



# 2018 INTERIM RESULTS PRESENTATION

27 February 2018

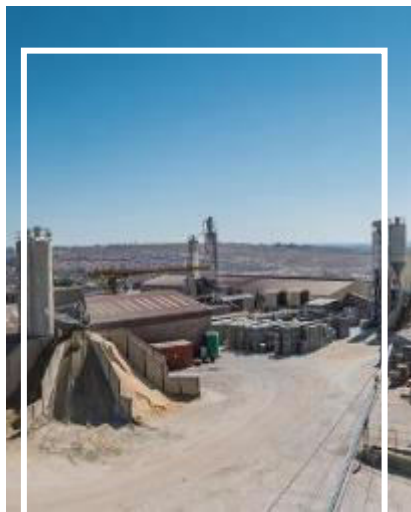
# AGENDA

## OVERVIEW



*Eric Diack*  
Executive  
Chairman

## STRATEGIC REVIEW



*Eric Diack*  
Executive  
Chairman

## FINANCIAL ANALYSIS



*Adrian  
Macartney*  
CFO

## OPERATIONAL REVIEW



*Eric Diack*  
Executive  
Chairman

## OUTLOOK



*Eric Diack*  
Executive  
Chairman



## OVERVIEW

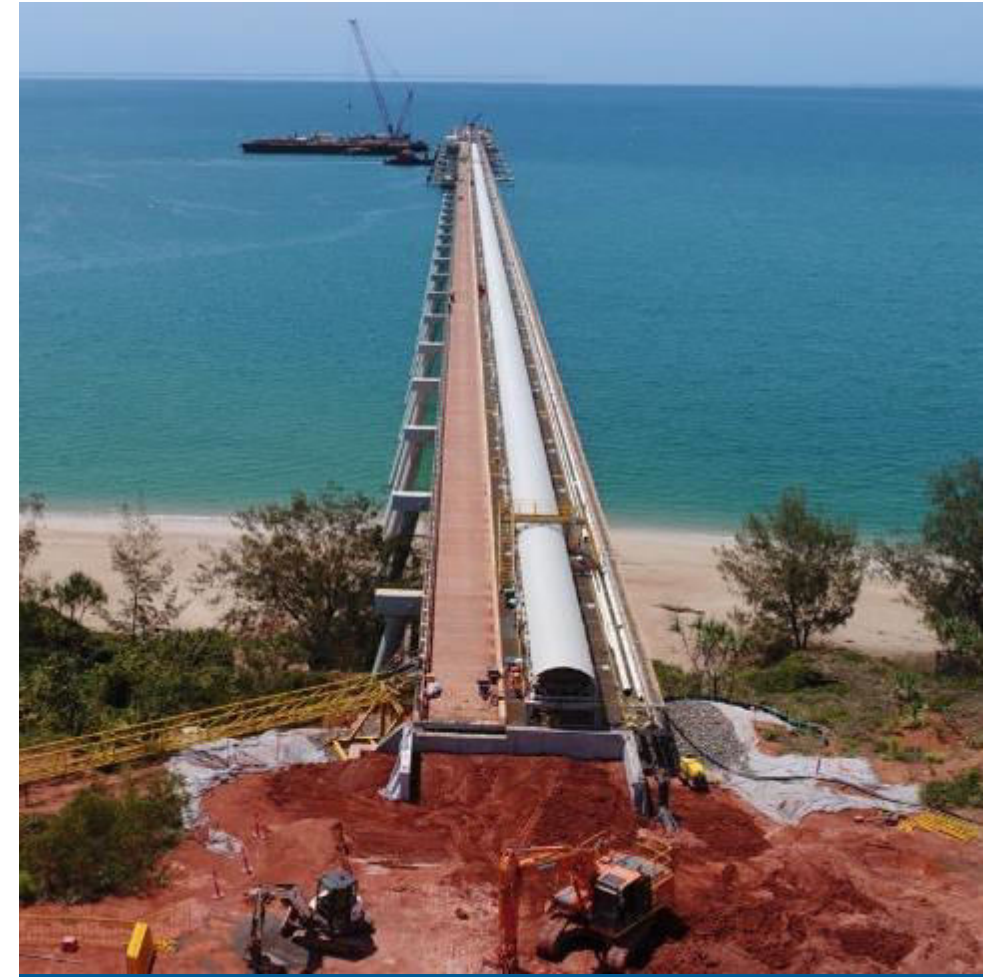


# REPORT BACK ON EXECUTION

- Completed a robust strategic and operational review
- Appointment of managing directors at Aveng Manufacturing and Aveng Grinaker-LTA Civils business unit
- Turnaround programme advanced at McConnell Dowell
  - Financial performance in line with plan
  - Strong project execution
  - Balance sheet restructured
  - Resolved 20 out of 24 legacy legal cases
  - Strengthened executive team
  - Focus on customer relationships
- Settlement of QCLNG, Genrec, Kenmare and Mokolo
- Finalised common terms agreement with South African banks

# SALIENT FEATURES

- Strategic review completed with the following outcomes
  - Identified core businesses that support the overall Group long-term strategy
  - Recommendation on a sustainable capital structure
- Six months results highlights:
  - Revenue increased by 13%
  - EBIT profit of R94 million vs R164 million loss in comparative period
  - Good performance from McConnell Dowell
  - Net loss of R347 million and headline loss of R335 million
  - Deferred tax impairment of R243 million
  - Significant progress in resolving outstanding claims
  - Net debt of R555 million (June 2017: R1 070 million)



McConnell Dowell, Amrun Export Facility, Australia



## STRATEGIC REVIEW OUTCOME



# Overview of strategic plan

## Creation of a robust and long-term sustainable group

- As announced in September 2017, management together with an independent strategic advisor have concluded a strategic review of the Group
- The purpose of the strategic review was to evaluate all requirements to support and enhance the long-term sustainability of the Group including:
  - the identification of businesses and assets that are core to the Group's long-term strategy and
  - recommending a sustainable future capital and funding model for the Group
- The business has reached a critical juncture and requires decisive action to create a sustainable Group
- Management has identified certain assets as non-core and embarked on a process to realise value for the disposal of these assets
- The current valuation of the Group is at a significant discount to the sum-of-the-parts value
- The management team has embarked on a process to
  - unlock value from the Group's core businesses;
  - create liquidity by selling non-core assets; and
  - ensure a long-term sustainable capital structure for the Group
- The board and management acknowledge the challenges ahead and believe that this is a balanced plan that will deliver value for all stakeholders

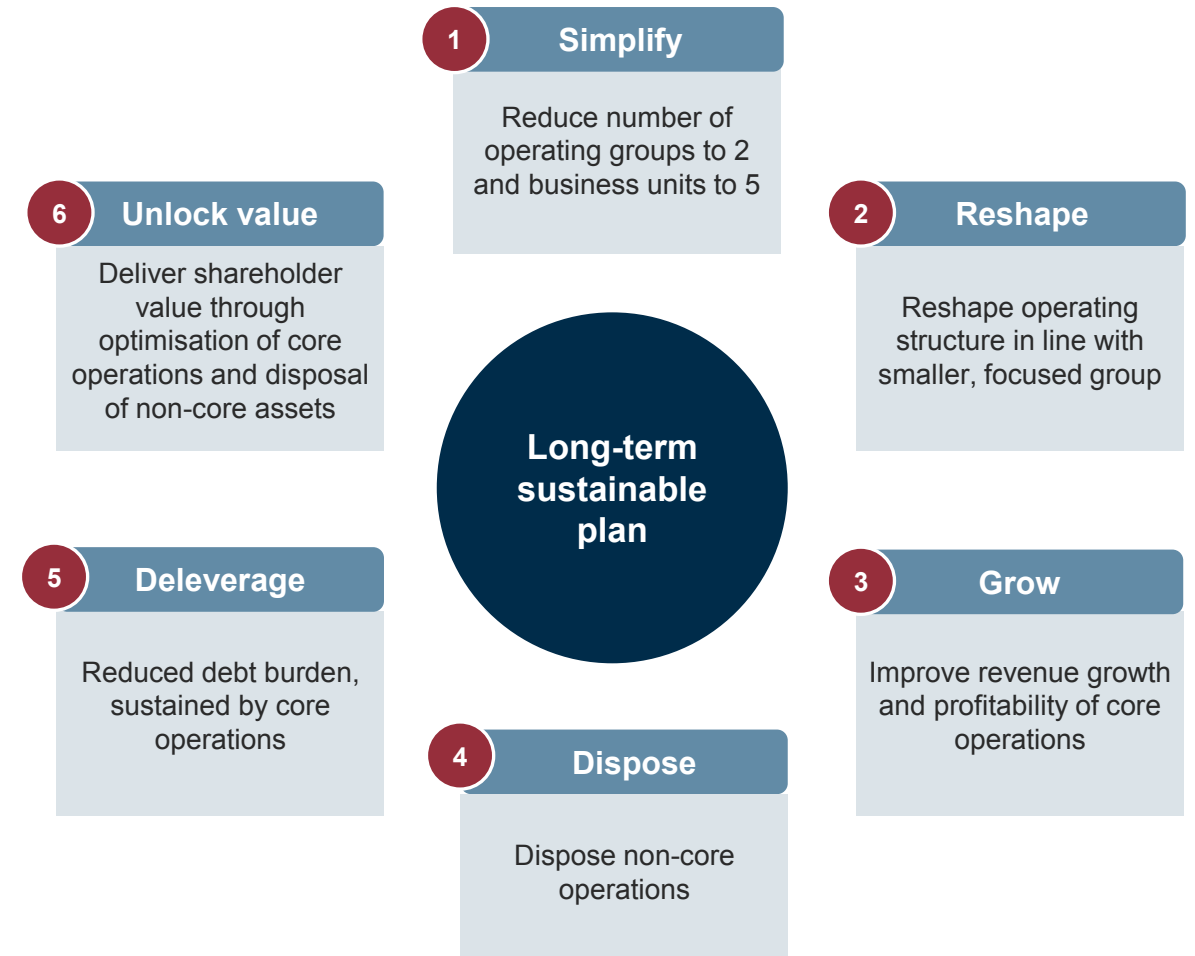
# Strategic action plan

A carefully executed action plan is required to create a sustainable group

## Significant issues faced by the Group

- × Complex business with five operating groups and 24 business units
- × c.R3bn debt burden including term mismatch of funding
- × Focus and structure of head office to be commensurate with the smaller, focused group
- × Various underperforming, subscale or loss-making businesses
- × Unsustainable capital structure
- × Share price significantly undervalues fundamental value of the group

## Proposed 6 step action plan





1

# Simplify

Portfolio optimisation with focus on growing core operations



## Focus on growing revenue and profitability of core operations

Optimisation

**MCCONNELL  
DOWELL**



**Moolmans**

- Strong management teams
- Sound, stable performance
- Growth markets
- Currency hedge
- International market and industry diversification
- Extract synergies in due course

Disposals

**AVENG  
STEEL**

**AVENG  
MANUFACTURING**

**AVENG  
GRINAKE-RTA**

- Orderly and competitive processes
- Supporting teams through change of ownership
- Focused on individual assets
- Proceeds de-risk balance sheet
- Complete by end FY2019

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# Simplify

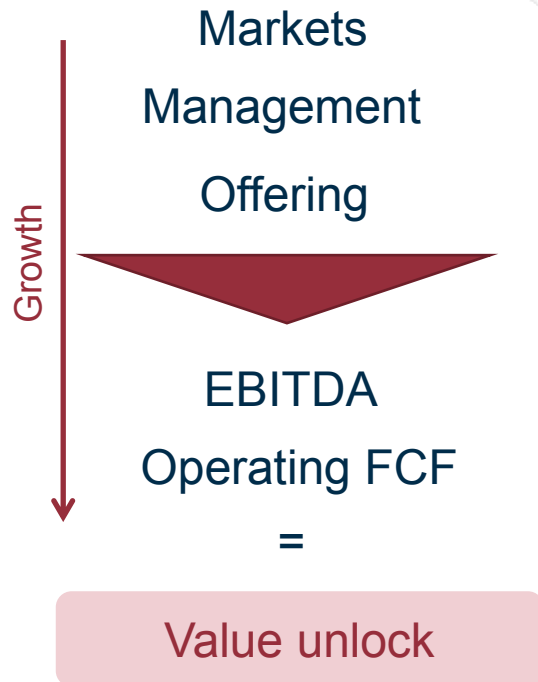
Creation of an international infrastructure and resources group



## International infrastructure and resources group

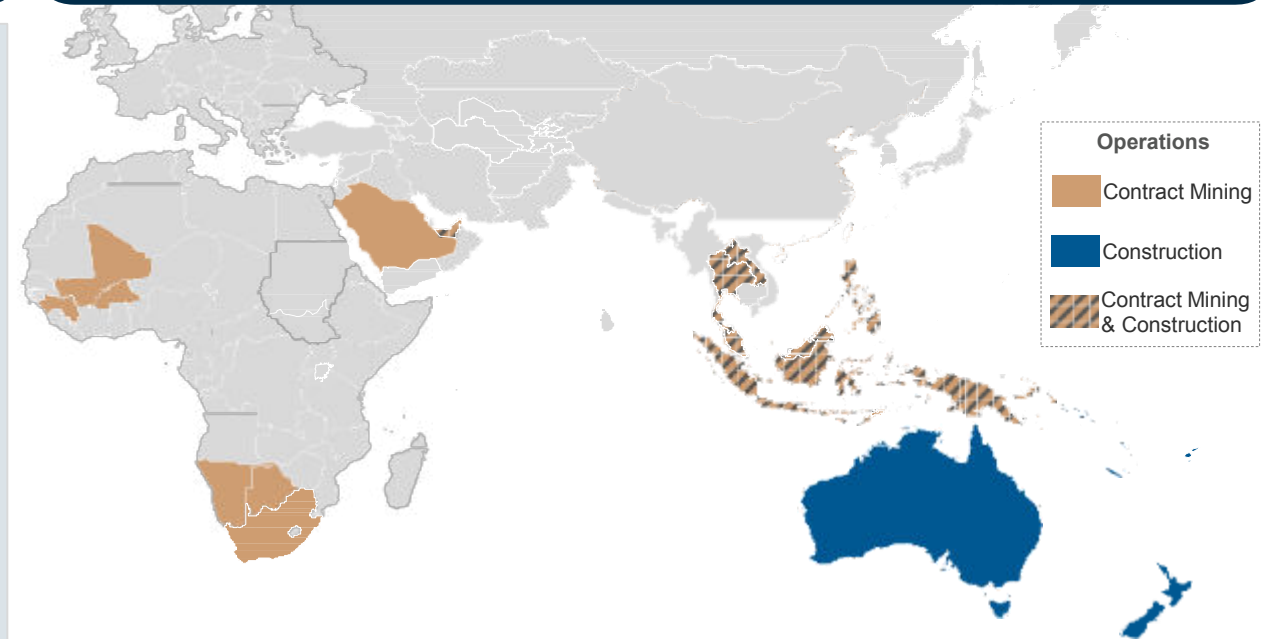
An internationally focused infrastructure and resources organisation, operating in developing and fast growing regions, with effective access to chosen markets

### Aveng group strategy



- Management teams with ability to deliver
- Economies of scale and greater economic value add
- Diversify across developing and fast growing markets, construction disciplines, mining commodities and a basket of currencies
- Attractive returns over a 10-year cycle
- Creation of investment opportunities for sustained growth
- Unlock sum-of-the-parts approval

### Aveng operating footprint



## Reshape

Aveng is implementing a new lean and agile operating model

### Key building blocks for an efficient operating model

- Decentralised and simplified organisational structure
- Empowered management
- Corporate resources commensurate to operational strategy
- Cut bureaucracy to enable:
  - Enhanced corporate agility;
  - Speed; and
  - Organisational focus

### Achieving an efficient operating model

- **At present the group operates with a mix of operating models in different business units, with McConnell Dowell operating more independently than the African businesses**
- **Proposed transition will reduce the corporate overheads and delegate business services to the operating groups**

3

## Grow

A core business focused on strong management teams

i

### Moolmans



**Moolmans**

- **South African-based leaders in open cut contract mining across Africa with:**
  - Brand equity through strong customer relationships
  - Proud delivery track records across clients
  - Excellent operational performance offering
- **Positioned for growth**
  - Scale
  - Consistent financial performance
  - Operating in fast growing mining regions across Africa
- **Currency and commodity hedged through international operations**
- **Stable and experienced leadership team**

ii

### McConnell Dowell

**MCCONNELL  
DOWELL**

- **Well-recognised brand for specialist capabilities across the infrastructure value chain delivering world class infrastructure**
  - Material contributor to the delivery of transport, water, mining and oil and gas infrastructure solutions
- **Recognised by customers, peers and industry participants as one of the most reliable and respected partners**
- **Able to manage complex projects**
- **Specialist disciplines, expanding into frontier markets**
- **Well positioned in mature and fast growing markets of Australia, Southeast Asia, Middle East, New Zealand and Pacific Islands**
- **Potential vehicles for entering the African market**
- **Currency hedged**



# Moolmans

Well established and respected in Southern African markets and have presence in the rest of Africa

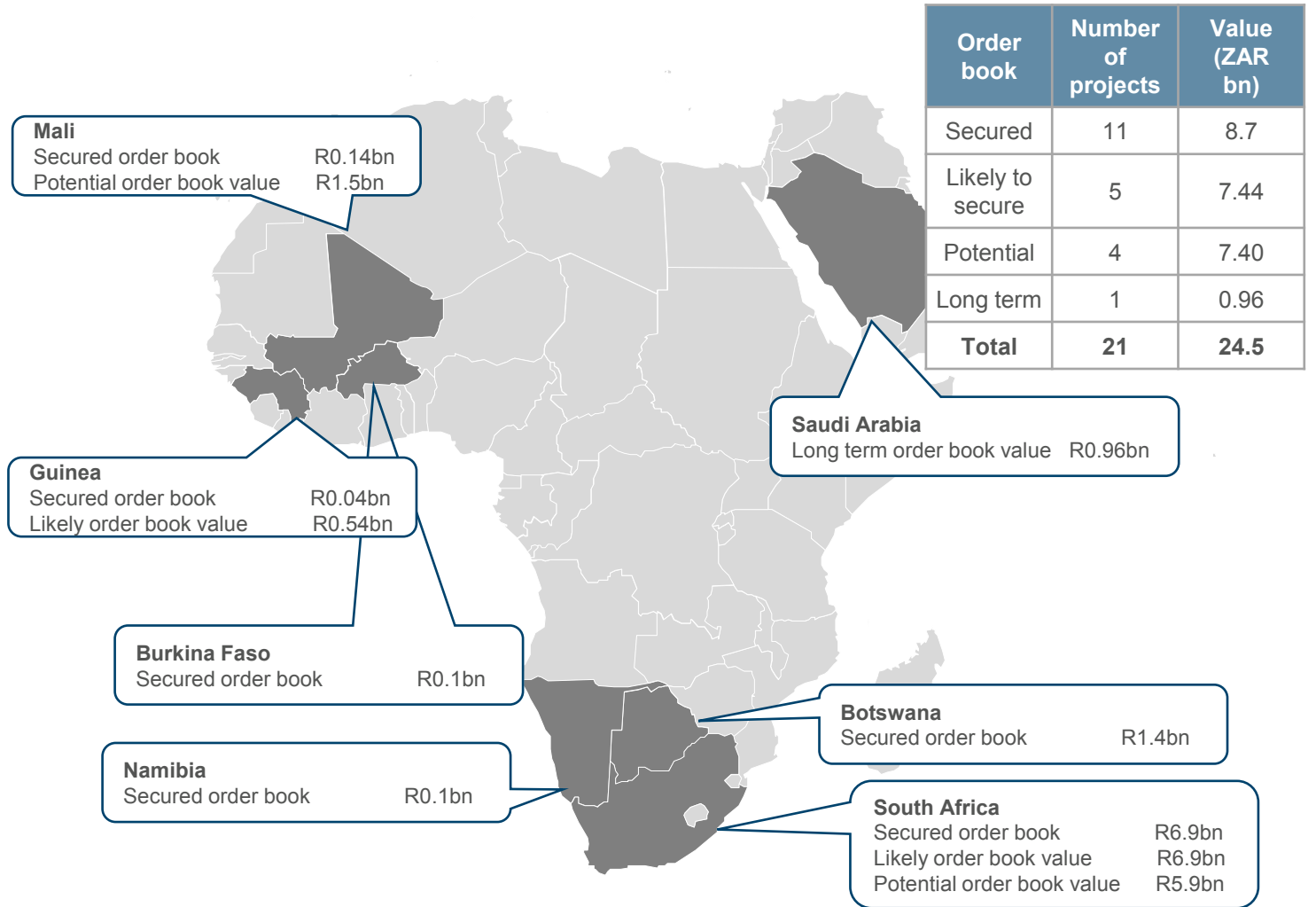
## Select current clients



## Synergy opportunities with McConnell Dowell

- African and Middle Eastern opportunities are prioritised to be accessed through Moolmans' strong presence, track record and brand
- Future Southeast Asian opportunities can be leveraged through McConnell Dowell partnerships for pit-to-port solutions

## 21 projects with estimated value of R24.5bn





# Moolmans

Operational excellence and developing partnerships are our focus

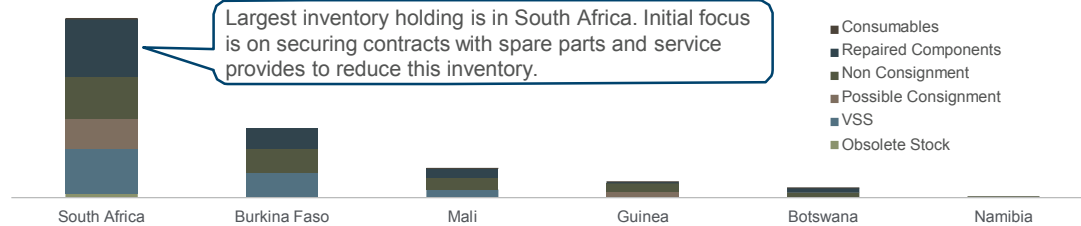
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## Inventory optimisation

Relationships with OEMs and major suppliers are in place

The drive focuses on:

- Reducing inventory for consignment options
- Sharing operations data with suppliers to ensure ability of the right stock at the right time
- Regularly testing the supplier market to ensure that we are paying a fair price

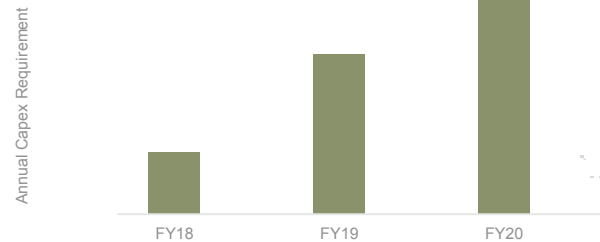
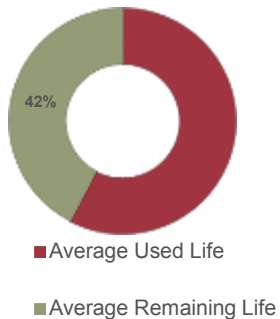


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## Stretching yellow metal

Continue the drive to improve component life and the economic life of equipment

Capital expenditure is required to maintain a 60/40 balance of remaining useful life vs used life



3

## Client partnerships

### Leverage existing relationships with mining clients

- Utilise mine design knowledge and operational experience to assist clients in optimisation of mine planning
- Use our reputation for reliable delivery to extend existing customer relations and win new clients

4

## Market partnerships

### Leverage existing relationships with stakeholders

- Use knowledge of feasibility studies to align to market requirements
- Use relationships with OEMs to benchmark maintenance performance and optimise stretching of yellow metal across all operations

5

## Accessing new markets

### Create opportunities by offering to move capital off customer balance sheets

- Innovative funding and partnership options to access new opportunities
- Leverage McConnell Dowell

6

## Expanded value offering

### Increase services and value offered in the next 10 years

- Mine design capabilities
- Exploration drilling
- Other related services and products

## ii McConnell Dowell

Diversified portfolio of projects and blue chip clients

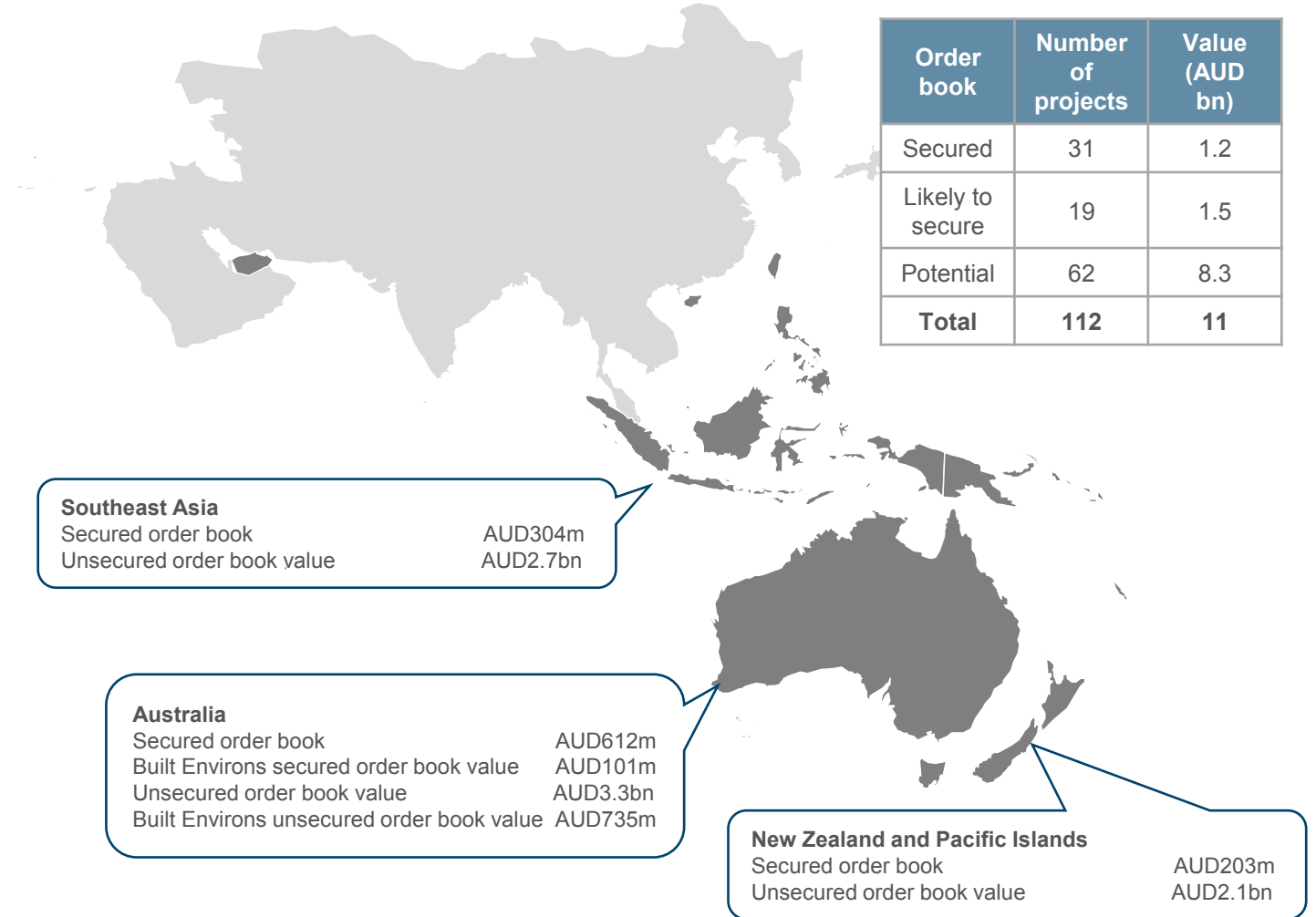
### Select current clients



### Specialist capabilities

- History of success on smaller to mid-range construction projects
- Strong innovative technical skills
- Diversity: geography, discipline and sector
- Ability to execute complex projects for blue chip clients

### 112 projects with estimated value of AUD11bn





# McConnell Dowell

## Turnaround programme on track

### RESET



1. Reset the organisation
2. Empower the business units
3. Strengthen technical and operations
4. Improve project execution
6. Increase connectivity and collaboration
7. Become customer centric
8. Align operating model & organisation structure
9. Finalise leadership changes & engage key resources

### DELIVER



1. Stabilise operations
2. Loss-making projects completed
3. Legacy project issues resolved
4. Historical project commercial issues resolved
5. Balance sheet 'strong and clean'
6. Modest but normalised financial performance
7. Prepared for growth
8. Customer relationships are our key point of difference

### GROW

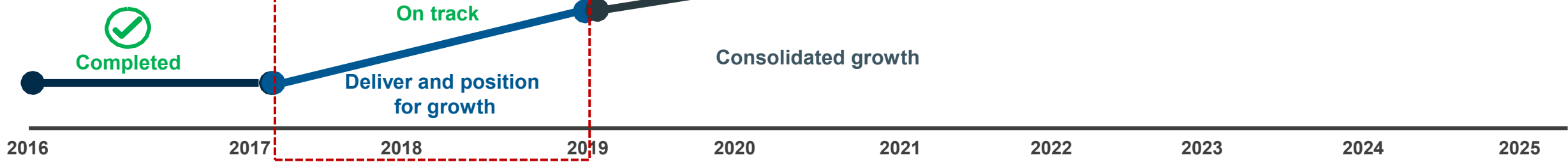


1. Strong performance – current footprint
2. A growing business
3. Organisational strength
4. Accomplished broad capability
5. Increased activity in the resource sector
6. Product expansion
7. Built Environs expansion
8. Brand recognition

### EXTENDED GROWTH



1. A recognised and respected market leader in all our regions
2. Present and delivering projects in new areas within existing regional geographies
3. Successfully implemented both organic and inorganic growth strategies
4. Realise sustained growth and profitability
5. Real growth on compound earnings





## 4

## Dispose

Objective is to complete all disposals by end of FY2019 in an orderly fashion

- Non-core assets to be sold in an orderly fashion to maximise value
- Objective is to complete all disposals by FY2019
- Support management teams and our employees in orderly ownership transition

### FY2018

- Complete current property sale processes
- Non-core disposals will dramatically reduce overall exposure to bonding and guarantee lines
- Disposals are focused on de-risking the Group
- Process will be carefully considered and implemented over an appropriate time-frame

### FY2019

- Preparation of assets for sale will require time
- Have already received a number of approaches from interested parties
- These processes will require flexibility from a timing perspective, to ensure value is maximised

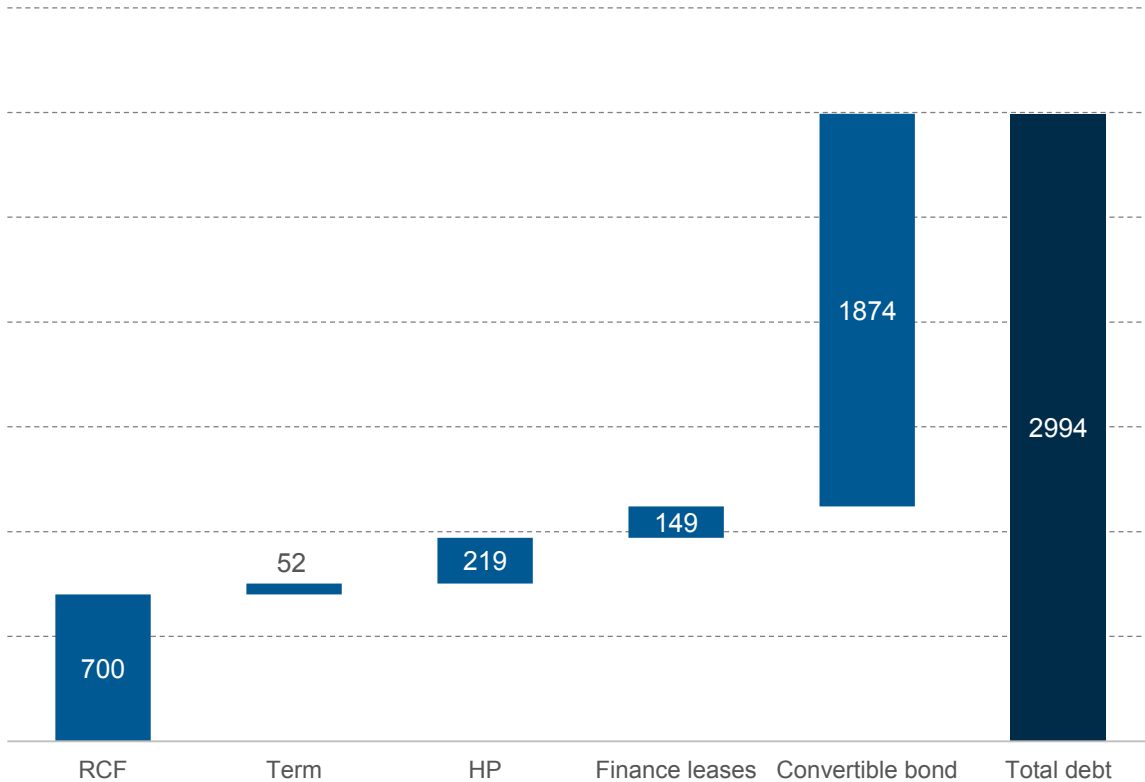
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## Deleverage

Current debt levels are unsustainable and need to be right sized for successful transition

Aveng is evaluating options to determine the most appropriate capital structure and long term funding requirements

### Current debt position



### Deleveraging

#### Deleveraging through:

- **Operational cash flow**
  - Historically operating losses have contributed to high debt levels
  - Improved and sustainable cash flow from core operations to reduce debt levels
- **Non-core disposals**
  - Proceeds from non-core asset disposals will be used to de-gear the business

## Deleverage

Convertible bond hinders ability to unlock value for shareholders

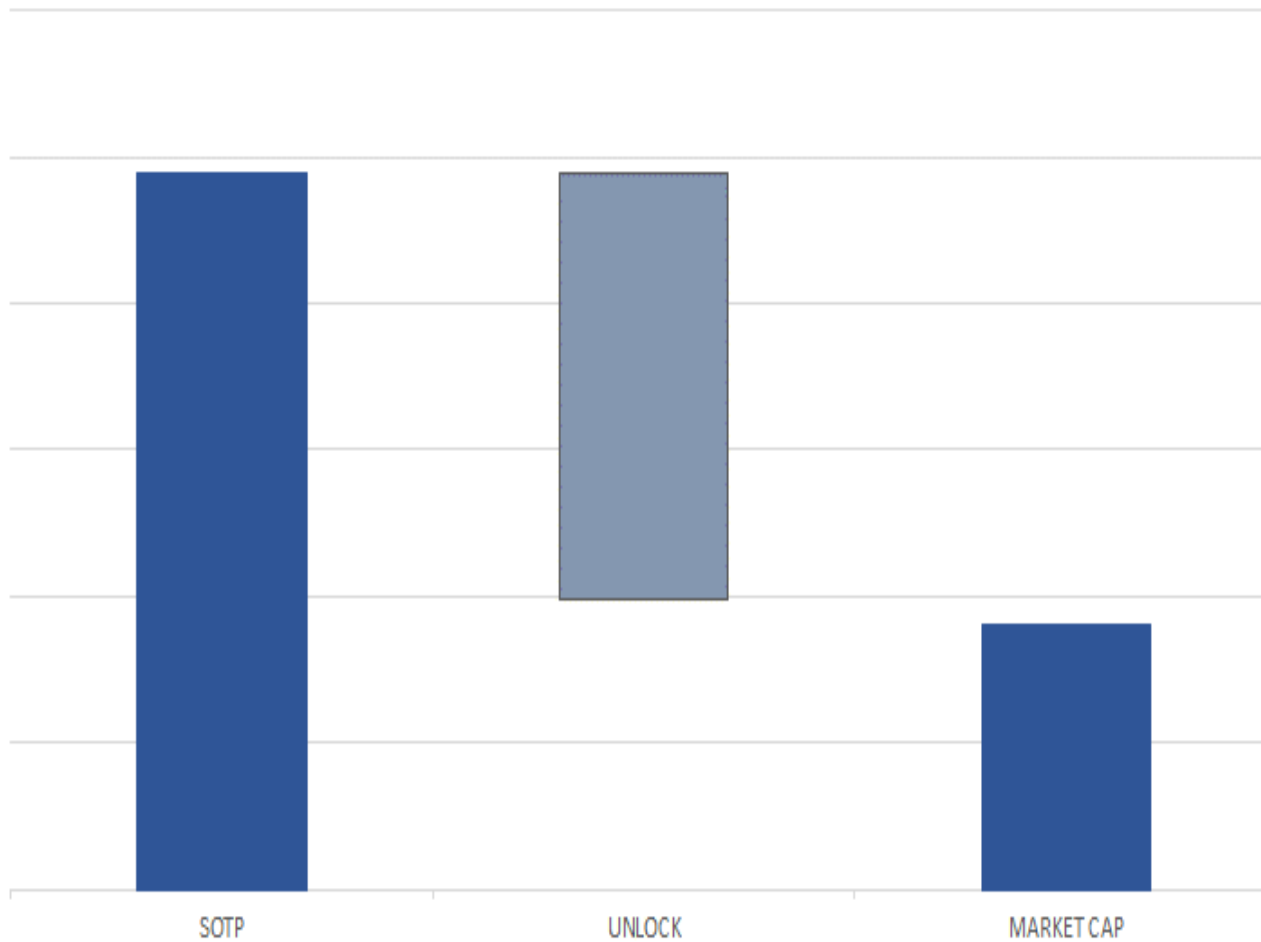
### Convertible bond

- **Convertible bond is creating significant constraints in Aveng's capital structure**
- **It is Aveng's intention to explore options to early settle all or a portion of the convertible bonds**
- **Aveng will fund the settlement of the convertible bond through:**
  - Improving operational cashflows
  - Proceeds from disposal on non-core assets
  - Capital market transaction, to the extent required
- **Aveng has commenced work on a potential capital market transaction and will provide further details once Aveng has engaged with all stakeholders**

## 6

## Unlock shareholder value

The current valuation of the Group is at a significant discount to the sum-of-the-parts (SOTP) valuation



- A conservative SOTP valuation shows the potential for significant value unlock for all stakeholders
- This is primarily underpinned by the valuation of McConnell Dowell and Moolmans
- Value unlock will be driven by:
  - Unlocking the value from the two largest assets through consistent performance that will generate EBITDA and growth
  - Creating improved liquidity and deleveraging through orderly managed disposals of non-core businesses

# Way forward

Our plan requires a three year outlook to optimise stakeholder value



## Three year transition

### Immediate Next 6 months

- Manage liquidity
- Actively manage risk exposures down
- Enhance operating performance
- Managed disposal of non-core assets to maximise value
- Finalise capital market transaction

### Transition 12 - 24 months

- Working capital management
- More predictable performance from core businesses
- Continue the orderly sale of non-core businesses
- Bond settlement

### Sustainable 24-36 months

- Grow and sustain core businesses
  - McConnell Dowell
  - Moolmans
- Extract synergistic benefits
- Create shareholder value



# FINANCIAL ANALYSIS



# EARNINGS

<b>Results</b>	<b>H1 2018 Rm</b>	<b>H1 2017 Rm</b>
Revenue	<b>16 111</b>	14 296
Gross margin %	<b>7.0%</b>	6.7%
Operating expenses	<b>(1 060)</b>	(1 039)
Net operating earnings / (loss)	<b>94</b>	(164)
Net interest	<b>(141)</b>	(226)
Taxation	<b>(285)</b>	(37)
<b>Reported headline loss</b>	<b>(335)</b>	(391)
Headline loss per share	<b>(84,4)</b>	(98,5)



Aveng Grinaker-LTA Ventersburg Roads Project

# SEGMENTAL RESULTS

## Revenue

	H1 2018 Rm	H1 2017 Rm
C&E Australasia and Asia	6 566	4 912
Aveng Mining	2 478	2 001
C&E South Africa and rest of Africa	3 228	3 270
Aveng Manufacturing	1 119	1 311
Aveng Steel	2 503	2 989
Other & eliminations	217	(187)
	<b>16 111</b>	14 296

## Net operating earnings /(loss)

	H1 2018 Rm	H1 2017 Rm
	51	(47)
	104	91
	(212)	(62)
	(57)	92
	(13)	(68)
	221	(170)
	<b>94</b>	(164)



# STATEMENT OF FINANCIAL POSITION

	Dec'17 Rm	Jun'17 Rm		Dec'17 Rm	Jun'17 Rm
<b>ASSETS</b>	<b>17 544</b>	17 687	<b>LIABILITIES &amp; EQUITY</b>	<b>17 544</b>	17 687
Goodwill and intangible assets	<b>613</b>	613	<b>LIABILITIES</b>		
Property, plant and equipment	<b>4 476</b>	4 611	Borrowings and liabilities	<b>2 994</b>	3 066
Investments	<b>573</b>	599	Working capital	<b>7 487</b>	7 260
Deferred taxation	<b>1 095</b>	1 290	Deferred taxation	<b>399</b>	319
Other assets	<b>58</b>	63	Other liabilities	<b>186</b>	171
Working capital	<b>7 847</b>	8 393	Employee-related payables	<b>635</b>	813
Non-current assets held-for-sale	<b>158</b>	122	Bank Overdrafts	<b>285</b>	-
Cash and bank balances	<b>2 724</b>	1 996	<b>EQUITY</b>	<b>5 558</b>	6 058
			<b>NAV PER SHARE</b>	<b>13.3</b>	14.5
			<b>NET DEBT</b>	<b>(555)</b>	(1 070)

# WORKING CAPITAL

	Dec'17 Rm	Jun'17 Rm
Inventory	2 141	2 085
Trade and other receivables	1 619	1 840
Amounts due from contract customers	4 087	4 468
Current trade and other payables	(5 780)	(5 909)
Amounts due to contract customers	(1 707)	(1 351)
<b>Net working capital</b>	<b>360</b>	<b>1 133</b>

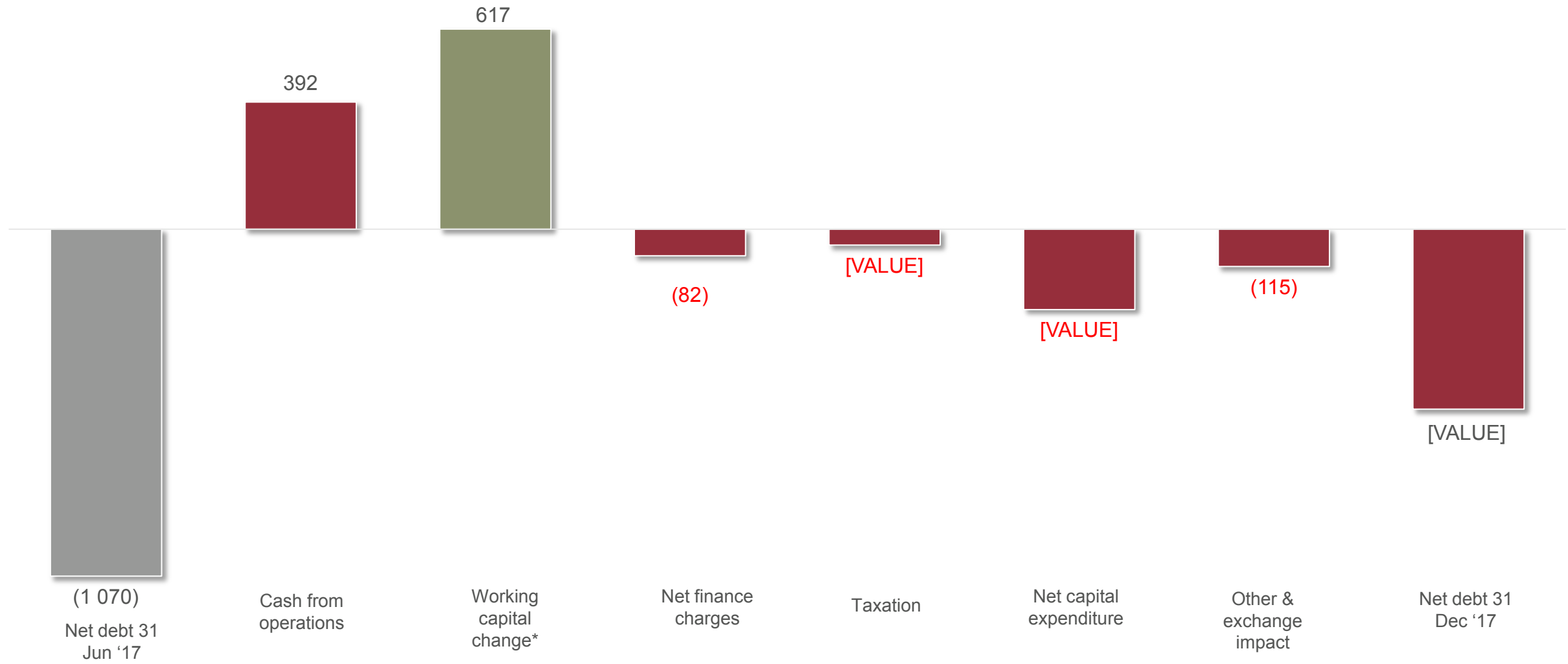
# UNCERTIFIED REVENUE AND CLAIMS

	Dec'17 Rm	Jun'17 Rm
Uncertified claims and variations	<b>1 673</b>	1 760
Contract contingencies	<b>(536)</b>	(701)
Contract and retention receivables	<b>2 952</b>	3 411
Provision for contract receivables	<b>(2)</b>	(2)
<b>Amounts due from customers</b>	<b>4 087</b>	4 468
Progress billings received	<b>(1 618)</b>	(1 205)
Amounts received in advance	<b>(89)</b>	(146)
<b>Amounts due to customers</b>	<b>(1 707)</b>	(1 351)
Net amounts due from contract customers	<b>2 380</b>	3 117
Foreign exchange impact	<b>(75)</b>	(462)

	HY2018 Rm					TOTAL
	C&E SA and ROA	C&E Australia and Asia	Mining	Manufacturing & Processing	Other & eliminations	
Contract claims	33	915	104	-	(23)	<b>1 029</b>
Uncertified variations (timing)	126	464	54	-	-	<b>644</b>
<b>Uncertified claims and variations</b>	<b>159</b>	<b>1 379</b>	<b>158</b>	<b>-</b>	<b>(23)</b>	<b>1 673</b>

	FY2017 Rm					TOTAL
Contract claims	59	1 266	153	29	(358)	<b>1 149</b>
Uncertified variations (timing)	141	320	145	5	-	<b>611</b>
<b>Uncertified claims and variations</b>	<b>200</b>	<b>1 586</b>	<b>298</b>	<b>34</b>	<b>(358)</b>	<b>1 760</b>

# MOVEMENT IN NET DEBT



\* Includes successful settlement of claims – QCLNG ( R508 million) & Genrec (R232 million)

# LIQUIDITY

	Dec'17 Rm	Jun'17 Rm
<b>Net Cash</b>	<b>2 439</b>	1 996
South African operations	<b>793</b>	759
McConnell Dowell	<b>1 646</b>	1 237
<b>Borrowings</b>	<b>2 994</b>	3 066
Convertible bond	<b>1 874</b>	1 823
South African operations	<b>960</b>	322
McConnell Dowell	<b>160</b>	921
<b>Net (debt)</b>	<b>(555)</b>	(1 070)

	Dec'17 Rm	Jun'17 Rm
<b>Net Cash</b>	<b>2 439</b>	1 996
Less:		
Joint operations	<b>(711)</b>	(625)
Advance payments	<b>(142)</b>	(146)
Short term facilities	<b>(700)</b>	(703)
Minimum working capital requirements	<b>(800)</b>	(800)
<b>Liquidity surplus / (requirement)</b>	<b>86</b>	(278)
<b>Unutilised facilities</b>	<b>421</b>	1 356
<b>Liquidity headroom</b>	<b>507</b>	1 078

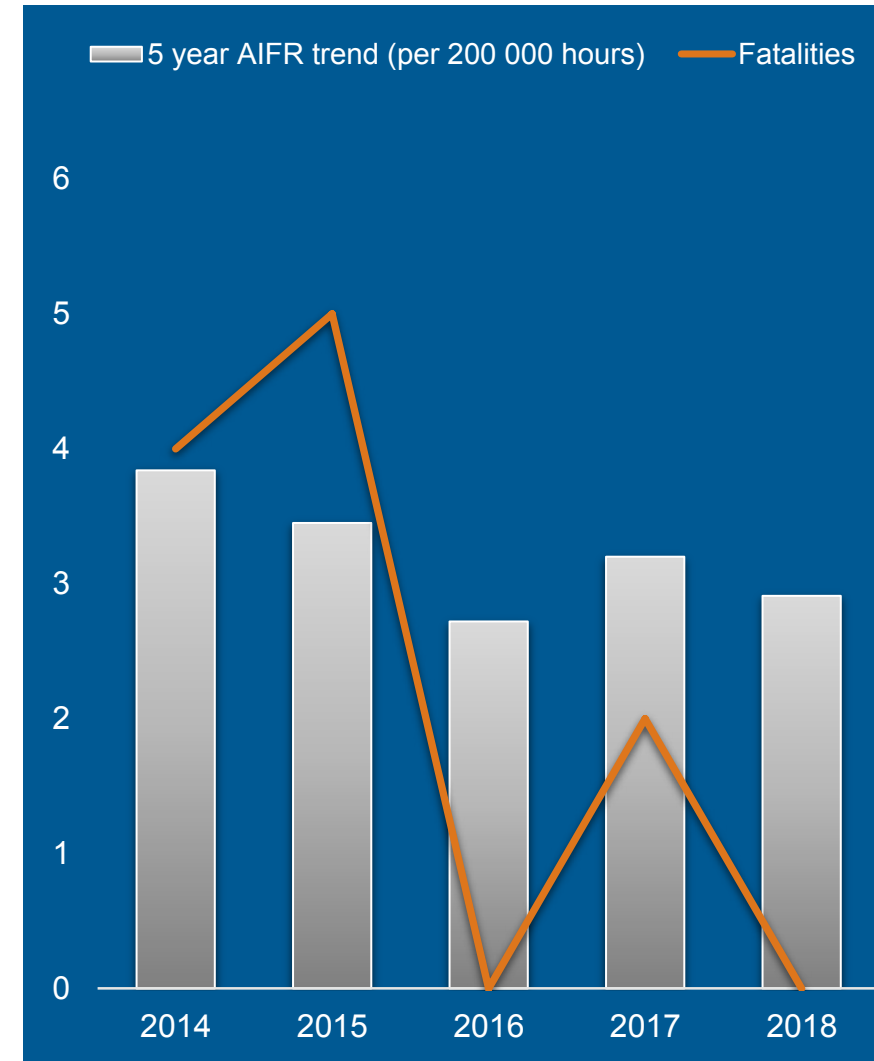
# SAFETY, HEALTH & ENVIRONMENT

## SHE Overview

- All Injury Frequency Rate (AIFR) for the period was at 2.91, indicating an improvement in the number of injuries reported
- No fatalities recorded
- Improved efforts on employee health and wellbeing
- No major environmental incidents

## Safety achievements

- Aveng Grinaker-LTA Building & Building South business units awarded 2<sup>nd</sup> and 3<sup>rd</sup> place in the National Master Building Association Competition
- Aveng Grinaker-LTA: Dr Pixley Project achieved 1 million LTI-free man-hours
- Aveng ACS: achieved 6 years and 8 months without lost time injuries. Last LTI was in March 2011
- Aveng DFC: remained LTI-free for more than 2 years (917 days)
- McConnell Dowell: completed Safety Leadership Engagement workshops at all Australian projects.
- Aveng Mining: Langer Heinrich project recorded 2.6 million LTI-free man-hours (1 336 days)
- Aveng Mining: Tshipi Borwa Mine operations achieved 1 222 513 million LTI-free man-hours (823 days)
- Aveng Trident Steel: continued improvement in total recordable injuries frequency rate (TRIFR)





## OPERATING REVIEW



# CONSTRUCTION & ENGINEERING | Australasia and Asia | Overview

## McConnell Dowell



- McConnell Dowell achieved a clear turnaround in performance supported by:
  - solid operating performance reporting a significant increase in EBIT
  - strengthened operating cash position
  - sound level of work in hand
- McConnell Dowell has significantly de-risked and strengthened its balance sheet during the first half of FY18 with:
  - improved project performance
  - progressive close out of the majority of legacy legal claims
- McConnell Dowell has achieved substantial progress with the strategic transformation of the business



McConnell Dowell, Russley Road, New Zealand

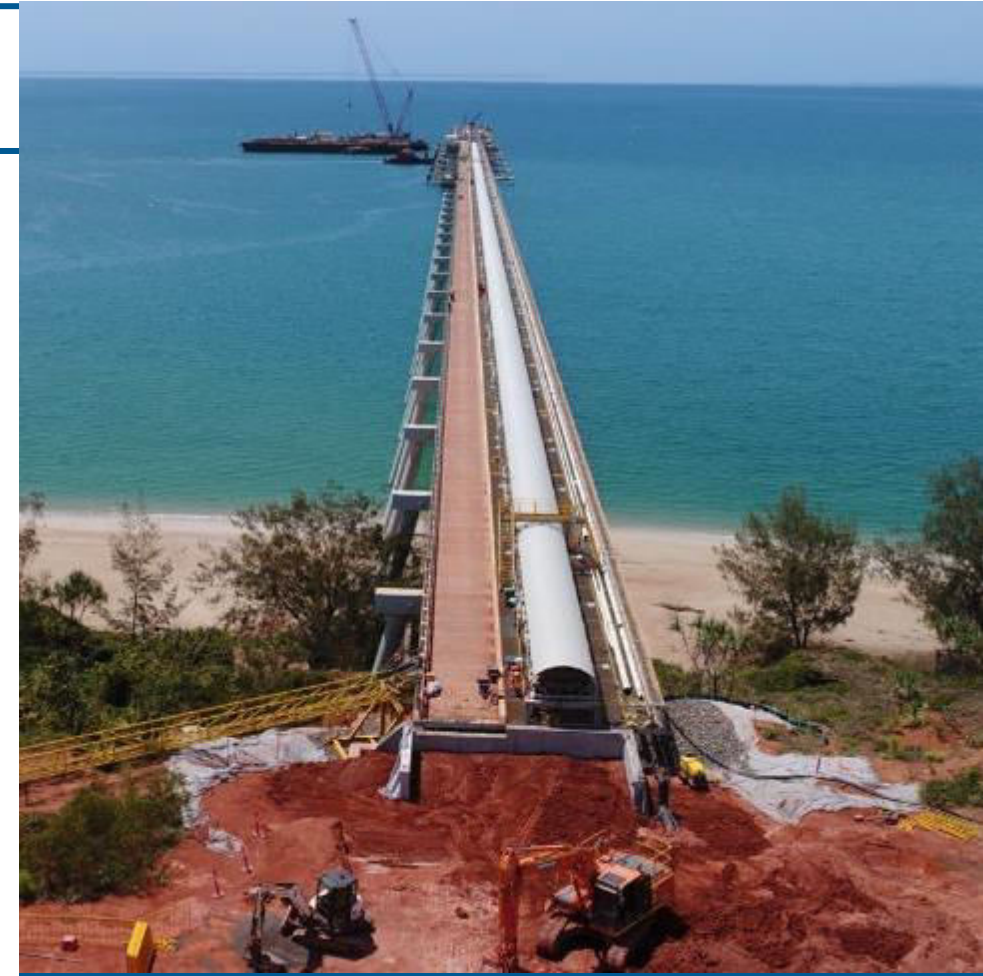


# CONSTRUCTION & ENGINEERING | Australasia and Asia | Overview

## McConnell Dowell - Highlights



- Strong SHEQ performance across all operating regions
- Result exceeds profit objective
  - Earned AUD5m EBIT for HY18
- Period of leadership transition for Southeast Asia and New Zealand
- Good progress on finalising outstanding legacy and historical issues
  - Closed out 20 of 24 legacy legal issues
- Preferred contractor status on A\$1 billion worth of prospects
- Robust addressable markets across targeted growth sectors
- Positioned for growth and sustained profitability



McConnell Dowell, Amrun Export Facility, Australia

# CONSTRUCTION & ENGINEERING | Australasia and Asia

	H1 2018 Rm	H1 2017 Rm	H1 2018 AUDm	H1 2017 AUDm
Revenue	6 566	4 912	628	465
Operating expenses	(421)	(386)	40	(37)
<b>EBIT</b>	<b>51</b>	(47)	<b>5</b>	(4)
OFCF	574	(426)	48	(40)

### Completed projects:

BNR Upgrade, Mangere, New Zealand

Urbanest Student Accommodation, Built Environs

MES Aurora, South East Asia

BLNG, South East Asia

Banyan Avenue, South East Asia

### Industry accolades:

Brunel Medal, Brisbane Ferry Terminals, Australia

2017 Resene Total Colour Awards, Harewood Underpass, New Zealand

Master Builders Award, Modbury Hospital, South Australia

### New contract awards:

Abbotts Road, Forms part of the Western Programme Alliance, Australia

Public Transport Projects Alliance, Department of Planning, Transport and Infrastructure, Australia

ECI contract for Kidston Pumped Storage Hydro Project, Australia

Lytelton Harbour Wastewater Project – Pipeline Diamond Harbour/Governors Bay, New Zealand

Te Mato Vai, Cook Islands Government, New Zealand Pago Airport Apron – Phase 1, American Samoa



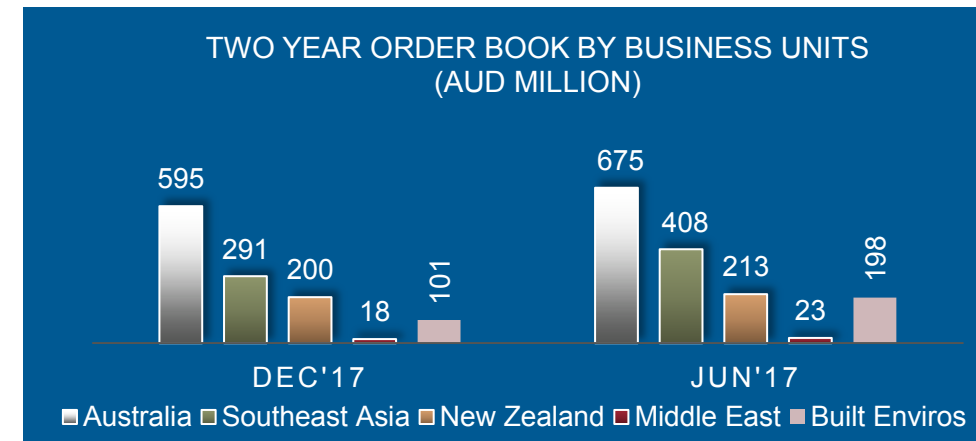
Built Environs – Urbanest Student Accommodation Australia

# CONSTRUCTION & ENGINEERING | Australasia and Asia

## Outlook

- Return to profitability for FY18
- Secured 100% revenue and 97% margin for FY18
- Current work AUD\$1.22 billion, down AUD\$300 million from 30 June 2017 to 31 December 2017
- Significant prospects in project pipeline and substantial value of tenders pending final award decision
- Awarded key projects in all business units
- Strong focus to grow order book over the next six months is well supported by a large value of preferred bidder / near term contracts worth AUD\$1 billion
- Growing markets within existing footprint, leading to increased activity in the prospect pipeline
- Outlook remains positive – positioned for growth and sustained profitability
  - Well-recognised brand with unique specialist capabilities in growing market sectors
  - Strong project management and construction capabilities to deliver reliable performance

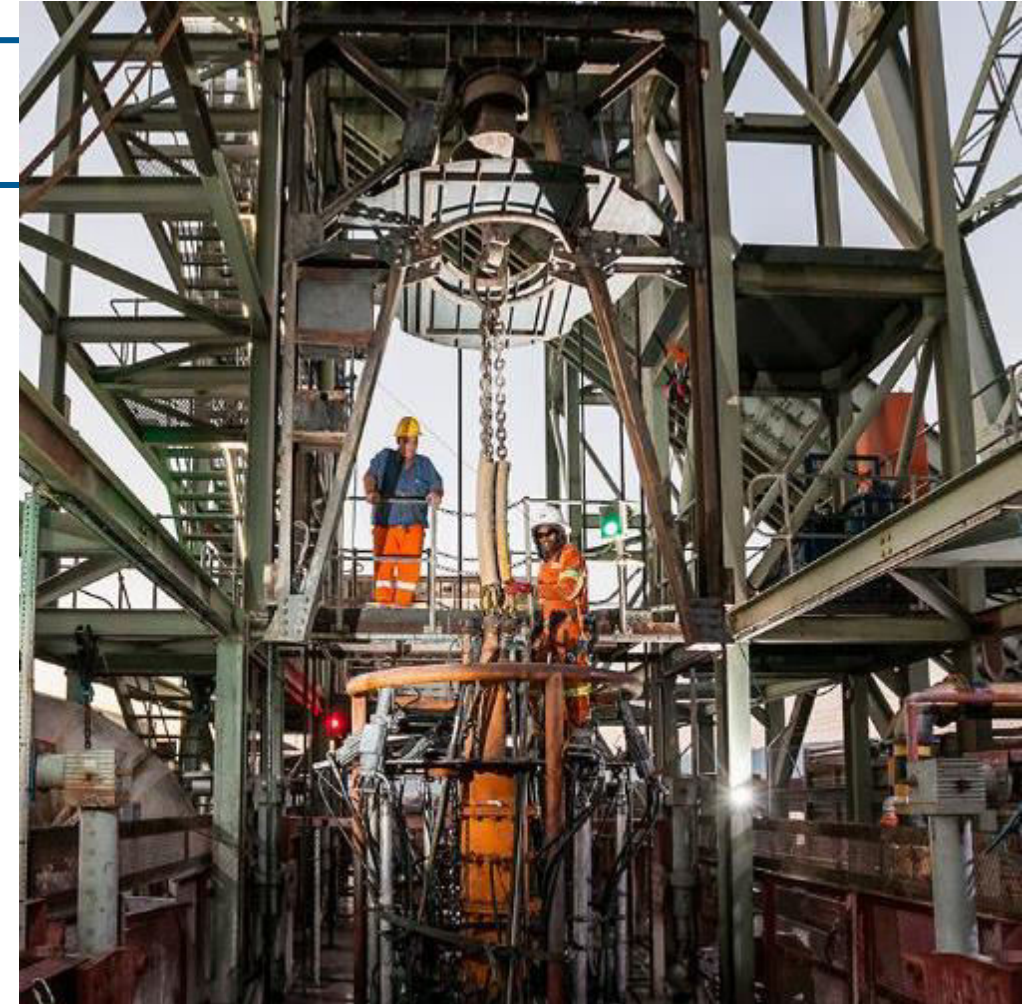
	Two Year order book (AUDm)	Revenue secured FY18 (%)
Australia	595	>100%
Built Environs	101	68%
Southeast Asia	291	100%
New Zealand	200	100%
Middle East	18	92%



# MOOLMANS | Overview

## Moolmans

- Merged businesses of Moolmans and Aveng Shafts & Underground will trade as Moolmans in the future
- Successful start up of the Gamsberg and Lefa contracts
- Good performance on existing contracts due to upturn in commodity prices
- Commercial issues at Burkina Faso resolved
- Slower than expected start up at Karowe being addressed
- New contracts and extensions secured including:
  - Extension on Klipbankfontein iron ore project
  - Gamsberg South Pit zinc mine in the Northern Cape
  - Successfully transitioned Sishen contract under new scope (5 year award)
- Fleet fully utilised



Aveng Mining Operations

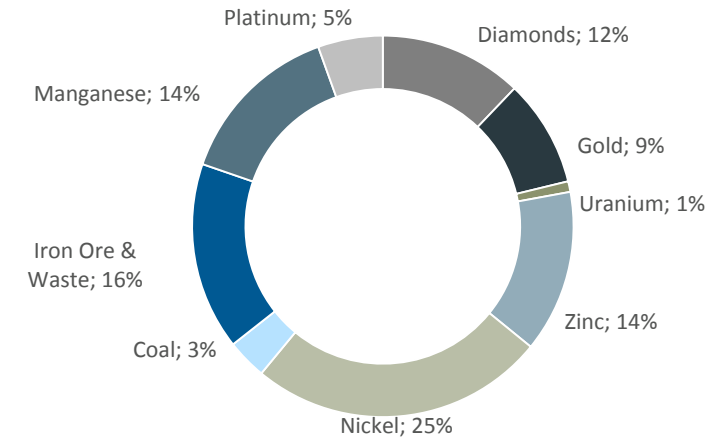
# AVENG MINING

	H1 2018 Rm	H1 2017 Rm
Revenue	2 478	2 001
Operating Expenses	(106)	(95)
<b>EBIT</b>	<b>104</b>	91
Capital expenditure	233	38
OFCF	(87)	47

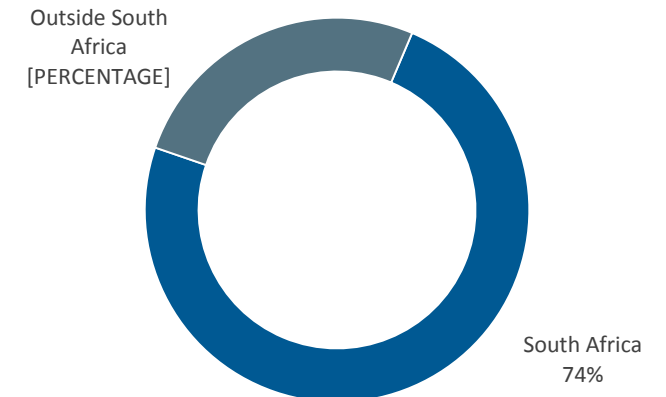
## New contracts and extensions

- Extension on Klipbankfontein iron ore project
- Gamsberg South Pit zinc mine in the Northern Cape
- Successfully transitioned Sishen contract under new scope (5 year award)
- Equipment redeployment to meet client scope changes successfully facilitated
- Improved commodity mix

## TWO YEAR ORDER BOOK BY COMMODITY



## HY2018 REVENUE BY GEOGRAPHY

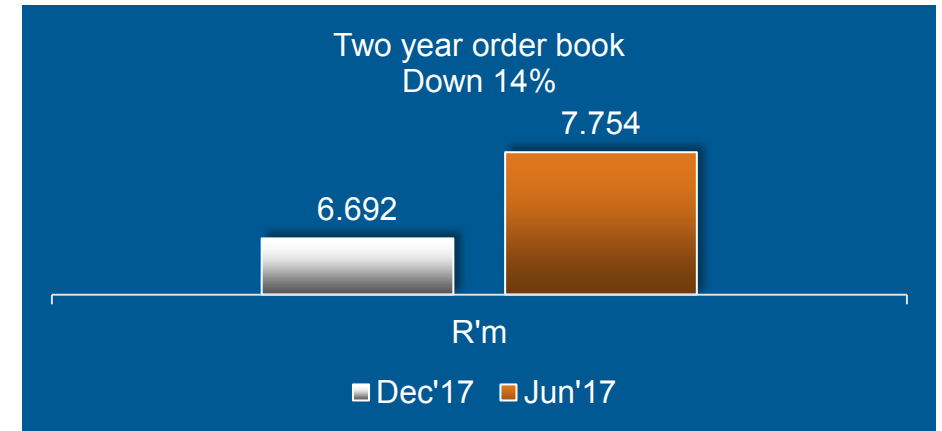


# AVENG MINING

## Outlook

- The improved contract mining environment places the operating group in a strong position to pursue its longer-term growth strategy in selected international markets
- Moolman's market-leading reputation places it in a strong position to pursue longer-term growth strategy in selected markets
- 100% secured order book for FY18
- A number of near orders and opportunities are being pursued
- Moolmans is well positioned for growth

	Two Year order book	Revenue secured FY18 (%)
Aveng Mining	6 692	100%



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

## Aveng Grinaker-LTA



- Very limited uncertified revenue and claims on balance sheet
- Revenue remained static compared to the comparative period
- The profitability was largely impacted by:
  - Losses incurred on Civils projects
  - Two projects in Building South
- Mechanical & Electrical, Aveng Rand Roads, Aveng Ground Engineering, and Aveng Water produced good operating performance.
- Cash generation positively impacted by advanced payment received and successful close out of Mokolo during the first half of the year
- Operating expenditure continues to be reduced across all business units



Aveng Grinaker-LTA M&E Nitric Acid Plant, Sasolburg

# CONSTRUCTION & ENGINEERING | South Africa and rest of Africa

	H1 2018 Rm	H1 2017 Rm
Revenue	3 228	3 270
Operating Expenses	(165)	(220)
<b>EBIT</b>	<b>(212)</b>	<b>(62)</b>
OFCF	147	153

## Completed projects and major projects in progress:

### **Buildings**

Old Mutual Sandton head office and CTICC completed  
Leonardo, 129 Rivonia, Dr Pixley in progress

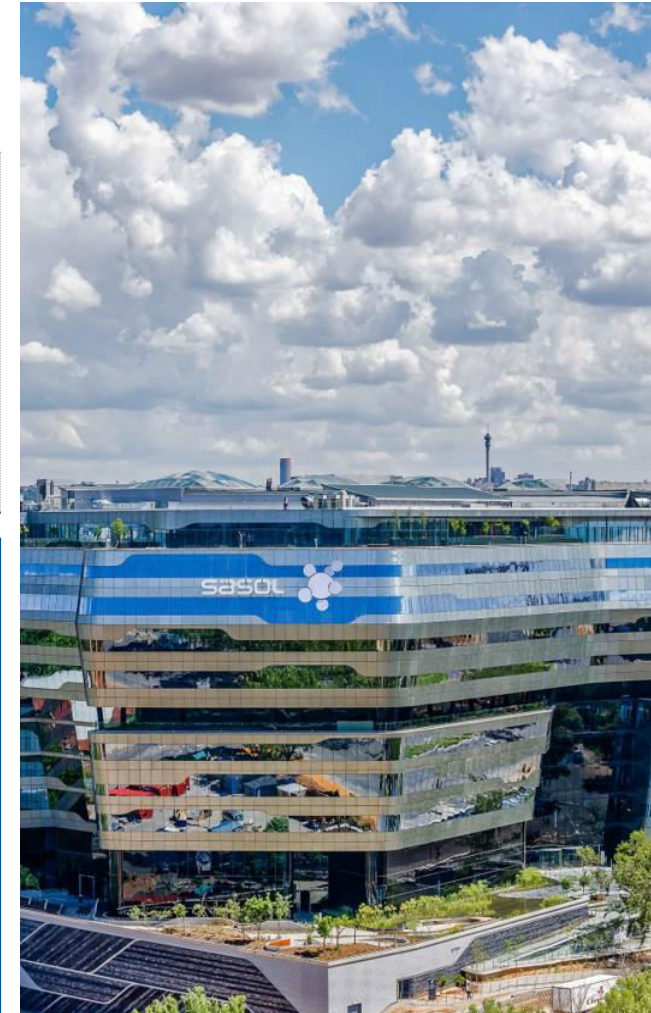
### **Civils**

Mtentu Bridge site establishing.  
Majuba Power Station Coal Off Loading Facility in progress.  
Road projects in progress: All Saints, Ventersburg and Pampoen Nek.

## New contract awards:

Mechanical & Electrical refinery shut-down and maintenance contracts awarded in KZN and WC  
Nongoma TVET College Campus (KZN), Aspen extensions (EC), UCT GSB lecture theatre

Various small contracts across all business units.



Aveng Grinaker-LTA Building – Sasol HQ, Sandton

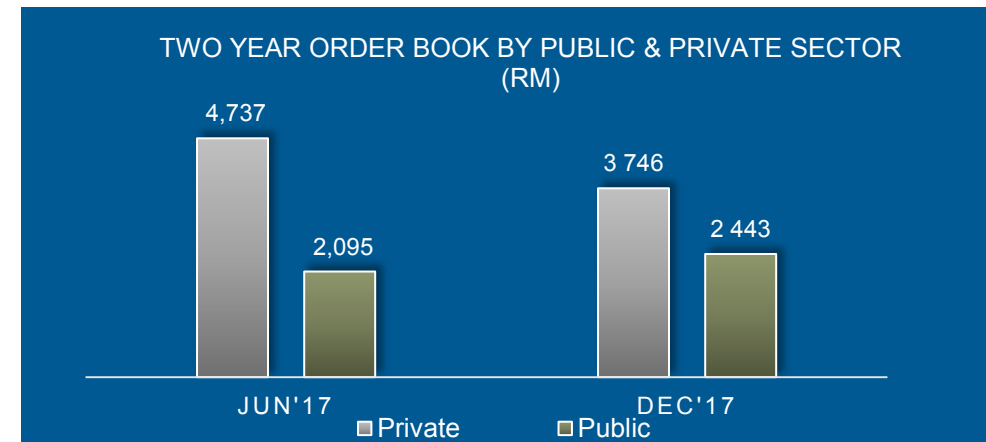


# CONSTRUCTION & ENGINEERING | South Africa and rest of Africa

## Outlook

- Secured 2 year order-book at R6.2bn
- Continued structural operating efficiencies being implemented
- Solid operational performance from Aveng Water and Mechanical & Electrical
- Major Civils' project losses accounted for HY18

	Two year order book (Rm)	Revenue secured FY18 (%)
Aveng Grinaker-LTA Building (Inland including Coastal)	2 871	111%
Aveng Grinaker-LTA Mechanical and Engineering	1 129	97%
Aveng Grinaker-LTA Civil Engineering	1 636	132%
Aveng Water	393	116%



# MANUFACTURING & PROCESSING | Aveng Manufacturing | Overview

## Aveng Manufacturing

- Foreign subsidiaries in SADC, Americas, Northern Europe and Australia, trading in the mining and infrastructure markets, continue to deliver favourable results despite the recent strengthening of the Rand
- Rail construction and upgrade activities across the region remain low with larger project tenders still to be awarded
- Rail maintenance activity in South Africa remains low
- Plans to effectively scale the manufacturing operations and improve productivity have been developed and are currently being implemented
- Lack of action taken to respond to the market has been addressed with the appointment of a new management team

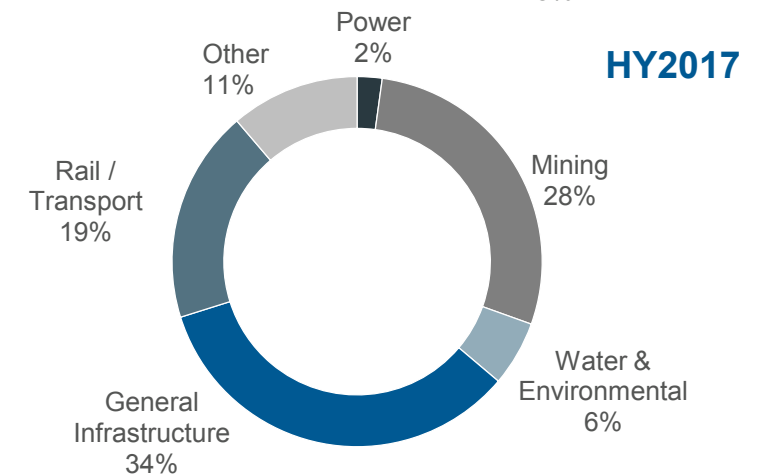
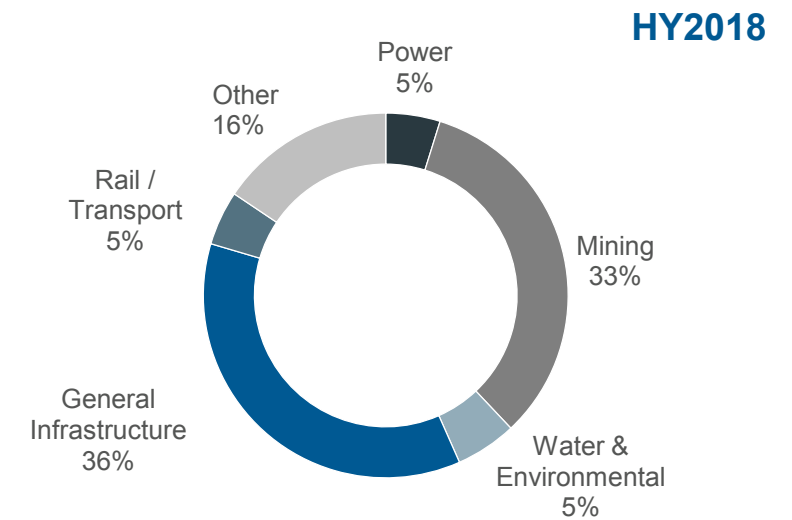


Aveng DFC Facility, Johannesburg

# MANUFACTURING & PROCESSING | Aveng Manufacturing

	H1 2018 Rm	H1 2017 Rm
Revenue	1 119	1 311
Operating Expenses	(156)	(140)
<b>EBIT</b>	<b>(57)</b>	<b>92</b>
OFCF	(91)	(50)

## REVENUE BY INDUSTRY



# MANUFACTURING & PROCESSING | Aveng Manufacturing

## Outlook



- Market conditions expected to remain challenging in the short- to medium-term
- Focus to improve operational efficiencies, working capital and consolidating manufacturing footprint remain a high priority.
- A number of leadership changes have been effected to address underperformance
- Boost plan for each business unit will be implemented during H2 focussing on:
  - Rationalisation of products and operational efficiency
  - Trading through newly established foreign subsidiaries and joint ventures
  - Scale down non-core activities and operations
  - Intensify cost reduction initiatives



Aveng Rail

# MANUFACTURING & PROCESSING | Aveng Manufacturing

## Outlook



- Addressing under performance remains the key focus and will be addressed aggressively
- Amongst specific focus areas will be:
  - Cost reduction
  - Working capital reduction
  - Product and footprint optimisation
  - Pursuing new contracts and opportunities



Aveng Duraset

# MANUFACTURING & PROCESSING | Aveng Steel | Overview

## Aveng Steel



- Automotive market showing signs of improvement with general merchanting demand remaining low
- Aveng Trident Steel volumes remained static
- Average steel price increased by 7% since June 2017
- Cash flow remained positive despite increasing pressure on working capital



Aveng Trident Steel

# MANUFACTURING & PROCESSING | Aveng Steel

	H1 2018 Rm	H1 2017 Rm
Revenue	<b>2 503</b>	2 989
Operating Expenses	<b>(136)</b>	(167)
<b>EBIT</b>	<b>(13)</b>	(68)
OFCF	<b>39</b>	163
Volumes (kt)	<b>214</b>	277
Average price (R) (P/ton)	<b>11 913</b>	10 968

- Total volumes and average selling price above only reflects Aveng Trident Steel
- Results shown above for H1 2017 includes Steeledale's results



Aveng Trident Steel Products

# MANUFACTURING & PROCESSING | Aveng Steel

## Outlook

- Stable prices for the next six months
- Improvement in exchange rate will result in less pressure on working capital
- Further rationalisation and efficiency improvements planned
- Improvement in financial performance expected for full year



Aveng Trident Steel



## OUTLOOK

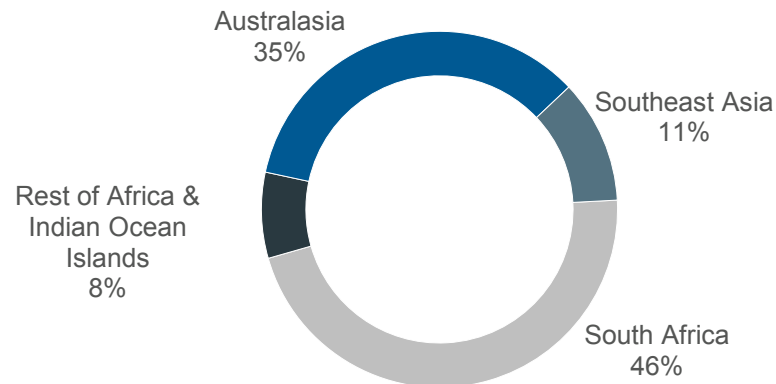


# TWO YEAR ORDER BOOK & FY18 SECURED WORK

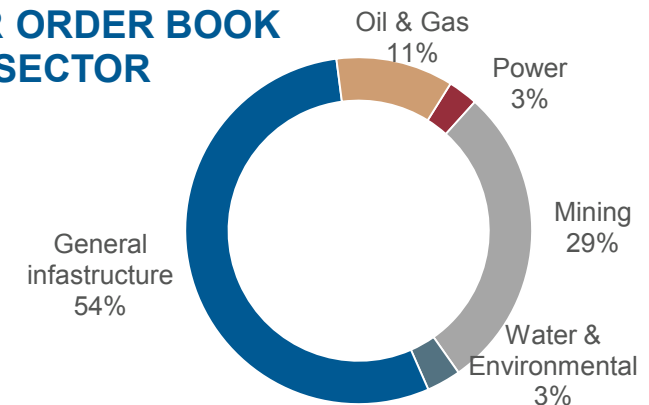
	Two year order book	
	HY2018 Rm	FY2017 Rm
McConnell Dowell	11 652	15 250
Aveng Grinaker-LTA	6 189	6 832
Aveng Mining	6 692	7 754
Aveng Manufacturing	542	79
<b>TOTAL</b>	<b>25 075</b>	29 915
Gross margin	8.9%	8.3%

	Secured Work (%)
	FY2018 %
McConnell Dowell	111%
Aveng Grinaker-LTA	107%
Aveng Mining	97%
<b>TOTAL for Group</b>	<b>107%</b>

## TWO YEAR ORDER BOOK BY GEOGRAPHY



## TWO YEAR ORDER BOOK BY SECTOR



# PROSPECTS AND OUTLOOK

- Australasia, Southeast Asia and Mining markets provide meaningful growth opportunities
- South African infrastructure and industrial market is expected to remain muted for the medium-term
- Execution of the strategic plan will be the key priority



Aveng Grinaker-LTA – Transnet Building, Western Cape



## QUESTION & ANSWER SESSION





# ANNEXURES



# REVENUE | Construction & Engineering

South Africa and rest of Africa	H1 2018 Rm	H1 2017 Rm
Aveng Grinaker-LTA Building and Coastal	1 842	1 783
Aveng Grinaker-LTA Civil Engineering	588	516
Aveng Grinaker-LTA Mechanical & Electrical	458	675
Aveng Water	151	140
Aveng Capital Partners	(7)	17
Other	196	139
<b>Total</b>	<b>3 228</b>	<b>3 270</b>

Australasia and Asia	H1 2018 AUDm	H1 2017 AUDm
Australia	372	178
New Zealand and Pacific	91	156
Southeast Asia	113	110
Middle East	18	12
Built Environs	51	21
<b>Total</b>	<b>645</b>	<b>477</b>

# REVENUE | Manufacturing & Processing and Mining

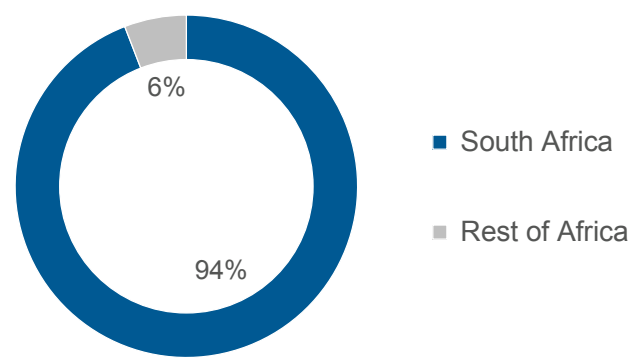
<b>Aveng Manufacturing</b>	<b>H1 2018 Rm</b>	H1 2017 Rm
Aveng ACS	<b>215</b>	209
Aveng DFC	<b>228</b>	237
Aveng Duraset	<b>232</b>	232
Aveng Infraset	<b>370</b>	388
Aveng Rail	<b>76</b>	256
Other	<b>(2)</b>	(11)
<b>Total</b>	<b>1 119</b>	1 311

<b>Aveng Steel</b>	<b>H1 2018 Rm</b>	H1 2017 Rm
Aveng Trident Steel	<b>2 503</b>	2 485
Aveng Steeledale (sold)*	-	504
<b>Total</b>	<b>2 503</b>	2 989

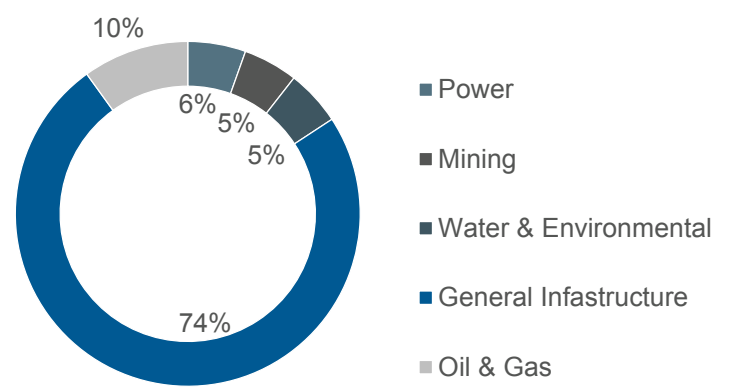
<b>Aveng Mining</b>	<b>H1 2018 Rm</b>	H1 2017 Rm
<b>Total</b>	<b>2 478</b>	2 001

# CONSTRUCTION & ENGINEERING | South Africa and rest of Africa

**HY2018 REVENUE BY GEOGRAPHY**



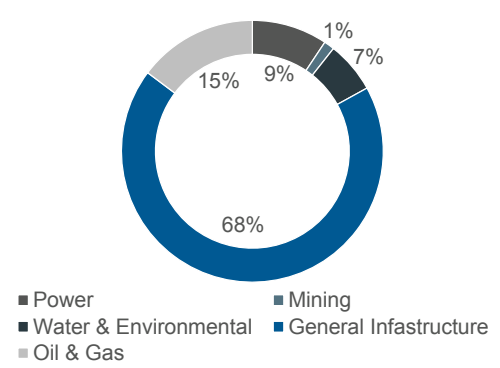
**HY2018 REVENUE BY SECTOR**



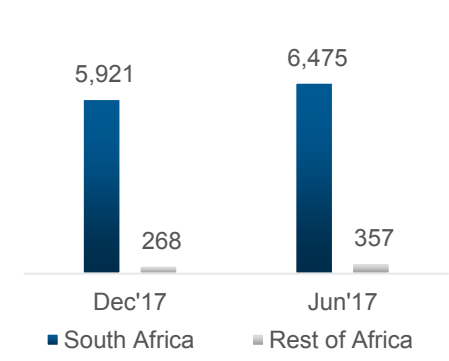
**TWO YEAR ORDER BOOK**

	HY2018 Rm	FY2017 Rm	% change
Aveng Grinaker-LTA Building & Coastal	2 871	3 641	(21)
Aveng Grinaker-LTA Civil Engineering	1 636	1 492	10
Aveng Grinaker-LTA Mechanical & Electrical	1 129	1 211	(7)
Aveng Water	393	255	54
Other	160	233	(31)
<b>TOTAL</b>	<b>6 189</b>	<b>6 832</b>	<b>(9)</b>

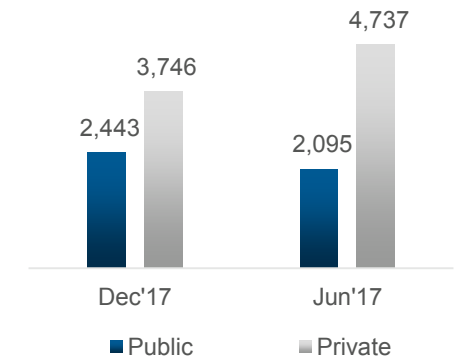
**TWO YEAR ORDER BOOK BY SECTOR**



**TWO YEAR ORDER BOOK BY GEOGRAPHY (RM)**



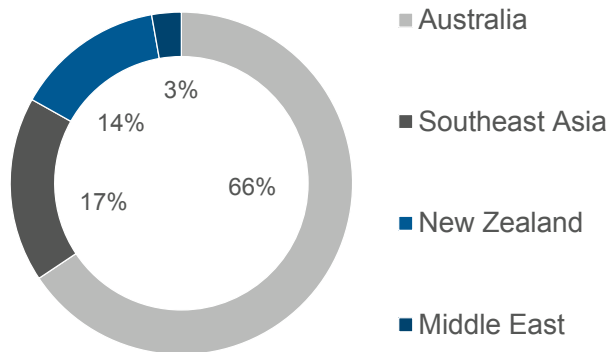
**TWO YEAR ORDER BOOK BY PUBLIC & PRIVATE SECTOR (RM)**



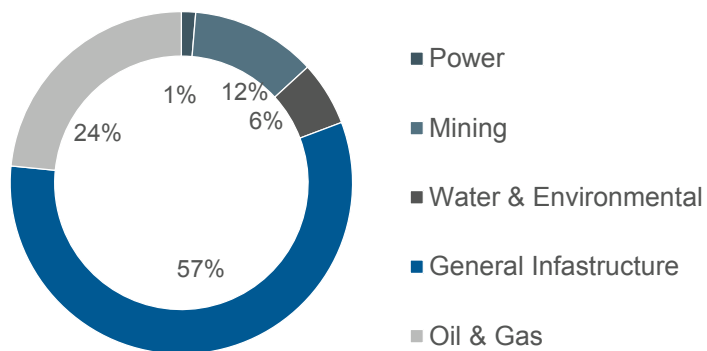


# CONSTRUCTION & ENGINEERING | Australasia and Asia

## HY2018 REVENUE BY GEOGRAPHY



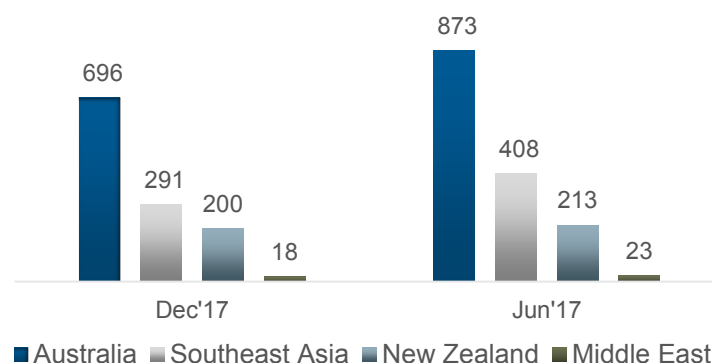
## HY2018 REVENUE BY SECTOR



## TWO YEAR ORDER BOOK

	HY2018 Rm	FY2017 Rm	% change
Australia	595	675	(12)
New Zealand	200	213	(5)
Southeast Asia	291	408	(25)
Middle East & other	18	23	(22)
Built Environs	101	198	(49)
<b>TOTAL</b>	<b>1 205</b>	<b>1 517</b>	<b>(20)</b>

## TWO YEAR ORDER BOOK BY GEOGRAPHY (AUDM)



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

