



**Reviewed interim
condensed consolidated
financial statements**
for the six months ended
31 December 2016



Our vision

During the strategic realignment of Aveng, a renewed vision statement was developed to guide the Group in achieving its purpose as a sustainable leader in infrastructure development, including support products and mining services.

The Aveng Group aims to own and operate a portfolio of infrastructure, mining and manufacturing-related businesses, each of which will achieve top-quartile performance compared to its peers when measured against return on invested capital, earnings growth, and positive cash flow generation through the business cycle.

Our mission

Building a positive and lasting legacy of which our stakeholders, their families and future generations will be proud.

Achieved through:

- Our ongoing development of infrastructure which forms the backbone of many economies in developing countries
- Our dedication to a values-based culture of safety, honesty and accountability across all levels of the Group
- Our commitment to prioritising people, equality and fairness in all relationships we forge with stakeholders
- Our active contribution to social development and integration of sustainability throughout our Group.

Our values



Our values of safety, honesty and accountability underpin the way we expect employees to conduct business and interact with our stakeholders



Safety is paramount, never to be compromised in the pursuit of any objective

Forward-looking statements

This report contains forward-looking statements about the Company's operations and financial conditions. They are based on Aveng Limited's best estimates and information at the time of writing. They are nonetheless subject to significant uncertainties and contingencies, many of which are beyond the control of the Company. Unanticipated events will occur and actual future events may differ materially from current expectations due to new business opportunities, changes in priorities by the Company or its joint operations as well as other factors. Any of these factors may materially affect the Company's future business activities and its ongoing results.

Group organogram

Markets in which we operate

Buildings

Commercial and civil



Roads & Rail

Construction, tunnels and bridges



Oil & Gas

Plants and pipelines



Mining

Surface and underground



Marine

Ports and sea infrastructure



Power

Fossil fuel, renewables and hydroelectric transmissions



Water

Reticulation, effluent and dams



Process & Industrial

Buildings and plant



Construction and Engineering: South Africa and rest of Africa



Construction and Engineering: Australasia and Asia



Mining



Manufacturing and Processing



Business units

Aveng Grinaker-LTA Buildings & Coastal
 Aveng Grinaker-LTA Civil Engineering
 Aveng Grinaker-LTA Mechanical & Electrical
 Aveng Water
 Aveng Capital Partners

Australia
 Southeast Asia
 New Zealand and Pacific
 Built Environs

Aveng Moolmans
 Aveng Shafts & Underground

Aveng Trident Steel
 Aveng Steeleedale

Aveng ACS
 Aveng DFC
 Aveng Duraset
 Aveng Infraset
 Aveng Rail

AGENDA

OVERVIEW

FINANCIAL ANALYSIS

OPERATIONAL REVIEW

OUTLOOK



Kobus Verster
CEO



Adrian Macartney
CFO



Kobus Verster
CEO



Kobus Verster
CEO

2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017



Notes:



Notes:

SALIENT FEATURES



- Improved market conditions in mining and Australasia, but South African infrastructure and manufacturing sectors remain weak
- Revenue down 21%, yet improved adjusted gross margin and adjusted headline loss of R76 million achieved
- Aveng Giraaker-LTA improved performance with positive cash flow and transformation transaction progressing well
- Construction sector's Settlement Agreement with the South African government
- Fixed overhead expenses decreased by 25%
- Net debt of R937 million - Aveng Capital Partners, Aveng Steeledale and Moma Sands proceeds received after year end
- Order book maintained, strong growth at Aveng Mining
- Aveng Capital Partners and Aveng Steeledale transactions reach financial close
- McConnell Dowell recovery slower than anticipated

2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017



Notes:

MARKET CONDITIONS



South Africa and rest of Africa

- Sharp improvement in the mining sector off improved commodity prices, notably coal, iron ore and gold
- Building environment remains relatively strong led by commercial properties, and more building plans passed
- Local infrastructure market remains subdued in line with marginal economic growth
- The civil engineering and mechanical & electrical market in South Africa remains weak and highly competitive
- International steel prices have increased during the last six months but local demand remains weak. Price and volume stability expected in the short term
- Local manufacturing sector experiencing slow demand for construction and mining products as well as reduced rail maintenance

2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017



Notes:

MARKET CONDITIONS



Australasia and Southeast Asia

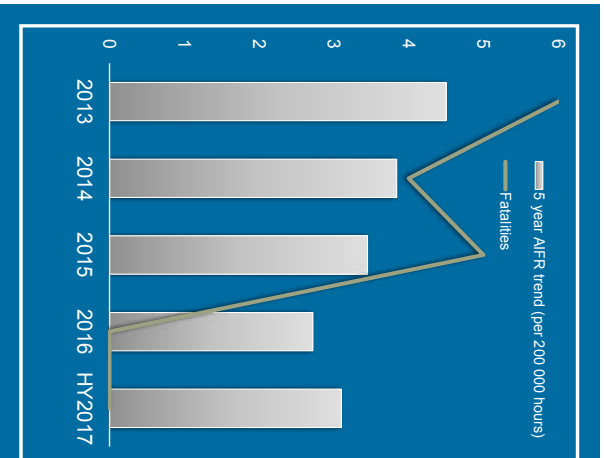
- Australian infrastructure market remains strong mainly in rail, roads and water though mining activities still at low levels
- Low activity in the Oil & Gas sector in Australia
- Increased building activity in residential, commercial and retail compared to the last three years
- The New Zealand construction market remains steady, aided by transport and water projects
- The Southeast Asian infrastructure markets continued to offer strong opportunities, especially in Singapore, Malaysia, Indonesia and Thailand in the Oil & Gas, marine, pipelines and tunnelling sectors
- All markets remain highly competitive

2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017



Notes:

SAFETY, HEALTH & ENVIRONMENT



Averg five-year AIFR trend (per 200 000 hours)

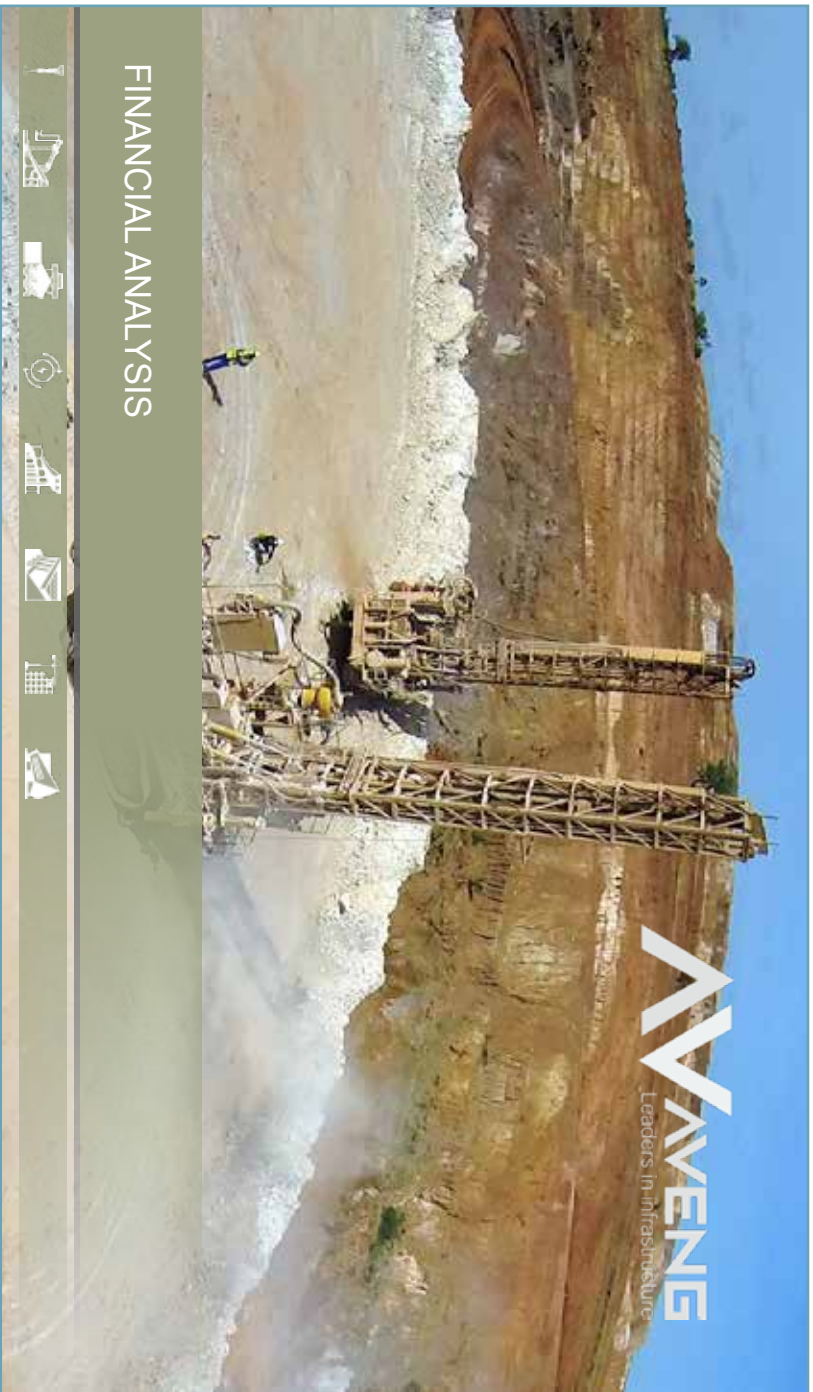
- All Injury Frequency Rate (AIFR) 3.1
- AIFR marginally weaker but longer term improvement trend continues
- Continued focus on road safety in South Africa
- Improved focus on employee health & wellbeing
- No major environmental incidents

SAFETY ACHIEVEMENTS:

- Aveng Mechanical & Electrical Coastal has achieved 9.5 million LTI free man-hours
- Aveng Manufacturing: Infraset Zambia site achieved 6 years LTI free
- McConnell Dowell: Zero LTIs for Quarter 2
- Aveng Mining: Sadiola achieved 6.1 million LTI free man-hours.
- Aveng Trident Steel: > 1 million man-hours without an LTI



Notes:



Notes:

EARNINGS AND ADJUSTED EARNINGS



	H1 2017 Rm	H2 2016 Rm	H1 2016 Rm	H2 2015 Rm
Adjusted results				
Revenue	14 446	15 757	17 998	20 066
Gross margin	7.7%	7.7%	7.2%	4.0%
Operating expenses	(1 039)	(1 416)	(1 392)	(1 567)
Adjusted net operating earnings / (loss)	151	94	52	(701)
Net interest	(226)	(185)	(156)	(140)
Adjusted headline loss	(76)			
Reported headline loss	(391)	(68)	(231)	(716)
Adjusted headline loss per share	(19.2)	(17.2)	(58.0)	(178.8)

2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017

**Notes:**

ADJUSTED SEGMENTAL RESULTS

	REVENUE				OPERATING EARNINGS/(LOSS)			
	H1 2017 Rm	H2 2016 Rm	H1 2016 Rm	H2 2015 Rm	H1 2017 Rm	H2 2016 Rm	H1 2016 Rm	H2 2015 Rm
	3 420	3 487	3 857	4 061	(62)	(37)	(111)	(468)
	4 912	5 780	7 048	9 108	(47)	6	8	(71)
	2 001	2 058	2 968	2 982	91	78	198	172
	1 311	1 340	1 625	1 458	92	(4)	99	82
	2 989	3 058	2 771	3 217	(68)	(18)	(147)	(107)
	(187)	34	(271)	(760)	145	69	5	(309)
	14 446	15 757	17 998	20 066	151	94	52	(701)

C&E South Africa and rest of Africa

C&E Australasia and Asia

Mining

Averg Manufacturing

Averg Steel

Other and eliminations

2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017



Notes:

STATEMENT OF FINANCIAL POSITION

	Dec'16 Rm	Jun'16 Rm	% change	Dec'15 Rm		Dec'16 Rm	Jun'16 Rm	% change	Dec'15 Rm
ASSETS	22 849	25 332	(10)	27 193		22 849	25 332	(10)	27 193
Goodwill and intangible assets	662	667	(1)	674	LIABILITIES & EQUITY	22 849	25 332	(10)	27 193
Property, plant and equipment	4 513	4 843	(7)	5 450	LIABILITIES				
Investments	318	277	15	1 013	Borrowings and liabilities	2 954	2 984	(1)	3 121
Other assets	1 875	1 878	-	1 950	Working capital	6 318	7 208	(12)	8 358
Working capital	12 363	13 733	(10)	14 647	Other liabilities	384	399	(4)	621
Non-current assets held-for-sale	1 101	1 484	(26)	7	Employee-related payables	628	938	(33)	1 022
Cash and bank balances	2 017	2 450	(18)	3 452	Non-current liabilities held-for-sale	129	247	(48)	-
					EQUITY	12 436	13 556	(8)	14 071
					NAV PER SHARE*	29.9	32.5	(8)	33.8

2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017



Notes:

WORKING CAPITAL

	Dec'16 Rm	Jun'16 Rm	change %	Dec'16 Days	Jun'16 Days
Inventory	2 159	2 211	(2%)	30 days	26 days
Trade and other receivables	1 721	2 058	(16%)	22 days	22 days
Amounts due from contract customers	8 483	9 464	(10%)		
Current trade and other payables	(4 854)	(5 886)	18%	67 days	68 days
Amounts due to contract customers	(1 338)	(1 322)	(1%)		
Net working capital	6 171	6 525	(5%)		
Forex impact *	73	-	>100%		
QCLNG and Gold Coast claims	(3 863)	(4 246)	9%		
Normalised net working capital	2 381	2 279	5%		

* This forex impact relates to net working capital excluding the impact of forex on the QCLNG and Gold Coast claims

2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017

Notes:

UNCERTIFIED REVENUE AND CLAIMS

	Dec'16 Rm	Jun'16 Rm	HY2017 Rm						
Uncertified claims and variations	6 283	6 584	TOTAL						
Contract contingencies	(286)	(390)	Contract claims	299	1 267	139	33	-	1 738
Contract and retention receivables	2 488	3 272	OQLNG and Gold Coast claims	-	3 863	-	-	-	3 863
Provision for contract receivables	(2)	(2)	Uncertified variations (timing)	141	228	179	25	109	682
AMOUNTS DUE FROM CUSTOMERS	8 483	9 464	Uncertified claims and variations	440	5 358	318	58	109	6 283
Progress billings received	(1 127)	(1 014)	FY2016						
Amounts received in advance	(211)	(308)	Contract claims	227	1 104	-	-	24	1 355
AMOUNTS DUE TO CUSTOMERS	(1 338)	(1 322)	OQLNG and Gold Coast claims	-	4 246	-	-	-	4 246
Net amounts due from contract customers	7 145	8 142	Uncertified variations (timing)	292	185	413	76	17	983
Foreign exchange impact	(639)		Uncertified claims and variations	519	5 535	413	76	41	6 584
			TOTAL						

C&E South Africa and rest of Africa

C&E Australasia and Asia

Mining

Manufacturing & Processing

Other and eliminations

2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017

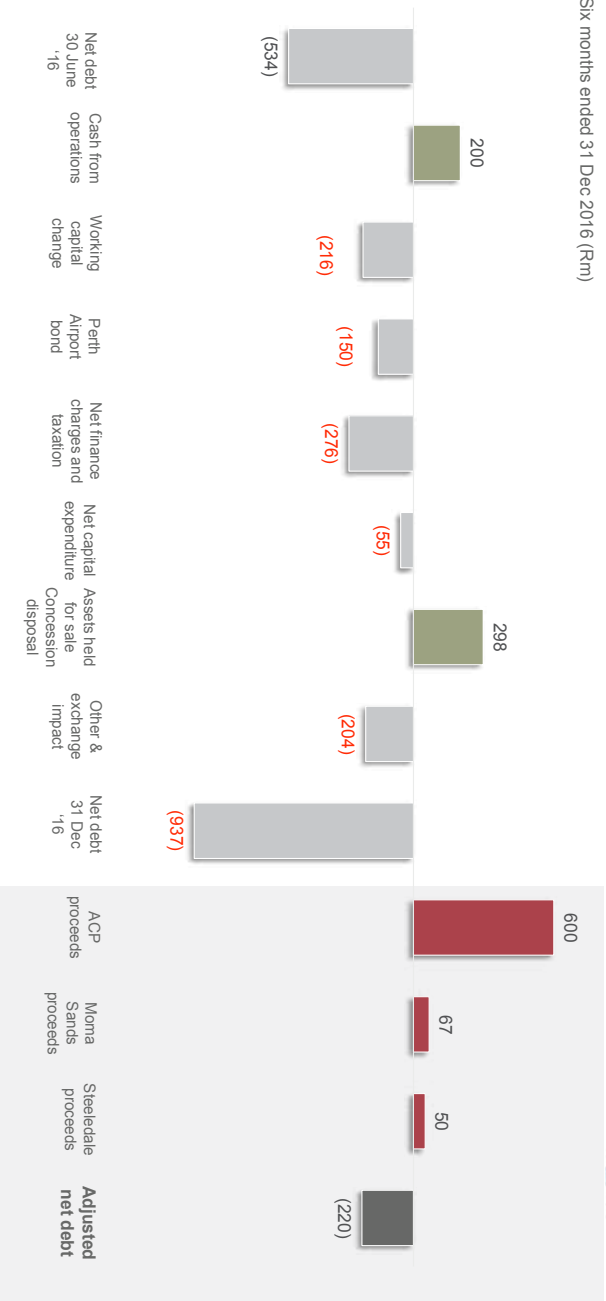


Notes:

MOVEMENT IN NET DEBT

ADJUSTED NET DEBT

Six months ended 31 Dec 2016 (Rm)



2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017

Notes:

Averg Group reviewed interim condensed consolidated financial statements for the six months ended 31 December 2016

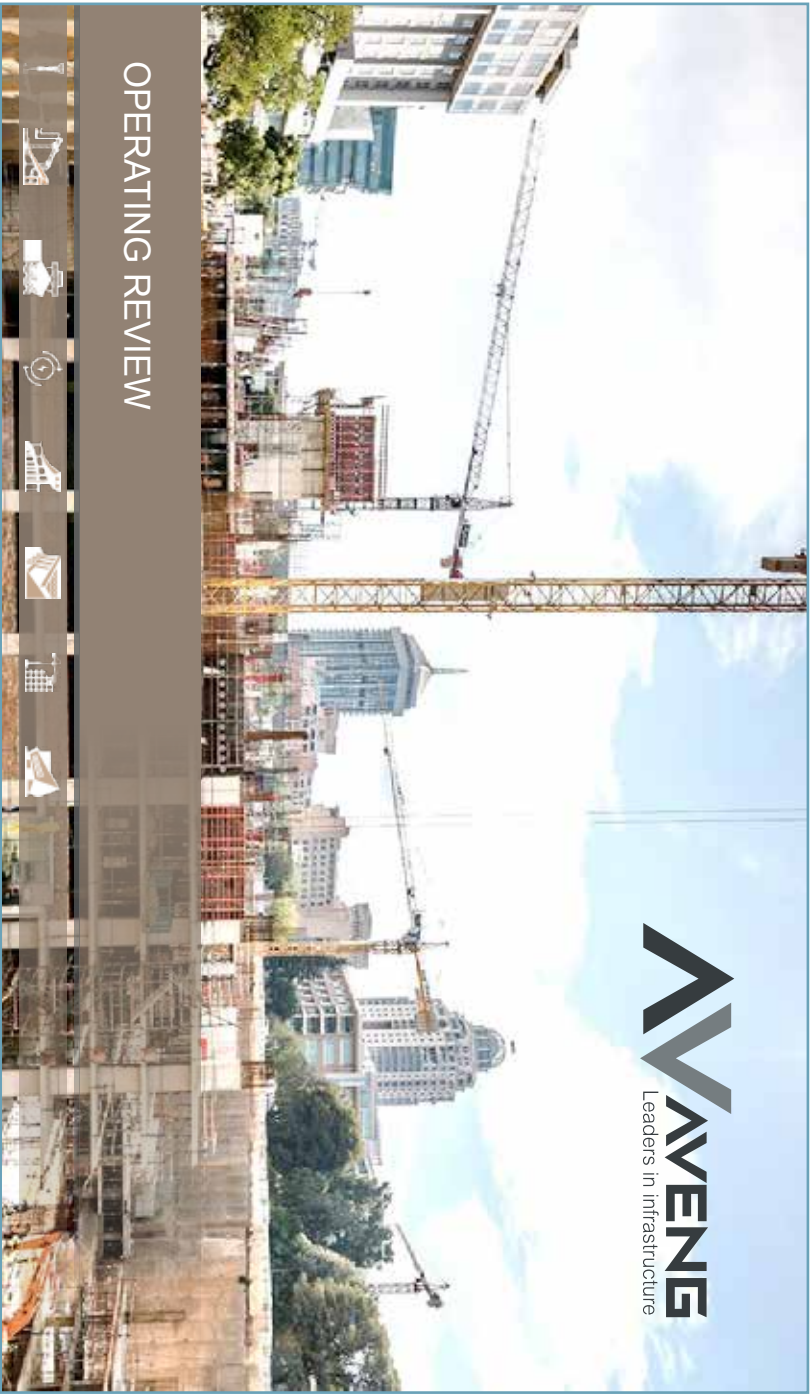
LIQUIDITY

	Dec'16 Rm	Jun'16 Rm	Dec'16 Rm	Jun'16 Rm
Cash	2 017	2 450	2 017	2 450
South African operations	864	1 009		
McConnell Dowell	1 153	1 441		
Borrowings	2 954	2 984		
Convertible bond	1 776	1 731		
South African operations	217	348		
McConnell Dowell	961	905		
NET (DEBT) / CASH	(937)	(534)		
Cash	2 017		2 017	
Less:				
Joint operations	(683)	(696)		
Advance payments	(211)	(308)		
Short term facilities	(693)	(768)		
Minimum working capital requirements	(800)	(900)		
LIQUIDITY REQUIREMENT	(370)	(222)		
UNUTILISED FACILITIES	1 761	1 937		
LIQUIDITY HEADROOM	1 391	1 715		

2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017



Notes:



OPERATING REVIEW



Notes:

CONSTRUCTION & ENGINEERING | South Africa and rest of Africa | Overview



Averg Grinaker-LTA



- Turnaround and stabilisation complete and planned profitability achieved
- Domestic market subdued with order book bias towards building
- Substantial and sustainable cost reductions achieved
- Problematic contracts mostly completed
- Mokolobane Water Augmentation award below expectation
- Project performance and margins still below expectations and industry norms
- Substantial turnaround in Mechanical & Electrical and a solid operating performance in Building and Coastal
- Civil Engineering market and performance still weak
- Transformation transaction well advanced, pending shareholder approval

2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017



Notes:

CONSTRUCTION & ENGINEERING | South Africa and rest of Africa

	H1 2017 Rm	H2 2016 Rm	H1 2016 Rm	H2 2015 Rm
Revenue	3 270	3 487	3 857	4 061
Operating Expenses	(220)	(320)	(312)	(392)
EBIT	(62)	(37)	(111)	(456)
OFCF	153	213	248	(227)

Projects completed and in progress:

- Construction of Majuba Rail has been completed
- Successfully completed Sasol Head Office on time

New awards:

- New projects in Civil Engineering: Botswana Quarry Rehabilitations, N2 Wild Coast Bridges Haul Roads, Sun City R556 Rehabilitation
- New projects in Building: Rosebank Fire Station, Phase II of Leonardo Towers, Borbet Industrial Park,
- New projects in Mechanical & Electrical: Refinery Maintenance Shutdowns



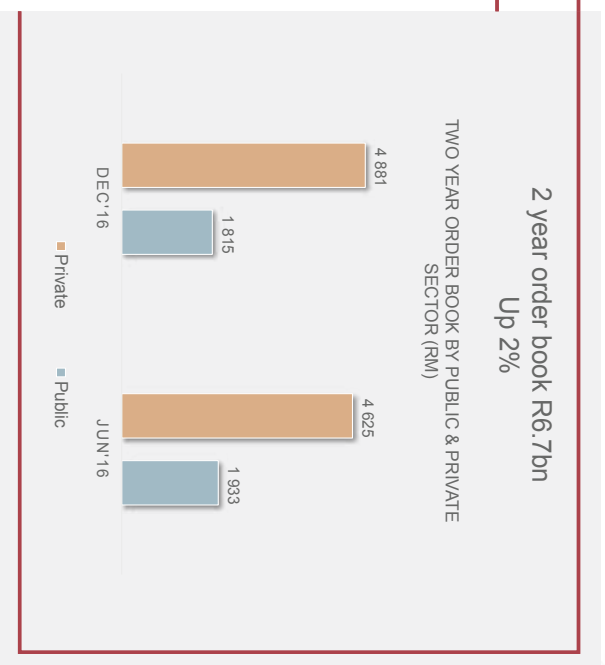
2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017

Notes:

CONSTRUCTION & ENGINEERING | South Africa and rest of Africa

Outlook

- No material improvement in market expected in short term
- Improve profitability through improved delivery and project performance
- Margin normalisation not expected in the short term due to current weak base and the lack of large infrastructure projects
- Static order book with fewer non-contributing contracts
- Award of profitable work in Civil Engineering and Mechanical & Electrical remains a priority
- Operationalising of Kutana transaction and the SA government's Settlement Agreement are critical



2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017

AVVENIS

Notes:

CONSTRUCTION & ENGINEERING | Australasia and Asia | Overview



McConnell Dowell



- Recovery is slower than planned with operational performance below expectations
- Cost base adjusted to lower activity levels
- Order book reduced marginally in AUD and tender discipline maintained
- Cash flow remained negative for H1 due to delayed commercial settlements, utilisation of advanced payments, and Perth Airport cash outflow
- QCLNG award expected by financial year-end
- Gold Coast claims progressing according to timeline, expected in calendar year 2018

2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017



Notes:

CONSTRUCTION & ENGINEERING | Australasia and Asia

	H1 2017 Rm	H2 2016 Rm	H1 2016 Rm	H2 2015 Rm	H1 2017 AUDm	H2 2016 AUDm	H1 2016 AUDm	H2 2015 AUDm
Revenue	4 912	5 780	7 048	9 108	465	538	726	971
Operating Expenses	(386)	(524)	(498)	(534)	(37)	(47)	(51)	(57)
EBIT	(47)	6	8	(71)	(4)	-	1	(10)
OFCE	(426)	(625)	(1 958)	(663)	(58)	(49)	(186)	(73)

Projects completed and in progress:

- Webb Dock, O'Bahn and AMRUN projects produced good results
- Waterloo Tunnel and Stronger Christchurch Infrastructure Rebuild Team progressing, with significant improvement on Kiribati project in New Zealand

New awards:

- New projects awarded for PTT Pipeline in Thailand, Christchurch Southern Motorway Stage 2 in New Zealand and Dryandra Road and West Franklin apartments in Australia

2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017

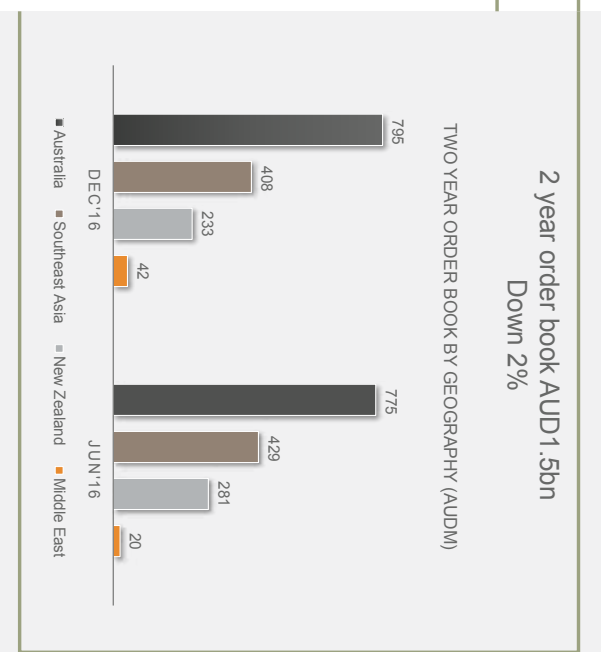
Notes:

Avenir Group reviewed interim condensed consolidated financial statements for the six months ended 31 December 2016

CONSTRUCTION & ENGINEERING | Australasia and Asia

Outlook

- Most markets in which McConnell Dowell operates offer good opportunities although extremely price competitive
- Ability to participate supported by an established record of delivery but hampered by recent project performance
- Improved cash flow expected in H2 through operational performance and commercial settlements
- Reasonable profitability postponed to FY2018
- Material earnings risk remains for QCLNG and Gold Coast



2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017



Notes:

AVENG MINING | Overview



Averg Mining



- Response to the sharp decline in mining activities in the previous financial year has paid off
- Strong financial and operational performance
- Problematic contract with Wesizwe's Bakubung mine settled
- Market recovery faster than anticipated with:
 - Increased volumes experienced on certain existing contracts
 - Mines previously on care-and-maintenance restarted
 - New contracts awarded
- Idle fleet substantially reduced
- Integrated mining business operates at a lower cost base
- Increased tender activities in both South Africa and rest of Africa

2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017



Notes:

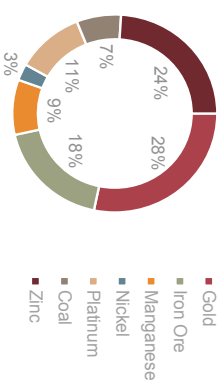
AVENG MINING

	H1 2017 Rm	H2 2016 Rm	H1 2016 Rm	H2 2015 Rm
Revenue	2 001	2 058	2 968	2 982
Operating Expenses	(95)	(106)	(129)	(144)
EBIT	91	78	198	172
OFCF	47	186	177	243

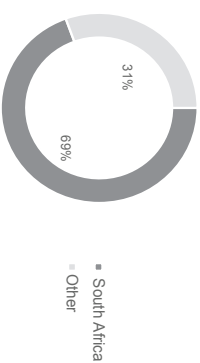
Contracts

- Currently executing 12 contracts in South Africa and 4 in rest of Africa
- New contracts recently awarded at Gamsberg zinc mine in the Northern Cape and Khutala coal mine in Mpumalanga
- New contract at Karowe diamond mine in Botswana awarded
- Chile contract completed with execution quality well received

HY2017 REVENUE BY COMMODITY



HY2017 REVENUE BY GEOGRAPHY



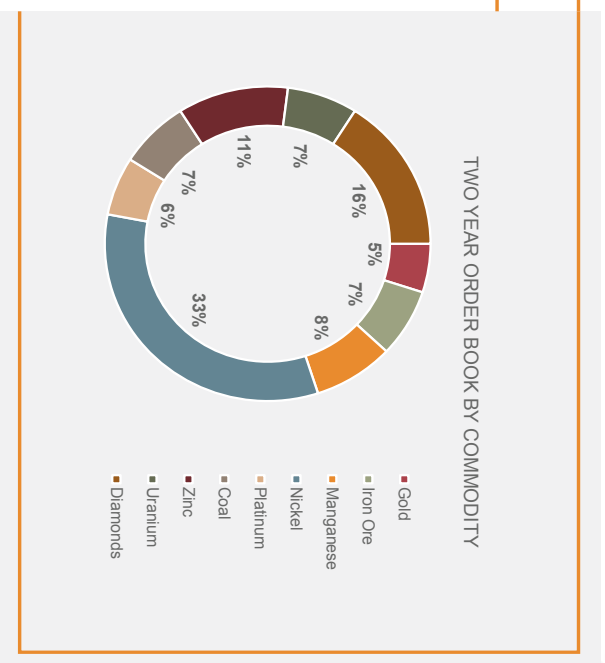
2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017

Notes:

AVENG MINING

Outlook

- Improving commodity prices provide further opportunities
- Maintain and improve operational performance on existing contracts and ensure solid start on new projects
- Pursuing local opportunities for gold, platinum and iron ore, and gold, bauxite, coal and platinum in Guinea, Mali, Mozambique, Tanzania and Zimbabwe
- Consider fleet investment alternatives for larger pipeline
- Stronger cash flow expected in H2
- Overall good outlook and positive performance expected



2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017

Notes:

MANUFACTURING & PROCESSING | Aveng Manufacturing | Overview

Aveng Manufacturing



- Impacted by the general slowdown in manufacturing activities across all the businesses
- Limited rail construction and reduced rail maintenance work in SADC adversely affected the concrete and rail businesses
- Marked improvement in earnings compared to H2 2016
- Benefits from further cost reduction and intensive profit improvement programme not yet evident in results
- Capital to be allocated to modernise and build capacity



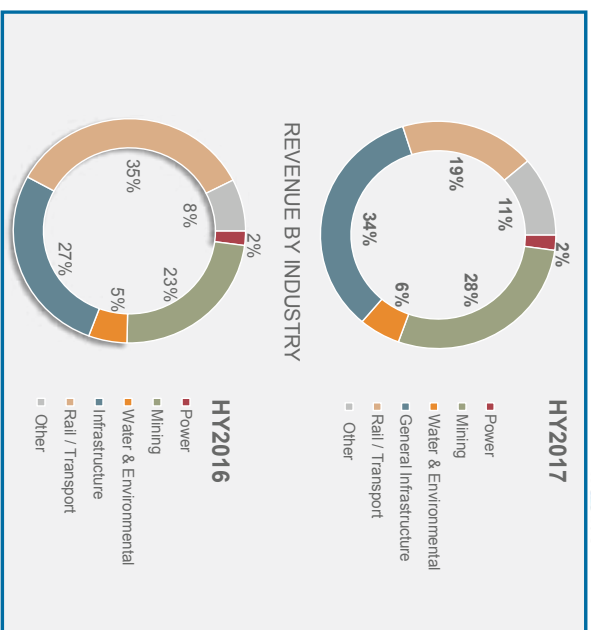
2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017



Notes:

MANUFACTURING & PROCESSING | Aveng Manufacturing

	H1 2017 Rm	H2 2016 Rm	H1 2016 Rm	H2 2015 Rm
Revenue	1 311	1 340	1 625	1 459
Operating Expenses	(140)	(169)	(175)	(190)
EBIT	92	(4)	99	82
OFCE	(50)	(36)	7	(29)



2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017

AVENG

Notes:

Aveng Group reviewed interim condensed consolidated financial statements for the six months ended 31 December 2016

MANUFACTURING & PROCESSING | Aveng Manufacturing

Outlook

- Improved revenue expected for H2 due to
 - Improved pricing on selected products and product mix
 - Some return of sleeper volumes
 - Improved export sales in Europe and Americas for valve products
- Profit improvement programmes to start delivering improved financial performance
- Overall improved earnings and cash generation is expected



AVENGIS

2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017

Notes:

MANUFACTURING & PROCESSING | Aveng Steel | Overview



Aveng Steel



- Market remains extremely difficult
- Price increases in H2 on the back of improved international steel prices
- Volume stabilised at lower levels
- Improved financial performance but still loss-making
- Strong cash flow positive on further working capital optimisation
- Lower overhead levels not sufficient to counter the overcapacity and structural challenges in the SA steel market
- Aveng Steeledale disposal transaction now effective
- Interest in Aveng Trident Steel remains and discussions continue

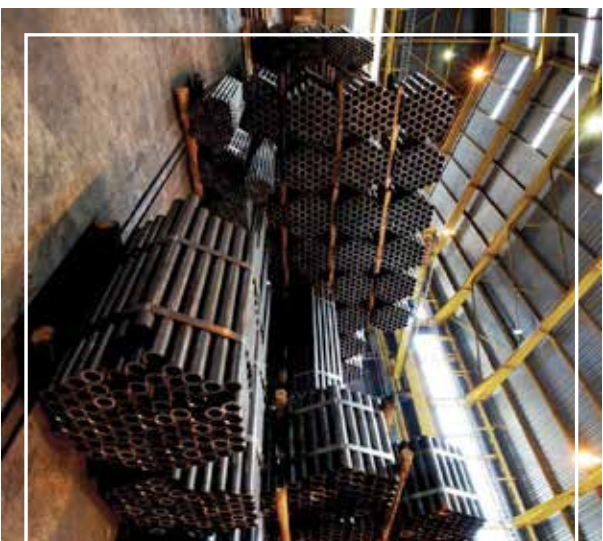
2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017



Notes:

MANUFACTURING & PROCESSING | Aveng Steel

	H1 2017 Rm	H2 2016 Rm	H1 2016 Rm	H2 2015 Rm
Revenue	2 989	3 058	2 771	3 216
Operating Expenses	(167)	(176)	(183)	(231)
EBITDA	(52)	9	(115)	(99)
EBIT	(68)	(18)	(147)	(107)
OFCF	163	177	481	(463)
Volumes tonnes	276 897	310 671	276 574	289 518
Average price (R/kt)	11	10	10	11



2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017

Notes:

Aveng Group reviewed interim condensed consolidated financial statements for the six months ended 31 December 2016

MANUFACTURING & PROCESSING | Aveng Steel

Outlook

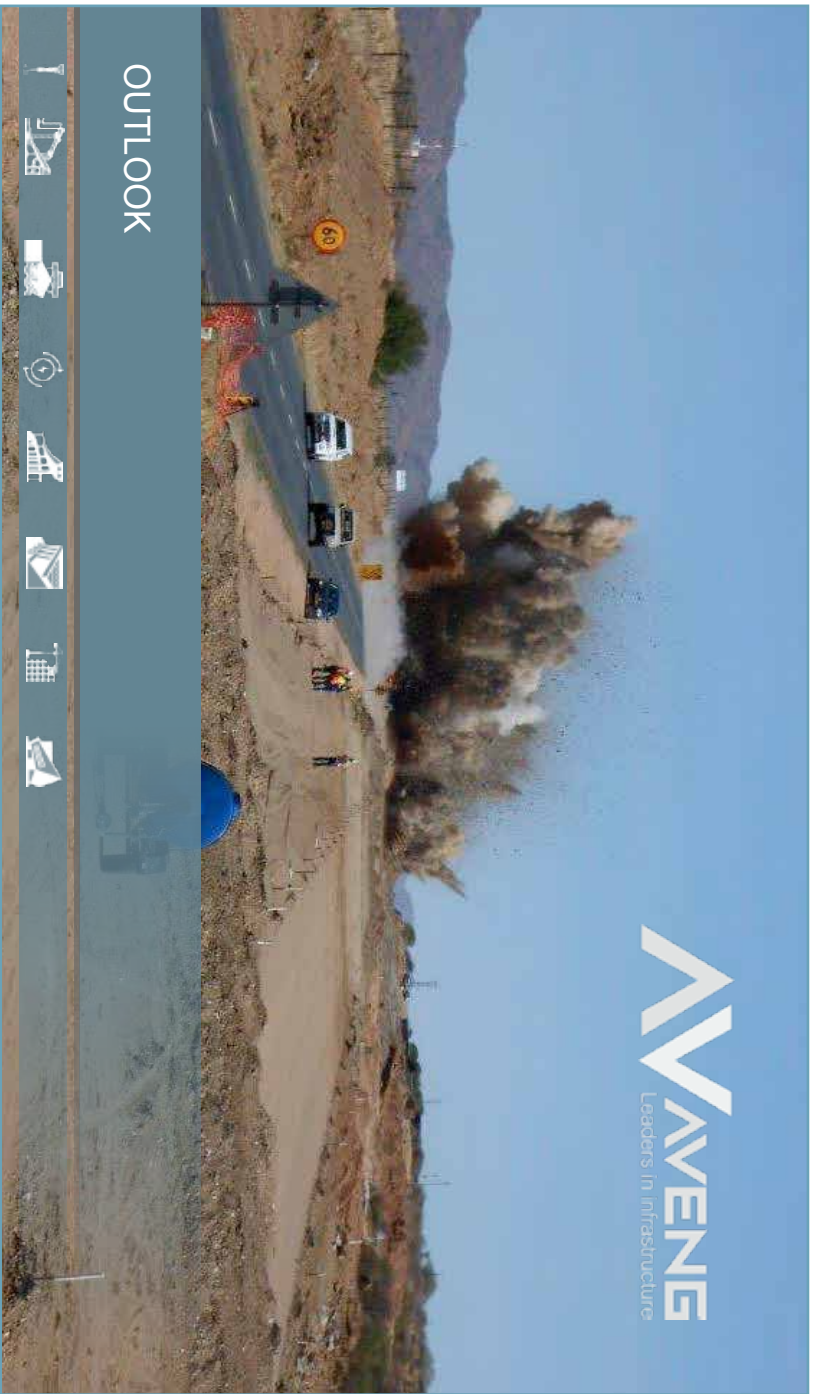
- Global overcapacity to continue, limiting further international price increases
- RSA demand hampered by a lack of large infrastructure projects and general weak manufacturing – requires urgent government prioritisation
- Lower imports and more price stability due to import duties
- Further efficiency initiatives are underway
- Targeting EBITDA positive in H2 following most recent price increase



The Aveng logo, consisting of the word "AVENG" in a bold, sans-serif font, with a stylized "A" that has a vertical line through it.

2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017

Notes:



OUTLOOK



Notes:

TWO YEAR ORDER BOOK

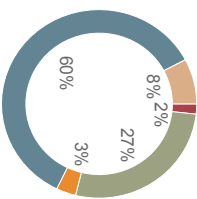
Revenue

	HY2017 Rm	FY2016 Rm
McConnell Dowell	14 781	16 510
Averg Grinaker-LTA (incl. Aveng Water)	6 696	6 558
Averg Mining	6 011	4 906
Averg Manufacturing	216	122
TOTAL	27 704	28 096
Gross margin	7.3%	8.1%

Target EBIT range %

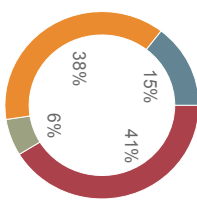
McConnell Dowell	3 – 5%
Averg Grinaker-LTA	
Building and Coastal	2 – 4%
Civil Engineering	2 – 4%
Mechanical & Electrical	4 – 6%
Averg Mining	8 – 10%
Averg Manufacturing	6 – 8%

Two year order book by sector



- Power
- Mining
- Water & Environmental
- General Infrastructure
- Oil & Gas

Two year order book by geography



- South Africa
- Rest of Africa & Indian Ocean Islands
- Australasia
- Southeast Asia

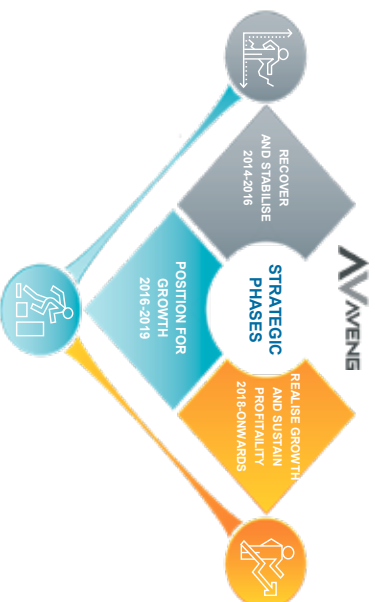
Notes:

Strategy Overview

RECOVERY AND STABILISE: COMPLETED

- Confirmed our portfolio
- Closed or turn-around under-performing businesses
- Structurally reduced fixed overheads throughout the Group
- Improved project performance
- Improved the balance sheet (divestments, improved operational performance)
- Reduced claims and litigation risk in SA
- Completed a number of large risk projects
- Implemented strategic transactions

- POSITION FOR GROWTH - FOCUS ON**
- Focus on areas not fully completed in previous phase:
 - McConnell Dowell's operational performance and balance sheet
 - Project performance Aveng Ghiraker-LTA
 - Move businesses from return-to-profitability to industry comparable earnings and performance
 - Operationalise Aveng Ghiraker-LTA empowerment transaction
 - Improve balance sheet capacity
 - Selective investments in capacity



REALISE GROWTH AND SUSTAIN PROFITABILITY: LONG TERM OBJECTIVES

- Achieve a leadership position in all operating areas through
 - Delivery
 - Client focus
 - Innovation
 - Sustainability
 - Financial measures
- Market expansion into selected geographic areas
- Enhanced profitability and cash flow

Notes:

KEY TAKEAWAYS

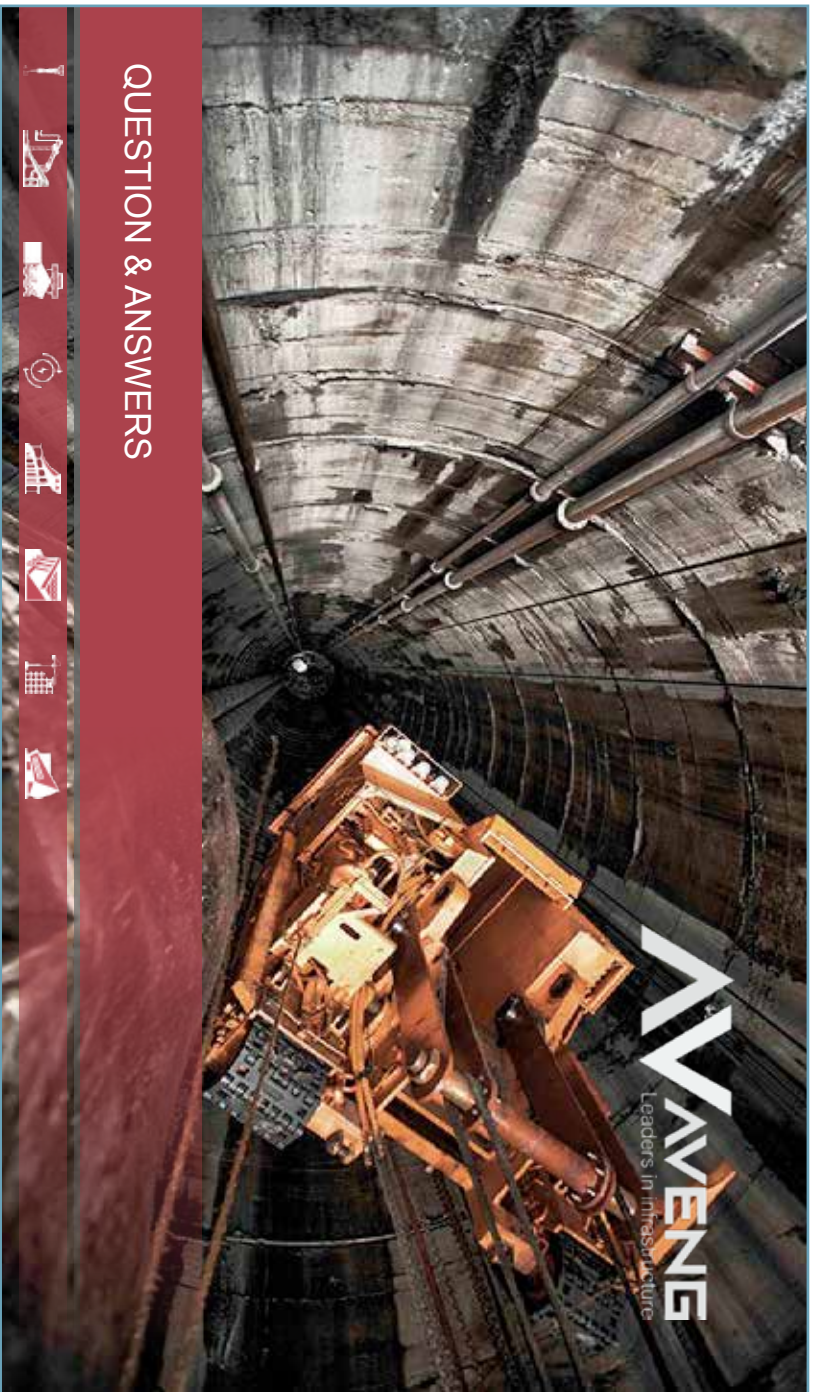
- No material improvement in the SA market expected in the short term
- Mining sector and infrastructure in Australasia and Southeast Asia offer good opportunities
- SA businesses to improve profitability through better project execution and profit improvement programmes
- Improving McConnell Dowell's performance remains a key priority
- Aveng Mining to benefit from improved activities in South Africa and the rest of Africa
- QCLNG outcome to resolve long standing uncertainty and balance sheet risk
- Operationalise Aveng Grinaker-LTA empowerment transaction to yield anticipated benefit
- Finalise or postpone - until market conditions improve - the sale of Aveng Trident Steel
- Intensive effort to restore net cash position



2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017



Notes:



AVANGINE
Leaders in infrastructure

QUESTION & ANSWERS

Notes:

REVENUE | Construction & Engineering

SOUTH AFRICA AND REST OF AFRICA	H1 2017	H2 2016	H1 2016	H2 2015	AUSTRALASIA AND ASIA	H1 2017	H2 2016	H1 2016	H2 2015
	Rm	Rm	Rm	Rm		AUDm	AUDm	AUDm	AUDm
Aveng Giraaker-LTA Building and Coastal	1 783	1 638	1 466	1 482	Australia	178	217	306	316
Aveng Giraaker-LTA Civil Engineering	516	1 126	1 196	1 518	New Zealand and Pacific	156	163	160	64
Aveng Giraaker-LTA Mechanical & Electrical	675	619	835	881	Southeast Asia	110	120	226	353
Aveng Water	140	160	149	226	Built Environs	21	12	34	120
Aveng Capital Partners	17	79	77	4	Electric	-	-	-	118
Other	139	(135)	134	(50)	TOTAL	465	512	726	971
TOTAL	3 270	3 487	3 857	4 061					

2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017



Notes:

Aveng Group reviewed interim condensed consolidated financial statements for the six months ended 31 December 2016

REVENUE | Manufacturing & Processing and Mining

	H1 2017 Rm	H2 2016 Rm	H1 2016 Rm	H2 2015 Rm
AVENG MANUFACTURING				
Aveng ACS	209	204	237	203
Aveng DFC	237	223	246	260
Aveng Duraset	232	224	263	271
Aveng Infraset	388	387	464	495
Aveng Rail	256	333	437	280
Other	(11)	(35)	(22)	(54)
SUB-TOTAL	1 311	1 336	1 625	1 455
Aveng Facades (closed)	-	4	-	3
TOTAL	1 311	1 340	1 625	1 458
AVENG STEEL				
Aveng Trident Steel	2 485	2 440	2 106	2 488
Aveng Steeledale (sold)	504	571	582	626
Aveng Steel Fabrication (closed)	-	47	83	103
TOTAL	2 989	3 058	2 771	3 217
AVENG MINING				
	H1 2017 Rm	H2 2016 Rm	H1 2016 Rm	H2 2015 Rm
TOTAL	2 001	2 058	2 968	2 982

2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017

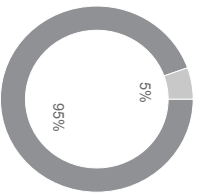


Notes:

Aveng Group reviewed interim condensed consolidated financial statements for the six months ended 31 December 2016

CONSTRUCTION & ENGINEERING | South Africa and rest of Africa

HY2017 REVENUE BY GEOGRAPHY

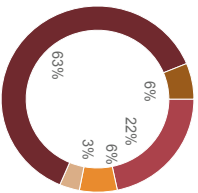


- South Africa
- Rest of Africa

TWO YEAR ORDER BOOK

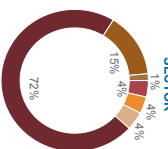
	HY2017		FY2016		% change
	Rm		Rm		
Averg Grinaker-LTA Building & Coastal	3 807		3 641		5
Averg Grinaker-LTA Civil Engineering	1 063		1 104		(4)
Averg Grinaker-LTA Mechanical & Electrical	1 345		1 456		(8)
Averg Water	341		322		6
Other	140		35		>100
TOTAL	6 696		6 558		2

HY2017 REVENUE BY SECTOR



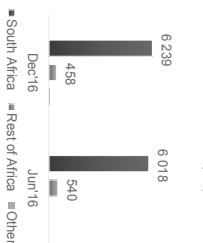
- Power
- Mining
- Water & Environmental
- General Infrastructure
- Oil & Gas

TWO YEAR ORDER BOOK BY SECTOR

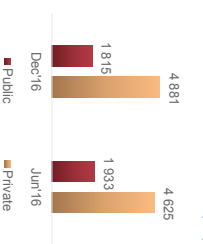


- Power
- Water & Environmental
- Oil & Gas
- Mining
- General Infrastructure
- Other

TWO YEAR ORDER BOOK BY GEOGRAPHY (RM)



TWO YEAR ORDER BOOK BY PUBLIC & PRIVATE SECTOR (RM)



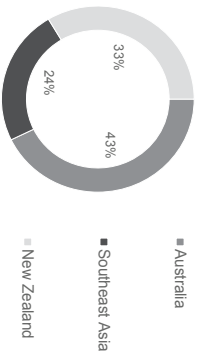
2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017

Notes:

Averg Group reviewed interim condensed consolidated financial statements for the six months ended 31 December 2016

CONSTRUCTION & ENGINEERING | Australasia and Asia

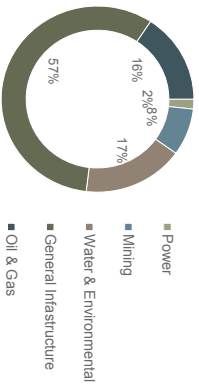
HY2017 REVENUE BY GEOGRAPHY



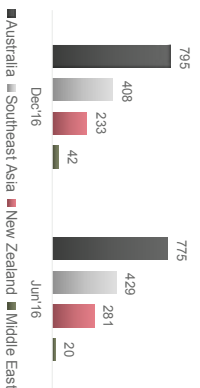
TWO YEAR ORDER BOOK

	HY2017 AUDM	FY2016 AUDM	% change
Australia	662	704	(6)
New Zealand	233	281	(17)
Southeast Asia	408	429	(5)
Middle East & other	42	20	>100
Built Environs	133	71	87
TOTAL	1 478	1 505	(2)

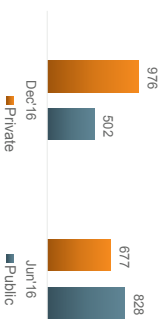
HY2017 REVENUE BY SECTOR



TWO YEAR ORDER BOOK BY GEOGRAPHY (AUDM)



TWO YEAR ORDER BOOK BY PUBLIC & PRIVATE SECTOR (AUDM)



2017 INTERIM FINANCIAL RESULTS | 21 FEBRUARY 2017



Notes:

Averig Group reviewed interim condensed consolidated financial statements for the six months ended 31 December 2016



**Reviewed interim
condensed consolidated
financial statements**
for the six months ended
31 December 2016

AVAVENG

Salient features – financial performance

for the period ended 31 December 2016

Revenue

R14,3 billion

Decrease of 21% from R18,0 billion at December 2015

Adjusted headline loss

R76 million

from R231 million at December 2015

Operating costs

25% decrease, R250 million sustainable savings

Operating free cash flow

R226 million outflow

December 2015: R295 million outflow

South African government settlement

R165 million

(R21,25 million per annum for 12 years)

Adjusted headline loss per share

19,2 cents

Improved from 58,0 cents loss at December 2015

Adjusted net operating earnings

R151 million

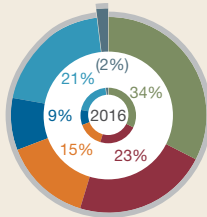
Increase from R52 million at December 2015

Two year order book maintained at

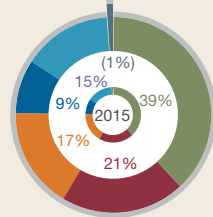
R27,7 billion

Revenue per operating group

December 2016

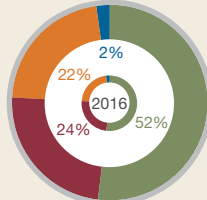


December 2015

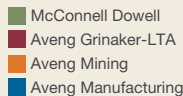


Two year order book per operating group

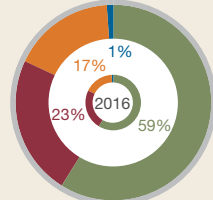
December 2016



R27,7 billion



June 2016



R28,0 billion

Salient features – segmental analysis

	H1 2017 Rm	H1 2016 Rm	Change %	June 2016 Rm
South Africa and rest of Africa	(62)	(111)	(44)	(148)
Aveng Grinaker-LTA	(71)	(19)	>100	(69)
Aveng Water	9	(83)	>100	(273)
Aveng Capital Partners	–	(9)	>(100)	194
Australasia and Asia	(47)	8	>(100)	14
Total Construction and Engineering	(109)	(103)	6	(134)
Mining	91	198	(54)	276
Manufacturing and Processing	24	(48)	>(100)	(70)
Aveng Steel	(68)	(147)	(54)	(166)
Aveng Manufacturing	92	99	(7)	96
Other and Eliminations	(170)	5	>(100)	74
Net operating (loss) / earnings	(164)	52	>(100)	146
Special items	315	–	>(100)	–
Adjusted net operating earnings	151	52	>(100)	146
(Loss) / earnings attributable to equity-holders:				
Equity-holders of the parent	(392)	230	>(100)	(101)
Non-controlling interest	(37)	2	>(100)	36
Total (loss) / earnings attributable to equity-holders	(429)	232	>(100)	(65)
Headline loss	(391)	(231)	69	(299)
Adjusted headline loss	(76)	(231)	(67)	(299)

Condensed statement of adjusted earnings for the six months ended 31 December 2016

The Group presents adjusted earnings as a more representative and sustainable indicator of the Group's true economic performance. Adjusted earnings excludes non-recurring items that otherwise distort the Group's results and may provide users of this financial information with additional meaningful comparisons between current results and results in prior operating periods. Adjusted earnings should be viewed in addition to, and not as an alternative to, the reported operating results or any other measure of performance prepared in accordance with IFRS. In addition, the presentation of the adjusted earnings may not be comparable to similarly titled measures that other companies use.

	Six months ended 31 December 2016		
	Earnings Rm	Special items Rm	Adjusted earnings Rm
Revenue ^{1.1}	14 296	150	14 446
Cost of sales	(13 336)	–	(13 336)
Gross earnings	960	150	1 110
Other earnings	77	–	77
Operating expenses	(1 039)	–	(1 039)
Earnings from equity-accounted investments	3	–	3
Operating earnings	1	150	151
South African government settlement ^{1.2}	(165)	165	–
Net operating (loss) / earnings	(164)	315	151
Impairment of property, plant, equipment and intangible assets ^{1.3}	(5)	–	(5)
Profit on sale of property, plant and equipment ^{1.4}	3	–	3
(Loss) / earnings before financing transactions	(166)	315	149
Finance earnings	98	–	98
Interest on convertible bonds	(117)	–	(117)
Other finance expenses	(207)	–	(207)
(Loss) / earnings before taxation	(392)	315	(77)
Taxation	(37)	–	(37)
(Loss) / earnings for the period	(429)	315	(114)
Equity-holders of the parent	(392)	315	(77)
Non-controlling interest	(37)	–	(37)
Adjusted headline loss	(391)	315	(76)
Results per share (cents)			
(Loss) / earnings – basic	(98,8)		(19,4)
Headline loss – basic	(98,5)		(19,2)

1.1 Kenmare Resources' counter claim to be recovered from Professional Indemnity insurance. Refer to note 12.

1.2 Present value of settlement with South African government. Refer to note 10.

1.3 Impairment of assets due to subdued economic conditions affecting the Steel business, relating to June 2016.

1.4 Profit on sale of properties relating to Dimopoint properties that were held-for-sale, relating to December 2015 and June 2016.

Six months ended 31 December 2015			Year ended 30 June 2016		
Earnings Rm	Special items Rm	Adjusted earnings Rm	Earnings Rm	Special items Rm	Adjusted earnings Rm
17 998	–	17 998	33 755	–	33 755
(16 711)	–	(16 711)	(31 260)	–	(31 260)
1 287	–	1 287	2 495	–	2 495
214	–	214	591	–	591
(1 392)	–	(1 392)	(2 808)	–	(2 808)
(57)	–	(57)	(132)	–	(132)
52	–	52	146	–	146
–	–	–	–	–	–
52	–	52	146	–	146
(23)	–	(23)	(333)	310	(23)
577	(577)	–	592	(577)	15
606	(577)	29	405	(267)	138
105	–	105	211	–	211
(111)	–	(111)	(225)	–	(225)
(150)	–	(150)	(327)	–	(327)
450	(577)	(127)	64	(267)	(203)
(218)	101	(117)	(129)	76	(53)
232	(476)	(244)	(65)	(191)	(256)
230	(476)	(246)	(101)	(191)	(292)
2	–	2	36	–	36
(231)	–	(231)	(299)	–	(299)
57,8	–	(61,8)	(25,4)	–	(73,5)
(58,0)	–	(58,0)	(75,2)	–	(75,2)

Interim condensed statement of financial position

as at 31 December 2016

	Notes	31 December 2016 (Reviewed) Rm	31 December 2015 (Reviewed) Rm	30 June 2016 (Audited) Rm
ASSETS				
Non-current assets				
Goodwill arising on consolidation		342	342	342
Intangible assets		320	332	325
Property, plant and equipment		4 513	5 450	4 843
Equity-accounted investments		118	136	100
Infrastructure investments		200	877	177
Deferred taxation		1 870	1 829	1 858
Derivative instruments		–	15	–
Amounts due from contract customers	8	1 305	1 174	1 417
		8 668	10 155	9 062
Current assets				
Inventories		2 159	2 400	2 211
Derivative instruments		5	106	20
Amounts due from contract customers	8	7 178	9 068	8 047
Trade and other receivables		1 721	2 005	2 058
Cash and bank balances		2 017	3 452	2 450
		13 080	17 031	14 786
Non-current assets held-for-sale	7	1 101	7	1 484
		22 849	27 193	25 332
EQUITY AND LIABILITIES				
Equity				
Share capital and share premium		2 009	2 009	2 009
Other reserves		1 118	2 031	1 821
Retained earnings		9 297	10 020	9 689
Equity attributable to equity-holders of parent		12 424	14 060	13 519
Non-controlling interest		12	11	37
		12 436	14 071	13 556

	Notes	31 December 2016 (Reviewed) Rm	31 December 2015 (Reviewed) Rm	30 June 2016 (Audited) Rm
LIABILITIES				
Non-current liabilities				
Deferred taxation		242	434	266
Borrowings and other liabilities	9	1 851	1 901	1 770
Employee-related payables		329	474	379
Trade and other payables	10	126	–	–
		2 548	2 809	2 415
Current liabilities				
Amounts due to contract customers	8	1 338	1 792	1 322
Borrowings and other liabilities	9	1 103	1 220	1 214
Employee-related payables		299	548	559
Derivative instruments		26	–	27
Trade and other payables	10	4 854	6 566	5 886
Taxation payable		116	187	106
		7 736	10 313	9 114
Non-current liabilities held-for-sale	7	129	–	247
TOTAL LIABILITIES		10 413	13 122	11 776
TOTAL EQUITY AND LIABILITIES		22 849	27 193	25 332

Interim condensed statement of comprehensive earnings

for the six months ended 31 December 2016

	Notes	Six months ended 31 December 2016 (Reviewed) Rm	Six months ended 31 December 2015 (Reviewed) Rm	Change %	Year ended 30 June 2016 (Audited) Rm
Revenue		14 296	17 998	(21)	33 755
Cost of sales		(13 336)	(16 711)	20	(31 260)
Gross earnings		960	1 287	(25)	2 495
Other earnings		77	214	(64)	591
Operating expenses		(1 039)	(1 392)	25	(2 808)
Earnings / (loss) from equity-accounted investments		3	(57)	>(100)	(132)
Operating earnings		1	52	(98)	146
South African government settlement	10	(165)	–	>(100)	–
Net operating (loss) / earnings		(164)	52	>(100)	146
Impairment of property, plant, equipment and intangible assets		(5)	(23)	78	(333)
Profit on sale of property, plant and equipment		3	577	(99)	592
(Loss) / earnings before financing transactions		(166)	606	>(100)	405
Finance earnings		98	105	(7)	211
Convertible bond interest		(117)	(111)	(5)	(225)
Other finance expenses		(207)	(150)	(38)	(327)
(Loss) / earnings before taxation		(392)	450	>(100)	64
Taxation	11	(37)	(218)	83	(129)
(Loss) / earnings for the period		(429)	232	>(100)	(65)
Other comprehensive earnings to be reclassified to earnings or loss in subsequent periods (net of taxation):					
Exchange differences on translating foreign operations		(709)	985	>(100)	786
Other comprehensive (loss) / earnings for the period, net of taxation		(709)	985	>(100)	786

	Six months ended 31 December 2016 (Reviewed) Rm	Six months ended 31 December 2015 (Reviewed) Rm	Change %	Year ended 30 June 2016 (Audited) Rm
Total comprehensive (loss) / earnings for the period	(1 138)	1 217	>(100)	721
Total comprehensive (loss) / earnings for the period attributable to:				
Equity-holders of the parent	(1 102)	1 223	>(100)	676
Non-controlling interest	(36)	(6)	>(100)	45
	(1 138)	1 217	>(100)	721
(Loss) / earnings for the period attributable to:				
Equity-holders of the parent	(392)	230	>(100)	(101)
Non-controlling interest	(37)	2	>(100)	36
	(429)	232	>(100)	(65)
Other comprehensive (loss) / earnings for the period, net of taxation				
Equity-holders of the parent	(710)	993	>100	777
Non-controlling interest	1	(8)	>(100)	9
	(709)	985	>(100)	786
Results per share (cents)				
(Loss) / earnings – basic	(98,8)	57,8	>(100)	(25,4)
(Loss) / earnings – diluted	(97,5)	57,2	>(100)	(25,1)
Headline (loss) – basic	(98,5)	(58,0)	>(100)	(75,2)
Headline (loss) – diluted	(97,2)	(57,5)	>(100)	(74,4)
Number of shares (millions)				
In issue	416,7	416,7	–	416,7
Weighted average	396,8	398,0	(0,3)	397,4
Diluted weighted average	402,1	402,1	–	402,1

EBITDA for the Group, being operating earnings before interest, tax, depreciation and amortisation is R344 million (December 2015: R496 million; June 2016: R969 million).

Interim condensed statement of changes in equity

for the six months ended 31 December 2016

	Share capital Rm	Share premium Rm	Total share capital and premium Rm	Foreign currency trans- lation reserve Rm
Six months ended 31 December 2015 (Reviewed)				
Balance at 1 July 2015	20	2 003	2 023	757
Earnings for the period	–	–	–	–
Other comprehensive earnings for the period (net of taxation)	–	–	–	993
Total comprehensive earnings for the period	–	–	–	993
Movement in treasury shares	–	(23)	(23)	–
Equity-settled share-based payment release	–	9	9	–
Equity-settled share-based payment charge	–	–	–	–
Bond equity reserve	–	–	–	–
Decrease in equity investment	–	–	–	–
Total contributions and distributions recognised	–	(14)	(14)	–
Balance at 31 December 2015	20	1 989	2 009	1 750
Year ended 30 June 2016 (Audited)				
Balance at 1 July 2015	20	2 003	2 023	757
Loss for the period	–	–	–	–
Other comprehensive loss for the period (net of taxation)	–	–	–	777
Total comprehensive earnings for the period	–	–	–	777
Movement in treasury shares	–	(23)	(23)	–
Equity-settled share-based payment release	–	9	9	–
Equity-settled share-based payment charge	–	–	–	–
Recognition of deferred tax on convertible bond	–	–	–	–
Decrease in equity investment	–	–	–	–
Dividends paid	–	–	–	–
Total contribution and distributions recognised	–	(14)	(14)	–
Balance at 30 June 2016	20	1 989	2 009	1 534

Equity-settled share-based payment reserve Rm	Convertible bond equity reserve Rm	Total other reserves Rm	Retained earnings Rm	Total attributable to equity-holders of the parent Rm	Non-controlling interest Rm	Total equity Rm
15	390	1 162	9 790	12 975	23	12 998
-	-	-	230	230	2	232
-	-	993	-	993	(8)	985
-	-	993	230	1 223	(6)	1 217
-	-	-	-	(23)	-	(23)
(9)	-	(9)	-	-	-	-
7	-	7	-	7	-	7
-	(122)	(122)	-	(122)	-	(122)
-	-	-	-	-	(6)	(6)
(2)	(122)	(124)	-	(138)	(6)	(144)
13	268	2 031	10 020	14 060	11	14 071
15	390	1 162	9 790	12 975	23	12 998
-	-	-	(101)	(101)	36	(65)
-	-	777	-	777	9	786
-	-	777	(101)	676	45	721
-	-	-	-	(23)	-	(23)
(9)	-	(9)	-	-	-	-
13	-	13	-	13	-	13
-	(122)	(122)	-	(122)	-	(122)
-	-	-	-	-	(29)	(29)
-	-	-	-	-	(2)	(2)
4	(122)	(118)	-	(132)	(31)	(163)
19	268	1 821	9 689	13 519	37	13 556

Interim condensed statement of changes in equity continued
for the six months ended 31 December 2016

	Share capital Rm	Share premium Rm	Total share capital and premium Rm	Foreign currency trans- lation reserve Rm
Six months ended 31 December 2016 (Reviewed)				
Balance at 1 July 2016	20	1 989	2 009	1 534
Loss for the period	-	-	-	-
Other comprehensive loss for the period (net of taxation)	-	-	-	(710)
<i>Total comprehensive earnings for the period</i>	-	-	-	(710)
Equity-settled share-based payment charge	-	-	-	-
Increase in equity investment	-	-	-	-
Dividends paid	-	-	-	-
<i>Total contributions and distributions recognised</i>	-	-	-	-
Balance at 31 December 2016	20	1 989	2 009	824

Equity-settled share-based payment reserve Rm	Convertible bond equity reserve Rm	Total other reserves Rm	Retained earnings Rm	Total attributable to equity-holders of the parent Rm	Non-controlling interest Rm	Total equity Rm
19	268	1 821	9 689	13 519	37	13 556
-	-	-	(392)	(392)	(37)	(429)
-	-	(710)	-	(710)	1	(709)
-	-	(710)	(392)	(1 102)	(36)	(1 138)
7	-	7	-	7	-	7
-	-	-	-	-	14	14
-	-	-	-	-	(3)	(3)
7	-	7	-	7	11	18
26	268	1 118	9 297	12 424	12	12 436

Interim condensed statement of cash flows for the six months ended 31 December 2016

	Notes	Six months ended 31 December 2016 (Reviewed) Rm	Six months ended 31 December 2015 (Reviewed) Rm	Year ended 30 June 2016 (Audited) Rm
Operating activities				
Cash (utilised) / retained from operations		(174)	660	529
Depreciation		329	429	793
Amortisation		14	15	30
Non-cash and other movements	13	(474)	(194)	(403)
Cash (utilised) / generated by operations				
		(305)	910	949
Decrease in inventories		48	162	150
Decrease in amounts due from contract customers		981	52	825
Decrease in trade and other receivables		337	424	206
Increase in derivative instruments		14	(82)	46
Increase / (decrease) in amounts due to contract customers		16	(770)	(1 240)
Increase / (decrease) in trade and other payables		(910)	(338)	(782)
QCLNG repayment		-	(1 072)	(1 072)
Decrease in payables other than contract-related		-	(102)	(102)
Movement in held-for-sale assets		(37)	-	-
Decrease in employee-related payables		(310)	(96)	(254)
Total changes in working capital				
		139	(1 822)	(2 223)
Cash utilised by operating activities				
		(166)	(912)	(1 274)
Finance expenses paid		(264)	(209)	(458)
Finance earnings received		99	102	214
Taxation paid		(111)	(233)	(316)
Cash outflow from operating activities				
		(442)	(1 252)	(1 834)
Investing activities				
<i>Property, plant and equipment purchased</i>				
- expansion		(58)	(75)	(175)
- replacement		(145)	(89)	(319)
Proceeds on disposal of property, plant and equipment		157	45	161
Proceeds on disposal of items held-for-sale		298	-	-
<i>Acquisition of intangible assets</i>				
- expansion		(9)	(7)	(12)
- replacement		-	-	(4)
Proceeds from property transaction		-	1 127	1 127
Capital expenditure net proceeds on disposal				
		243	1 001	778

	Six months ended 31 December 2016 (Reviewed) Rm	Six months ended 31 December 2015 (Reviewed) Rm	Year ended 30 June 2016 (Audited) Rm
Loans advanced to equity-accounted investments net of dividends received	(31)	(40)	(63)
Net loans advanced to infrastructure investment companies	-	(7)	(13)
Dividend earnings	4	3	7
Cash inflow from investing activities	216	957	709
Operating free cash outflow	(226)	(295)	(1 125)
Financing activities with equity-holders			
Shares repurchased	-	(23)	(23)
Loans repaid by non-controlling interest	15	(6)	(20)
Dividends paid	(3)	-	(2)
(Repayment of) / proceeds from borrowings raised	(76)	606	429
Net (decrease) / increase in cash and bank balances before foreign exchange movements	(290)	282	(741)
Foreign exchange movements on cash and bank balances	(143)	314	315
Cash and bank balances at the beginning of the period	2 450	2 856	2 856
Cash related to assets held-for-sale	-	-	20
Total cash and bank balances at the end of the period	2 017	3 452	2 450
Borrowings excluding bank overdrafts	2 954	3 121	2 984
Net (debt) / cash position	(937)	331	(534)

Notes to the interim condensed consolidated financial statements for the six months ended 31 December 2016

1. CORPORATE INFORMATION

The reviewed interim condensed consolidated financial statements (the “interim results”) of Aveng Limited (the “Company”) and its subsidiaries (the “Group”) for the six months ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 17 February 2017.

Nature of business

Aveng Limited is a limited liability company incorporated and domiciled in the Republic of South Africa whose shares are publicly traded. The Group operates in the construction, engineering and mining environments and as a result the revenue is not seasonal in nature, but is influenced by the nature and execution of the contracts currently in progress.

Change in directorate

Mr PK Ward retired as a non-executive director effective from 30 June 2016.

Mr AWB Band retired as a non-executive director effective from 19 August 2016.

2. BASIS OF PREPARATION AND ACCOUNTING POLICY

The interim results have been prepared on a historical basis except for certain financial instruments that are measured at fair value.

These interim results are presented in South African Rand (“ZAR”) and all values are rounded to the nearest million (“Rm”) except when otherwise indicated. The interim results are prepared in accordance with IAS 34 *Interim Financial Statements* and the Listings Requirements of the Johannesburg Stock Exchange. The accounting policies adopted are consistent with those of the Group’s audited consolidated financial statements as at 30 June 2016.

The interim results have been prepared by Clare Giletti CA(SA) under the supervision of Group Finance Director, Adrian Macartney CA(SA).

The reviewed condensed consolidated interim financial statements for the six-month period ended 31 December 2016, set out on pages 4 to 39, have been reviewed by the Company’s external auditor, Ernst & Young Inc., in accordance with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditors of the Entity*. The unmodified review opinion is available on request from the Company Secretary at the Company’s registered office.

Assessment of significance or materiality of amounts disclosed in these interim results

The Group presents amounts in these interim results in accordance with International Financial Reporting Standards (“IFRS”). Only amounts that have a relevant and material impact on the interim results have been separately disclosed. The assessment of significant or material amounts is determined by taking into account the qualitative and quantitative factors attached to each transaction or balance that is assessed.

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED, CHANGES IN ACCOUNTING POLICIES AND OTHER RECLASSIFICATIONS

As part of the Group's financial reporting improvement initiatives, the structure, format and presentation of disclosures in the financial statements were reviewed. This resulted in the reallocation of certain comparative amounts. This initiative is an ongoing programme targeting the most appropriate disclosure and presentation practices to best serve the interests of the Group's stakeholders based on interaction with them during the period.

The resulting reallocations had no impact on the earnings of the Group and as such the reallocations are regarded as not having had a qualitatively significant effect on the information presented.

Deferred tax assets relating to historical assessed losses of Aveng (Africa) Proprietary Limited were transferred to Aveng Corporate from the various segments as these losses are managed centrally.

The **Africa Construction** business included in the Construction and Engineering: South Africa and rest of Africa segment has been reallocated to Other and Eliminations segment.

Consistent with disclosure made at 30 June 2016, the net operating earnings related to Dimopoint, has been reallocated from the Construction and Engineering: South Africa and rest of Africa segment to Other and Eliminations segment.

	Balance as previously reported Rm	Deferred tax asset reallocation Rm	Africa construction reallocation Rm	Restated balance Rm
Segmental report as at 31 December 2015				
Total assets				
Construction and Engineering: South Africa and rest of Africa	5 436	(1 373)	(118)	3 945
Construction and Engineering: Australasia and Asia	11 558	–	–	11 558
Mining	4 818	(168)	–	4 650
Manufacturing and Processing	6 047	(109)	–	5 938
Other and Eliminations	(666)	1 650	118	1 102
	27 193	–	–	27 193
Total liabilities				
Construction and Engineering: South Africa and rest of Africa	1 918	–	(9)	1 909
Construction and Engineering: Australasia and Asia	5 426	–	–	5 426
Mining	1 958	–	–	1 958
Manufacturing and Processing	1 946	–	–	1 946
Other and Eliminations	1 874	–	9	1 883
	13 122	–	–	13 122
	Balance as previously reported Rm	Net operating earnings / (loss) Dimopoint Properties Rm	Africa business Rm	Restated balance Rm
Net operating earnings / (loss)				
Construction and Engineering: South Africa and rest of Africa	(125)	(15)	29	(111)
Construction and Engineering: Australasia and Asia	8	–	–	8
Mining	198	–	–	198
Manufacturing and Processing	(48)	–	–	(48)
Other and Eliminations	19	15	(29)	5
	52	–	–	52

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2016

3. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED, CHANGES IN ACCOUNTING POLICIES AND OTHER RECLASSIFICATIONS continued

	Balance as previously reported Rm	Deferred tax asset reallocation Rm	Africa construction reallocation Rm	Restated balance Rm
Segmental report as at 30 June 2016				
Total assets				
Construction and Engineering: South Africa and rest of Africa	3 466	–	(15)	3 451
Construction and Engineering: Australasia and Asia	10 699	–	–	10 699
Mining	3 952	–	–	3 952
Manufacturing and Processing	5 470	–	–	5 470
Other and Eliminations	1 745	–	15	1 760
	25 332	–	–	25 332
Total liabilities				
Construction and Engineering: South Africa and rest of Africa	2 022	–	22	2 044
Construction and Engineering: Australasia and Asia	4 410	–	–	4 410
Mining	1 425	–	–	1 425
Manufacturing and Processing	2 162	–	–	2 162
Other and Eliminations	1 757	–	(22)	1 735
	11 776	–	–	11 776
	Balance as previously reported Rm		Africa business net operating earnings / (loss) Rm	Restated balance Rm
Net operating earnings / (loss)				
Construction and Engineering: South Africa and rest of Africa	(187)		39	(148)
Construction and Engineering: Australasia and Asia	14		–	14
Mining	276		–	276
Manufacturing and Processing	(70)		–	(70)
Other and Eliminations	113		(39)	74
	146		–	146

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

Impairment of cash-generating units

Where indicators existed the Group assessed the recoverable amount (higher of its fair value less cost to dispose and its value in use) of the relevant cash-generating units. The value in use was used as the Group expects to recover the economic benefits through operational use.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, the expected future cash inflows and the growth rates used for extrapolation and terminal value purposes. The following assumptions were used in the calculation:

1. The Group WACC was adjusted to take into account the risk specific to each cash-generating unit; and
2. Non-cash settled intercompany balances were excluded from the calculation of the net asset value ("NAV").

Deferred taxation

Deferred taxation assets are recognised for all unused taxation losses to the extent that it is probable that taxable earnings will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred taxation assets that can be recognised, based upon the likely timing and level of future taxable earnings. If the deferred taxation assets and the deferred taxation liability relate to income taxation in the same jurisdiction, and the law allows net settlement, they have been offset in the statement of financial position.

Revenue recognition

The Group uses the percentage of completion method in accounting for its construction contracts. Judgements made in the application of the accounting policies for contracting revenue and profit and loss recognition include:

- the determination of stage of completion;
- estimation of total contract revenue and total contract costs;
- assessment of the amount the client will pay for contract variations; and
- estimation of project production rates and programme through to completion.

The construction contracts undertaken by the Group may require it to perform extra or change order work, and this can result in negotiations over the extent to which the work is outside the scope of the original contract or the price for the extra work.

Given the complexity of many of the contracts undertaken by the Group, the knowledge and experience of the Group's project managers, engineers, and executive management is used in assessing the status of negotiations with the customer, the reliability with which the estimated recoverable amounts can be measured, the financial risks pertained to individual projects and the associated judgements and estimates employed. Cost and revenue estimates and judgements are reviewed and updated monthly, and more frequently as determined by events or circumstances. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense.

In addition, many contracts specify the completions schedule requirements and allow liquidated damages to be charged in the event of failure to achieve that schedule on these contracts, this could result in the Group incurring liquidated damages.

Material changes in one or more of these judgements and/or estimates, while not anticipated, would significantly affect the profitability of individual contracts and the Group's overall results. The impact of a change in judgements and/or estimates has and will be influenced by the size and complexity of individual contracts within the portfolio at any point in time and is often outside the control of the Group.

Notes to the interim condensed consolidated financial statements continued for the six months ended 31 December 2016

5. SEGMENTAL REPORT

The Group has determined four reportable segments that are largely organised and managed separately according to the nature of products and services provided.

These segments are components of the Group:

- that engage in business activities from which they earn revenues and incur expenses; and
- have operating results that are regularly reviewed by the Group's chief operating decision-makers to make decisions about resources to be allocated to the segments and in assessment of their performance.

The Group's reportable segments are categorised as follows:

1. Construction and Engineering

1.1 *Construction and Engineering: South Africa and rest of Africa*

This reportable segment includes Aveng Grinaker-LTA (including Aveng Water) and Aveng Capital Partners ("ACP").

Revenues from this segment include the supply of expertise in a number of market sectors: power, mining, infrastructure, commercial, retail, industrial, Oil & Gas, real estate and renewable concessions and investments.

1.2 *Construction and Engineering: Australasia and Asia*

This segment comprises McConnell Dowell and is divided into the following business units: Australia, New Zealand and Pacific, Built Environ, Southeast Asia and Middle East.

This segment specialises in the construction and maintenance of tunnels and pipelines, railway infrastructure maintenance and construction, marine and mechanical engineering, industrial building projects, Oil & Gas construction and mining and mineral construction.

2. Mining

This segment comprises Aveng Moolmans and Aveng Shafts & Underground.

Revenue from this segment is derived from mining-related activities.

3. Manufacturing and Processing

This segment comprises Aveng Manufacturing and Aveng Steel.

The revenues from this segment comprise the supply of products, services and solutions to the mining, construction, Oil & Gas, water, power and rail sectors across the Group's value chain locally and internationally.

Aveng Manufacturing business units include Aveng Automation and Control Solutions ("ACS"), Aveng Dynamic Fluid ("DFC"), Aveng Duraset, Aveng Infraset and Aveng Rail.

Aveng Steel business units include: Aveng Steeledale (held-for-sale) and Aveng Trident Steel.

4. Other and Eliminations

This segment comprises corporate services, Africa construction, corporate held investments, including properties and consolidation eliminations.

5. SEGMENTAL REPORT continued

Segment report December 2016 (Reviewed) Rm	Construction and Engineering:					Total
	South Africa and rest of Africa	Australasia and Asia	Mining	Manufacturing and Processing	Other and Eliminations	
Assets						
Goodwill arising on consolidation	-	100	-	10	232	342
Intangible assets	-	-	28	136	156	320
Property, plant and equipment	429	629	2 163	970	322	4 513
Equity-accounted investments	(42)	55	4	-	101	118
Infrastructure investments	58	-	-	-	142	200
Deferred taxation	209	866	127	33	635	1 870
Derivative instruments	-	-	5	-	-	5
Amounts due from contract customers	670	6 760	682	161	210	8 483
Inventories	26	10	246	1 877	-	2 159
Trade and other receivables	215	154	112	1 068	172	1 721
Cash and bank balances	485	1 153	341	594	(556)	2 017
Non-current assets held-for-sale	665	-	-	343	93	1 101
Total assets	2 715	9 727	3 708	5 192	1 507	22 849
Liabilities						
Deferred taxation	133	92	271	104	(358)	242
Borrowings and other liabilities	-	961	212	5	1 776	2 954
Employee-related payables	133	288	157	45	5	628
Trade and other payables	859	1 880	436	1 505	300	4 980
Derivative instruments	-	-	-	26	-	26
Amounts due to contract customers	443	733	119	25	18	1 338
Taxation payable	97	10	21	2	(14)	116
Non-current liabilities held-for-sale	-	-	-	149	(20)	129
Total liabilities	1 665	3 964	1 216	1 861	1 707	10 413

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2016

5. SEGMENTAL REPORT continued

Segment report December 2015 (Reviewed) Rm	Construction and Engineering:		Mining	Manufacturing and Processing	Other and Eliminations	Total
	South Africa and rest of Africa	Australasia and Asia				
Assets						
Goodwill arising on consolidation	–	100	–	10	232	342
Intangible assets	1	–	15	145	171	332
Property, plant and equipment	465	865	2 326	1 324	470	5 450
Equity-accounted investments	109	58	4	–	(35)	136
Infrastructure investments	712	86	–	–	79	877
Deferred taxation	397	735	126	(249)	820	1 829
Derivative instruments	15	18	–	49	39	121
Amounts due from contract customers	1 442	7 649	1 208	537	(594)	10 242
Inventories	13	7	243	2 137	–	2 400
Trade and other receivables	304	200	235	1 096	170	2 005
Cash and bank balances	487	1 840	493	889	(257)	3 452
Non-current assets held-for-sale	–	–	–	–	7	7
Total assets	3 945	11 558	4 650	5 938	1 102	27 193
Liabilities						
Deferred taxation	258	105	200	(86)	(43)	434
Borrowings and other liabilities	–	939	486	6	1 690	3 121
Employee-related payables	161	497	233	84	47	1 022
Trade and other payables	966	2 951	738	1 795	116	6 566
Amounts due to contract customers	496	980	194	122	–	1 792
Taxation payable	28	(46)	107	25	73	187
Total liabilities	1 909	5 426	1 958	1 946	1 883	13 122

5. SEGMENTAL REPORT continued

Segment report June 2016 (Audited) Rm	Construction and Engineering:				Other and Eliminations	Total
	South Africa and rest of Africa	Australasia and Asia	Mining	Manufac- turing and Processing		
Assets						
Goodwill arising on consolidation	–	100	–	10	232	342
Intangible assets	–	–	20	142	163	325
Property, plant and equipment	433	805	2 294	976	335	4 843
Equity-accounted investments	75	56	4	–	(35)	100
Infrastructure investments	49	–	–	–	128	177
Deferred taxation	79	940	129	(74)	784	1 858
Derivative instruments	–	–	19	1	–	20
Amounts due from contract customers	1 169	7 167	675	223	230	9 464
Inventories	9	10	244	1 949	(1)	2 211
Trade and other receivables	243	96	115	1 405	199	2 058
Cash and bank balances	534	1 441	452	424	(401)	2 450
Non-current assets held-for-sale	860	84	–	414	126	1 484
Total assets	3 451	10 699	3 952	5 470	1 760	25 332
Liabilities						
Deferred taxation	149	104	257	5	(249)	266
Borrowings and other liabilities	–	905	340	7	1 732	2 984
Employee-related payables	200	372	217	95	54	938
Trade and other payables	1 240	2 209	528	1 720	189	5 886
Amounts due to contract customers	435	753	70	47	17	1 322
Derivative instruments	–	–	–	27	–	27
Taxation payable	20	67	13	(2)	8	106
Non-current assets held-for-sale	–	–	–	263	(16)	247
Total liabilities	2 044	4 410	1 425	2 162	1 735	11 776

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2016

5. SEGMENTAL REPORT continued

Six months ended December 2016 (Reviewed) Rm	Construction and Engineering:					Total
	South Africa and rest of Africa	Australasia and Asia	Mining	Manufacturing and Processing	Other and Eliminations	
Gross revenue	3 270	4 912	2 001	4 300	(187)	14 296
Cost of sales	(3 133)	(4 580)	(1 802)	(4 022)	201	(13 336)
Gross earnings	137	332	199	278	14	960
Other earnings	21	4	(13)	53	12	77
Operating expenses	(220)	(386)	(95)	(307)	(31)	(1 039)
Earnings from equity-accounted investments	-	3	-	-	-	3
Operating (loss) / earnings	(62)	(47)	91	24	(5)	1
South African government settlement	-	-	-	-	(165)	(165)
Net operating (loss) / earnings	(62)	(47)	91	24	(170)	(164)
Impairment of property, plant and equipment and intangible assets	-	-	-	-	(5)	(5)
Profit on sale of property, plant and equipment	-	-	-	-	3	3
(Loss) / earnings before financing transactions	(62)	(47)	91	24	(172)	(166)
Net finance earnings / (expenses)	6	(88)	(8)	(23)	(113)	(226)
(Loss) / earnings before taxation	(56)	(135)	83	1	(285)	(392)
Taxation	(18)	18	(48)	(1)	12	(37)
(Loss) / earnings for the period	(74)	(117)	35	-	(273)	(429)
Capital expenditure	38	76	38	55	5	212
Depreciation	(34)	(112)	(127)	(50)	(6)	(329)
Amortisation	-	-	-	(7)	(7)	(14)
(Loss) / earnings before interest, taxation, depreciation and amortisation (EBITDA)	(28)	65	218	81	8	344

5. SEGMENTAL REPORT continued

Six months ended December 2015 (Reviewed) Rm	Construction and Engineering:					Total
	South Africa and rest of Africa	Australasia and Asia	Mining	Manufacturing and Processing	Other and Eliminations	
Gross revenue	3 857	7 048	2 968	4 396	(271)	17 998
Cost of sales	(3 656)	(6 543)	(2 658)	(4 182)	328	(16 711)
Gross earnings	201	505	310	214	57	1 287
Other earnings	23	36	17	96	42	214
Operating expenses	(312)	(498)	(129)	(358)	(95)	(1 392)
Earnings from equity-accounted investments	(23)	(35)	–	–	1	(57)
Net operating (loss) / earnings	(111)	8	198	(48)	5	52
Impairment of property, plant, equipment and intangible assets	–	–	(23)	–	–	(23)
Impairment of goodwill arising on consolidation	–	–	–	–	–	–
Gain on property transaction	–	–	–	7	570	577
(Loss) / earnings before financing transactions	(111)	8	175	(41)	575	606
Net finance earnings / (expenses)	19	(29)	(6)	(7)	(133)	(156)
(Loss) / earnings before taxation	(92)	(21)	169	(48)	442	450
Taxation	89	(21)	(81)	30	(235)	(218)
(Loss) / earnings for the period	(3)	(42)	88	(18)	207	232
Capital expenditure	19	41	26	69	16	171
Depreciation	(38)	(112)	(207)	(67)	(5)	(429)
Amortisation	–	–	–	(6)	(9)	(15)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	(73)	120	405	25	19	496

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2016

5. SEGMENTAL REPORT continued

Year ended June 2016 (Audited) Rm	Construction and Engineering:			Manufacturing and Processing	Other and Eliminations	Total
	South Africa and rest of Africa	Australasia and Asia	Mining			
Gross revenue	7 344	12 828	5 026	8 794	(237)	33 755
Cost of sales	(7 117)	(11 737)	(4 586)	(8 289)	469	(31 260)
Gross earnings	227	1 091	440	505	232	2 495
Other earnings	315	18	72	130	56	591
Operating expenses	(632)	(1 022)	(235)	(705)	(214)	(2 808)
Earnings from equity-accounted investments	(58)	(73)	(1)	-	-	(132)
Net operating (loss) / earnings	(148)	14	276	(70)	74	146
Impairment / loss with derecognition of property, plant, equipment and intangible assets	-	-	(38)	(295)	-	(333)
Profit on sale of property, plant and equipment	-	-	-	22	570	592
(Loss) / earnings before financing transactions	(148)	14	238	(343)	644	405
Net finance earnings / (expenses)	35	(109)	(10)	(21)	(236)	(341)
(Loss) / earnings before taxation	(113)	(95)	228	(364)	408	64
Taxation	(90)	3	(123)	120	(39)	(129)
(Loss) / earnings for the period	(203)	(92)	105	(244)	369	(65)
Capital expenditure	42	150	151	139	28	510
Depreciation	(75)	(248)	(336)	(123)	(11)	(793)
Amortisation	(1)	-	-	(13)	(16)	(30)
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	(72)	262	612	66	101	969

5. SEGMENTAL REPORT continued

The Group operates in five principal geographical areas:

	Six months ended December 2016 (Reviewed) Rm	Six months ended December 2015 (Reviewed) Rm	Year ended June 2016 (Audited) Rm	Six months ended December 2016 (Reviewed) %	Six months ended December 2015 (Reviewed) %	Year ended June 2016 (Audited) %
Revenue						
South Africa	8 483	9 609	18 511	59,4	53,4	54,8
Rest of Africa including Mauritius	741	1 046	1 743	5,2	5,8	5,2
Australia	2 178	3 311	5 794	15,2	18,4	17,2
New Zealand	1 590	1 555	3 514	11,1	8,6	10,4
Southeast Asia	1 157	2 191	3 542	8,1	12,2	10,5
Middle East and other regions	147	286	651	1,0	1,6	1,9
	14 296	17 998	33 755	100,00	100,00	100,00
Segment assets						
South Africa	11 432	13 358	12 850	50,1	49,1	50,8
Rest of Africa including Mauritius	1 235	2 210	1 416	5,4	8,1	5,6
Australia	7 087	8 234	7 933	31,0	30,3	31,3
New Zealand	1 084	872	1 050	4,7	3,2	4,1
Southeast Asia	1 778	2 230	1 752	7,8	8,2	6,9
Middle East and other regions	233	289	331	1,0	1,1	1,3
	22 849	27 193	25 332	100,00	100,00	100,00

Notes to the interim condensed consolidated financial statements continued
for the six months ended 31 December 2016

6. HEADLINE EARNINGS

	Six months ended 31 December 2016 (Reviewed)		Six months ended 31 December 2015 (Reviewed)		Year ended 30 June 2016 (Audited)	
	Gross of taxation Rm	Net of taxation Rm	Gross of taxation Rm	Net of taxation Rm	Gross of taxation Rm	Net of taxation Rm
Determination of headline earnings:						
(Loss) / earnings for the period attributable to equity-holders of parent		(392)		230		(101)
Impairment of property, plant and equipment	4	3	23	17	333	302
Impairment of intangible assets	1	1	–	–	–	–
Profit on sale of property, plant and equipment	(4)	(3)	(585)	(478)	(610)	(500)
Headline loss		(391)		(231)		(299)

7. NON-CURRENT ASSETS HELD-FOR-SALE

Aveng Capital Partners: The sale of the N3TC investment was concluded during the period while various approvals remained outstanding in terms of the sale of Gouda, Sishen and Imvelo investments.

GoldlinQ: The GoldlinQ investment was sold for AUD8 million during the period.

Aveng Steeledale: Certain conditions precedent had not been met at 31 December 2016.

7. NON-CURRENT ASSETS HELD-FOR-SALE continued

						December 2016 (Reviewed) Rm	December 2015 (Reviewed) Rm
Non-current assets held-for-sale						1 101	7
Non-current liabilities held-for-sale						(129)	–
						972	7
Movement during the period	Properties	Aveng Steeledale	ACP	GoldlinQ	Other		
Opening balance	125	398	860	84	17	559	
Capitalised costs:							
Environmental provision relating to property	–	–	–	–	–	15	
Transferred from / (to):							
Property, plant and equipment	–	–	–	–	–	45	
Movement in:							
Loans to group companies	–	(26)	–	–	–	–	
Inventory	–	(36)	–	–	–	–	
Amounts due from contract customers	–	(3)	–	–	–	–	
Trade and other receivables	–	(42)	–	–	–	–	
Elimination of loans to group companies	–	26	–	–	–	–	
Foreign currency translation	–	–	–	(4)	–	–	
Sold	(6)	–	(195)	(80)	(17)	(612)	
Total non-current assets held-for-sale	119	317	665	–	–	7	
Opening balance	–	(247)	–	–	–		
Movement in:							
Loans from group companies	–	15	–	–	–	–	
Trade and other payables	–	118	–	–	–	–	
Elimination of loans from group companies	–	(15)	–	–	–	–	
Total non-current liabilities held-for-sale	–	(129)	–	–	–	–	
Net non-current assets held-for-sale	119	188	665	–	–	7	

Notes to the interim condensed consolidated financial statements continued
for the six months ended 31 December 2016

7. NON-CURRENT ASSETS HELD-FOR-SALE continued

						June 2016 (Audited) Rm
Non-current assets held-for-sale						1 484
Non-current liabilities held-for-sale						(247)
						1 237
Movement during the period	Properties	Averg Steeledale	ACP	GoldlinQ	Other	
Opening balance	559	–	–	–	–	
Capitalised costs:						
Environmental provision relating to property	15	–	–	–	–	
Transferred from / (to):						
Property, plant and equipment	163	35	–	–	–	
Equity-accounted investments	–	–	–	–	17	
Infrastructure investments	–	–	860	84	–	
Loans to group companies	–	32	–	–	–	
Inventory	–	169	–	–	–	
Amounts due from contract customers	–	5	–	–	–	
Trade and other receivables	–	165	–	–	–	
Cash and cash equivalents	–	20	–	–	–	
Taxation receivable	–	4	–	–	–	
Elimination of loans to group companies	–	(32)	–	–	–	
Sold	(612)	–	–	–	–	
Total non-current assets held-for-sale	125	398	860	84	17	
Loans from group companies	–	(16)	–	–	–	
Trade and other payables	–	(247)	–	–	–	
Elimination of loans from group companies	–	16	–	–	–	
Total non-current liabilities held-for-sale	–	(247)	–	–	–	
Net non-current assets held-for-sale	125	151	860	84	17	

8. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS

	December 2016 (Reviewed) Rm	December 2015 (Reviewed) Rm	June 2016 (Audited) Rm
Uncertified claims and variations (underclaims) ^{1**}	6 283	6 547	6 584
Contract contingencies**	(286)	(343)	(390)
Progress billings received (including overclaims) ²	(1 127)	(1 342)	(1 014)
Uncertified claims and variations less progress billings received	4 870	4 862	5 180
Contract receivables ³	2 386	3 807	3 146
Provision for contract receivables	(2)	*	(2)
Retention receivables ⁴	102	231	126
	7 356	8 900	8 450
Amounts received in advance ⁵	(211)	(450)	(308)
Net amounts due from contract customers	7 145	8 450	8 142
Disclosed on the statement of financial position as follows:			
Uncertified claims and variations**	6 283	6 547	6 584
Contract contingencies	(286)	(343)	(390)
Contract and retention receivables	2 488	4 038	3 272
Provision for contract receivables	(2)	*	(2)
Amounts due from contract customers	8 483	10 242	9 464
Progress billings received	(1 127)	(1 342)	(1 014)
Amounts received in advance	(211)	(450)	(308)
Amounts due to contract customers	(1 338)	(1 792)	(1 322)
Net amounts due from contract customers	7 145	8 450	8 142

¹ Includes revenue not yet certified – recognised based on percentage of completion / measurement and agreed variations, less provisions and deferred contract costs.

² Progress billings are amounts billed for work performed above revenue recognised.

³ Amounts invoiced still due from customers.

⁴ Retentions are amounts invoiced but not paid until the 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.

* Amounts less than R1 million.

** Provisions have been netted off against uncertified claims and variations

Amounts due from contract customers included R4,1 billion (December 2015: R4,6 billion; June 2016: R4,7 billion) which are subject to protracted legal proceedings.

Notes to the interim condensed consolidated financial statements continued
for the six months ended 31 December 2016

8. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS continued

	Uncertified claims and variations** Rm	Contract contingencies** Rm	Contract receivables Rm	Provision for contract receivables Rm	Retention receivables Rm	Total Rm
December 2016 (Reviewed)						
Non-current assets	1 305	–	–	–	–	1 305
Current assets	4 978	(286)	2 386	(2)	102	7 178
	6 283	(286)	2 386	(2)	102	8 483
December 2015 (Reviewed)						
Non-current assets	1 174	–	–	–	–	1 174
Current assets	5 373	(343)	3 807	*	231	9 068
	6 547	(343)	3 807	*	231	10 242
June 2016 (Audited)						
Non-current assets	1 417	–	–	–	–	1 417
Current assets	5 167	(390)	3 146	(2)	126	8 047
	6 584	(390)	3 146	(2)	126	9 464

* Amounts less than R1 million.

** Provisions have been netted off against uncertified claims and variations.

9. BORROWINGS AND OTHER LIABILITIES

	December 2016 (Reviewed) Rm	December 2015 (Reviewed) Rm	June 2016 (Audited) Rm
9.1 Borrowings held at amortised cost			
Interest-bearing borrowings comprise:			
Payment profile			
– within one year	1 103	1 220	1 214
– between two and five years	1 851	1 901	1 770
	2 954	3 121	2 984
Interest rate structure			
Fixed and variable (interest rates)			
Fixed – long term	1 642	1 730	1 635
Fixed – short term	259	254	285
Variable – long term	210	171	136
Variable – short term	843	966	928
	2 954	3 121	2 984

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2016

9. BORROWINGS AND OTHER LIABILITIES continued

9.1 Borrowings held at amortised cost continued

Description	Terms	Rate of interest	December (Reviewed) 2016 Rm	December (Reviewed) 2015 Rm	June (Audited) 2015 Rm
Convertible bond of R2 billion	Interest coupon is payable bi-annually until July 2019	Coupon rate of 7,25%	1 776	1 690	1 731
Finance sale and lease back amounting to AUD2,8 million*	Monthly instalment ending in June 2018	Fixed interest rate of 5,15% to 6,08%	28	97	34
Hire purchase agreement* amounting to AUD1 million	Monthly instalment ending in May 2018	Fixed interest rate of 1,35% to 1,60%	7	–	11
Hire purchase agreement* amounting to AUD3,5 million	Monthly instalment ending in May 2018	Fixed interest of 5,90%	35	–	51
Short-term facility of AUD10 million****	Repayable in April 2017	Bank bill swap rate plus 0,70%	99	111	110
Short-term facility of AUD60 million***	Repayable in April 2017	Bank bill swap rate plus 2,20%	594	669	658
Hire purchase agreement* amounting to AUD18 million	Monthly instalment ending in October 2020	Fixed interest rate of 4,5%	177	–	–
Hire purchase agreement* amounting to AUD2 million	Monthly instalment ending in August 2017	Fixed interest rate of 6,81%	21	60	42
Hire purchase agreement* denominated in USD	Quarterly instalments ending in June 2017	Fixed rate ranging 4,58% to 4,65%	67	233	138
Hire purchase agreement* denominated in ZAR	Monthly instalment ending in December 2017	South African prime less 2,00%	30	60	46
Hire purchase agreement* denominated in ZAR	Monthly instalment ending in November 2019	South African prime less 1,70%	74	126	101
Hire purchase agreement* denominated in ZAR	Monthly instalment ending in May 2018	Fixed interest rate of 9,70%	36	59	49
Finance lease facilities* denominated in ZAR	Monthly instalment ending in June 2018	South African prime	8	13	11
Interest-bearing borrowings			2 952	3 118	2 982
Interest outstanding on interest-bearing borrowings**			2	3	2
Total interest-bearing borrowings			2 954	3 121	2 984

* These borrowings and other liabilities are finance leases and are included in the analysis of the payable finance lease liability.

** Interest outstanding in the current period relates to finance leases.

*** Backed by a bank guarantee

**** Secured by cash collateral in South Africa.

9. BORROWINGS AND OTHER LIABILITIES continued

9.2 Borrowings held at amortised cost continued

	December 2016 (Reviewed) Rm	December 2015 (Reviewed) Rm	June 2016 (Audited) Rm
Finance lease liabilities are payable as follows:			
Minimum lease payments due			
– within one year	284	397	321
– in two to five years	236	300	194
Less: future finance charges	(33)	(46)	(30)
Present value of minimum lease payments	487	651	485

The *Australasia and Asia* operating segment entered into an asset-based finance arrangement in the current year.

A new arrangement amounting to AUD18 million has been secured by plant and equipment with a net carrying amount of AUD6 million.

The arrangement amounting to AUD2,8 million has been secured by plant and equipment with a net carrying amount of AUD2,2 million.

The arrangement amounting to AUD2 million has been secured by assets with a net carrying amount of AUD3,4 million.

The arrangement amounting to AUD3,5 million has been secured by assets with a net carrying amount of AUD2,1 million.

The *Mining* operating segment entered into various asset-based finance lease arrangements to purchase operating equipment denominated both in USD and ZAR. These arrangements are secured by the assets for which the funding was provided and are repayable in monthly and quarterly instalments with the final repayment to be made in November 2019. Equipment with a net carrying amount of R513 million has been pledged as security for the facility.

The *Mining and Manufacturing and Processing* operating segments entered into various vehicle lease arrangements. Equipment with the net carrying amount of R2 million has been pledged as security.

Notes to the interim condensed consolidated financial statements continued for the six months ended 31 December 2016

10. TRADE AND OTHER PAYABLES

	December 2016 (Reviewed) Rm	December 2015 (Reviewed) Rm	June 2016 (Audited) Rm
Current			
Trade payables	2 036	2 686	2 787
Subcontractors	407	462	338
Accrued expenses	1 758	2 734	2 197
South African government settlement	37	–	–
Income received in advance	105	111	110
Promissory notes	511	573	454
	4 854	6 566	5 886
Non-current			
South African government settlement	126	–	–

Trade and other payables comprise amounts owing to suppliers for goods and services supplied in the normal course of business.

Promissory notes issued by the Group bear interest between a range of 9,32% and 10,06% per annum. Terms vary in accordance with contracts of supply and service but are generally settled on 30 to 90 day terms.

Included in income received in advance is an advance payment received relating to the Perth Airport contract of AUD10 million (R99 million).

South African government settlement

Following an extensive period of negotiation, the South African government and the participating construction companies have concluded the settlement agreement which addresses outstanding legacy issues and commits to a plan which will ensure the repositioning of the South African construction sector. All parties to the settlement agreement acknowledge the need to foster a better relationship between the government and the construction industry going forward.

Aveng anticipates that having concluded the settlement agreement, it will precipitate the unlocking of significant public sector funded, major infrastructure project opportunities as part of the process of rebuilding trust and confidence, thereby enabling Aveng Grinaker-LTA, with its new proposed shareholders, Kutana Construction, to collaboratively contribute to the infrastructure development needs of South Africa and the region as a whole.

A provision has been made for the annual payment of R21,25 million over 12 years. This provision was discounted to a value of R165 million. The first payment was made during the period.

11. TAXATION

Taxation expense

	December 2016 (Reviewed) Rm	December 2015 (Reviewed) Rm	June 2016 (Audited) Rm
Current taxation expense	132	326	328
Deferred taxation charge	(95)	(108)	(199)
	37	218	129

South African income taxation is calculated at 28% (December 2015: 28%; June 2016: 28%) of the taxable income for the year. Taxation in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

The Group effective tax rate for the period ended 31 December 2016 is negative 9.4% (December 2015: 48.4%; June 2016: negative 201%).

The drivers affecting the tax rate include:

- Deferred tax assets to the amount of R100 million (December 2015: R141 million; June 2016: R92,6 million) not recognised.
- The effect of the settlement with the South African government amounting to R165 million (December 2015: Rnil; June 2016: Rnil) which is a non-deductible expense.
- Effect of the disposal of Aveng Capital Partners investments which resulted in capital gains tax of R41 million (December 2015: Rnil; June 2016: Rnil).

Deferred taxation asset

The Group's results include a number of legal statutory entities within a number of taxation jurisdictions. The recoverability of the deferred taxation assets was assessed in respect of each individual legal entity.

Deferred taxation assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable.

Specific focus was placed on Aveng (Africa) Proprietary Limited. The Group continues to make good progress in positioning Aveng for future profitability. Transactions that have been included in management's estimate of future taxable profits include the sale of investments held by Aveng Capital Partners as well as restructuring actions which include the sale of Aveng Steeledale and the proposed Aveng Grinaker-LTA empowerment transaction. Management has committed to further restructuring opportunities to achieve future profitability targets within the Group. Furthermore, profit improvement programmes have been initiated which are expected to reduce costs and further enhance profitability.

Notes to the interim condensed consolidated financial statements continued

for the six months ended 31 December 2016

12. CONTINGENT LIABILITIES AND ASSETS

	December 2016 (Reviewed) Rm	December 2015 (Reviewed) Rm	June 2016 (Audited) Rm
Contingent liabilities at the reporting date, not otherwise provided for in the condensed consolidated financial statements, arise from performance bonds and guarantees issued in:			
South Africa and rest of Africa			
Guarantees and bonds (ZARm)	3 204	3 716	3 615
Parent company guarantees (ZARm)	505	964	516
	3 709	4 680	4 131
Australasia			
Guarantees and bonds (AUDm)	363	498	409
Parent company guarantees (AUDm)	469	409	521
	832	907	930

Contract performance guarantees issued by the parent company on behalf of its group companies are disclosed based on the probability of draw down.

Claims and legal disputes in the ordinary course of business

The Group is, from time to time, involved in various claims and legal proceedings arising in the ordinary course of business. The Board does not currently believe that adverse decisions in any pending proceedings or claims against the Group will have a material adverse effect on the financial condition or future operations of the Group based on all the available information. Provision is made for all liabilities which are expected to materialise and contingent liabilities are disclosed when the outflows are possible.

Contingent assets

During December 2016 a counter claim against the Group was awarded to Kenmare Resources to the value of R150 million. Professional indemnity insurance was in place during the time of the related project. The Group has lodged a claim against the insurance to recover this amount.

13. NON-CASH AND OTHER MOVEMENTS

Earnings from disposal of property, plant and equipment	(77)	(13)	(648)
Impairment of goodwill, property, plant, equipment and intangible assets	5	23	333
Gain on property transaction before transaction costs	–	(582)	–
Fair value adjustments	(23)	(12)	(306)
Movements in foreign currency translation	(386)	383	205
Movement in equity-settled share-based payment reserve	7	7	13
	(474)	(194)	(403)

14. FAIR VALUE OF ASSETS AND LIABILITIES

The Group measures the following financial instruments at fair value:

- Infrastructure investments; and
- Forward exchange contracts.

The infrastructure investments comprises the following:

- Firefly Investments 238 Proprietary Limited (“Firefly”); and
- Dimopoint Proprietary Limited (“Dimopoint”).

The methodology, valuation parameters and assumptions for infrastructure investments have remained unchanged since 30 June 2016. For more detail refer to the 30 June 2016 consolidated financial statements available on the Group’s website.

The Group has reassessed the fair value of these infrastructure investments as at 31 December 2016 and except for Dimopoint and Firefly, where a R14 million and R9 million fair value adjustment was calculated respectively.

Fair value hierarchy

The table below shows the Group’s fair value hierarchy and carrying amounts assets and liabilities:

	Carrying amounts Rm	Fair value Rm	Valuation reference to observable prices Level 1 Rm	Valuation based on observable inputs Level 2 Rm	Valuation based on unobservable inputs Level 3 Rm
31 December 2016 (Reviewed)					
Assets and liabilities recognised at fair value					
Assets					
Infrastructure investments	200	200	–	–	200
Infrastructure investments (held-for-sale)	665	665	–	–	665
Forward exchange contracts (FECs)	5	5	–	5	–
Liabilities					
FECs	26	26	–	26	–
31 December 2015 (Reviewed)					
Assets and liabilities recognised at fair value					
Assets					
Infrastructure investments	877	877	–	–	877
FECs	15	15	–	15	–

Notes to the interim condensed consolidated financial statements continued for the six months ended 31 December 2016

14. FAIR VALUE OF ASSETS AND LIABILITIES continued

	Carrying amounts Rm	Fair value Rm	Valuation reference to observable prices Level 1 Rm	Valuation based on observable inputs Level 2 Rm	Valuation based on unobservable inputs Level 3 Rm
30 June 2016 (Audited)					
Assets and liabilities recognised at fair value					
Assets					
Infrastructure investments	177	177	–	–	177
Infrastructure investments (held-for-sale)	944	944	–	–	944
Forward exchange contracts (FECs)	20	20	–	20	–
Liabilities					
FECs	27	27	–	27	–

The Group uses Level 2 valuation techniques to measure foreign exchange contract and Level 3 valuation techniques to measure infrastructure investments. Valuation techniques used are appropriate in the circumstances and for which sufficient data was available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

There were no transfers between the different levels during the six-month period.

Sensitivity analysis: Financial assets valuations, using observable and unobservable inputs

The following table shows the sensitivity of significant unobservable inputs used in measuring the fair value of infrastructure investments:

	Significant unobservable input %	Reasonably possible changes to significant unobservable inputs %	Potential effect recorded directly in profit and loss Increase Rm	Decrease Rm
Infrastructure investments				
Risk-adjusted discount rate:				
– Firefly Investments 238 Proprietary Limited	14,5	0,5	(2)	2
– Dimopoint Proprietary Limited	15,0	0,5	(11)	11

The estimated fair value would increase / (decrease) if:

- the risk-adjusted discount rate was lower / (higher)
- the internal rate of return was lower / (higher)

15. EVENTS AFTER THE REPORTING PERIOD AND PENDING TRANSACTIONS

The directors are not aware of any other significant matter or circumstance arising after the reporting period up to the date of this report except as stated below:

Aveng Grinaker-LTA empowerment transaction

During the first half of the financial year, the Group concluded a binding agreement with Kutana Construction Proprietary Limited ("Kutana Construction") in which a 51% beneficial interest would be sold to Kutana Construction, subject to certain conditions being met. Subsequent to the initial transaction announcement, Aveng Africa Proprietary Limited's interest in the Aveng Water business has been included in the proposed transaction. With the inclusion of Aveng Water, the net asset value attributable to the Aveng Grinaker-LTA business was R71 million and the net loss after tax was R343 million for the year ended 30 June 2016. It is anticipated that the circular pertaining to this transaction (which will include the impact of the Water business) will be posted to shareholders on 24 February 2017 with a general meeting of shareholders scheduled for 29 March 2017.

Aveng Capital Partners' transaction: receipt of proceeds from the sale of infrastructure investments

On 12 December 2016, Aveng successfully disposed of Steelmetals, N3TC Equity interest for a purchase price of R195 million, which was settled in cash on 12 December 2016. On 6 February 2017, the conditions precedent were fulfilled in respect of the Blue Falcon Equity Interest and the Windfall Equity interest. The funds from these disposals were received by Aveng on 13 February 2017.

Aveng Steeledale disposal

As previously announced the Group concluded a binding agreement with Kutana Steel Proprietary Limited ("Kutana Steel") whereby Kutana Steel will effectively acquire a 70% interest in the Steeledale business, for approximately R252 million. The Group confirms that all conditions precedent to the transaction have been met and the transaction is now effective. The parties remain confident in, and committed to, the future success of the Steeledale business.

Aveng Trident Steel

Further to the renewal of the cautionary announcement on 9 January 2017 regarding Aveng Trident Steel, the Group is still in discussions with prospective buyers, and has not yet reached a stage where an announcement can be made on either the naming of prospective buyers, transaction value nor structure. The market will be kept informed once there are material developments to report.

QCLNG claims settlement update

The arbitration process has been finalised and an award outcome is expected during the course of the current financial year.

Commentary

Overview

Salient features

- Strong safety performance
- Revenue declined in line with projections by 21% to R14,3 billion (2015: R18,0 billion)
- Fixed overhead expenses reduced by 25% compared to 31 December 2015
- Adjusted net operating earnings improved to R151 million (2015: R52 million) with an improved gross margin
- Adjusted headline loss of R76 million (2015: headline loss of R231 million)
- Adjusted earnings excludes R165 million Settlement Agreement with the South African government, and R150 million Kenmare counter claim
- Aveng Grinaker-LTA improved performance with positive cash generation
- McConnell Dowell performance below expectations
- Order book maintained, strong growth in Aveng Mining
- Aveng Capital Partners and Aveng Steeple Dale transactions reached financial closure

Improving results

Aveng reported an adjusted headline loss of R76 million or 19,2 cents loss per share for the six months ended 31 December 2016, compared to a headline loss of R231 million or 58,0 cents loss per share for the comparative period.

In line with expectations, Group revenue declined by 21% to R14,3 billion (2015: R18,0 billion), due to a weak macro-economic climate and the completion of some large projects, with McConnell Dowell being most significantly impacted. Adjusted net operating earnings increased to R151 million from R52 million in 2015, driven primarily by a marked improvement in Aveng Grinaker-LTA, Aveng Trident Steel and a 25% reduction in Group overheads. This improved performance was partially offset by the under-performance at McConnell Dowell and the impact of the downturn in the mining sector in the prior year.

Safety

Safety remains a core value for Aveng and is integral to the way in which its operating groups conduct their business. Aveng prioritises the well-being of its people, clients and the communities in which it operates. The Group remains fully committed to delivering on its safety vision of *"Home without Harm, Everyday, Everyday"*.

The all injury frequency rate ("AIFR") for the period was 3,1. This indicator includes all types of injuries and is calculated using 200,000 man-hours as the baseline for its frequency rate. Total man-hours have decreased over this period thus impacting on the frequency rates. Aveng continues to see a year-on-year improvement in terms of total injuries, with a 4,7% decrease in the number of injuries when compared to the six months ended 31 December 2015.

The Aveng Board and executive leadership remain concerned with the current levels of unsafe behaviours demonstrated by road users in terms of road traffic safety, especially given that the Group works on various public road projects across its operations. For this reason, the Group has extended its reporting to include "monitored incidents", to ensure that the fatal risks associated with circumstances outside the control of Aveng, such as on public roads, are duly

Commentary continued

recognised and properly understood. Efforts to address such risks include increasing safety controls on road closures, enhancing employee vigilance during work activities inside a road closure or in close proximity to public vehicles, and monitoring employee driver behaviour. Regrettably, two lives were lost in a single monitored road traffic accident that was caused by a third party. Aveng extends its sincere condolences to the families and colleagues who have suffered such a painful loss. The Group will continue with its commitment and efforts to avert such tragedies.

Strategic initiative update

We are pleased to report the following progress on our previously communicated strategic initiatives.

Aveng Grinaker-LTA

During the first half of the year the Group entered into a binding agreement with in which a 51% beneficial interest would be sold to Kutana Construction Proprietary Limited (“Kutana Construction”). Subsequent to the initial transaction announcement, Aveng’s interest in the Aveng Water business has been included in the transaction. This transaction is subject to shareholder approval and other conditions precedent.

Aveng Capital Partners: proceeds from sale of infrastructure investments

On 12 December 2016, Aveng successfully disposed of Steelmetals’ N3TC equity interest for a purchase price of R195 million. On 6 February 2017, the conditions precedent were fulfilled in respect of the Blue Falcon equity interest and the Windfall equity interest. R600 million from these disposals was received on 13 February 2017.

Aveng Steeledale

As previously announced the Group concluded a binding agreement whereby Kutana Steel Proprietary Limited (“Kutana Steel”) will effectively acquire a 70% interest in the Steeledale business, for approximately R252 million. Steeledale Proprietary Limited has procured a funding facility, which will allow the payment to Aveng of the minimum upfront cash of R50 million. The Group confirms that all conditions precedent to the transaction have been met and the transaction is now effective. The parties remain confident in, and committed to, the future success of the Steeledale business.

Aveng Trident Steel

Further to the renewal of the cautionary announcement on 9 January 2017 regarding Aveng Trident Steel, the Group is still in discussions with prospective buyers, and has not yet reached a stage where an announcement can be made on either the transaction value or the naming of prospective buyers, nor the structure. The market will be kept informed once there are material developments to report.

QCLNG claim update

The hearings pertaining to the arbitration process were completed and the process is in its final stages prior to an award being made. This is expected during the course of the current financial year.

Commentary continued

Cash generation

While McConnell Dowell has made good progress in finalising various large projects and under-performing contracts, its financial performance remains sub-optimal. McConnell Dowell's operating free cash flow was impacted primarily by the unwinding of working capital as large projects were completed as well as the utilisation of cash to settle a bank guarantee on Perth Airport project.

The South Africa and rest of Africa operations were cash generative during the first half of the year.

The cost base reduction across the business, to align with current market conditions, continues to deliver results.

Market review

The local infrastructure market remains subdued, mirroring the marginal economic growth being experienced in South Africa. The local building environment remained relatively strong in 2016 with a recent increase in the number of building plans passed primarily led by industrial development. There are limited large civil engineering and mechanical and electrical projects coming to market. Current public infrastructure spend is focussed on the transportation, energy and water segments.

The transport sector in Australia remains buoyant, led by significant road and rail infrastructure investment programmes in Victoria and New South Wales. The resources sector continues to be slow, although there are signs of recovery with improved commodity prices and several major developments in planning stages. The Australian building sector remains active and offers good opportunities for the Built Environs business.

The market in New Zealand remains strong, with several major opportunities in water and transport.

Southeast Asia remains buoyant, with investment in Oil & Gas, water and transport infrastructure across the region, providing good opportunities in the key disciplines of marine, tunnels and pipelines. Competition remains strong in all of these markets.

The mining industry in South Africa and globally is cautiously optimistic with mining companies looking to increase output and make new investments in assets. The current rally in commodity prices provides opportunities for the Aveng Mining operating group.

The manufacturing environment continues to be impacted by weakness and low activity in Aveng Manufacturing's traditional markets. Demand in the mining, rail and construction sectors remains below historical volumes. The recent drought across South Africa has negatively impacted water valve volumes. Large projects in the Oil & Gas and rail sectors continue to be delayed. As a result, Aveng Manufacturing has focused on smaller projects and value added services, as well as continuous diversification into non-traditional markets.

South African steel demand remained flat compared to the comparative period. Recent price increase announcements by the local mills assisted in improving the viability of the local market and should benefit the Aveng Steel operating group during the second half of the year.

Commentary continued

Financial performance

Statement of comprehensive earnings

Revenue decreased by 21% to R14,3 billion (2015: R18,0 billion). Revenue reduced in all segments in line with management's forecasts and prevailing difficult market conditions, but was partially offset by some growth in activity levels in Aveng Grinaker-LTA Building and Coastal business units and Aveng Trident Steel. The full impact of contract cancellations on Aveng Mining's revenue was apparent in the current period.

The **adjusted gross margin** for the Group improved to 7,7% compared to 7,2% in the comparative period with more contracts meeting their tendered margins as a result of improved operational performance and selective tendering processes.

Adjusted net operating earnings improved to R151 million, from R52 million in 2015, as a result of:

- continued improved underlying operational performance from Aveng Grinaker-LTA;
- realisation of savings in overhead expenses throughout the Group which resulted in a 25% reduction in operating costs compared to December 2015;
- an improved financial performance from Aveng Steel, although still loss making;

though partially offset by:

- a lower than expected award on the Mokolo Crocodile Water Augmentation project;
- separation costs relating to Aveng Mining's contract with Wesizwe's Bakubung mine; and
- under-performance in McConnell Dowell.

Adjusted earnings excludes the following non-recurring exceptional items:

- a present value charge of R165 million (R255 million payable over 12 years) for the expense pertaining to the settlement agreement concluded on 11 October 2016 with the South African government; and
- Aveng previously reflected a debt of R206 million from Kenmare Resources pertaining to work performed in 2011/12. During December 2016, the arbitration tribunal issued their partial ruling, with Aveng being awarded their debt of R206 million in full, together with interest. The costs award remains outstanding and is anticipated before year end. The tribunal awarded a counter claim in favour of Kenmare to the amount of R150 million. This amount together with associated legal costs is the subject of an insurance claim. In making this award, the tribunal saw no impediment for coverage under the applicable policies. Despite the findings of the tribunal and management's view that it is probable that Aveng will recover an amount in excess of the R150 million awarded, the Group's accounting policies do not permit the recognition of insurance claims and hence a charge of R150 million has been recognised.

Net finance charges of R226 million increased by 45% (2015: R156 million) in relation to the comparative period as a result of the utilisation of facilities remaining high for the first half.

The **adjusted headline loss** improved to R76 million from a R231 million loss in the comparative period.

Commentary continued

The **adjusted basic loss per share** decreased to 19,4 cents loss per share (2015: 61,8 cents earnings per share) after adjusting the profit on sale of property of R577 million in the comparative period and **adjusted headline loss per share** improved to 19,2 cents loss per share compared to 58,0 cents loss in the comparative period.

Basic loss per share decreased to 98,8 cents loss per share (2015: 57,8 cents earnings per share) and **headline loss per share** declined to 98,5 cents loss per share (2015: 58,0 cents loss per share).

Statement of financial position

The Group incurred **capital expenditure** of R212 million (December 2015: R171 million): applying R145 million (December 2015: R89 million) to replace and R67 million (2015: R82 million) to expand property, plant and equipment. The majority of the amount was spent as follows:

- R76 million at McConnell Dowell, relating to specific projects in Australia and Southeast Asia;
- R43 million at Aveng Manufacturing to increase capacity and optimise efficiencies of its factories; and
- R38 million at Aveng Mining.

Equity-accounted investments increased by 18% to R118 million (June 2016: R100 million) due to an additional investment made in a Mauritian associate.

Amounts due from contract customers (non-current and current) decreased by 10% to R8,5 billion (June 2016: R9,5 billion). This balance remained flat after removing the impact of movement in the Australian dollar.

Trade and other receivables of R1,7 billion decreased by 16% (June 2016: R2,1 billion) as a result of reduced activity levels throughout the Group and improved collections at Aveng Steel.

Trade and other payables decreased by 15% to R5,0 billion (June 2016: R5,9 billion). The decrease was mainly attributable to major projects coming to an end in McConnell Dowell and Aveng Grinaker-LTA.

Operating free cash flow for the period amounted to an outflow of R226 million and included:

- significant cash outflow, albeit less than the prior period, for McConnell Dowell associated with the completion of large projects and the settlement of a bank guarantee on Perth Airport of R150 million;
- strong cash generation in Aveng Steel;
- R298 million from the sale of infrastructure investments;
- net capital expenditure of R55 million;
- net finance charges of R226 million;
- cash outflow on the problematic water contract provided for in June 2016; and
- a cash outflow at Aveng Manufacturing of R50 million due to capital expenditure and late payments received from debtors.

Cash and bank balances decreased to R2,0 billion (June 2016: R2,4 billion) resulting in a net debt position of R937 million compared, to R534 million net debt at 30 June 2016.

Commentary continued

Operating review

Construction & Engineering: South Africa and rest of Africa

This operating segment comprises Aveng Grinaker-LTA (including Aveng Water) and Aveng Capital Partners.

Revenue decreased by 15% to R3,3 billion (2015: R3,9 billion) primarily due to lower work volumes in the Civil Engineering and Mechanical & Electrical business units and the discontinuation of the Aveng Engineering business.

Net operating loss decreased to R62 million (2015: R111 million loss) as evidence of the turnaround of Aveng Grinaker-LTA. This result includes the adverse effect of the Mokolo Crocodile Water Augmentation project claim, which resulted in earnings being reduced by R92 million. The Group is not in agreement with this award and is considering filing a notification of dissatisfaction which may move this dispute into arbitration. The underlying performance shows a marked improvement from the comparative period excluding the effect of the claim.

Civil Engineering

Revenue decreased by 57% to R516 million (December 2015: R1,2 billion) reflecting lower activity in the civil infrastructure market. The business made an operating loss of R118 million compared to an operating profit of R33 million in 2015, mainly as a result of the Mokolo Crocodile Water Augmentation project claim.

Under-recovery of overheads negatively impacted margins. Construction of the Majuba Rail contract is complete with rehabilitation works underway. Final account negotiations are ongoing on the Majuba Rail contract, which is a complex contract with significant increases in contract values above their tendered amounts.

Mechanical and Electrical

Revenue decreased by 19% to R675 million (December 2015: R835 million) as a result of reduced work on some of the major power projects. The operating margin benefited from the lower overhead cost structure as the business focused its efforts on the shut down and maintenance markets. A substantial turnaround contributed to an operating profit of R22 million (2015: R70 million loss).

Buildings and Coastal

Revenue increased by 20% to R1,8 billion (December 2015: R1,5 billion) with the net operating earnings reflecting a decrease to R20 million from R64 million due to a once-off gain in the comparative period. The improvement in revenue is due to the inclusion in the order book of a number of major high-rise buildings in Sandton coupled with the successful completion of the Sasol Head Office. Progress continued on the Dr Pixley Ka Isaka Seme Memorial Hospital in KwaZulu-Natal and extensions to the Cape Town International Convention Centre.

Commentary continued

Aveng Water

Revenue decreased by 7% to R140 million (December 2015: R149 million) due to the completion of construction works and the move to the operations phase for several projects. Operating profit improved as costs on the completion of various plants were managed as anticipated. The focus of the Aveng Water business is now on leveraging the significant advantage in acid mine drainage, water treatment processes and operational maintenance. The South African mining and municipal water sectors offer attractive opportunities for growth.

Aveng Capital Partners

Aveng Capital Partners is responsible for managing the Group's investments in South African toll roads, real estate and renewable energy concessions and investments.

This business will continue to co-manage the maintenance of the N1 until contract completion in 2018 and the handback of the roadway in accordance with the contractual undertakings. Development of new medium-term project pipeline opportunities is underway.

Construction & Engineering: Australasia and Asia

This operating segment comprises four business units – Australia, New Zealand and Pacific, Southeast Asia and Built Environs. The Middle East business remains a joint venture operated in partnership with Dutco.

Revenue in the first half decreased by 36% to AUD465 million (2015: AUD726 million), reflecting the reduced scale of the business in all regions and the low contribution of new work secured late in the previous financial year. This resulted in an under-recovery of overheads. The costs associated with tendering and ongoing legal fees placed additional burden on profitability. Net operating earnings decreased to a loss of AUD4,4 million (2015: profit of AUD1,4 million). While certain projects have performed well, these were offset by under-performance on other projects. Legacy contracts are largely complete and the focus is on commercial finalisation of these projects. Initiatives to improve the underlying operational performance are being rolled out as part of the reset strategy.

Australia

The performance of the Australian business in the first half was heavily impacted by commercial issues on largely completed historic projects and a lack of new work. Revenue declined by 42% to AUD178 million (2015: AUD306 million). The Webb Dock, O'Bahn and AMRUN projects have produced good results, albeit that these were eroded by high tendering and legal costs.

Southeast Asia

Revenue decreased by 51% to AUD110 million (2015: AUD226 million). Southeast Asia's operating results were impacted by the reduced revenue which reflects the competitive market conditions coupled with the impact of the start-up phase of new work recently won. The prospects for this business remain good.

Commentary continued

New Zealand and Pacific

Revenue remained flat compared to the comparative period at AUD156 million (2015: AUD160 million). The Waterview tunnel and Stronger Christchurch Infrastructure Rebuild Team (SCIIRT) alliance contracts, together with significant improvement in the Kiribati project underpinned the solid performance in New Zealand.

Built Environs

The Built Environs business has experienced a significant turnaround compared with the same period last year. All projects performed to tendered margin and there is a good pipeline of opportunities for the future including the recent win of the West Franklin Apartments in Australia.

Aveng Mining

This operating segment comprises the merged businesses of Aveng Moolmans and Aveng Shafts & Underground.

The segment reported a decrease in revenue to R2,0 billion (December 2015: R3,0 billion). Net operating earnings decreased by 54% to R91 million (December 2015: R198 million). The gross margin remained at 10% against the comparative period as a result of good contract productivities and operational efficiency initiatives. The pressures experienced by clients due to the downturn in the commodity cycle is, however, evident in the current period's results.

The Burkina Faso contract was negatively impacted by equipment under-performance. A detailed rectification plan was implemented to remedy the situation. This contract is expected to recover from April 2017.

The Chuquicamata contract is complete, albeit including additional costs in the final closure processes. The quality of the execution has been well received by the client and Aveng Mining has demonstrated their ability in undertaking this project in a new territory.

The Bakubung platinum mine separation agreement was signed with Wesizwe on 20 September 2016 and accounted for in the current period's results. The operation is being handed over to the client and the reduced scope is expected to be completed by the last quarter of this financial year. The finalisation of this agreement removes significant risk from the business.

Pleasingly the recent improvement in commodity prices has resulted in clients increasing volumes. To this end the Gamsberg contract was awarded in November 2016 with the start-up planned for April 2017, and the new contract in Botswana by Boeti Mining (a wholly owned subsidiary of Lucara Diamond Corp) at its Karowe diamond mine. Mobilisation activities are currently under way. The percentage of idle fleet has decreased and will decrease further in the second half of the year. Aveng Mining continues to work closely with clients to assist in reducing overall mining costs and to mobilise quickly as the opportunities arise.

Commentary continued

Aveng Mining was awarded a new contract in Botswana by Boteti Mining (a wholly owned subsidiary of Lucara Diamonds) at its Karowe diamond mine. Mobilisation activities are currently under way.

Manufacturing and Processing

This operating segment comprises Aveng Manufacturing and Aveng Steel.

Revenue decreased marginally to R4,3 billion (2015: R4,4 billion). Net operating earnings improved significantly to a profit of R24 million (2015: R48 million loss).

Aveng Manufacturing

This operating group consists of Aveng Automation & Control Solutions (ACS), Aveng Dynamic Fluid Control (DFC), Aveng Duraset, Aveng Infraset and Aveng Rail.

Revenue decreased by 19% to R1,3 billion (2015: R1,6 billion). Net operating earnings decreased by 8% to R92 million (2015: R99 million), reflecting the impact from the slowdown in the rail, mining and Oil & Gas sectors in South Africa. Profit has increased substantially from the immediately preceding six months where break-even was achieved.

Aveng ACS: revenue decreased by 12% to R209 million (2015: R237 million) due to lower project activity in their traditional Oil & Gas market.

Aveng DFC: revenue decreased by 4% to R237 million (2015: R246 million) following low demand in the local water market, as well as difficulty in securing volumes from the Russian and European markets. This was offset by growth in the Americas, particularly South America.

Aveng Duraset: revenue decreased by 12% to R232 million (2015: R263 million) driven by lower volume demand from the local mining sector, as well as lower export orders.

Aveng Infraset: revenue decreased by 17% to R388 million (2015: R464 million) due to a reduction in rail maintenance activity and the subsequent lower sleeper sales in the SADC market. New rail construction projects continue to be delayed. Construction products enjoyed solid demand locally and are performing as expected with additional investment in capacity to be added in 2017.

Aveng Rail: revenue decreased by 42% to R256 million (2015: R437 million) mainly due to reduced rail maintenance activity as well as the substantial completion of the Majuba rail construction project.

Aveng Steel

This operating group consists of Aveng Trident Steel and Aveng Steeledale (of which 70% was sold to Kutana Steel).

Revenue increased by 8% compared to the comparable period. Volumes stabilised and higher selling prices were achieved, however this was not enough to compensate for the current market structure. Exchange rate volatility has also had a negative impact on the business earnings.

Commentary continued

Aveng Steel contributed positively to the Group's liquidity through improved working capital management. EBITDA improved to a R52 million loss compared to a R115 million loss for December 2015.

Consolidation of the Aveng Trident Steel facilities is underway and will further improve the cost structure of the business without impacting on revenue.

Two-year order book

The Group's two-year order book amounted to R27,7 billion at 31 December 2016, decreasing by 1% from the R28,1 billion reported at 30 June 2016. This includes a 2% decrease in Australian Dollar term in McConnell Dowells' book; translating into an 11% decline in Rand terms, primarily as a result of the strengthening of the Rand against the Australian Dollar. The Aveng Mining order book increased by R1,1 billion in line with increased activity in the commodities sector. Aveng Grinaker-LTA's order book increased marginally. Securing quality work at targeted margins remains a priority.

The geographic split of the order book at 31 December 2016 was 53% Australasia and Asia (June 2016: 59%), 41% South Africa (June 2016: 37%) and 6% other (June 2016: 4%).

New projects awarded in the period include the Provincial Gas Transmission Pipeline Project for PTT in Thailand, Christchurch Southern Motorway Stage 2 in New Zealand, Dryandra Road and West Franklin Apartments in Australia for McConnell Dowell, Gamsberg and Khutala in South Africa and the Karowe Mine in Botswana, for Aveng Mining and Leonardo Towers Phase II for Aveng Grinaker-LTA.

Strategy overview

The first phase of the Group's strategy being the "Recovery and Stabilisation" phase is largely completed. During this phase, attention was given to the closure and or turnaround of under-performing businesses, sustainable reduction in fixed costs throughout the Group and the improvement of the balance sheet, notably through divestments and improved operational performance. In addition focus was also given to the reduction of commercial claims and litigation risk together with the completion of a number of large projects. Lastly, the implementation of the strategic transactions was a key priority.

In the second phase of "Positioning for Growth", Aveng is focusing on areas which were not fully completed in Phase 1, mainly the operational performance recovery and balance sheet health of McConnell Dowell, as well as project execution within Aveng Grinaker-LTA. Aveng needs to further improve the Groups' balance sheet and move the businesses from a return to profitability, to achieving industry comparable earnings and returns. Going forward Aveng will selectively start to invest in capacity through modernisation.

The third phase of our current strategy will be to **Realise growth and sustain profitability** by targeting the achievement of industry leadership positions in all our businesses by focusing on the following strategic pillars: delivery, client focus, innovation and sustainability. Aveng aims to expand its footprint into selected regions.

Commentary continued

Outlook and prospects

Challenging economic conditions are expected to continue in the short term. There are attractive mining opportunities being investigated as a result of a more optimistic outlook emerging on commodity prices. We expect the benefits of the various business optimisation initiatives to continue to contribute to performance in the second half of the financial year as the business positions itself for profitable growth within the second phase of our strategy.

The claims resolution process on QCLNG is expected to be concluded during the course of the current financial year and Gold Coast in the 2018 calendar year. In addition, we are involved in other significant commercial close outs and negotiations which add uncertainty. Winning work at acceptable margins, improving operational performance and the recovery of claims remains a priority for McConnell Dowell.

The Group will look to grow the Aveng Grinaker-LTA order book with the finalisation of the transformation transaction, which is aligned to the strategy of Aveng to further develop and transform the South African construction industry and will ultimately result in value enhancement for shareholders.

The divestment of Aveng Trident Steel remains an objective, however the achievement of acceptable value under current market conditions is likely to be challenging.

Appointment of new sponsor/change in sponsor

Shareholders are advised that the Company has appointed UBS South Africa Proprietary Limited as sponsor to the Company, replacing JP Morgan Equities South Africa Proprietary Limited, with effect from 10 February 2017.

Disclaimer

The financial information on which any outlook statements are based has not been reviewed or reported on by the external auditors. These forward looking statements are based on management's current belief and expectations and are subject to uncertainty and changes in circumstances. The forward looking statements involve risks that may affect the Group's operations, markets, products, services and prices.

By order of the Board



MI Seedat
Chairman



HJ Verster
Chief Executive Officer

Date of release: 20 February 2017

Corporate information

DIRECTORS

MI Seedat** (Chairman), EK Diack**, HJ Verster (Chief Executive Officer), PJ Erasmus**, SJ Flanagan**, MA Hermanus**, PA Hourquebie**, MJ Kilbride**, AH Macartney (Group CFO), JJA Mashaba (Group Executive Director), TM Mokgosi-Mwantembe*, KW Mzondeki**
(*non-executive) (**independent)

COMPANY SECRETARY

Michelle Nana

BUSINESS ADDRESS AND REGISTERED OFFICE

Aveng Park
1 Jurgens Street, Jet Park
Boksburg, 1459
South Africa
Telephone +27 (0) 11 779 2800

COMPANY REGISTRATION NUMBER

1944/018119/06

SHARE CODES

JSE: AEG
ISIN: ZAE 000111829

WEBSITE

www.aveng.co.za

AUDITORS

Ernst & Young Inc.
Registration number: 2005/002308/21
102 Rivonia Road
Sandton, Johannesburg, 2194
Private Bag X14
Northlands, 2116
South Africa
Telephone +27 (0) 11 772 3000
Telefax +27 (0) 11 772 4000

PRINCIPAL BANKERS

Absa Bank Limited
Australia and New Zealand Banking Group Limited
Barclays Bank plc
Commonwealth Bank of Australia Limited
FirstRand Bank Limited
HSBC Bank plc
Investec Bank Limited
Nedbank Limited
The Standard Bank of South Africa Limited
United Overseas Bank Limited

CORPORATE LEGAL ADVISERS

Baker McKenzie
Norton Rose Fulbright
Webber Wentzel

SPONSOR

UBS South Africa Proprietary Limited
Registration number: 1995/011140/07
64 Wierda Road East
Wierda Valley, Sandton 2196
P.O. Box 652863
Benmore, 2010
South Africa
Telephone +27 (0) 11 322 7000
Facsimile +27 (0) 11 322 7380

REGISTRARS

Computershare Investor Services Proprietary Limited
Registration number: 2004/003647/07
Rosebank Towers, 15 Biermann Avenue
Rosebank 2196, South Africa
PO Box 61051
Marshalltown, 2107
South Africa
Telephone +27 (0) 11 370 5000
Telefax +27 (0) 11 688 5200

**Business address and
registered office**

Aveng Park, 1 Jurgens Street,
Jetpark, Gauteng, 1459

PO Box 6062, Rivonia, Johannesburg,
Gauteng, 2128, South Africa

Telephone: +27 (0) 11 779 2800



www.aveng.co.za