AVENG LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1944/018119/06)
ISIN: ZAE000302618
SHARE CODE: AEG
("Aveng" or "the Company" or "the Group")

AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

SALIENT FEATURES

- Revenue[1] of R28,9 billion (2022: R22,5 billion*)
- Operating loss[1] of R1 060 million (2022: R360 million earnings*)
- Loss for the year of R1 283 million (2022: R130 million earnings)
- Loss per share of 1 017 cents per share (2022: 106 cents earnings per share)
- Headline loss of R950 million (2022: R308 million earnings)
- Headline loss per share of 753 cents (2022: 252 cents earnings per share)
- Cash on hand of R2,4 billion (June 2022: R2,6 billion)
- Net cash position excluding IFRS 16 of R1,4 billion (June 2022: R2,1 billion)
- Increase in work in hand to R52,2 billion from R30,8 billion in June 2022
- Net asset value per share of 2 403 cents per share (June 2022:2 873 cents per share)

*Re-represented. The Group is required to re-present the results of Trident Steel, previously presented in continuing operations, to discontinued operations for all periods presented.

[1] Continuing operations

RESULTS FOR THE YEAR ENDED 30 JUNE 2023

OVERVIEW

The financial year has been a year of transition, characterised by a normalisation of operating activities as we emerged from the global Covid-19 pandemic, rapid growth of McConnell Dowell as revenue, work in hand and people numbers grew, the awarding of new contracts at Moolmans and the related investment in, delivery and commissioning of heavy mining equipment. Both McConnell Dowell and Moolmans invested in systems in the areas of new business and human capital management. The Group continued its journey to develop both enterprise risk management and ESG frameworks. The sale of Trident Steel and settlement of the legacy term debt brought the 2018 restructuring strategy to a conclusion. New financing facilities were arranged in support of the investment in new equipment and the partial funding of a project guarantee following its encashment, together with new general banking facilities for the South African operations. These activities provide the foundation for a focused business and balance sheet as we build for the future.

Aveng grew its continuing operations revenue by 28% in the current year, but delivered a disappointing operational performance. The Group incurred a significant operating loss following substantial losses in the Southeast Asia business unit of McConnell Dowell, primarily from the Batangas LNG terminal project. Both McConnell Dowell and the Group reported operating losses as a result. An operational underperformance at Moolmans further contributed to the operating loss. Following the disappointing results in McConnell Dowell, the Group conducted a review of the BLNG project and a broader portfolio of current projects. This has led to the design and implementation of improved operational standards and governance procedures for tenders and projects at McConnell Dowell.

Stronger balance sheet

Aveng has delivered on its strategy announced in February 2018 to simplify its business, de-risk its balance sheet and reduce its debt. The strategy required Aveng to dispose of non-core assets and repay its debt to allow the Group to focus on the core assets of McConnell Dowell and Moolmans.

Concluding the implementation of the Trident Steel disposal transaction, enabled Aveng to continue its journey to a sustainable capital structure by fully extinguishing its South African legacy debt of R478 million and its short-term

Trade Finance Facility of R450 million. The settlement of South African legacy debt, which at its height amounted to R3,3 billion in 2018, marked a pivotal moment in ensuring a sustainable capital structure and a platform for growth for Aveng.

With Trident Steel being a working capital-intensive business, the disposal allowed Aveng to further de-risk its balance sheet by terminating over R500 million in ancillary trade finance facilities including foreign exchange, promissory notes and letter of credit facilities.

The Company continued to de-risk the balance sheet through the reduction of the South African guarantee exposure from R3,8 billion in 2018 to R82 million at 30 June 2023. In addition, the Group continues to settle major litigation, historical claims and contingent liabilities.

Subsequent to year end, the financial institutions that have an interest in the Common Terms Agreement, have reduced from six to two parties. The Group has entered into new banking facilities with The Standard Bank of South Africa Limited and the existing Common Terms Agreement will be amended and restated to reflect these changes.

Having achieved these fundamental milestones, Aveng has been simplified and focused to deliver its projects through its core disciplines in its two subsidiaries, McConnell Dowell and Moolmans.

Work in hand

McConnell Dowell continued to win work within its areas of specialist disciplines. The business won R38 billion (AUD3,2 billion) in new work and grew work in hand by 40%, from R27,8 billion (AUD2,5 billion) at 30 June 2022 to R44,2 billion (AUD3,5 billion) at 30 June 2023. McConnell Dowell has secured 100% of its FY24 planned revenue.
Moolmans grew its work in hand significantly to R8,0 billion at 30 June 2023 after winning R9,4 billion of new work, including a new five-year contract at Tshipi é Ntle. Moolmans has secured 93% of its planned FY24 revenue.

The total Group work in hand as at 30 June 2023 was R52,2 billion representing a R21,4 billion increase from the prior year.

FINANCIAL REVIEW

The Group's revenue from continuing operations increased by 28% to R28,9 billion (2022: R22,5 billion). McConnell Dowell recorded growth from R19,0 billion (AUD1,7 billion) to R26,0 billion (AUD2,2 billion), which makes up 90% of revenue from continuing operations (2022: 84%).

Operating loss from continuing operations amounted to R1 060 million (2022: operating earnings R360 million) and was mainly driven by:

- McConnell Dowell – operating loss of R815 million (2022: operating earnings of R385 million);
- Moolmans – operating loss of R110 million (2022: operating earnings of R207 million);
- South Africa: Construction – operating loss of R59 million (2022: operating loss of R67 million); and
- Other, including the Group corporate head office – operating loss of R76 million (includes the accumulated ticking fee of R75 million recognised on the sale of Trident Steel (2022: operating loss of R165 million).

The total loss from discontinued operations amounted to R166 million (2022: R30 million earnings). Earnings from discontinued operations, net of taxation comprises earnings of R120 million (2022: R111 million) from the Manufacturing and Processing segment. The main contributor is Trident Steel with operating earnings of R204 million for 10 months up to date of disposal (2022: R220 million), offset by net finance expenses of R89 million (2022: R93 million). The Trident Steel business was disposed of as a going concern on 28 April 2023.

Total loss for the year of R1 283 million in comparison to earnings of R130 million in the prior year. This amount includes an amount of R436 million relating to the derecognition of exchange gains on translating foreign operations and R267 million foreign currency translation gain from continuing foreign operations in the current year. Total comprehensive loss for the year amounts to R580 million.

Basic loss per share of 1 017 cents was calculated using a weighted average number of shares of 126,1 million shares. The prior year basic earnings per share of 106 cents was calculated using a weighted average number of shares of

122,5 million shares. The increase in the weighted average number of shares of 3,6 million shares is due to the vesting of shares in terms of the equity-settled share-based payment plans.

Headline loss of R950 million (2022: R308 million, earnings) and headline loss per share of 753 cents (2022: 252 cents, earnings per share) after accounting for losses on derecognition of components, gain on disposal of assets held for sale and exchange differences on translating foreign operations reclassified to earnings or loss on derecognition.

OUTLOOK

Aveng is positioned and equipped to restore itself to sustainable, profitable growth. The McConnell Dowell and Moolmans businesses are expected to return to profitability and generate positive operational cash flow. The Group enters the 2024 financial year in a strong position, with combined work in hand amounting to R52,2 billion. This supports 100% of next year's expected revenue of R32 billion.

McConnell Dowell

McConnell Dowell is in a strong secured revenue position and focused on managing risk, converting opportunities and delivering margin. Disciplined project execution is fundamental to the Group's goal of being a fit-for-purpose organisation capable of sustainable and profitable long-term growth.

The current work in hand provides a robust revenue platform, with 100% of planned revenue for FY24 secured. 83% of work in hand is government work and 17% is in the private sector. The addressable market across McConnell Dowell's footprint provides a visible pipeline of AUD15,6 billion facilitating strategic selection of tender opportunities in support of profitable growth. The business remains focused to convert current tenders of AUD1,4 billion in preferred bidder status to award, with a further AUD0,9 billion in tenders awaiting award and AUD1,0 billion tenders in preparation for submission.

McConnell Dowell continues to focus on improved operational performance and cash generation to achieve an improved operational margin.

Moolmans

Moolmans growth agenda continues to be underpinned by investment in heavy mining equipment, people and systems. The current work in hand provides a solid revenue platform, with 93% of planned revenue for FY24 secured. Key areas of focus are to improve operational performance and cash generation. The continued investment in new equipment will support its strategy of selecting and entering into long-term and commercially viable contracts.

Moolmans total visible pipeline amounts to R65 billion with R47 million worth of tenders in submission and awaiting adjudication.

ABOUT AVENG LIMITED

Aveng is an engineering led contractor focused on infrastructure, resources and contract mining in selected markets, capitalising on the expertise and experience within McConnell Dowell and Moolmans.

Short-form announcement

This short-form announcement is the responsibility of the directors and is only a summary of information contained in the annual financial statements, which are available at https://senspdf.jse.co.za/documents/2023/JSE/ISSE/AEG/afsFY2023.pdf and on the Company's website at https://www.aveng.co.za/results-reports-presentations.php. The full announcement is also available at https://www.aveng.co.za/results-reports-presentations.php.

This announcement does not contain full or complete details and any investment decisions by investors and/or shareholders should be based on consideration of the annual financial statements and the full announcement.

Audit opinion

The annual financial statements were audited by KPMG Inc., who expressed an unqualified audit opinion thereon.

22 August 2023

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Non-Executive Directors
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