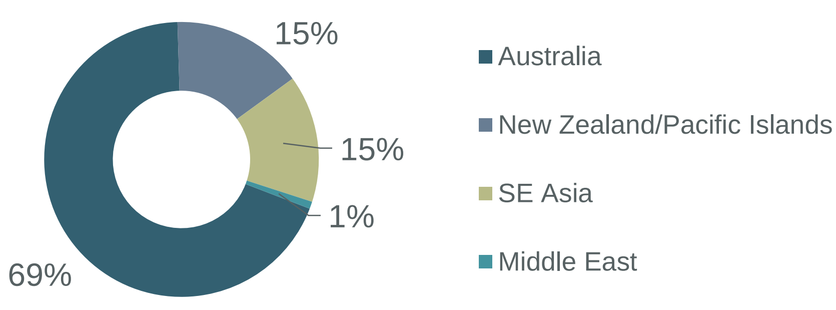




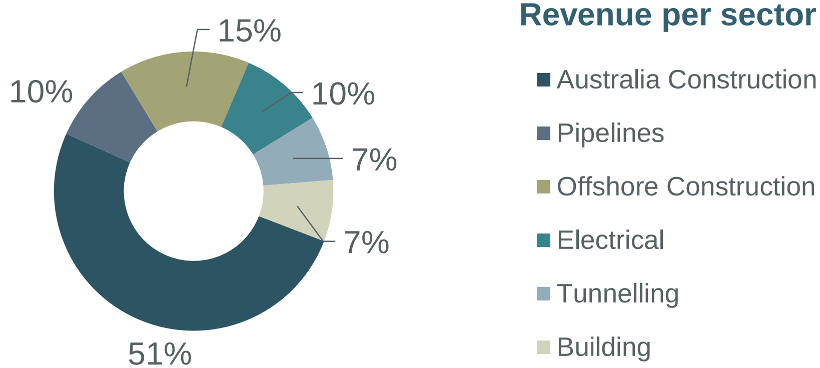
Construction & Engineering: Australasia and Asia – Revenue

Revenue	**H1 2015 Rm**	H1 2014 Rm	Change	H2 2014 Rm
Australia Construction	**6 028**	4 423	36%	4 997
Pipelines	**1 135**	4 983	(77%)	2 134
Offshore Construction	**1 791**	1 851	(3%)	1 758
Buildings	**842**	1 393	(40%)	1 251
Electrical	**1 155**	1 559	(26%)	1 829
Tunnelling	**891**	825	8%	1 001
Administration	**(38)**	(101)	63%	266
Total	**11 804**	14 933	(21%)	13 236

Revenue per region

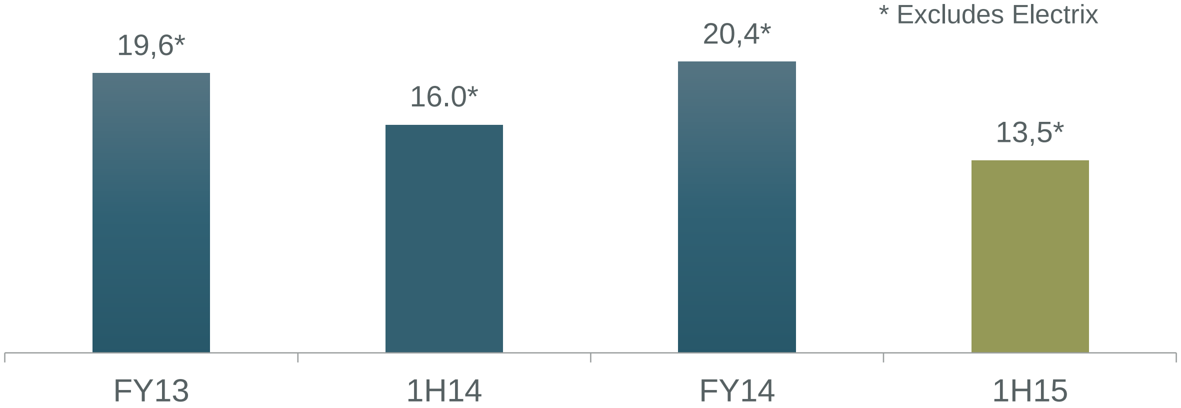


Revenue per sector

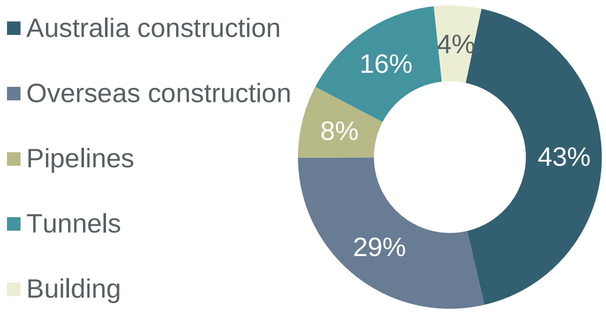


Construction & Engineering: Australasia and Asia - Order book

2 year order book (Rbn)



Order book by business unit

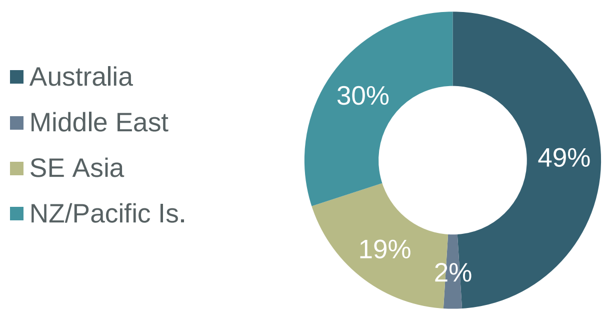


» Decrease reflects difficulty in winning new work due to a decline in mining-related infrastructure, and the oil and gas market, as well as increased competition

» Increased Overseas Construction contribution in line with strategy

» Only 3% of the order book now relates to legacy contracts

Order book by region



Construction & Engineering: Australasia and Asia - Key issues and report back

Key issues

- Focus on problematic contracts and the resolution of outstanding claims
- Diversify into non-commodity related infrastructure and increase contribution from outside Australia

Report back

- Commercial process on QCLNG well advanced - ICC process progressing in line with agreed timelines
- Gold Coast substantially completed – claims process ongoing
- Various other claims favourably resolved
- Increased percentage contribution to order book from Overseas Construction
- Mining now represents 18% of the order book vs 22% in June 2014



Construction & Engineering: Australasia and Asia - Outlook

- Revenue expected to decline following the completion of major projects and the generally subdued outlook in the region
- Continued focus on growth in New Zealand and South East Asia
- Pursuing attractive opportunities in non-traditional sectors, with a focus on transport (road, rail and ports), maintenance service contracts and commercial buildings
- Claims recovery and cash flow generation remains a priority
- Fixed cost base will continue to be aligned to revenue

CONSTRUCTION & ENGINEERING

South Africa and rest of Africa






Construction & Engineering: South Africa and rest of Africa

» Revenue flat at R4,3 billion due to on-going activity on renewable energy projects, new building contracts and ramp-up of a rail project

» Net operating loss of R229 million reflects an improved performance by Aveng Grinaker-LTA:

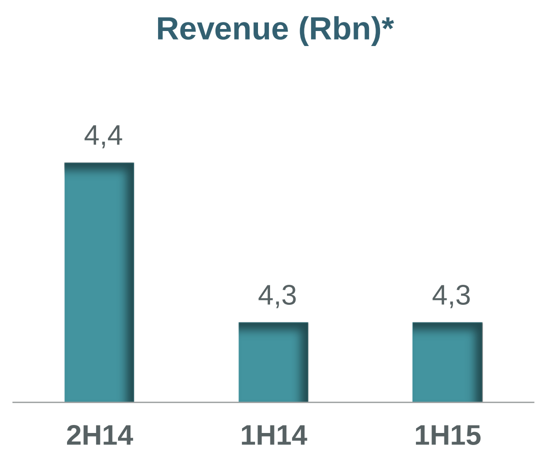
- R298 million loss (R335 million loss in 1H14) from Aveng Grinaker-LTA
- R28 million loss (R2 million profit in 1H14) from Aveng Engineering
- R97 million profit (R131 million profit in 1H14) from Aveng Capital Partners*

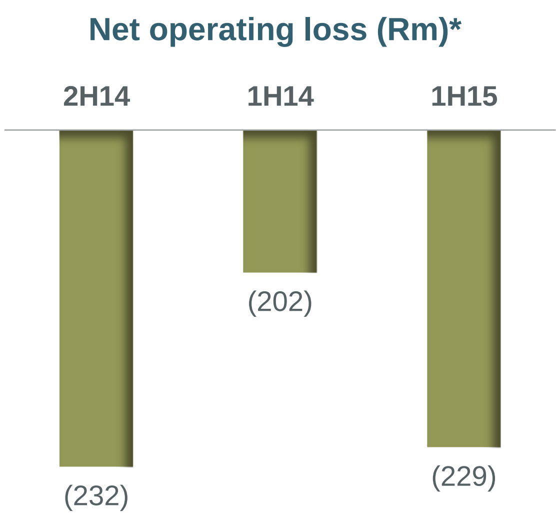
» Reduced non-contributing projects in the order book

» Cost optimisation measures largely completed

» Management retention and stability improved

** Aveng Capital Partners now included. Comparatives adjusted accordingly.*





Construction & Engineering: South Africa and rest of Africa - Revenue

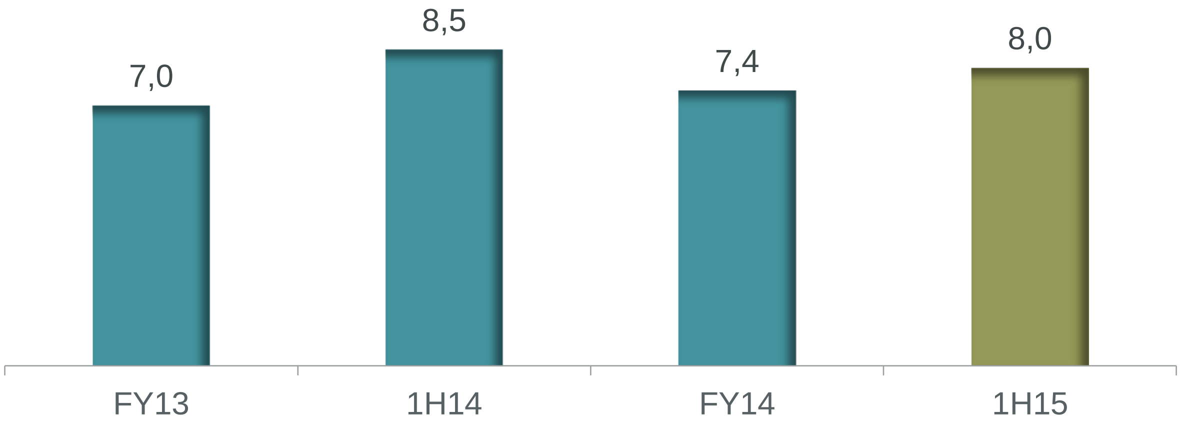
Revenue	**H1 2015 Rm**	H1 2014 Rm	Change	H2 2014 Rm
Aveng Grinaker-LTA : Civil Engineering	**1 632**	1 348	21%	1 747
: Mechanical and Electrical	**954**	1 003	(5%)	662
: Building and Coastal	**1 223**	1 404	(13%)	1 352
Aveng Engineering	**477**	402	19%	625
Aveng Capital Partners*	**8**	127	(94%)	7
Total[1]	**4 294**	4 284	0%	4 393

1. Total revenue includes internally generated revenue

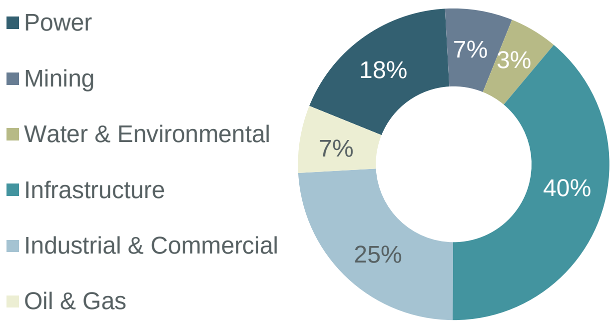
** Aveng Capital Partners now included. Comparatives adjusted accordingly.*

Construction & Engineering: South Africa and rest of Africa - Order Book

2 year order book (Rbn)

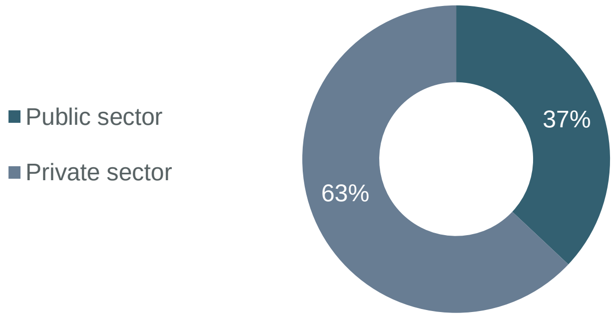


Order book by discipline



- Increased by 8% after securing contracts for SANRAL and new building contracts (Dr Pixley Ka Isaka Seme Memorial hospital and Cape Town International Convention Centre)
- Increased contribution from Industrial & Commercial projects in the order book mix more than offset declines in Power and Oil and Gas
- Public sector work contribution increased from 20% to 37%
- Strong focus remains on diversifying into cross border markets
- 7% of the two-year order book relates to legacy contracts

Order book by sector



Construction & Engineering: South Africa and rest of Africa – Key issues and report back

Key issues

- Improve management capacity and stability
- Stabilisation and positioning for profitability
- Operational and commercial challenges experienced by legacy contracts
- Continued focus on fixed cost optimisation

Report back

- Management quality and retention addressed
- Break-even position pushed out due to difficult operating conditions and losses on two contracts
- Non-contributing legacy contracts substantially complete
- Benefits of cost optimisation to be realised in FY15

Construction & Engineering: South Africa and rest of Africa - Outlook

» Despite slow infrastructure related investment, Aveng is pursuing attractive opportunities in the private and public sectors

» Overcapacity will continue to suppress margins in South Africa

» Improved performance expected from Aveng Grinaker-LTA due to:

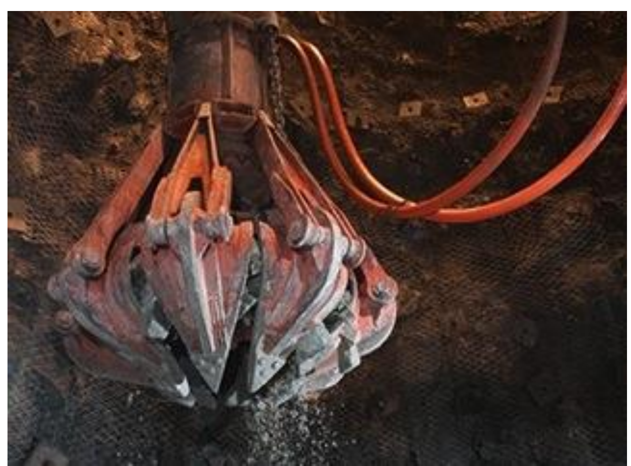
- continued execution of the turnaround and recovery plan
- realisation of cost optimisation initiatives
- project execution and operational excellence
- reduced contribution from low margin legacy contracts

» Continued focus on achieving commercial resolution of loss-making contracts

» Continue to pursue opportunities in the rest of Africa and drive the Aveng multi-disciplinary value chain

AVENG MINING




Aveng Mining

» Revenue decreased by 14% to R3,0 billion mainly due to the continued downturn in the commodities market

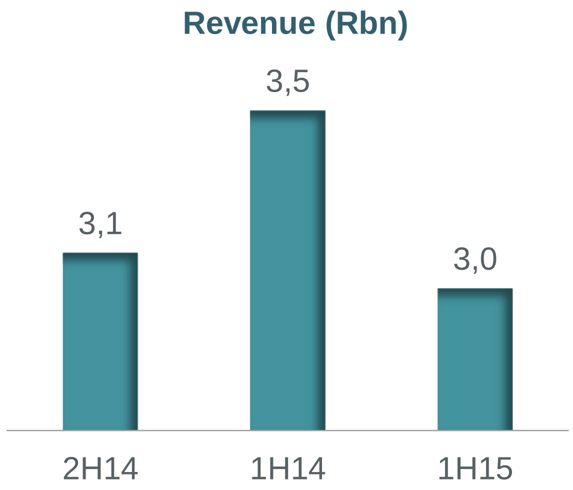
» Despite lower earnings, the mining operations continued to perform well in a tight market

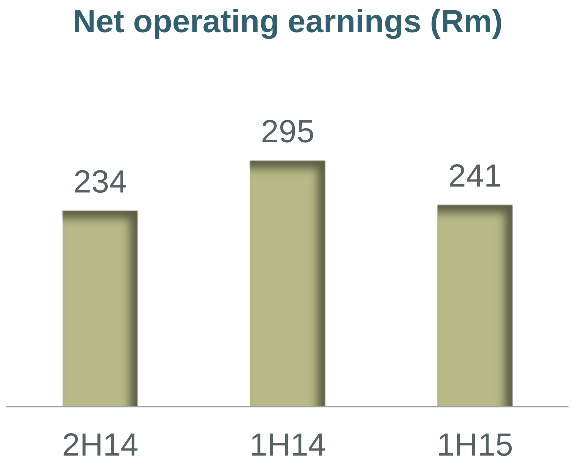
» Earnings declined by 18% due to:

- Lower activity levels
- Labour disruptions and margin slippage at Aveng Mining Shafts & Underground

» Aveng Moolmans continues to maintain margins in difficult trading conditions

» Ramp-up and commissioning of the Nkomati Nickel Mine contract progressing well

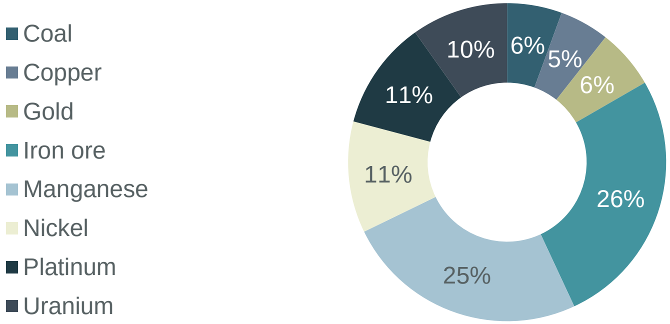




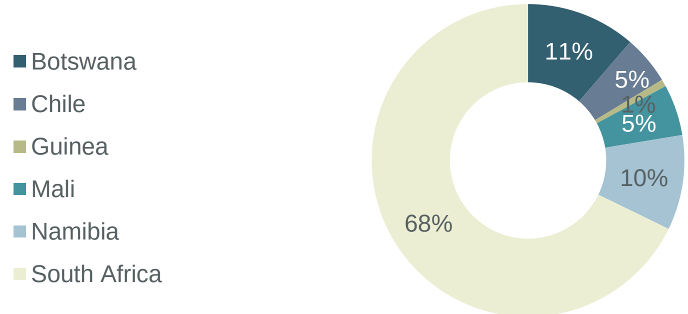
Aveng Mining - Revenue

Revenue	H1 2015 Rm	H1 2014 Rm	Change	H2 2014 Rm
Aveng Mining : Moolmans	**2 245**	2 505	(10%)	2 216
: Shafts & Underground	**729**	956	(24%)	905
Total	**2 974**	3 461	(14%)	3 121

Revenue by commodity



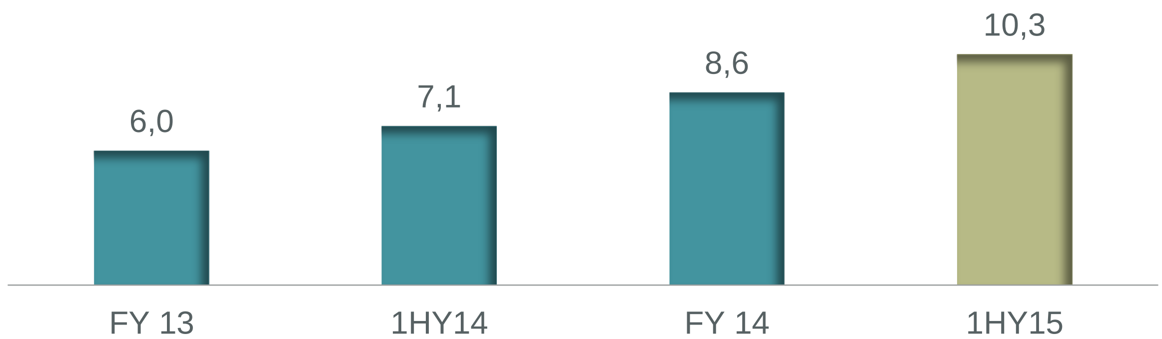
Revenue by geography





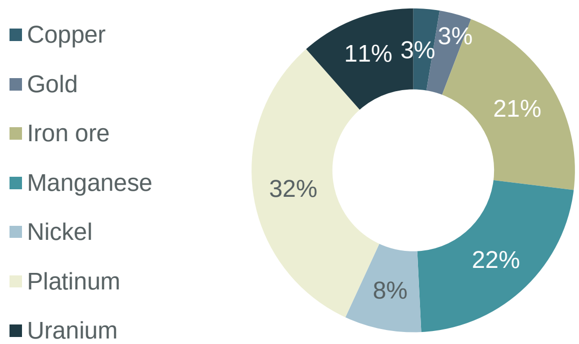
Aveng Mining - Order Book

2 year order book (Rbn)

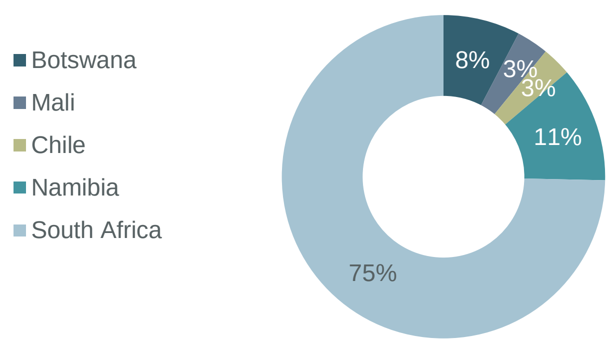


- Increased by 20% from June 2014, with South Africa gaining relative to rest of Africa
- Increase attributable to additional work secured on existing contracts and a horizontal tunneling development contract won by Aveng Mining Shafts & Underground
- Commodity concentration risk to gold has reduced, with Platinum, Iron Ore and Manganese gaining
- 22% of work is currently outside SA, down from 47% in December 2013 and 33% in June 2014

Order book by commodity



Order book by geography



Aveng Mining - Key issues and report back

Key issues

» Order book replenishment in Aveng Moolmans

» Impact of industrial action on operations

» Operational and commercial challenges experienced on foreign contracts

Report back

» Order book replenishment despite a depressed market

» Aveng Moolmans unaffected by industrial action, but two contracts at Aveng Mining Shafts & Underground impacted

» Tax issues in Zambia resolved and progressing on the commercial resolution of the Chile contract



Aveng Mining - Outlook

» Flat revenue anticipated in FY15 with recent contract wins expected to fully contribute in FY16

» Pressure on mining companies to reduce mining costs, with projects being downscaled and delayed

» Focus remains on:

- Diversification of order book
- Cash flow returns
- Utilisation of idle fleet
- Resolving outstanding claims

MANUFACTURING and PROCESSING

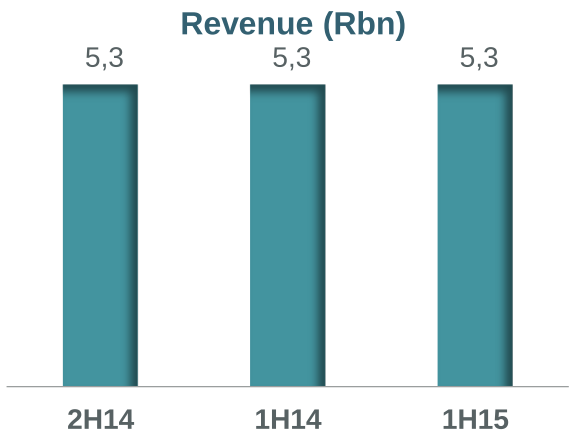
Manufacturing and Processing

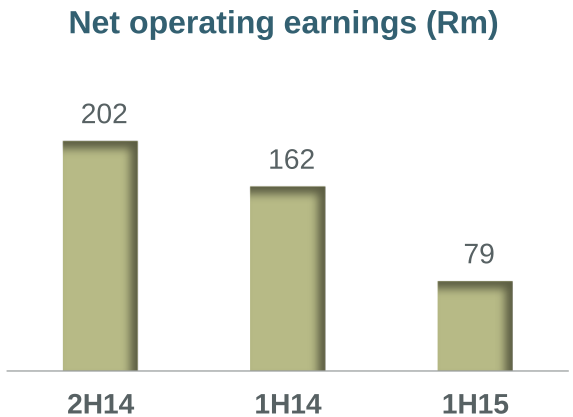
» Revenue flat at R5,3 billion:
  - Strong demand for precast concrete products especially in Mozambique and Zambia
  - Aveng Infraset performed well as a result of sleeper and pipe sales
  - Strong demand for rail services

» Net operating earnings fell significantly due to:
  - Impact of labour disruptions
  - Lower demand and pricing pressures, especially for Aveng Steel and mining-related products at Aveng Manufacturing
  - Restructuring costs

» Integration initiatives continue to benefit Aveng Steel

» Aveng plant in Mozambique operating at full capacity and expansion of Zambian sleeper plant successfully completed





Manufacturing and Processing - Revenue

Revenue	H1 2015 Rm	H1 2014 Rm	Change	H2 2014 Rm
Aveng Steel	**3 440**	3 415	1%	3 743
Aveng Manufacturing	**1 813**	1 850	(2%)	1 604
Total Aveng Manufacturing and Processing[1]	**5 253**	5 265	0%	5 347

1. Total revenue includes internally generated revenue



Manufacturing and Processing - Key issues and report back

Key issues

» Steel prices and demand

» Sector-wide labour disruptions

» Align fixed costs to business requirements

» Return to profitability of Aveng Steeledale and Aveng Steel Fabrication

Report back

» Steel prices and demand continue to be subdued

» Duration and impact of labour disruptions in steel and mining sectors were greater than anticipated

» Significant fixed cost reduction completed across all Steel operations

» Aveng Steeledale profitable but Aveng Steel Fabrication still loss making



Manufacturing and Processing - Outlook

» Manufacturing
- Railway development remains a key growth market
- Better performance expected due to:
  - Rail-related projects for Aveng Manufacturing Lennings Rail Services
  - Sleeper sales by Aveng Manufacturing Infraset in Africa
  - Buoyant demand for concrete products and diversification outside South Africa

» Steel
- Industry expected to remain subdued over the medium-term
- Limited improvement in price and demand anticipated
- Realisation of first half restructuring initiatives

» Improved financial performance expected



THE WAY FORWARD

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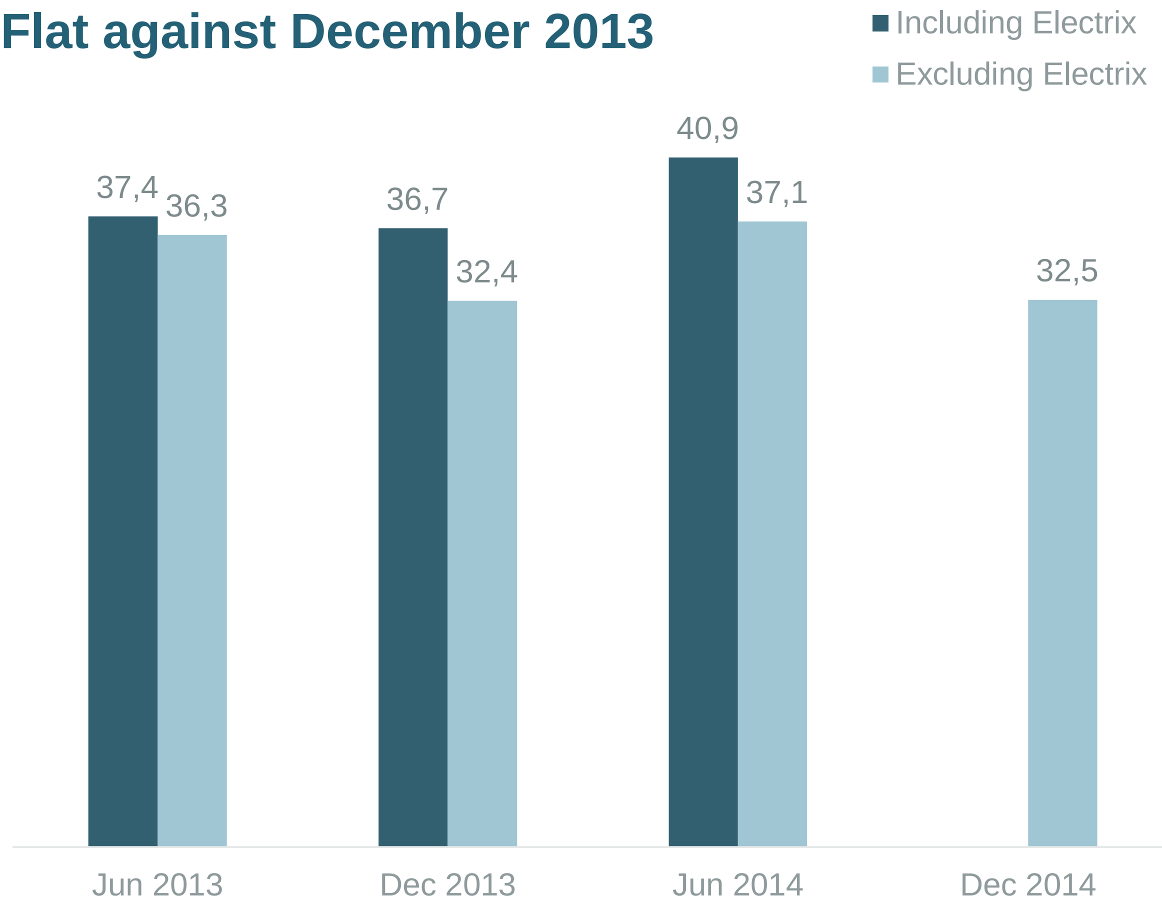
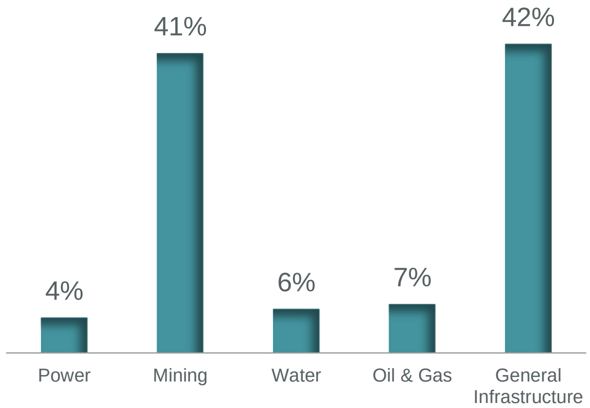
Two-year order book (Rbn)

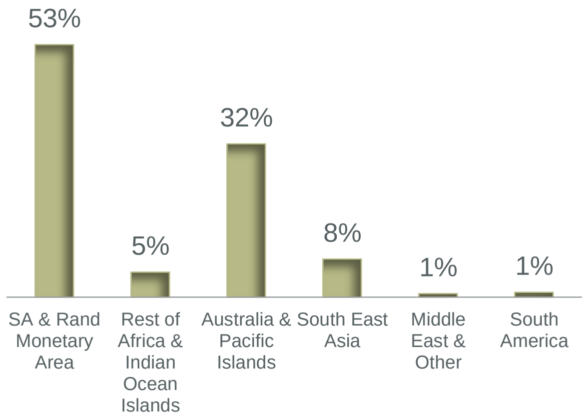
Decrease of 12% since June 2014
Flat against December 2013



Two-year order book by sector



Two-year order book by region





OUTLOOK

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Outlook and Prospects

- Improved performance expected from Aveng Grinaker-LTA
- Commercial uncertainty around QCLNG and the Gold Coast projects remains
- Positive outlook for Mining, and Manufacturing and Processing
- McConnell Dowell performance dependant on order book replenishment
- Realise benefits of cost saving initiatives




2015




QUESTIONS AND ANSWERS

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Unaudited Group results

For the six months ended December 2014

APPENDIX

AVENG
Leaders in infrastructure

Amounts due from / (to) contract customers

	H1 2015 Rm	H1 2014 Rm	Change	H2 2014 Rm
Uncertified claims and variations (under-claims)[1]	**6 495**	5 535	17%	6 763
Provision for amounts due from contract customers	**(964)**	(1 083)	11%	(1 102)
Progress billings received (over-claims)[2]	**(1 728)**	(1 852)	(7%)	(1 766)
Uncertified claims and variations less progress billings received	**3 803**	2 600	46%	3 895
Contract receivables[3]	**4 420**	4 653	(5%)	5 527
Provision for contract receivables	**(46)**	(51)	10%	(46)
Retention receivables[4]	**193**	199	(3%)	209
	8 370	7 401	13%	9 585
Amounts received in advance[5]	**(625)**	(500)	25%	(911)
Net amounts due from contract customers	**7 745**	6 901	12%	8 674
Disclosed on the statement of financial position as follows:				
Uncertified claims and variations	**6 495**	5 535	17%	6 763
Provision for amounts due from contract customers	**(964)**	(1 083)	11%	(1 102)
Contract and retention receivables	**4 613**	4 852	(5%)	5 736
Provision for contract receivables	**(46)**	(51)	10%	(46)
Amounts due from customers (current and non-current)	**10 098**	9 253	9%	11 351
Progress billings received	**(1 728)**	(1 852)	(7%)	(1 766)
Amounts received in advance	**(625)**	(500)	25%	(911)
Amounts due to contract customers (current liability)	**(2 353)**	(2 352)	0%	(2 677)
Net amounts due from contract customers	**7 745**	6 901	12%	8 674

1. Revenue not yet certified – recognised based on percentage of completion / measurement and agreed variations
2. Progress billings are amounts billed for work performed on a contract irrespective of payment from the customer
3. Certified revenue invoiced
4. Retentions are amounts of progress billings that are not paid until the payment conditions specified in the contract are fulfilled or until defects have been rectified
5. Advances are amounts received from the customer before the related work is performed