Reviewed interim condensed consolidated financial statements

for the six months ended
31 December 2017

Group organogram

AVENG
Leaders in infrastructure

Construction and Engineering: South Africa and rest of Africa

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

Construction and Engineering: Australasia and Asia

- Australia
- Southeast Asia
- New Zealand and Pacific
- Built Environs

Mining

- Aveng Moolmans
- Aveng Shafts & Underground

Manufacturing and Processing

- Aveng Trident Steel
- Aveng Steeledale
- Aveng ACS
- Aveng DFC
- Aveng Duraset
- Aveng Infraset
- Aveng Rail

Business units closed during the year:
Aveng Engineering, Aveng Facades and Aveng Steel Fabrication.

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

AVENG
Leaders in infrastructure

2018 INTERIM RESULTS PRESENTATION

27 February 2018

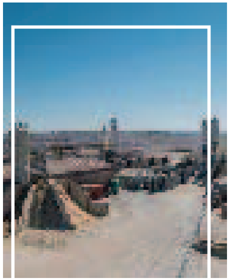
Notes:

AGENDA

OVERVIEW

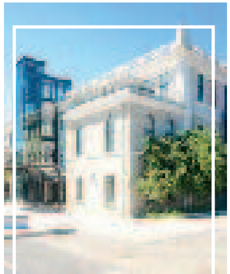
Eric Diack
Executive Chairman

STRATEGIC REVIEW



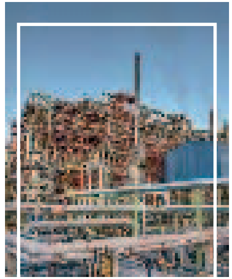
Eric Diack
Executive Chairman

FINANCIAL ANALYSIS



Adrian Macartney
CFO

OPERATIONAL REVIEW



Eric Diack
Executive Chairman

OUTLOOK

Eric Diack
Executive Chairman

Notes:

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

Notes:

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

Notes:

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

Notes:

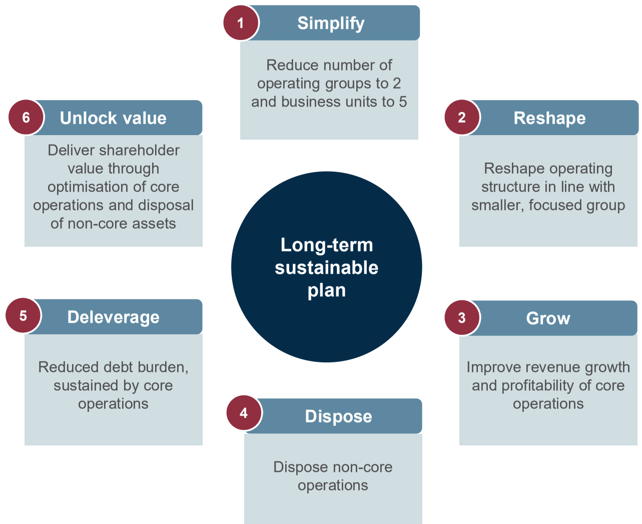
Strategic action plan

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



Notes:

1 Simplify

Portfolio optimisation with focus on growing core operations

Focus on growing revenue and profitability of core operations

Optimisation

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

Disposals

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

Notes:

1 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

Growth

Markets

Management

Offering

EBITDA

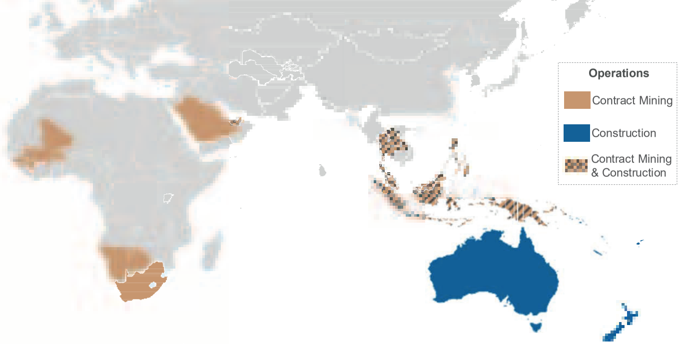
Operating FCF

=

Value unlock

- 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



Notes:

2 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**

Notes:

3 Grow

A core business focused on strong management teams

i 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

- **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**

Notes:

Moolmans

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

Select current clients

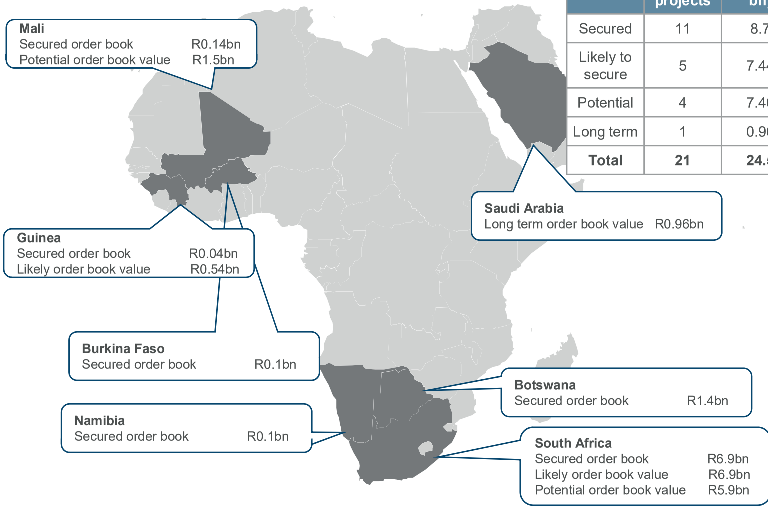
Nordgold, ARM African Rainbow Minerals, bhpbilliton, vedanta, AngloAmerican

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

Order book	Number of projects	Value (ZAR bn)
Secured	11	8.7
Likely to secure	5	7.44
Potential	4	7.40
Long term	1	0.96
Total	**21**	**24.5**



Notes:

Moolmans

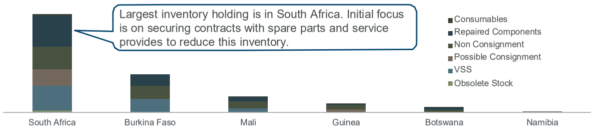
Operational excellence and developing partnerships are our focus

1 **Inventory optimisation**

Relationships with OEMs and major suppliers are in place

The drive focuses on:

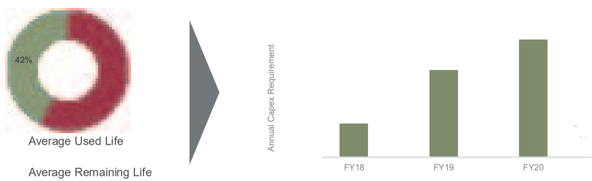
- Reducing inventory for consignment options
- Sharing operations data with suppliers to ensure ability of the right stock at the right time
- Regularly testing the supplier market to ensure that we are paying a fair price



2 **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

Results of strategic review I February 2018

Notes:

ii

McConnell Dowell

Diversified portfolio of projects and blue chip clients

Select current clients

PUBLIC TRANSPORT VICTORIA PT>

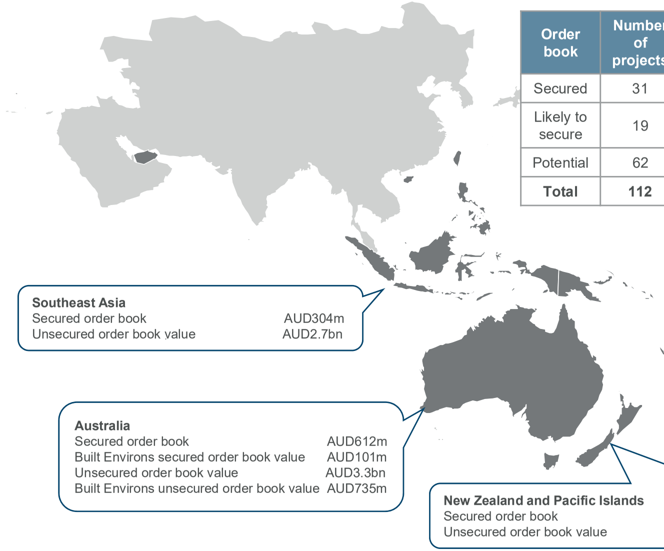
NSW GOVERNMENT

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

Order book	Number of projects	Value (AUD bn)
Secured	31	1.2
Likely to secure	19	1.5
Potential	62	8.3
Total	**112**	**11**



Notes:

ii

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

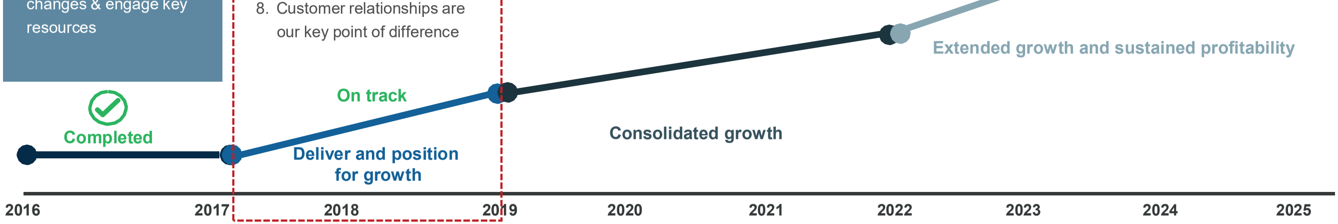
1. Stabilise operations
2. Loss-making projects completed
3. Legacy project issues resolved
4. Historical project commercial issues resolved
5. Balance sheet 'strong and clean'
6. Modest but normalised financial performance
7. Prepared for growth
8. Customer relationships are our key point of difference

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



Notes:

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

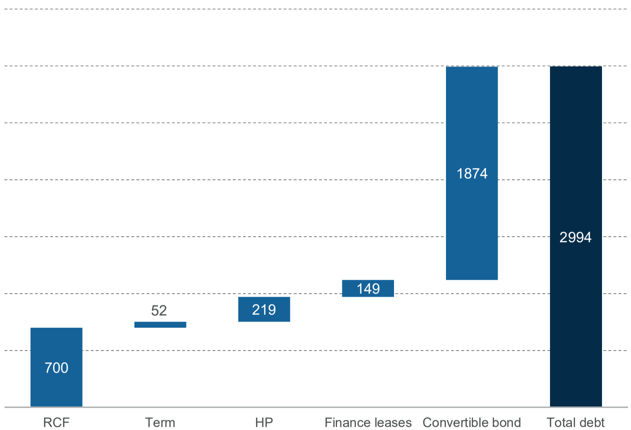
Notes:

5 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

Notes:

5 Deleverage

Convertible bond hinders ability to unlock value for shareholders

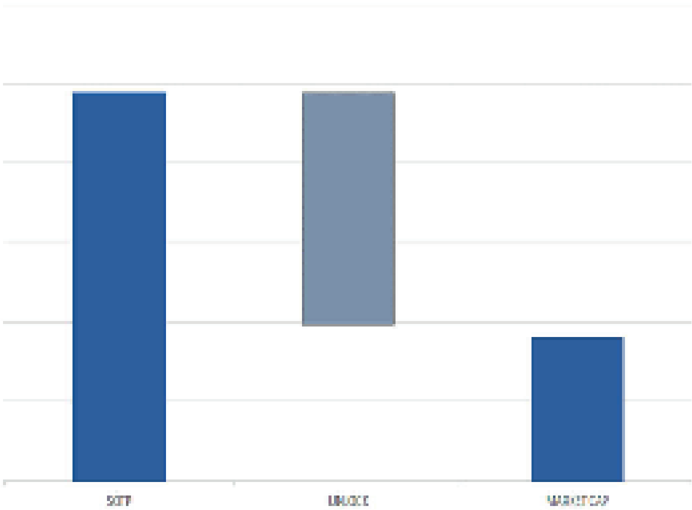
Convertible bond

- **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**

Notes:

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

Notes:

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

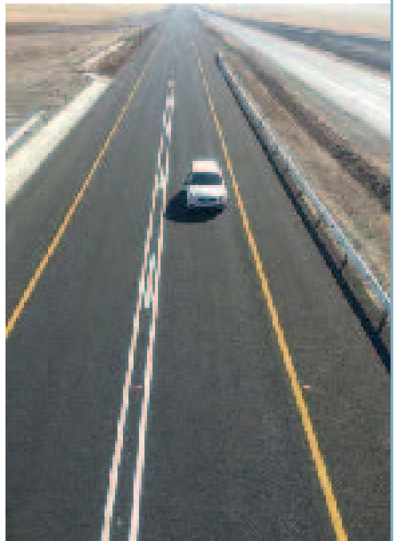
Sustainable
24-36 months

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

Notes:

EARNINGS

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



Aveng Grinaker-LTA Ventersburg Roads Project

Notes:

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)
	16 111	14 296

Net operating earnings /(loss)

	H1 2018 Rm	H1 2017 Rm
C&E Australasia and Asia	**51**	(47)
Aveng Mining	**104**	91
C&E South Africa and rest of Africa	**(212)**	(62)
Aveng Manufacturing	**(57)**	92
Aveng Steel	**(13)**	(68)
Other & eliminations	**221**	(170)
	94	(164)

Notes:

STATEMENT OF FINANCIAL POSITION

	Dec'17 Rm	Jun'17 Rm
ASSETS	**17 544**	17 687
Goodwill and intangible assets	**613**	613
Property, plant and equipment	**4 476**	4 611
Investments	**573**	599
Deferred taxation	**1 095**	1 290
Other assets	**58**	63
Working capital	**7 847**	8 393
Non-current assets held-for-sale	**158**	122
Cash and bank balances	**2 724**	1 996

	Dec'17 Rm	Jun'17 Rm
LIABILITIES & EQUITY	**17 544**	17 687
LIABILITIES		
Borrowings and liabilities	**2 994**	3 066
Working capital	**7 487**	7 260
Deferred taxation	**399**	319
Other liabilities	**186**	171
Employee-related payables	**635**	813
Bank Overdrafts	**285**	-
EQUITY	**5 558**	6 058
NAV PER SHARE	**13.3**	14.5
NET DEBT	**(555)**	(1 070)

Notes:

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)
Net working capital	**360**	1 133

Notes:

UNCERTIFIED REVENUE AND CLAIMS

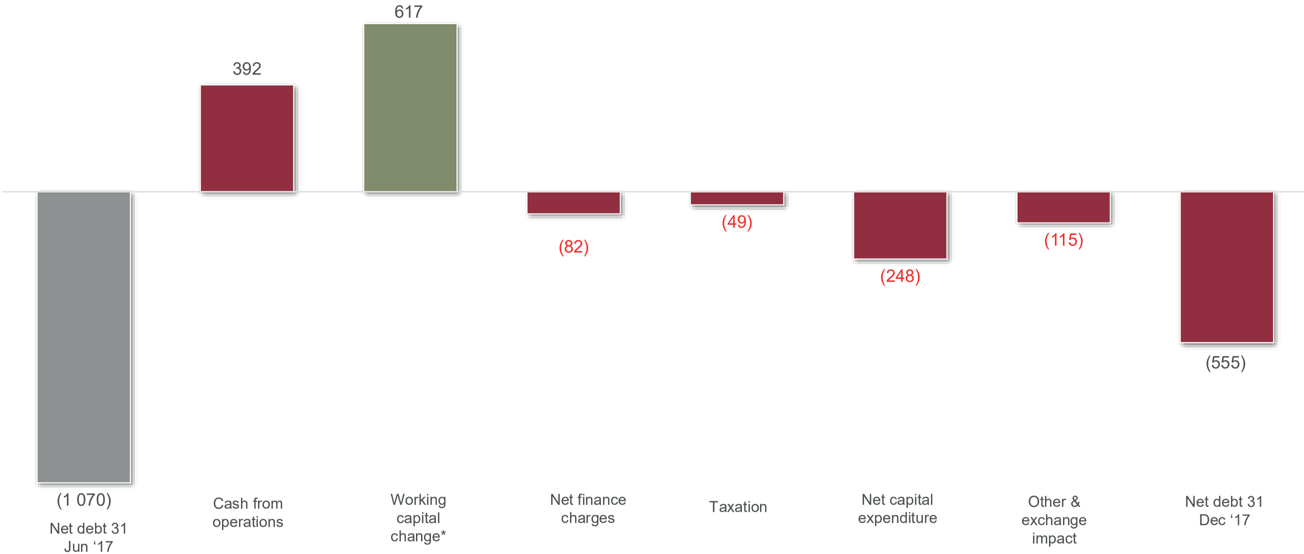
	Dec'17 Rm	Jun'17 Rm
Uncertified claims and variations	1 673	1 760
Contract contingencies	(536)	(701)
Contract and retention receivables	2 952	3 411
Provision for contract receivables	(2)	(2)
Amounts due from customers	4 087	4 468
Progress billings received	(1 618)	(1 205)
Amounts received in advance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

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

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

Notes:

MOVEMENT IN NET DEBT



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

REVIEWED 2018 INTERIM RESULTS | 27 FEBRUARY 2018

Notes:

LIQUIDITY

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

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

Notes:

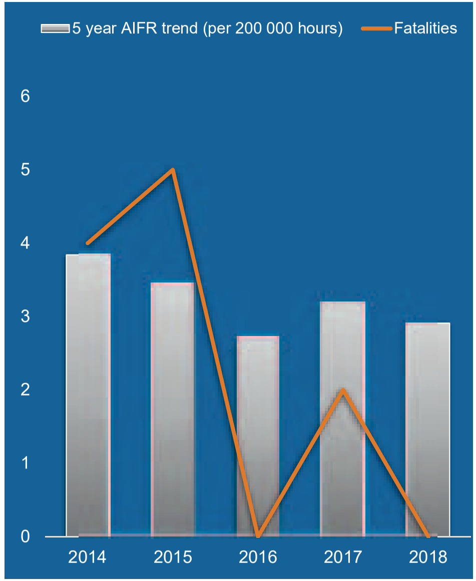
SAFETY, HEALTH & ENVIRONMENT

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 2nd and 3rd 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 anf 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)



Notes:

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

Notes:

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

Notes:

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)
EBIT	**51**	(47)	**5**	(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:

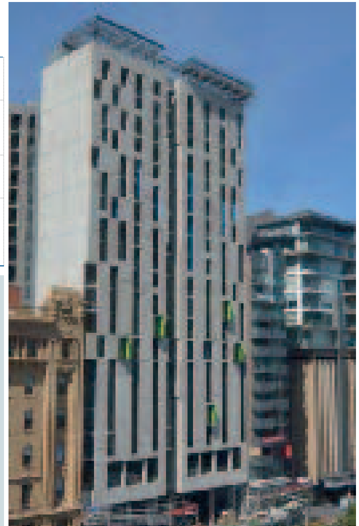
Abbotts Road, Forms part of the Western Programme Alliance, Australia

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

ECI contract for Kidston Pumped Storage Hydro Project, Australia

Lyttelton 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

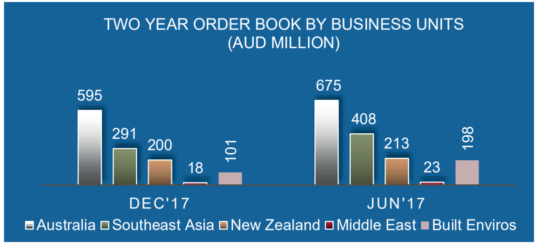
Notes:

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%

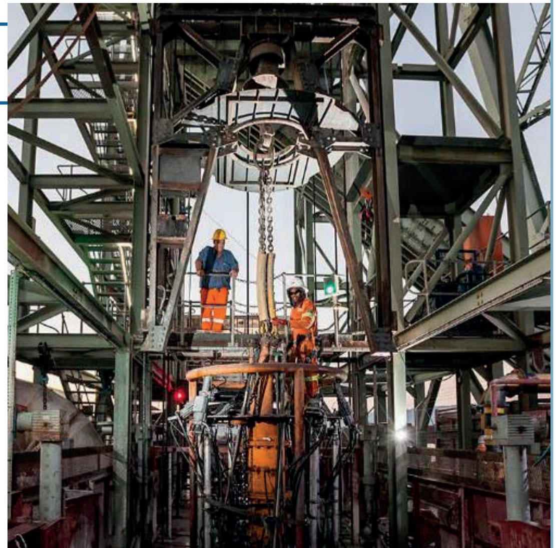


Notes:

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

Notes:

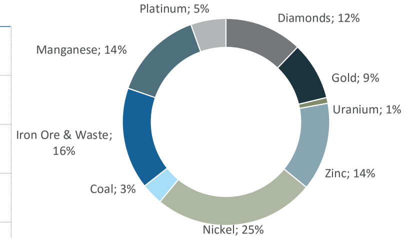
AVENG MINING

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

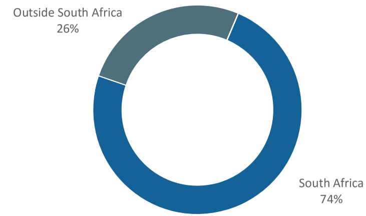
New contracts and extensions

- 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



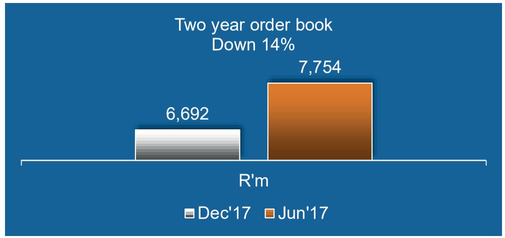
Notes:

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%



Notes:

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

Notes:

CONSTRUCTION & ENGINEERING | South Africa and rest of Africa

	H1 2018 Rm	H1 2017 Rm
Revenue	3 228	3 270
Operating Expenses	(165)	(220)
EBIT	(212)	(62)
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

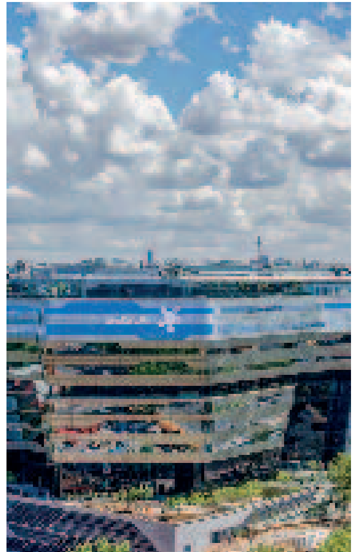
Mtentu Bridge site establishing.
Majuba Power Station Coal Off Loading Facility in progress.
Road projects in progress: All Saints, Ventersburg and Pampoen Nek.

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

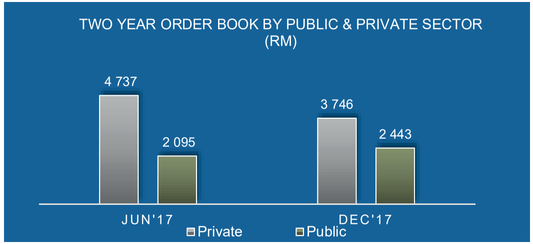
Notes:

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%



Notes:

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

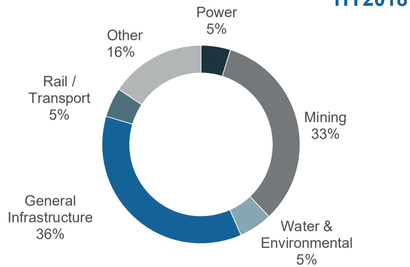
Notes:

MANUFACTURING & PROCESSING | Aveng Manufacturing

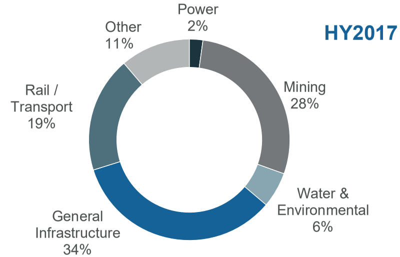
	H1 2018 Rm	H1 2017 Rm
Revenue	1 119	1 311
Operating Expenses	(156)	(140)
EBIT	(57)	92
OFCF	(91)	(50)

REVENUE BY INDUSTRY

HY2018



HY2017



Notes:

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

Notes:

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

Notes:

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

Notes:

MANUFACTURING & PROCESSING | Aveng Steel

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


Aveng Trident Steel Products

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

Notes:

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

Notes:

TWO YEAR ORDER BOOK & FY18 SECURED WORK

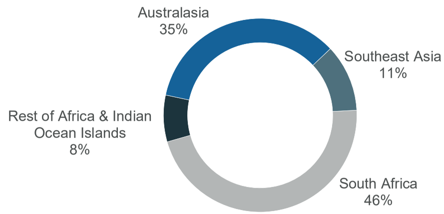
Two year order book

	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
TOTAL	**25 075**	29 915
Gross margin	**8.9%**	8.3%

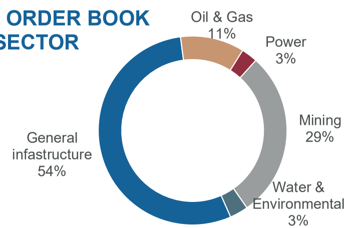
Secured Work (%)

	FY2018 %
McConnell Dowell	**111%**
Aveng Grinaker-LTA	**107%**
Aveng Mining	**97%**
TOTAL for Group	**107%**

TWO YEAR ORDER BOOK BY GEOGRAPHY



TWO YEAR ORDER BOOK BY SECTOR



Notes:

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

Notes:

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
Total	**3 228**	3 270

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
Total	**645**	477

Notes:

REVENUE | Manufacturing & Processing and Mining

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

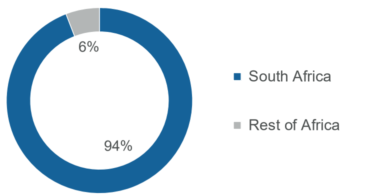
Aveng Steel	H1 2018 Rm	H1 2017 Rm
Aveng Trident Steel	**2 503**	2 485
Aveng Steeledale (sold)*	**-**	504
Total	**2 503**	2 989

Aveng Mining	H1 2018 Rm	H1 2017 Rm
Total	**2 478**	2 001

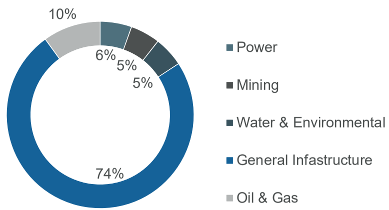
Notes:

CONSTRUCTION & ENGINEERING | South Africa and rest of Africa

HY2018 REVENUE BY GEOGRAPHY



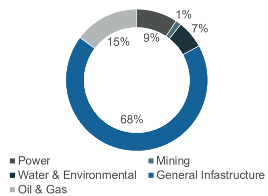
HY2018 REVENUE BY SECTOR



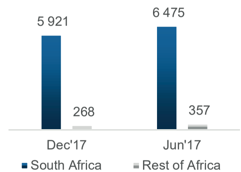
TWO YEAR ORDER BOOK

	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)
TOTAL	**6 189**	6 832	(9)

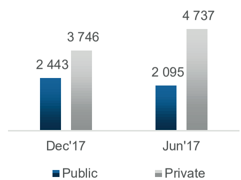
TWO YEAR ORDER BOOK BY SECTOR



TWO YEAR ORDER BOOK BY GEOGRAPHY (RM)



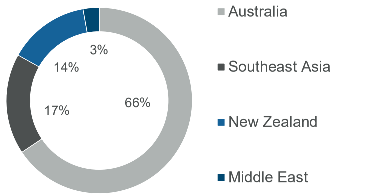
TWO YEAR ORDER BOOK BY PUBLIC & PRIVATE SECTOR (RM)



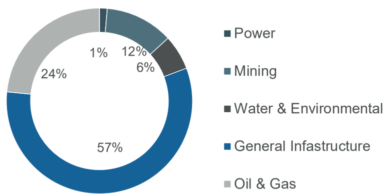
Notes:

CONSTRUCTION & ENGINEERING | Australasia and Asia

HY2018 REVENUE BY GEOGRAPHY



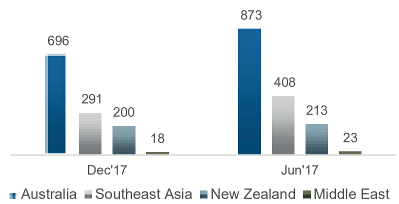
HY2018 REVENUE BY SECTOR



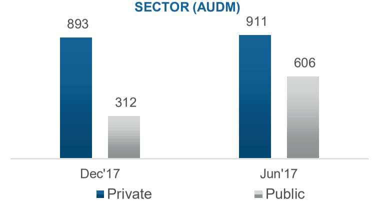
TWO YEAR ORDER BOOK

	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)
TOTAL	1 205	1 517	(20)

TWO YEAR ORDER BOOK BY GEOGRAPHY (AUDM)



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



Notes:

Reviewed interim condensed consolidated financial statements
for the six months ended
31 December 2017

Salient features – financial performance

for the period ended 31 December 2017

Revenue

R16,1 billion

Increase from R14,3 billion at December 2016

Net operating earnings

R94 million

Increase from R164 million loss at December 2016

Headline loss

R335 million

Decrease from R391 million at December 2016

Operating free cash flow

R648 million inflow

Improvement from R226 million outflow at December 2016

Loss per share

87,4 cents

Decrease from 98,8 cents at December 2016

Headline loss per share

84,4 cents

Decrease from 98,5 cents at December 2016

Two-year order book

R25,1 billion

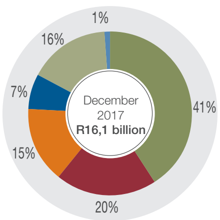
Decrease from R29,9 billion at June 2017

Salient features – segmental analysis

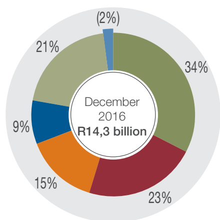
Net operating earnings / (loss) – segmental analysis

	HY 2017 Rm	HY 2016 Rm	Change %	June 2017 Rm
South Africa and rest of Africa	**(212)**	(62)	>100	(392)
Aveng Grinaker-LTA	**(196)**	(62)	>100	(399)
Aveng Capital Partners	**(16)**	–	>(100)	7
Australasia and Asia	**51**	(47)	>(100)	(4 370)
Total Construction and Engineering	**(161)**	(109)	48	(4 762)
Mining	**104**	91	14	219
Manufacturing and Processing	**(70)**	24	>(100)	(3)
Aveng Steel	**(13)**	(68)	(81)	(53)
Aveng Manufacturing	**(57)**	92	>(100)	50
Other and Eliminations	**221**	(170)	>(100)	(849)
Net operating earnings / (loss)	**94**	(164)	>(100)	(5 395)
Loss attributable to equity-holders of the parent	**(347)**	(392)	(11)	(6 708)
Headline loss	**(335)**	(391)	(14)	(6 449)

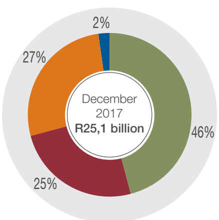
Revenue per operating group



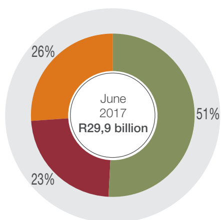
McConnell Dowell
Aveng Grinaker-LTA
Aveng Mining
Aveng Manufacturing
Aveng Steel
Other and Eliminations



Two-year order book per operating group



McConnell Dowell
Aveng Grinaker-LTA
Aveng Mining
Aveng Manufacturing



Interim condensed statement of financial position

as at 31 December 2017

	Notes	31 December 2017 (Reviewed) Rm	31 December 2016 (Reviewed) Rm	30 June 2017 (Audited) Rm
ASSETS				
Non-current assets				
Goodwill arising on consolidation		**342**	342	342
Intangible assets		**271**	320	271
Property, plant and equipment		**4 476**	4 513	4 611
Equity-accounted investments		**309**	118	334
Infrastructure investments		**264**	200	265
Deferred taxation		**1 095**	1 870	1 290
Amounts due from contract customers	8	**631**	1 305	756
		7 388	8 668	7 869
Current assets				
Inventories		**2 141**	2 159	2 085
Derivative instruments		**–**	5	2
Amounts due from contract customers	8	**3 456**	7 178	3 712
Trade and other receivables		**1 619**	1 721	1 840
Taxation receivable		**58**	–	61
Cash and bank balances		**2 724**	2 017	1 996
		9 998	13 080	9 696
Non-current assets held-for-sale	9	**158**	1 101	122
TOTAL ASSETS		**17 544**	22 849	17 687
EQUITY AND LIABILITIES				
Equity				
Share capital and share premium		**2 009**	2 009	2 009
Other reserves		**907**	1 118	1 060
Retained earnings		**2 634**	9 297	2 981
Equity attributable to equity-holders of parent		**5 550**	12 424	6 050
Non-controlling interest		**8**	12	8
TOTAL EQUITY		**5 558**	12 436	6 058

	Notes	**31 December 2017 (Reviewed) Rm**	31 December 2016 (Reviewed) Rm	30 June 2017 (Audited) Rm
Liabilities				
Non-current liabilities				
Deferred taxation		**399**	242	319
Borrowings and other liabilities	10	**1 969**	1 851	1 945
Payables other than contract-related		**118**	–	133
Employee-related payables		**295**	329	312
Derivative instruments		**4**	–	–
Trade and other payables		**–**	126	–
		2 785	2 548	2 709
Current liabilities				
Amounts due to contract customers	8	**1 707**	1 338	1 351
Borrowings and other liabilities	10	**1 025**	1 103	1 121
Payables other than contract-related		**21**	–	21
Employee-related payables		**340**	299	501
Derivative instruments		**43**	26	17
Trade and other payables		**5 780**	4 854	5 909
Taxation payable		**–**	116	–
Bank overdrafts		**285**	–	–
		9 201	7 736	8 920
Non-current liabilities held-for-sale		**–**	129	–
TOTAL LIABILITIES		**11 986**	10 413	11 629
TOTAL EQUITY AND LIABILITIES		**17 544**	22 849	17 687

Interim condensed statement of comprehensive earnings

for the six months ended 31 December 2017

	Notes	**Six months ended 31 December 2017 (Reviewed) Rm**	Six months ended 31 December 2016 (Reviewed) Rm	Change %	Year ended 30 June 2017 (Audited) Rm
Revenue		**16 111**	14 296	13	23 456
Cost of sales		**(14 987)**	(13 336)	12	(26 591)
Gross earnings / (loss)		**1 124**	960	17	(3 135)
Other earnings		**36**	77	(53)	206
Operating expenses		**(1 060)**	(1 039)	2	(2 305)
(Loss) / earnings from equity-accounted investments		**(6)**	3	>(100)	4
Operating earnings / (loss)		**94**	1	>(100)	(5 230)
South African government settlement		**–**	(165)	>(100)	(165)
Net operating earnings / (loss)		**94**	(164)	>(100)	(5 395)
Impairment / loss on derecognition of property, plant and equipment, intangible assets and non-current assets held-for-sale		**(21)**	(5)	>100	(278)
Profit on sale of subsidiary		**–**	3	>(100)	–
Profit on sale of property, plant and equipment		**7**	–	>(100)	4
Earnings / (loss) before financing transactions		**80**	(166)	>(100)	(5 669)
Finance earnings		**191**	98	95	198
Interest on convertible bonds		**(123)**	(117)	5	(237)
Other finance expenses		**(209)**	(207)	1	(405)
Loss before taxation		**(61)**	(392)	(84)	(6 113)
Taxation	11	**(285)**	(37)	>(100)	(626)
Loss for the period		**(346)**	(429)	(19)	(6 739)
Other comprehensive earnings					
Other comprehensive earnings to be reclassified to earnings or loss in subsequent periods (net of taxation):					
Exchange differences on translating foreign operations		**(158)**	(709)	(78)	(773)
Other comprehensive loss for the period, net of taxation		**(158)**	(709)	(78)	(773)
Total comprehensive loss for the period		**(504)**	(1 138)	(56)	(7 512)

	Six months ended 31 December 2017 (Reviewed) Rm	Six months ended 31 December 2016 (Reviewed) Rm	Change %	Year ended 30 June 2017 (Audited) Rm
Total comprehensive loss for the period attributable to:				
Equity-holders of the parent	**(505)**	(1 102)	(54)	(7 481)
Non-controlling interest	**1**	(36)	>(100)	(31)
	(504)	(1 138)	(56)	(7 512)
Loss for the period attributable to:				
Equity-holders of the parent	**(347)**	(392)	(11)	(6 708)
Non-controlling interest	**1**	(37)	>(100)	(31)
	(346)	(429)	(19)	(6 739)
Other comprehensive loss for the period, net of taxation				
Equity-holders of the parent	**(158)**	(710)	(78)	(773)
Non-controlling interest	**–**	1	>(100)	–
	(158)	(709)	(78)	(773)
Results per share (cents)				
Loss – basic	**(87,4)**	(98,8)	(11,5)	(1 690,6)
Loss – diluted	**(86,3)**	(97,5)	(11,5)	(1 668,2)
Number of shares (millions)				
In issue	**416,7**	416,7		416,7
Weighted average	**396,8**	396,8		396,8
Diluted weighted average	**402,1**	402,1		402,1

EBITDA for the Group, being net operating earnings before interest, tax, depreciation and amortisation is R438 million (December 2016: R344 million; June 2017: R(4 740) million).

Interim condensed statement of changes in equity

for the six months ended 31 December 2017

	Share capital Rm	Share premium Rm	Total share capital and premium Rm	Foreign currency translation 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)
Total comprehensive loss for the period	–	–	–	(710)
Equity-settled share-based payment charge	–	–	–	–
Increase in equity investment	–	–	–	–
Dividends paid	–	–	–	–
Total contributions and distributions recognised	–	–	–	–
Balance at 31 December 2016	20	1 989	2 009	824
Year ended 30 June 2017 (Audited)				
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)	–	–	–	(773)
Total comprehensive loss for the period	–	–	–	(773)
Equity-settled share-based payment charge	–	–	–	–
Decrease in equity investment	–	–	–	–
Dividends paid	–	–	–	–
Total contributions and distributions recognised	–	–	–	–
Balance at 30 June 2017	20	1 989	2 009	761
Six months ended 31 December 2017 (Reviewed)				
Balance at 1 July 2017	**20**	**1 989**	**2 009**	**761**
(Loss) / earnings for the period	**–**	**–**	**–**	**–**
Other comprehensive loss for the period (net of taxation)	**–**	**–**	**–**	**(158)**
Total comprehensive loss for the period	**–**	**–**	**–**	**(158)**
Equity-settled share-based payment release	**–**	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**–**
Total contribution and distributions recognised	**–**	**–**	**–**	**–**
Balance at 31 December 2017	**20**	**1 989**	**2 009**	**603**

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
19	268	1 821	9 689	13 519	37	13 556
–	–	–	(6 708)	(6 708)	(31)	(6 739)
–	–	(773)	–	(773)	–	(773)
–	–	(773)	(6 708)	(7 481)	(31)	(7 512)
12	–	12	–	12	–	12
–	–	–	–	–	5	5
–	–	–	–	–	(3)	(3)
12	–	12	–	12	2	14
31	268	1 060	2 981	6 050	8	6 058
31	**268**	**1 060**	**2 981**	**6 050**	**8**	**6 058**
–	**–**	**–**	**(347)**	**(347)**	**1**	**(346)**
–	**–**	**(158)**	**–**	**(158)**	**–**	**(158)**
–	**–**	**(158)**	**(347)**	**(505)**	**1**	**(504)**
5	**–**	**5**	**–**	**5**	**–**	**5**
–	**–**	**–**	**–**	**–**	**(1)**	**(1)**
5	**–**	**5**	**–**	**5**	**(1)**	**4**
36	**268**	**907**	**2 634**	**5 550**	**8**	**5 558**

Interim condensed statement of cash flows

for the six months ended 31 December 2017

	Notes	31 December 2017 (Reviewed) Rm	31 December 2016 (Reviewed) Rm	30 June 2017 (Audited) Rm
Operating activities				
Cash retained / (utilised) from operations		**82**	(174)	(5 681)
Non-cash and other movements	12	**(34)**	(474)	4 490
Cash retained from / (utilised by) operations		**48**	(648)	(1 191)
Depreciation		**330**	329	627
Amortisation		**14**	14	28
Cash generated / (utilised) by operations		**392**	(305)	(536)
(Increase) / decrease in inventories		**(62)**	48	163
Decrease in amounts due from contract customers		**381**	981	27
Decrease in trade and other receivables		**222**	337	198
Increase in amounts due to contract customers		**356**	16	29
(Decrease) / increase in trade and other payables		**(136)**	(910)	28
Increase in derivative instruments		**32**	14	8
Movements in held-for-sale assets		**–**	(37)	(106)
(Decrease) / increase in payables other than contract-related		**(21)**	–	144
Decrease in employee-related payables		**(155)**	(310)	(79)
Total changes in working capital		**617**	139	412
Cash generated / (utilised) by operating activities		**1 009**	(166)	(124)
Finance expenses paid		**(265)**	(264)	(531)
Finance earnings received		**183**	99	215
Taxation paid		**(49)**	(111)	(182)
Cash inflow / (outflow) from operating activities		**878**	(442)	(622)
Acquisition of property, plant and equipment – expansion		**(37)**	(58)	(135)
Acquisition of property, plant and equipment – replacement		**(299)**	(145)	(793)
Proceeds on disposal of property, plant and equipment		**102**	157	315
Proceeds on disposal of other assets		**–**	298	104
Proceeds on disposal of ACP assets		**–**	–	821
Net proceeds on disposal of Steeledale assets		**–**	–	50
Acquisition of intangible assets – expansion		**–**	(9)	–
Acquisition of intangible assets – replacement		**(14)**	–	(27)
Capital expenditure net of proceeds on disposal		**(248)**	243	335

	Notes	31 December 2017 (Reviewed) Rm	31 December 2016 (Reviewed) Rm	30 June 2017 (Audited) Rm
Loans repaid by / (advanced to) equity-accounted investments net of dividends received		**13**	(31)	(27)
Increase in equity-accounted investments		**–**	–	(11)
Net loans repaid by infrastructure investment companies		**1**	–	9
Dividends received		**4**	4	8
Cash (outflow) / inflow from investing activities		**(230)**	216	314
Operating free cash inflow / (outflow)		**648**	(226)	(308)
Loans repaid by non-controlling interest		**–**	15	5
Dividends paid		**(1)**	(3)	(3)
Net repayment of borrowings		**(133)**	(76)	(25)
Net increase / (decrease) in cash and bank balances before foreign exchange movements		**514**	(290)	(331)
Foreign exchange movements on cash and bank balances		**(71)**	(143)	(123)
Cash and bank balances at the beginning of the period		**1 996**	2 450	2 450
Total cash and bank balances at the end of the period		**2 439**	2 017	1 996
Borrowings excluding bank overdrafts		**2 994**	2 954	3 066
Net debt position		**(555)**	(937)	(1 070)

1. CORPORATE INFORMATION

The reviewed interim condensed consolidated financial statements ("interim results") of Aveng Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 23 February 2018.

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

Ms Kholeka Mzondeki was appointed as lead independent director effective from 23 August 2017.

Mr Eric Diack was appointed as executive chairman effective from 23 August 2017 and interim chief executive officer effective from 22 September 2017.

Mr Kobus Verster resigned as an executive director effective from 22 September 2017.

Mr Mahomed Seedat retired as an independent non-executive director effective from 24 November 2017.

Ms Thoko Mokgosi-Mwantembe resigned as a non-executive director effective from 24 November 2017.

Mr Peter John Erasmus, an independent non-executive director, passed away on 4 February 2018.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

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 2017.

The interim results have been prepared by Liesl Tweedie CA(SA) under the supervision of the Group Chief Financial Officer, Adrian Macartney CA(SA).

The interim results for the six-month period ended 31 December 2017, set out on pages 2 to 35, have been reviewed by the Company's external auditors 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. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the interim results 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

3.1 Judgements and estimation assumptions

In the process of applying the Group's accounting policies, the Group has made judgements relating to certain items recognised, which have the most significant effect on the amounts recognised in the interim results. The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period, are described below. The Group based its assumptions and estimates on parameters available when the interim results were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

3.1.1 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.

Refer to note 11: Taxation for further detail.

3.1.2 Impairment of property, plant and equipment, intangible assets and goodwill arising on consolidation

The Group assesses the recoverable amount of any goodwill arising on consolidation and indefinite useful life intangible assets annually or when indicators of potential impairment are identified as allocated to the cash-generating unit ("CGU") of the Group.

Impairment exists when the carrying amount of a CGU exceeds its recoverable amount, which is the higher of its fair value less costs to dispose of and its value-in-use. The fair value less costs of disposal calculation is based on available data (if applicable) from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from future budgets and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU.

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.

In accordance with the requirements of IFRS, the directors have considered the carrying values of all the assets at 31 December 2017, and are satisfied that no impairments are required.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

3.1 Judgements and estimation assumptions continued

3.1.3 Loss-making and onerous contracts

In determining whether a contract is loss making or onerous, management applies its professional judgement to assess the facts and circumstances specific to the relevant contract. The assessments are performed on a contract-by-contract basis. When it is probable that total contract costs will exceed total contract revenue, the total expected loss is recognised immediately as an expense. The following factors are taken into account: future estimated revenues; the stage of completion of the contract; costs to complete; the nature and relationship with the customer; expected inflation; the terms of the contract and the Group's experience in that industry.

3.1.4 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.

In addition, many contracts specify the completions schedule requirements and allow for 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.

4. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE

Standard	Matter	Expected impact
IFRS 15 *Revenue from contracts with customers* Effective 1 January 2018	IFRS 15 replaces all existing revenue requirements in IFRS (IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfers of Assets from Customers* and SIC 31 *Revenue – Barter Transactions Involving Advertising Services)* and applies to all revenue arising from contracts with customers.	The Group anticipates minimal changes in accounting under this new standard for the projects that are currently booked. Processes and procedures will need to be updated to ensure that the correct method is used and documented in arriving at the treatment under IFRS 15. Possible impact for loss-making contracts due to these contracts being within the scope of IAS 37 and the onerous contract requirements are used in the assessment, rather than the previous IAS 11 requirements. Disclosures relating to revenue are expected to be expanded significantly on the adoption of IFRS 15. Phase 1 which was the initial high-level assessment of a sample of contracts has been completed. Training was done in November 2017 with all operating groups to understand the technical issues and discuss the overall implication of the standard for the Group. A task team was set up in February 2018 and a detailed plan will be agreed. Once this has been completed, practical workshops will be set up to assess all contracts as well as the process of accounting for all contracts. Tax and legal will be consulted where necessary. The Group will also decide on the transition method to be adopted.
IFRS 9 (2014) *Financial Instruments* Effective 1 January 2018	Determines the measurement and presentation of financial instruments depending on their contractual cash flows and business model under which they are held. The impairment requirements are based on an expected credit loss ("ECL") model that replaces the IAS 39 incurred loss model. The new hedging model provides for more economic hedging strategies meeting the requirements for hedge accounting.	IFRS 9 (2010) which relates to classification and measurement was early adopted in the year ended 30 June 2015. IFRS 9 (2014) which relates to impairment requirements and hedge accounting is effective for the 30 June 2019 financial year end. The Group is in the process of performing a more detailed assessment of the impact of these changes and the related disclosures. The Group is expected to be impacted by the ECL model for trade receivables and amounts due from contract customers. The measurement of provisions against receivables will be revised to comply with the ECL method. The Group is still finalising its estimation methodology. Extensive additional disclosures will be required, specifically relating to credit risk and expected credit losses.

4. NEW ACCOUNTING STANDARDS NOT YET EFFECTIVE continued

Standard	Matter	Expected impact
IFRS 16 *Leases* Effective 1 January 2019	IFRS 16 requires lessees to account for all leases under a single Statement of Financial Position model in a similar way to finance leases under IAS 17	The largest impact to the Group under this standard will be related to the sale and operating leaseback of properties implemented during the previous financial year, as well as a number of operating leases for equipment and vehicles. Assets and debt would increase while the expense related to these properties would be shown as depreciation and added back for EBITDA. Finance expense relating to the debt is initially expected to increase and subsequently decrease with the unwinding of the debt profile. No significant impact is expected for the Group's finance leases. The Group is in the process of identifying and assessing all operating leases, in conjunction with the process for the two standards detailed above. Early application is permitted, but not before an entity applies IFRS 15.

5. GOING CONCERN

In determining the appropriate basis of preparation for the interim results, the directors are required to consider whether the Group can continue in operational existence for the foreseeable future. The directors have considered all plans and forecasts, the approved outcome of the strategic review process, all actions taken by the Group during the period and to the date of approval of these interim condensed consolidated financial statements and are therefore of the opinion that the going concern assumption is appropriate in the preparation of the financial statements.

Refer to note 15: Events after the reporting period and pending transactions which forms an integral part of the going concern assessment.

6. 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 the 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 segment includes: Aveng Grinaker-LTA and Aveng Capital Partners ("ACP"). Aveng Grinaker-LTA is divided into the following business units: Aveng Grinaker-LTA Building and Coastal, Aveng Grinaker-LTA Civil Engineering (including Rand Roads and Ground Engineering ("GEL")), Aveng Grinaker-LTA Mechanical & Electrical and Aveng Water.

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.

6. SEGMENTAL REPORT continued

2. Mining

This segment comprises Aveng Mining and operates in the Open Cut and Underground Mining sectors.

Revenues from this segment are 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 and 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 Control ("DFC"), Aveng Duraset, Aveng Infraset and Aveng Rail.

Aveng Steel business units include: Aveng Trident Steel. The comparative information includes the results of Aveng Steeledale, until 31 December 2016 (70% equity stake sold effective 1 January 2017).

4. Other and Eliminations

This segment comprises corporate services, Africa construction, corporate held investments, including properties and consolidation eliminations. This segment also includes the Group's 30% equity stake in Aveng Steeledale, which is equity accounted from 1 January 2017.

6. SEGMENTAL REPORT continued

December 2017 (Reviewed) Rm	Construction and Engineering: South Africa and rest of Africa	Australasia and Asia	Mining	Manu-facturing and Process-ing	Other and Elimi-nations	Total
Assets						
Goodwill arising on consolidation	–	100	–	10	232	342
Intangible assets	–	–	26	105	140	271
Property, plant and equipment	387	522	2 573	751	243	4 476
Equity-accounted investments	(42)	31	4	(1)	317	309
Infrastructure investments	122	–	–	–	142	264
Deferred taxation	60	609	48	13	365	1 095
Amounts due from contract customers	379	3 020	700	35	(47)	4 087
Inventories	38	19	245	1 839	–	2 141
Trade and other receivables	98	195	102	1 122	102	1 619
Taxation receivable	(1)	8	27	–	24	58
Cash and bank balances	379	1 646	265	556	(122)	2 724
Non-current assets held-for-sale	4	–	–	–	154	158
Total assets	**1 424**	**6 150**	**3 990**	**4 430**	**1 550**	**17 544**
Liabilities						
Deferred taxation	55	82	251	113	(102)	399
Borrowings and other liabilities	–	160	235	25	2 574	2 994
Payables other than contract related	–	–	–	–	139	139
Employee-related payables	121	281	108	63	62	635
Trade and other payables	779	2 663	644	1 490	204	5 780
Derivative instruments	–	–	8	39	–	47
Amounts due to contract customers	450	1 166	89	2	–	1 707
Bank overdrafts	–	–	–	70	215	285
Total liabilities	**1 405**	**4 352**	**1 335**	**1 802**	**3 092**	**11 986**

6. SEGMENTAL REPORT continued

December 2016 (Reviewed) Rm	Construction and Engineering: South Africa and rest of Africa	Australasia and Asia	Mining	Manu-facturing and Process-ing	Other and Elimi-nations	Total
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
Derivative instruments	–	–	–	26	–	26
Trade and other payables	859	1 880	436	1 505	300	4 980
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

6. SEGMENTAL REPORT continued

June 2017 (Audited) Rm	Construction and Engineering: South Africa and rest of Africa	Australasia and Asia	Mining	Manu-facturing and Process-ing	Other and Elimi-nations	Total
Assets						
Goodwill arising on consolidation	–	100	–	10	232	342
Intangible assets	–	–	28	95	148	271
Property, plant and equipment	398	602	2 539	766	306	4 611
Equity-accounted investments	(40)	52	4	(1)	319	334
Infrastructure investments	123	–	–	–	142	265
Deferred taxation	143	551	47	19	530	1 290
Derivative instruments	–	–	2	–	–	2
Amounts due from contract customers	876	3 029	764	86	(287)	4 468
Inventories	40	9	211	1 825	–	2 085
Trade and other receivables	112	86	93	1 413	136	1 840
Taxation receivable	12	10	25	(1)	15	61
Cash and bank balances	237	1 237	410	505	(393)	1 996
Non-current assets held-for-sale	4	–	–	–	118	122
Total assets	1 905	5 676	4 123	4 717	1 266	17 687
Liabilities						
Deferred taxation	–	–	184	2	133	319
Borrowings and other liabilities	–	921	317	4	1 824	3 066
Payables other than contract-related	–	–	–	–	154	154
Employee-related payables	173	298	187	75	80	813
Derivative instruments	–	–	–	17	–	17
Trade and other payables	966	2 304	677	1 757	205	5 909
Amounts due to contract customers	394	854	85	1	17	1 351
Total liabilities	1 533	4 377	1 450	1 856	2 413	11 629

6. SEGMENTAL REPORT continued

Six months ended December 2017 (Reviewed) Rm	Construction and Engineering: South Africa and rest of Africa	Construction and Engineering: Australasia and Asia	Mining	Manu-facturing and Process-ing	Other and Elimi-nations	Total
Gross revenue	3 228	6 566	2 478	3 622	217	16 111
Cost of sales	(3 284)	(6 104)	(2 259)	(3 419)	79	(14 987)
Gross earnings / (loss)	(56)	462	219	203	296	1 124
Other earnings / (loss)	9	12	(9)	19	5	36
Operating expenses	(165)	(421)	(106)	(292)	(76)	(1 060)
Loss from equity-accounted investments	–	(2)	–	–	(4)	(6)
Net operating earnings / (loss)	(212)	51	104	(70)	221	94
Impairment / loss with derecognition of property, plant and equipment, intangible assets and non-current assets held-for-sale	–	–	–	–	(21)	(21)
Profit on sale of property, plant and equipment	5	–	–	–	2	7
Earnings / (loss) before financing transactions	(207)	51	104	(70)	202	80
Net finance (expenses) / earnings	1	(113)	(31)	(36)	38	(141)
(Loss) / earnings before taxation	(206)	(62)	73	(106)	240	(61)
Taxation	(99)	(15)	(35)	32	(168)	(285)
(Loss) / earnings for the period	(305)	(77)	38	(74)	72	(346)
Capital expenditure	17	53	233	45	2	350
Depreciation	(31)	(77)	(179)	(38)	(5)	(330)
Amortisation	–	–	(2)	(4)	(8)	(14)
Earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)	(181)	128	285	(28)	234	438

6. SEGMENTAL REPORT continued

Six months ended December 2016 (Reviewed) Rm	Construction and Engineering: South Africa and rest of Africa	Australasia and Asia	Mining	Manufacturing and Processing	Other and Eliminations	Total
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 / (loss)	21	4	(13)	53	12	77
Operating expenses	(220)	(386)	(95)	(307)	(31)	(1 039)
Earnings from equity-accounted investments	–	3	–	–	–	3
Operating earnings / (loss)	(62)	(47)	91	24	(5)	1
South African government settlement	–	–	–	–	(165)	(165)
Net operating (loss) / earnings	(62)	(47)	91	24	(170)	(164)
Impairment / loss with derecognition of property, plant and equipment, intangible assets and non-current assets held-for-sale	–	–	–	–	(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 (expenses) /earnings	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)
Earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)	(28)	65	218	81	8	344

6. SEGMENTAL REPORT continued

Year ended June 2017 (Audited) Rm	Construction and Engineering: South Africa and rest of Africa	Australasia and Asia	Mining	Manufacturing and Processing	Other and Eliminations	Total
Gross revenue	5 876	6 183	4 184	7 936	(723)	23 456
Cost of sales	(5 843)	(9 767)	(3 774)	(7 444)	237	(26 591)
Gross (loss) / earnings	33	(3 584)	410	492	(486)	(3 135)
Other earnings	60	9	6	108	23	206
Operating expenses	(481)	(810)	(197)	(603)	(214)	(2 305)
Earnings / (loss) from equity-accounted investments	(4)	15	–	–	(7)	4
Operating (loss) / earnings	(392)	(4 370)	219	(3)	(684)	(5 230)
South African government settlement	–	–	–	–	(165)	(165)
Net operating (loss) / earnings	(392)	(4 370)	219	(3)	(849)	(5 395)
Impairment / loss with derecognition of property, plant and equipment, intangible assets and non-current assets held-for-sale	33	–	1	(273)	(39)	(278)
Profit on sale of property, plant and equipment	–	–	–	3	1	4
(Loss) / earnings before financing transactions	(359)	(4 370)	220	(273)	(887)	(5 669)
Net finance (expenses) / earnings	14	(179)	(20)	(46)	(213)	(444)
(Loss) / earnings before taxation	(345)	(4 549)	200	(319)	(1 100)	(6 113)
Taxation	93	(209)	(90)	70	(490)	(626)
(Loss) / earnings for the period	(252)	(4 758)	110	(249)	(1 590)	(6 739)
Capital Expenditure	80	168	557	142	8	955
Depreciation	(69)	(175)	(269)	(102)	(11)	(626)
Amortisation	–	–	(1)	(13)	(15)	(29)
(Loss) / earnings before interest, taxation, depreciation and amortisation (EBITDA)	(323)	(4 195)	489	112	(823)	(4 740)

6. SEGMENTAL REPORT continued

The Group operates in six principal geographical areas:

	Six months ended December 2017 (Reviewed) Rm	Six months ended December 2016 (Reviewed) Rm	Year ended June 2017 (Audited) Rm	**Six months ended December 2017 (Reviewed) %**	Six months ended December 2016 (Reviewed) %	Year ended June 2017 (Audited) %
Revenue						
South Africa	**8 409**	8 483	15 281	**52,2**	59,4	65,2
Rest of Africa including Mauritius	**1 031**	741	1 717	**6,4**	5,2	7,3
Australasia and Asia	**3 962**	2 178	1 193	**24,6**	15,2	5,1
New Zealand	**951**	1 590	2 580	**5,9**	11,1	11,0
Southeast Asia	**1 182**	1 157	2 427	**7,3**	8,1	10,3
Middle East and other regions	**576**	147	258	**3,6**	1,0	1,1
	16 111	14 296	23 456	**100,00**	100,00	100,00
Segment assets						
South Africa	**10 742**	11 432	11 172	**61,2**	50,1	63,2
Rest of Africa including Mauritius	**1 308**	1 235	1 157	**7,5**	5,4	6,5
Australasia and Asia	**3 055**	7 087	2 751	**17,4**	31,0	15,6
New Zealand	**525**	1 084	798	**3,0**	4,7	4,5
Southeast Asia	**1 732**	1 778	1 631	**9,9**	7,8	9,2
Middle East and other regions	**182**	233	178	**1,0**	1,0	1,0
	17 544	22 849	17 687	**100,00**	100,00	100,00

7. HEADLINE LOSS

	December 2017 (Reviewed)		December 2016 (Reviewed)		June 2017 (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 for the period attributable to equity holders of parent		**(347)**		(392)		(6 708)
Impairment of property, plant and equipment	**6**	**6**	4	3	225	221
Impairment of non-current assets held-for-sale	**15**	**12**	–	–	–	–
Impairment of intangible assets	**–**	**–**	1	1	53	53
Profit on sale of property, plant and equipment	**(7)**	**(6)**	(4)	(3)	(14)	(13)
Gain on Steeledale transaction	**–**	**–**	–	–	(2)	(2)
Headline loss		**(335)**		(391)		(6 449)

8. AMOUNTS DUE FROM / (TO) CONTRACT CUSTOMERS

	December 2017 (Reviewed) Rm	December 2016 (Reviewed) Rm	June 2017 (Audited) Rm
Uncertified claims and variations (underclaims)**[1]	**1 673**	6 283	1 760
Contract contingencies**	**(536)**	(286)	(701)
Progress billings received (including overclaims)[2]	**(1 618)**	(1 127)	(1 205)
Uncertified claims and variations less progress billings received	**(481)**	4 870	(146)
Contract receivables[3]	**2 763**	2 386	3 262
Provision for contract receivables	**(2)**	(2)	(2)
Retention receivables[4]	**189**	102	149
	2 469	7 356	3 263
Amounts received in advance[5]	**(89)**	(211)	(146)
Net amounts due from contract customers	**2 380**	7 145	3 117

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

	December 2017 (Reviewed) Rm	December 2016 (Reviewed) Rm	June 2017 (Audited) Rm
Disclosed on the statement of financial position as follows:			
Uncertified claims and variations**	**1 673**	6 283	1 760
Contract contingencies	**(536)**	(286)	(701)
Contract and retention receivables	**2 952**	2 488	3 411
Provision for contract receivables	**(2)**	(2)	(2)
Amounts due from contract customers	**4 087**	8 483	4 468
Progress billings received	**(1 618)**	(1 127)	(1 205)
Amounts received in advance	**(89)**	(211)	(146)
Amounts due to contract customers	**(1 707)**	(1 338)	(1 351)
Net amounts due from contract customers	**2 380**	7 145	3 117

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

[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. These conditions are anticipated to be fulfilled within the following 12 months.*

[5] *Advances are amounts received from the customer before the related work is performed.*

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

	Uncertified claims and variations Rm	Provision for amounts due from contract customers Rm	Contract receivables Rm	Provision for contract receivables Rm	Retention receivables Rm	Total Rm
December 2017 (Reviewed)						
Non-current assets	**631**	**–**	**–**	**–**	**–**	**631**
Current assets	**1 042**	**(536)**	**2 763**	**(2)**	**189**	**3 456**
	1 673	**(536)**	**2 763**	**(2)**	**189**	**4 087**
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
June 2017 (Audited)						
Non-current assets	756	–	–	–	–	756
Current assets	1 004	(701)	3 262	(2)	149	3 712
	1 760	(701)	3 262	(2)	149	4 468

Amounts due from contract customers includes R919 million (December 2016: R4,1 billion; June 2017: R908 million) which is subject to protracted legal proceedings.

9. NON-CURRENT ASSETS HELD-FOR-SALE

Included in the carrying amount of non-current assets held-for-sale is an amount of R154 million (December 2016: R169 million) relating to property and R4 million relating to an investment in JSG Proprietary Limited.

During the current year the Kathu housing property was classified as held-for-sale and was written down to fair value less costs to sell of R50,8 million resulting in an impairment of R4 million. The sale is expected to be completed within 12 months of classification and is in line with the Group's strategic funding objectives.

The carrying amount of the Vanderbijlpark property was revised to R100 million (June 2017: R115 million) representing a revision of the fair value less costs to sell the property based on a recent offer received for the sale of the property.

Both amounts were recognised in 'Impairment / loss on derecognition of property, plant and equipment, intangible assets and non-current assets held-for-sale', in the statement of comprehensive earnings for the six months ended 31 December 2017.

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

	December 2017 (Reviewed) Rm	December 2016 (Reviewed) Rm	June 2017 (Audited) Rm
Non-current assets held-for-sale	**158**	1 101	122
Non-current liabilities held-for-sale	**–**	(129)	–
	158	972	122

	December 2017 (Reviewed)			December 2016 (Reviewed) Rm	June 2017 (Audited) Rm
	Properties Rm	ACP Rm	Total Rm		
Movement during the year					
Opening balance	**118**	**4**	**122**	1 484	1 484
Transferred from:					
Infrastructure investments	**–**	**–**	**–**	–	4
Transferred to / (from):					
Property, plant and equipment	**51**	**–**	**51**	–	–
Impairment	**(15)**	**–**	**(15)**	–	–
Effect of foreign currency translation	**–**	**–**	**–**	(4)	(4)
Infrastructure investments	**–**	**–**	**–**	–	(39)
Loans to group companies	**–**	**–**	**–**	(26)	(32)
Inventory	**–**	**–**	**–**	(36)	(36)
Amounts due from contract customers	**–**	**–**	**–**	(3)	(3)
Trade and other receivables	**–**	**–**	**–**	(42)	(36)
Elimination of loans to group companies	**–**	**–**	**–**	26	32
Sold	**–**	**–**	**–**	(298)	(1 248)
Total non-current assets held-for-sale	**154**	**4**	**158**	1 101	122
Non-current liabilities held-for-sale					
Opening balance	**–**	**–**	**–**	(247)	(247)
Loans from group companies	**–**	**–**	**–**	15	16
Trade and other payables	**–**	**–**	**–**	118	181
Elimination of loans from group companies	**–**	**–**	**–**	(15)	(16)
Sold	**–**	**–**	**–**	–	66
Total non-current liabilities held-for-sale	**–**	**–**	**–**	(129)	–
Net non-current assets held-for-sale	**154**	**4**	**158**	972	122

10. BORROWINGS AND OTHER LIABILITIES

	December 2017 (Reviewed) Rm	December 2016 (Reviewed) Rm	June 2017 (Audited) Rm
10.1 Borrowings held at amortised cost comprise:			
Interest-bearing borrowings comprise:			
Payment profile			
– within one year	**1 025**	1 103	1 121
– between two and five years	**1 969**	1 851	1 945
	2 994	2 954	3 066
Interest rate structure			
Fixed and variable (interest rates)			
Fixed – long term	**1 918**	1 642	1 901
Fixed – short term	**292**	259	348
Variable – long term	**51**	210	48
Variable – short term	**733**	843	769
	2 994	2 954	3 066

Description	**Terms**	**Rate of interest**	**December (Reviewed) 2017 Rm**	December (Reviewed) 2016 Rm	June (Audited) 2017 Rm
Convertible bond of R2 billion	Interest coupon is payable bi-annually until July 2019	Coupon of 7,25%	**1 874**	1 776	1 823
Revolving credit facility	Repayable October 2018	JIBAR plus 3,00% to 5,75%	**700**	–	–
Short-term facility of AUD10 million****	Settled September 2017	Bank bill swap rate plus 0,70%	**–**	99	101
Short-term facility of AUD60 million***	Settled September 2017	Bank bill swap rate plus 2,20%	**–**	594	603
Term loan facility denominated in ZAR	Monthly instalments ending April 2021	Fixed interest rate of 10,58%	**52**	–	66
Finance lease facility of AUD13 million*	Monthly instalments ending November 2020	Fixed interest rate of 4,5%	**128**	177	145
Finance sale and lease back amounting to AUD2 million*	Monthly instalments settled December 2017	Fixed interest rate of 5,15% to 6,08%	**–**	28	24

10. BORROWINGS AND OTHER LIABILITIES continued

10.1 Borrowings held at amortised cost continued

Description	Terms	Rate of interest	December (Reviewed) 2017 Rm	December (Reviewed) 2016 Rm	June (Audited) 2017 Rm
Hire purchase agreements amounting to AUD3,7 million*	Monthly instalments ending November 2023	Fixed interest rate of 1,35% to 7%	**32**	42	42
Hire purchase agreement amounting to AUD0,5 million*	Monthly instalments ended August 2017	Fixed interest rate of 6,81%	**–**	21	5
Hire purchase agreement denominated in USD*	Quarterly instalments ended September 2017	Fixed interest rate of 4,58% to 4,65%	**–**	67	44
Hire purchase agreement denominated in ZAR*	Monthly instalments ended December 2017	South African prime less 2,00%	**–**	30	16
Hire purchase agreement denominated in ZAR*	Monthly instalments ended November 2017	South African prime plus 2,00%	**–**	–	21
Hire purchase agreement denominated in ZAR*	Monthly instalments ending November 2019	South African prime less 1,70%	**38**	74	51
Hire purchase agreement denominated in ZAR*	Monthly instalments ending May 2018	Fixed interest rate of 9,70%	**9**	36	24
Finance lease facility denominated in ZAR*	Monthly instalment ending June 2018	South African prime	**2**	–	4
Hire purchase facility denominated in USD*	Monthly instalments ending August 2021	Fixed interest rate of 6,68%	**66**	–	74
Finance lease facilities denominated in ZAR*	Monthly instalments ending August 2022	South African prime	**19**	8	20
Hire purchase agreement denominated in ZAR*	Monthly instalments ending August 2020	South African prime plus 0,50%	**23**	–	–
Hire purchase agreement denominated in ZAR*	Monthly instalments ending September 2018	Fixed interest rate of 12,50%	**49**	–	–
Interest-bearing borrowings			**2 992**	2 952	3 063
Interest outstanding on interest-bearing borrowings**			**2**	2	3
Total interest-bearing borrowings			**2 994**	2 954	3 066

* *These borrowings and other liabilities are finance leases.*
** *Interest outstanding in the current year relates to finance leases.*
*** *Backed by a bank guarantee.*
**** *Secured by cash collateral in South Africa.*

Subsequent to the interim period, a Super Senior Lending Facility was concluded by the Group with ABSA and Standard Bank totalling R200 million. Refer to note 15: Events after the reporting period and pending transactions for further details on the facility.

10. BORROWINGS AND OTHER LIABILITIES continued

10.1 Borrowings held at amortised cost continued

	December 2017 (Reviewed) Rm	December 2016 (Reviewed) Rm	June 2017 (Audited) Rm
Finance lease liabilities are payable as follows:			
Minimum lease payments due			
– within one year	**188**	284	206
– in two to five years	**210**	236	184
Less: future finance charges	**(30)**	(33)	(38)
Present value of minimum lease payments	**368**	487	352

The *Australasia and Asia* operating segment enters into asset-based finance arrangements to fund the acquisition of various items of plant and machinery.

The total asset-based finance facilities amounted to AUD25 million. The amount outstanding on these facilities as at 31 December 2017 was AUD17 million and is equivalent to R160 million. These asset-based arrangements were secured by plant and equipment with a net carrying amount of R245 million.

The *Mining* and *Manufacturing and Processing* operating segments entered into various asset-based finance lease agreements to purchase operating equipment denominated in both 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 August 2021. The total amount outstanding on these facilities amounted to R185 million. Equipment with a net carrying amount of R222 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 a net carrying amount of R22 million has been pledged as security.

11. TAXATION

Major components of the taxation expense

	December 2017 (Reviewed) Rm	December 2016 (Reviewed) Rm	June 2017 (Audited) Rm
Current taxation	**46**	132	91
Deferred taxation	**239**	(95)	535
	285	37	626

11. TAXATION continued

South African income taxation is calculated at 28% (December 2016: 28%; June 2017: 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 2017 is negative 467,2% (December 2016: negative 9,4%; June 2017: negative 10,2%)

The main driver affecting the tax rate is the reduction of the deferred tax asset relating to tax losses in Aveng Africa Proprietary Limited and Grinaker-LTA Proprietary Limited, to the amount of R243 million.

Deferred taxation assets

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 tax-paying 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 and Grinaker-LTA Proprietary Limited. A re-assessment of the utilisation of tax losses was done as at 31 December 2017. The deferred tax asset was reduced by R243 million. The main reasons for the reduction are as follows:

- Lower than expected performance and profit forecasts in selected South African operations due to slower than expected economic growth; and
- The cancellation of the Aveng Grinaker-LTA empowerment transaction.

12. NON-CASH AND OTHER MOVEMENTS

	December 2017 (Reviewed) Rm	December 2016 (Reviewed) Rm	June 2017 (Audited) Rm
Earnings from disposal of property, plant and equipment	**(44)**	(77)	(147)
Gain on Steeledale transaction	**–**	–	(2)
Impairment of goodwill, property, plant and equipment and intangible assets	**6**	5	278
Impairment of non-current assets held-for-sale	**15**	–	–
Fair value adjustments	**–**	(23)	(56)
Movements in foreign currency translation	**(16)**	(386)	(562)
Movement in equity-settled share-based payment reserve	**5**	7	12
Claims write down*	**–**	–	4 967
	(34)	(474)	4 490

** Claims write down includes QCLNG of R2,4 billion and Other uncertified revenue and claims write off of R2,7 billion.*

13. CONTINGENT LIABILITIES

	December 2017 (Reviewed)	December 2016 (Reviewed)	June 2017 (Audited)
Contingent liabilities at the reporting date, not otherwise provided for in the interim results, arise from performance bonds and guarantees issued in:			
South Africa and rest of Africa			
Guarantees and bonds (ZARm)	**2 679**	3 204	3 014
Parent company guarantees (ZARm)	**501**	505	507
	3 180	3 709	3 521
Australasia and Asia			
Guarantees and bonds (AUDm)	**321**	363	326
Parent company guarantees (AUDm)	**509**	469	588
	830	832	914

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 believe that adverse decisions in any pending proceedings or claims against the Group will have a material adverse effect on the financial position or future operations of the Group. Provision is made for all liabilities which are expected to materialise and contingent liabilities are disclosed when the outflows are probable.

Contingent assets

In the prior period, a counter claim against the Group was awarded to Kenmare Resources to the value of R150 million for Professional Indemnity insurance. The Group has lodged a claim against the insurer to recover this amount.

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 comprise the following:
- Firefly Investments 238 Proprietary Limited ("Firefly");
- Imvelo Concession Company Proprietary Limited ("Imvelo"); and
- Dimopoint Proprietary Limited ("Dimopoint").

The methodology, valuation parameters and assumptions for infrastructure investments have remained unchanged since 30 June 2017. For more detail, refer to the 30 June 2017 consolidated financial statements available on the Group's website.

The Group has reassessed the fair value of its infrastructure investments at 31 December 2017 which resulted in Rnil unrealised gains being recognised during the period (December 2016: R23 million; June 2017: R56 million).

14. FAIR VALUE OF ASSETS AND LIABILITIES continued

Fair value hierarchy

The table below shows the Group's fair value hierarchy and carrying amounts of 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 2017 (Reviewed)					
Assets and liabilities recognised at fair value					
Assets					
Infrastructure investments	**264**	**264**	**–**	**–**	**264**
Infrastructure investments (held-for-sale)	**4**	**4**	**–**	**–**	**4**
Liabilities					
Forward exchange contracts (FECs)	**43**	**43**	**–**	**43**	**–**
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					
Forward exchange contracts (FECs)	26	26	–	26	–
30 June 2017 (Audited)					
Assets and liabilities recognised at fair value					
Assets					
Infrastructure investments	265	265	–	–	265
Infrastructure investments (held-for-sale)	4	4	–	–	4
Forward exchange contracts (FECs)	2	2	–	2	–
Liabilities					
Forward exchange contracts (FECs)	17	17	–	17	–

The Group uses Level 2 valuation techniques to measure foreign exchange contracts 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 period.

14. FAIR VALUE OF ASSETS AND LIABILITIES continued

	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:				
– Imvelo	**17,3%**	**0,5%**	**< (1)**	**< 1**
– Firefly	**14,1%**	**0,5%**	**(2)**	**2**
– Dimopoint	**15,0%**	**0,5%**	**(11)**	**11**

15. EVENTS AFTER THE REPORTING PERIOD AND PENDING TRANSACTIONS

Completion and approval of Group strategic review

Management embarked on an extensive strategic review to ensure the Group's sustainable future. An independent professional advisor was engaged to assist with the process. This review was completed in early February 2018 following a thorough and robust interrogation of all parts of the business. The review was undertaken:

- to identify operating businesses and assets that are core to the Group and that support the overall Group long-term strategy, and those businesses and assets that are non-core;
- to determine the most appropriate Group operating structure, to both support and enhance the future sustainability of the Group; and
- to recommend a sustainable future capital and funding model for the Group, including a capital markets transaction strategy to address the obligations under the convertible bond which matures in July 2019.

Non-core asset disposal strategy

As reported in the 30 June 2017 Consolidated Financial Statements as an event after the reporting period, the Group identified certain properties, minority interests and other assets as non-core and embarked on plans to realise value from the disposal of these assets. These assets have been considered in line with the requirements of IFRS 5 *Non-Current Assets Held-for-Sale*, and where the requirements have been met, these assets have been classified as non-current assets held-for-sale at 31 December 2017.

Refer to note 9 for the non-current assets held-for-sale disclosures.

Subsequent to 31 December 2017, the Board approved the intention to dispose of additional businesses identified as non-core through the strategic review process. After the interim period, discussions and engagement with potential buyers have commenced on certain businesses. These additional assets do not meet the criteria for non-current assets held-for-sale as at 31 December 2017.

The financial effects of the disposal of the additional non-core businesses identified through the Group strategic review process, can only be determined as the disposal plans progress to the point where the disposals are highly probable.

15. EVENTS AFTER THE REPORTING PERIOD AND PENDING TRANSACTIONS continued

Liquidity

At the date of the statement of financial position, the Group had R421 million in unutilised borrowing facilities and R2,4 billion in net cash and cash equivalents.

Subsequent to 31 December 2017 the Group secured a further working capital facility totalling R200 million. The facility is a super senior lending facility, bears interest at between 2% and 3% above South African prime lending rates and is repayable by 30 June 2018. Refer to note 10.

The Board has approved an updated liquidity forecast covering a minimum of 12 months from the date of these interim results, incorporating the strategic review conclusions and the further working capital facility provided. The Group maintained its borrowings and working capital requirements with its major funding banks. The major funding banks have indicated that they remain supportive of the Group, and the directors believe that these facilities will provide adequate financial resources to enable the Group to meet its obligations over the next 12 months.

Overview

Salient features

- Strategic review completed and implementation underway
- Revenue increased by 13%, with improved gross margin
- EBIT profit of R94 million compared to R164 million loss in comparative period
- Good performance from McConnell Dowell
- Significant number of legacy claims settled in line with expectations
- Deferred tax impairment of R243 million
- Net loss of R346 million and headline loss of R335 million
- Net debt of R555 million (June 2017: R1 070 million)

Strategic review

Management embarked on an extensive strategic review to ensure the Group's sustainable future. An independent professional advisor was engaged to assist with the process. This review was completed early in February 2018 following a thorough and robust interrogation of all parts of the business. The review included identifying businesses and assets that are core to the Group and which support the overall long-term strategy, determining the most appropriate operating structure, as well as recommending a sustainable future capital and funding model. The results of the review are fully supported by the Aveng Board.

The business has reached a critical juncture and requires decisive action to create a sustainable future. To address these issues, a comprehensive plan has been developed and implementation has commenced.

The plan comprises the following six pillars:

1. *Simplify: reduce complexity by optimising the Group's portfolio with focus on growing core operations*
   Aveng aims to focus its business on being an international infrastructure and resources group operating in selected fast-growing markets, capitalising on its considerable knowledge and experience. With the Group's strong management team in McConnell Dowell and Moolmans and unique value offering, the Group aims to unlock value to stakeholders by delivering attractive returns and creating opportunities for sustainable growth.

2. *Reshape: reshape operating structure in line with smaller, focused group*
   The Group currently operates a hybrid operating model. A transition to a lean, agile and decentralised organisation structure will empower management, refocus resources to the new operational strategy and remove bureaucracy to enable enhanced corporate agility and organisational focus.

3. *Grow: improve revenue growth and profitability of core operations*
   Moolmans is a reputable South African open cut contractor with a solid footprint across Africa. Its focus remains on operational excellence, developing partnerships and leveraging existing

relationships. The operating group implemented a number of initiatives to address the current business challenges facing it in order to grow and improve profitability. These initiatives, among others, include an ongoing focus on long-term client relationships, continued enhancement of asset life, growth into selected new markets, an increased service and value offering and optimised capital funding models.

McConnell Dowell, is a well-recognised and respected infrastructure company with the ability to execute complex projects. Its current focus is to deliver and position itself for growth in the growing markets of Australia, Southeast Asia, New Zealand and the Pacific Islands. The business is showing improvement in performance as it implements its turnaround strategy. Good progress has been made closing out the majority of legacy projects and in the process, the organisation has refocused itself on customer relationships and operational excellence which are now a key point of differentiation. These essential elements will enable McConnell Dowell to become a sustainable business.

4. *Dispose: Re-focusing and simplifying the Group's portfolio of businesses in an orderly fashion*
   The outcomes of the strategic review have reaffirmed management's intention to ensure that both Aveng Trident Steel and Aveng Grinaker-LTA are acquired by new shareholders, who are better positioned to compete in the South African economy.

   A further outcome of the strategic review is the decision to exit the Aveng Manufacturing businesses which will position these individual businesses to compete more effectively.

   These disposals will reduce the Group's overall exposure to bonding and guarantee lines, and will result in lower working capital requirements for the Group.

   Aveng will continue to enhance the efficiency and profitability of these operations prior to any disposal.

   Management will adopt a considered and systematic approach to identify potential buyers, considering its transformational objectives. The completion of the disposal process will require flexibility from a timing perspective in order to fully maximise value.

5. *Deleverage: reduced debt-burden, sustained by core operations*
   The current debt levels within the Group are considered to be unsustainable. The convertible bond creates significant constraints on the Group's capital structure and is a hinderance in the Group's efforts to unlock value for shareholders. It is management's intention to explore options which will allow for the early settlement of all or a portion of the convertible bond.

   This deleveraging, including the settlement of the convertible bond, will be funded through improved operational cash flow, proceeds from disposal of non-core assets and an appropriate capital market transaction.

6. *Unlock shareholder value: optimising core operations and disposal of non-core assets*
   It is believed that the current valuation of the Group does not reflect the intrinsic value of the underlying operations. Value can be enhanced by consistent financial performance by the identified core assets, McConnell Dowell and Moolmans, the disposal of all non-core business and assets, reshaping the operating structure in line with a smaller focused group and the achievement of a sustainable capital structure.

The above mentioned action plan will require a two to three-year period to execute. This plan will be delivered in three phases, namely:

- **Immediate:**
  Over the next six months management will focus on managing liquidity, reducing risk exposures, enhancing operating performance, disposing of non-core assets and the finalisation of a capital market transaction.
- **Transition: (12 – 24 months)**
  Managing working capital, enhancing predictability of core business' performance, continuing the orderly sale of non-core assets, and focus on the convertible bond settlement.
- **Sustainable: (24 – 36 months)**
  Growing and sustaining core businesses, extracting synergistic benefits and creating shareholder value.

Market review

The overall construction industry in Australia, New Zealand and Asia Pacific remains positive and active across all operating regions with strong opportunities in infrastructure development, primarily driven by population growth and urbanisation. Despite the increased activity in the construction industry, government focus remains on the development of transport infrastructure, energy and utilities facilities. The construction industry across Southeast Asia is expected to continue to experience strong growth, with rapid urbanisation, infrastructure being a key priority of many governments in the regions. These changes are contributing to the development and expansion of inter-city rail projects, new airports and improvements to water and sewerage facilities. There is strong competition in all of these markets.

The mining industry is cautiously optimistic, with mining companies looking to increase output and make new investments in assets. The changing political environment in South Africa and the current rally in commodity prices provides opportunities for Moolmans.

Financial performance

Aveng reported a headline loss of R335 million (December 2016: R391 million) and a net loss of R346 million (December 2016: R429 million).

Basic loss per share was 87,4 cents loss per share compared to a 98,8 cents loss per share in the comparative period and **headline loss per share** decreased to 84,4 cents loss per share (December 2016: 98,5 cents loss per share).

Statement of comprehensive earnings

Revenue increased by 13% to R16,1 billion (December 2016: R14,3 billion). The increase was primarily driven by the strong operational performance achieved by McConnell Dowell where revenue grew by an impressive 35%. Despite the challenging operating environment, Moolmans' revenue grew by 24% while revenue in Aveng Grinaker-LTA remained flat. The difficult economic landscape continued to have an adverse impact on revenue growth for the Aveng Manufacturing and Processing operating group.

The **gross margin** for the Group improved to 7,0% from 6,7% in the comparative period.

Net operating earnings increased from a loss of R164 million in December 2016 to a profit of R94 million, due to:

- Improved results in McConnell Dowell reporting a net operating profit of R51 million compared to a loss of R47 million in the comparative period. The higher earnings were driven by increased revenue growth across the majority of regions and strong project performance in Australia;
- Moolmans reported a R104 million operating profit despite the operational challenges of projects underway in Burkina Faso and Botswana;
- Aveng Manufacturing reported weaker results compared to the comparative period mainly driven by a retraction in underground mining activity, rail contract work and demand for infrastructure products;
- Aveng Grinaker-LTA reported an increased loss of R212 million compared to a loss of R62 million for the comparative period. The weaker results were primarily due to project underperformance on major contracts in the Aveng Grinaker-LTA Civil Engineering business unit; and
- The once-off Genrec award of R243 million (including interest of R118 million) had a positive impact on net operating earnings following the release of the previously raised provision.

An **impairment charge** of R21 million was recognised against property assets that were reclassified as held-for-sale.

Net finance charges of R141 million was significantly lower than the net charge of R226 million reported in the comparative period due to the non-recurring interest benefit received on the Genrec claim.

Statement of financial position

The Group incurred **capital expenditure** of R350 million (2016: R212 million) applying R300 million (2016: R145 million) to replace and R50 million (2016: R67 million) to expand property, plant and equipment. The majority of the amount was spent as follows:

- R53 million at McConnell Dowell, relating to specific projects in Australia and Southeast Asia;
- R233 million at Moolmans as a result of increased machinery required for the Burkina Faso and Gamsberg projects; and
- R45 million at Aveng Manufacturing and Processing.

Assets held-for-sale increased by R36 million to R158 million (June 2017: R122 million) due to the reclassification of the Kathu Housing properties (carrying value of R51 million) from Aveng Properties (accounted for in "Other and eliminations") and the impairment of the Vanderbijlpark property by R15 million.

Amounts due from contract customers (non-current and current) decreased by 9% to R4,1 billion (June 2017: R4,5 billion). The decrease is primarily attributable to the settlement of various claims which include Majuba, Mokolo, Genrec and Shondoni in relation to the South African operations, and QCLNG, APLNG and MESA Aurora in terms of the Australian operations.

Deferred tax asset write-off of R243 million. Following the underperformance of some South African operations, the expected future utilisation of the deferred tax assets were assessed. Although assessed losses do not expire, management's conservative estimate reflects the expected utilisation of the deferred tax asset within the foreseeable future.

Operating free cash flow for the period amounted to R648 million and included:

- cash inflow of R574 million in McConnell Dowell including positive cash movements from the resolution of legacy projects and overall improvement in project operations;
- positive cash flow generated by Aveng Grinaker-LTA due to the settlement of legacy project claims and a number of advance payments received;
- a cash outflow of R87 million at Moolmans after capital expenditure;
- a cash inflow of R38 million at Aveng Steel due to improvements in working capital;
- a cash outflow at Aveng Manufacturing of R90 million was driven by the underperformance of various segments due to the decrease in volumes and availability of profitable contract work;
- net capital expenditure of R248 million;
- net finance charges paid of R82 million; and
- taxation paid of R49 million.

Cash and bank balances (net of bank overdrafts) increased to R2,4 billion (2016: R2,0 billion) resulting in a net debt position of R555 million, compared to R1 070 million net debt at 30 June 2017.

Operating review

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 wellbeing of its people, clients and communities in which it operates. The Group remains fully committed to delivering on its safety vision of "*Home Without Harm, Everyone, Everyday*". The Aveng safety strategy has been refreshed and a clear set of safety requirements has been developed for implementation.

No fatalities occurred during the six months ended 31 December 2017. The all injury frequency rate ("AIFR") for the period was 2,91. This indicator includes all types of injuries and is calculated using 200,000 man-hours as the baseline for its frequency rate. There is a noticeable improvement in the overall Aveng frequency rates.

The Aveng Board and executive leadership continue to support and show commitment to the improvement of safety. Operating Groups have launched various campaigns and initiatives to improve the safety performances in the specific high-risk areas, and the effect is visible in the current safety performance improvement. Further contributing to the safe work culture is the improved focus on effective controls for identified high risk areas.

As part of continued efforts in improved monitoring and reporting, the Group continues its extended reporting to include "monitored incidents" ensuring that the fatal risks associated with circumstances outside the control of Aveng, such as on public roads, are duly recognised and properly understood and provide input where possible to decrease the associated risks. Further to understanding Aveng's risk exposure reporting now includes Total Recordable Injuries, improvement targets have been put in place as a more reliable indicator of incidents and risks and tracking is taking place to ensure improved reporting.

Efforts to address such risks include a number of safety improvement initiatives focusing on 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 behaviour.

The Group will continue with its unwavering commitment to safety.

Construction & Engineering: Australasia and Asia
This operating segment comprises four business units – Australia, New Zealand and Pacific, Southeast Asia and Built Environs.

Revenue increased by 35% to AUD628 million (2016: AUD465 million), reflecting the increased activity experienced specifically in the Australian business unit. McConnell Dowell returned to profitability in the period. The positive result confirms the successful implementation of the transformational strategy and a strong turnaround in operational and financial performance. Furthermore, the result reflects the strength of the simplified operating model, standardised business systems and structured governance framework.

The level of new work secured during the period was below expectations reflecting the intensely competitive nature of the markets in which McConnell Dowell operates. Core markets remain buoyant and the focus remains on increasing the order book. The Group made strong progress with the high level strategic plan to build a solid foundation for long-term stability, growth and profitability. A strong new leadership team is now in place.

Australia
Revenue increased by 109% to AUD372 million (2016: AUD178 million) due to strong project progress and performance on Amrun Export Facility Jetty, Murray Basin Rail Upgrade, Northern Gas Pipeline and Swanson Dock East Rehab Works. The earnings profile was significantly increased with the strong execution performance on all recently awarded projects.

Southeast Asia

Revenue increased by 3% to AUD113 million (2016: AUD110 million) as the business achieved major milestones with the completion of MES Aurora, Brunei LNG and Banyan Avenue Projects. Unfortunately, the operational results were negatively impacted by underperformance on two infrastructure projects in Singapore. Both these projects are scheduled for completion during the 2018 financial year. The Tangguh LNG export jetty contract, which was awarded to the business in 2017, is progressing well and being executed at tendered margin.

New Zealand and Pacific Islands

Revenue reduced by 45% to AUD91 million (2016: AUD165 million) as the business unit successfully delivered key projects within the region including the City Rail Link project in the Auckland CBD and the Christchurch Southern Motorway in the South Island.

Built Environs

Revenue increased by 148% to AUD52 million (2016: AUD21 million) as the business unit successfully advanced work on Urbanest Student Accommodation and West Franklin Apartments.

Moolmans (previously known as Aveng Mining)

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

The segment reported increased revenue to R2,5 billion (Dec 2016: R2,0 billion). Net operating earnings increased by 14% to R104 million (Dec 2016: R91 million).

Equipment under-performance has negatively impacted the contract in Burkina Faso. High-level meetings have been held in the third quarter of 2017 with the client to mitigate any further losses and agree a revised scope. This has been agreed and revised commercial terms have been in effect since December 2017.

The Karowe (Botswana) contract performance has been negatively impacted by under-performing equipment. Remedial action has been taken and the contract is planned to be profitable from April 2018.

The Gamsberg (South Africa) start-up contract commenced as planned. An additional contract for the South Pit was awarded and started in September 2017.

The Sadiola Mine has reached its end of mine stage and a formal notice has been received informing that the contract will be completed in April 2018. This brings to an end 22 years of Moolmans successful operation of this mine.

Due to the upturn in the commodity prices, existing contracts have also started to increase their volumes.

Construction & Engineering: South Africa and rest of Africa

This operating segment comprises Aveng Grinaker-LTA and Aveng Capital Partners.

Revenue remained flat at R3,2 billion (2016: R3,2 billion) for the period.

Net operating loss increased to R212 million (2016: loss of R62 million). This was largely due to the under-performance on Civils projects. Two projects relating to the Buildings business also contributed to the loss.

Civil Engineering

Revenue increased by 14% to R588 million (2016: R516 million). The business made an operating loss of R233 million (2016: R118 million). An independent third party was engaged to review the costs to completion on major contracts in progress and the results of that review have been accounted for. Conditions in the civil engineering markets remain difficult and the business focus is to stabilise the existing projects.

Mechanical and Electrical

Revenue decreased by 32% to R458 million (December 2016: R675 million) as a result of reduced work on the major power projects. Operating profit margins were maintained despite lower revenues resulting in operating profit of R14 million (2016: R22 million). The business has successfully closed out a number of diverse projects over the past reporting period and is well positioned with a solid order book in the petrochemical market. Good opportunities for growth are present in the mining and related commodities markets.

Buildings and Coastal

Revenue was stable at R1,9 billion with an operating loss of R19 million (December 2016: R20 million profit) due to additional costs incurred on certain projects. The new Old Mutual head office building in Sandton was timeously completed and practical completion was achieved on the CTICC contract in Cape Town. Progress continues on the Dr Pixley Ka Isaka Seme Memorial Hospital in KwaZulu-Natal, Leonardo Towers and 129 Rivonia Road in Sandton.

Aveng Water

Revenue increased by 8% to R151 million (December 2016: R140 million) from operational contracts. The focus of the Aveng Water business is to leverage off the significant advantage in desalination plants and acid mine drainage technology, other water treatment processes and operational maintenance. The South African mining and municipal water sectors offer attractive opportunities for growth.

Manufacturing and Processing

This operating segment comprises Aveng Manufacturing and Aveng Steel.

Revenue decreased by 16% to R3,6 billion (2016: R4,3 billion). A net operating loss of R70 million was reported (2016: R24 million profit).

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 15% to R1,1 billion (2016: R1,3 billion). Net operating earnings decreased by 162% to a loss of R57 million (2016: profit of R92 million) reflecting the impact from the slowdown in the infrastructure, rail, underground mining and water sectors. The oil, gas and chemical sectors have shown an improvement since last year. Leadership changes have been implemented to address the under-performance of this operating group.

Aveng ACS: revenue increased by 3% to R215 million (2016: R209 million) due to an increase in product sales and project activity in the traditional Oil & Gas market. ACS continues to diversify their product revenues into non-traditional power and mining sectors.

Aveng DFC: revenue decreased by 4% to R228 million (2016: R237 million) following low demand in the local water market. Many local water infrastructure maintenance projects that are in the pipeline have been placed on hold. Revenue from foreign subsidiaries has remained flat, with lower revenues achieved from the Americas, compensated by an increase in revenue from Northern and Eastern Europe.

Aveng Duraset: revenue remained stagnant at R232 million (2016: R232 million) despite lower demand in the underground mining sector due to mine closures and various mines being placed on care and maintenance. Lower local demand has been compensated by exports.

Aveng Infraset: revenue decreased by 5% to R370 million (2016: R388 million). Rail product supply volumes continue to remain subdued. Infrastructure product revenue continued to decline, with lower market demand for pipes, culverts, and landscaping product. Roof tile market demand continues to outstrip supply capacity.

Aveng Rail: revenue decreased by 70% to R76 million (2016: R256 million) mainly due to low local and cross border rail construction activity. Local tenders have yet to be awarded. Similarly, cross border quotes and tenders have been submitted, but have yet to be awarded. Mechanised rail maintenance service volumes remain at low levels.

Aveng Steel

This operating group consists of Aveng Trident Steel.

Aveng Trident Steel

Revenue increased by 1% compared to the previous reporting period. Volumes were lower, however the business achieved a higher selling price per ton. Exchange rate volatility has had a negative impact on earnings. Aveng Steel continues to contribute positively to the Group's liquidity through improved working capital management. Its EBITDA improved to a R7 million loss compared to a R30 million loss for the comparable period.

Two-year order book

The Group's two-year order book amounted to R25,1 billion at 31 December 2017, decreasing by 16% from the R29,9 billion reported at 30 June 2017. This includes a 21% decrease in AUD terms in McConnell Dowell's order book, translating into a 24% decrease in Rand terms. The Aveng Mining order book decreased by 14% or R1,0 billion, in line with ramp up of contracts. Aveng Grinaker-LTA's order book decreased by 9%. Securing quality work at targeted margins remains a priority.

The geographic split of the order book at 31 December 2017 was 46% Australasia and Asia (December 2016: 53%), 46% South Africa (December 2016: 41%) and 8% other (December 2016: 6%).

The potential order book is looking promising with a number of near orders in the Moolmans and McConnell Dowell pipelines.

A number of new projects have been awarded in the period under review, these include:

- McConnell Dowell was awarded the
  - 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
  - Lyttelton 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
  - Pagao Pago Runway Overlay, American Samoa
  - Sembcorp Tunnel, Southeast Asia
  - HMAS Stirling BU1 & CEPS2, Built Environs, Australia
- Aveng Mining was awarded an extension on the Klipbankfontein iron ore project.
- Aveng Grinaker-LTA has been awarded various mechanical and electrical maintenance contracts in KwaZulu-Natal and the Western Cape, Nongoma TVET College Campus (KZN), Aspen extensions (EC), UCT GSB lecture theatre.

Outlook and prospects

The markets serviced by McConnell Dowell are expected to continue to offer growth opportunities with the continued roll out of large- and medium-sized projects in the major Australian cities.
In Southeast Asia, opportunities exist in infrastructure in Singapore, Malaysia, Thailand, Indonesia and the Philippines. Government investment in large scale transport and water projects will fuel growth in the New Zealand market.

Domestically the outlook for the infrastructure market remains subdued with limited visibility on large scale projects. However, recent changes in the political environment have led to an improved sentiment in South Africa. There are opportunities to increase exports for the manufacturing operations.

The improved contract mining environment and some notable contract wins place the operating group in a strong position to pursue its longer-term growth strategy in selected international markets.

Furthermore, the focus will remain on optimisation efforts in Aveng Steel to deliver a break-even result in the current depressed market conditions, which are expected to persist.

The immediate priority for the Group will be the implementation of the strategic plan. Non-core assets have been identified and a disposal process has commenced.

Work has commenced on a potential capital market transaction and further details will be provided at the appropriate time.

Disclaimer

The financial information on which any outlook statements are based has not been reviewed or reported on by the external auditor. 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

EK Diack
Executive Chairman and Acting CEO

AH Macartney
Chief Financial Officer

Date of release: 27 February 2018

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