MEDIA RELEASE

20 February 2017

RESULTS ANNOUNCEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2016

Salient features

- Strong safety performance
- In line with projections, revenue declined 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 exclude the following non-recurring charges: 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 Steeledale transactions reached financial closure

Johannesburg, 20 February 2017: Commenting on the results, Aveng Chief Executive Officer, Kobus Verster, said: “Despite challenging market conditions, the South African and rest of African operations were cash generative during the first half of the year, which is a firm demonstration of our focus on cost, efficiency and working capital initiatives implemented over the last year. The cost base reduction evident across the business is expected to continue to yield benefits as the business aligns itself with current market conditions.”

Market overview

Verster commented: “The South African infrastructure market remains subdued, while the building sector offers reasonable opportunities. Only a few large civil engineering, and mechanical & electrical projects are coming to market, however, there is a distinct lack of major public infrastructure spending targeting transportation, energy and water.”

The market in Australia remains buoyant especially in the rail, road, and water sectors. The mining and resources sector is slow, however, there are signs of recovery with improved commodity prices and several major prospects in planning stages. The market in New Zealand is strong, with numerous sizeable projects in water and transport. Furthermore, the Southeast Asia market remains resilient, with investments in oil & gas, water and transport infrastructure across the region providing good opportunities in marine, tunnels and pipelines, although competition is fierce.

The mining industry is cautiously optimistic with the current rally in commodity prices providing the platform for resource companies looking to increase their output. This improvement in the resources sector presents opportunities for Aveng Mining.

South African steel demand remained flat in comparison to the previous 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.

Detail on the financial performance

Aveng released another set of improved financial and operating results, with an adjusted headline loss of R76 million, being a 19,2 cents loss per share for the six months ended 31 December 2016, against a headline loss of R231 million, being a 58,0 cents loss per share for the comparative period.

The 21% decline in Aveng's revenue was primarily due to continued difficult trading conditions in most of the markets in which it operates, with McConnell Dowell being most impacted. The group's adjusted net operating earnings increased to R151 million from R52 million in 2015.

"Our financial performance was driven largely by the continued improvement in the performance of Aveng Grinaker-LTA, an improved financial performance from Aveng Steel, and a 25% reduction in operating costs," explained Verster. "This improved performance was partially offset by the underperformance at McConnell Dowell, a lower-than-expected award on the Mokolo Crocodile Water Augmentation project, and separation costs relating to Aveng Mining's contract with Wesizwe's Bakubung mine."

Strategy delivery

"Having largely completed the first phase, '*Recovery and stabilisation'*, of our strategy, we have now begun executing the second phase, namely, '*Position for profitable growth*', which, I am pleased to report, is making steady progress," said Verster.

During the first phase, the focus was on the closure or turn-around of underperforming businesses, the reduction of fixed overhead expenses, improvement of the group's balance sheet, reduction of commercial claims and litigation risk, and the implementation of a number of strategic initiatives. In this regard, the following progress can be reported for the last six months:

- Aveng entered a binding agreement through which a 51% beneficial interest was sold to Kutana Construction (Pty) Ltd. After the initial announcement, Aveng Water has been included in the transaction. This transaction is still subject to shareholder approval.

- Aveng successfully monetised its major concession asset realising a positive cash flow of R821 million. Aveng also confirmed that all conditions precedent relating to the transaction in which Kutana Steel (Pty) Ltd will acquire a 70% interest in its Steeledale business have been met.

- The group is still in discussions with parties related to the disposal of Aveng Trident Steel and has not yet reached a stage where an announcement can be made.

- Aveng Manufacturing completed its restructuring process during the first quarter of the financial year, and has seen a significant improvement in profitability compared to the preceding six months.

- Aveng Mining's recovery was more rapid than anticipated due to the improvement in the resources sector. This culminated in the recent award of three contracts to Aveng Mining.

- While McConnell Dowell has made good progress in finalising various large projects and underperforming contracts, its financial performance remains below expectations.

- The claims settlement process on QCLNG is expected to be concluded in the current financial year with Gold Coast following in 2018.

In phase 2 of the strategy, '*Position for profitable growth'*, Aveng will continue to focus on the operational performance recovery and balance sheet of McConnell Dowell, as well as project execution at Aveng Grinaker-LTA. An intensive focus will be placed on improving the group's balance sheet and achieving industry-comparable earning and returns, while selectively starting to invest in new, modernised capacity.

Delivery of key projects

During the period under review, Aveng Grinaker-LTA successfully completed the Sasol Head Office building and the construction of the Majuba Rail contract. Other notable contracts which are in progress are the Dr Pixley Ka Isaka Seme Memorial Hospital in KwaZulu-Natal, the 129 Rivonia Road project in Sandton, and the Cape Town International Convention Centre extension.

Recent project awards include the Nkoyaphiri Quarry Rehabilitation project in Botswana, various road projects, phase II of the Leonardo Towers in Sandton and numerous maintenance projects in the Mechanical & Electrical space.

McConnell Dowell completed the Webb Dock project in Australia and the O'Bahn and AMRUN projects are progressing well. The Waterview project, the largest infrastructure development project ever undertaken in New Zealand, is close to completion while the Stronger Christchurch Infrastructure Rebuild Team (SCIRT) contracts, together with significant improvement in the execution of the Kiribati project, underpinned the solid performance in New Zealand.

New projects awarded to McConnell Dowell include the PTT Pipeline in Thailand, Christchurch Southern Motorway Stage II in New Zealand and the Dryandra Road and West Franklin apartments in Australia.

The recent improvement in commodity prices has resulted in mining clients increasing their volumes. To this end, the Gamsberg contract was awarded in November 2016 with start-up planned for April 2017. In addition, Aveng Mining was awarded a new contract in Botswana by Boteti Mining (a wholly owned subsidiary of Lucara Diamond Corp.) at its Karowe diamond mine, as well as the Khutala coal mine in Mpumalanga.

Order book and outlook

Aveng's two-year order book of R27,7 billion at 31 December 2016 decreased by 1% from the R28,1 billion reported at 30 June 2016. This includes a R1,8 billion decrease 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, while Aveng Grinaker-LTA's order book increased marginally. Securing quality work at targeted margins remains a key priority.

Verster concluded: "Challenging economic conditions are expected to continue in the short term. However, we remain positive on the medium term outlook for the mining sector following a more optimistic view for certain commodity prices, along with good infrastructure opportunities in Australasia and Southeast Asia. Improving McConnell Dowell's performance remains the priority for the group. Our focus on the various business optimisation initiatives will continue and we expect this to contribute to performances in the second half of the financial year."

- **Ends-**

For the full SENS announcement, visit the company's website on www.aveng.co.za.

The live webcast will be available from 09:00 on Tuesday, 21 February 2017 on http://www.corpcam.com/Aveng23082016.

Note for the editor:

About Aveng

For more than 125 years, Aveng has evolved in character, capacity and reach and continues to make its mark across the globe. Its origins lie in modest construction projects but Aveng, a leader in infrastructure, now boasts expertise in steel, engineering, manufacturing, mining, public infrastructure and water treatment. Aveng operates in a diverse range of sectoral and geographic markets. Our primary geographic markets are southern Africa and Australia and we leverage our presence in these markets to pursue growth opportunities in East Africa, Southeast Asia and the Middle East. The company employs some 16 000 people and has an annual turnover in excess of R33 billion.

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