Aveng Group 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**")

REVIEWED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2023

Salient Features[1]

- Revenue of A$1.5 billion (R18.6 billion); (December 2022: A$1.1 billion (R12.8 billion[2]))
- Operating earnings of A$15.5 million (R192 million); (December 2022: A$7.8 million (R91 million[2]))
- Earnings for the period of A$0.8 million (R11 million); (December 2022: A$4.1 million (R48 million))
- Headline earnings of A$11.3 million (R137 million); (December 2022: A$6.5 million (R77 million))
- Earnings per share of A$0.6 cents (8.4 cents (Rands)); (December 2022: A$3.2 cents (38 cents (Rands))
- Headline earnings per share of A$8.8 cents (106 cents (Rands)); (December 2022: A$5.2 cents (61 cents (Rands))
- Work in hand of A$3.6 billion (R44.5 billion); (June 2023: A$4.2 billion (R52.2 billion))
- Cash on hand of A$250 million (R3.1 billion); (June 2023: A$190 million (R2.4 billion))
- Strategic journey enters a new phase.
- New organisational structure and leadership announced.

1 All figures have been restated due to a change in the reporting currency from ZAR to A$.
2 Prior period revenue and operating earnings from continuing operations exclude Trident Steel.

Change in reporting currency

Aveng has evolved into a business with two operating subsidiaries, McConnell Dowell and Moolmans, with 91% of its revenue sourced from outside South Africa. The Aveng board of directors ("**Board**") bases its performance evaluation and many investment decisions on Australian Dollar financial information, being the predominant transactional currency of the Group. The Board believes that Australian Dollar financial reporting provides a more relevant presentation of the Group's financial position, funding and treasury functions, financial performance and its cash flows.

Based on the above, Aveng has elected to change its reporting currency from the South African Rand (ZAR) to the Australian Dollar (A$), with such change being implemented for the reviewed interim condensed financial statements at 31 December 2023.

It should be noted that the functional currencies of the Group's underlying businesses remain unchanged. Functional currencies refer to the currencies of the primary economic environments in which underlying businesses operate. Foreign exchange exposures will therefore be unaffected by the change, albeit that the effects of such exposures will be presented in Australian Dollars.

To assist investors in understanding the change, the Group will provide summarised, restated Australian Dollar financial information for the interim period ended 31 December 2022 and restated financial information for the year ended 30 June 2023 in compliance with International Financial Reporting Standards (IFRS).

Results for the six months period ended 31 December 2023

Aveng demonstrated its resilience and the core strength of its operating subsidiaries by returning to profitability and positive cash generation in the interim period ended 31 December 2023. The Group has delivered a double-digit improvement in revenue, operating earnings, earnings from continuing operations and headline earnings.

Deliver profitability, positive cash generation and operational performance

At 31 December 2023, Aveng grew its revenue from continuing operations, which excludes Trident Steel by 39% to A$1.5 billion (December 2022: A$1.1 billion), with a corresponding improvement of 99% in its operating earnings to A$15.5 million (December 2022: A$7.8 million) and a 74% increase in headline earnings to A$11.3 million (December 2022: A$6.5 million), compared to the prior comparative period. Earnings from continuing operations increased to A$0.8 million (December 2022: A$0.4 million).

The Group produced gross earnings of A$83.9 million (R1 billion), 17% higher than the comparative period. A gross margin of 5.5% was achieved, a decrease of 1.1% compared to the prior comparative period. The erosion of the gross margin was largely due to the impact of hyper-escalation on project costs in Australia. The impact has largely been ameliorated by way of various strategies adopted to address this potential risk. This includes ensuring that the portfolio of work in hand comprises a high proportion of alliance model projects in Australia that offer protection in terms of cost reimbursement. Management continues to focus on improving margin on currently active projects.

The increase in operating earnings was driven by earnings in McConnell Dowell in H1 2024, with operating earnings of A$24.2 million (December 2022: A$15 million). Operating free cash inflow of A$83 million was received in the period. Moolmans generated operating earnings of A$1.9 million (R25 million) in H1 2024, albeit at a lower than budgeted operating margin.

McConnell Dowell operates 74% of its projects at or above bid margins, illustrating strong operational performance across most of its portfolio. The focus going forward is on improving this performance to mitigate the project risks on specific projects and maximise opportunity. Moolmans continues to focus on project execution through a focus on improving production levels across all its sites.

Strengthen balance sheet and settle term debt

In the current period, McConnell Dowell accelerated their repayments and repaid A$10 million of the term debt facility. The remaining balance of A$13 million is expected to be settled by June 2024. Earnings for the period have been retained to further bolster the balance sheet of McConnell Dowell.

The Group has entered into new banking facilities with The Standard Bank of South Africa Limited.

For the first time since June 2017, Aveng has no assets held for sale, following the disposal of its investment in Imvelo Concession Company Proprietary Limited.

Diversify Moolmans client, commodity and geographic focus
Moolmans remains determined to expand its current client, commodity and geographic footprint, which currently operates exclusively in South Africa, with the majority of its commodity exposure in manganese (82%) and iron ore (10%) extraction. Prospective projects within the SADC region have been identified together with further opportunities with existing clients at existing projects.

Continue to de-risk and wind down Group legacy matters
The Group continues to actively manage the remaining legacy matters with a dedicated team ensuring that these matters are de-risked and closed out.

Succession planning and capacity building
Aveng announced planned changes to the executive management on 22 November 2023. Succession planning for key leadership roles within the Company have been considered by the Remuneration and Nomination committee and the Board over the course of the last 18 months as the Company has transitioned through its restructuring to a smaller, focused and more sustainably profitable, engineering-led, infrastructure, building and mining contractor. In turn, Sean Flanagan, the Group Chief Executive Officer ("**CEO**") has elected to retire as CEO with effect from 1 March 2024, paving the way for Scott Cummins, the current CEO of McConnell Dowell to assume the role from this date. Sean will remain on the Board as a non-executive director.

A new executive leadership team has been formed, with all key functions represented at executive level. The team provides a strong matrix structure consolidating and simplifying the historical South African and Australian corporate layers, to leverage the collective expertise across the entire Group.

Key leadership appointments were made within the businesses, with McConnell Dowell appointing Mario Russo as the new managing director of the Australian infrastructure business unit and Moolmans appointing Rod Dixon as managing director. In the Southeast Asian business unit, a localisation strategy has been successful in appointing key individuals from within the region to lead the business unit into the future.

Environmental, social, governance and safety
Our environmental, social and governance ("**ESG**") practices are governed by policies, internal controls and are subject to both internal and external assurance. These are reported to and overseen by the Board and relevant sub-committees. We monitor our ESG practices to align them with best practice, recognising that this is a fast-changing landscape.

Aveng made further progress in implementing its values aligned ESG framework and performance indicators. We are integrating and improving the work we do in managing, measuring and reporting on our environmental and social impacts and successes. Baseline metrics continue to be measured against the targets for 2024 and the achievement of ESG key performance indicators is linked to the short-term incentives of management. The Group achieved its primary goal of zero fatalities and performed well in their other key safety, health and environment performance indicators. The Group recorded a lost-time injury frequency rate of 0.14 against a target of 0.13 and total recordable injury frequency rate of 0.65 against a target of 0.64.

New phase in the strategic journey

Aveng has shown resilience in returning to profitability and positive cash generation in H1 2024 and remains well positioned and equipped to continue with sustainable, profitable growth. The Group entered the second half of the 2024 financial year in a strong position, with combined work in hand amounting to A$3.6 million (R44.5 million). This supports 100% of the 2024 full year revenue and more than 60% of 2025 revenue.

From 1 March 2024, our new structure will more closely align with our operational activities. While our management epicentre shifts to Australia, our governance and control remain in South Africa and we remain listed on the JSE. Our objective is to achieve a focused management and governance structure, allowing greater efficiency and effectiveness. Over time, this shift will enhance access to diverse capital markets. As we navigate this exciting future together, we remain dedicated to delivering consistent, reliable and profitable results to our stakeholders.

Aveng's outlook is based on the strong foundations established over the preceding years. Aveng has three strong and well-respected operating brands in infrastructure, building and mining. This value offering sets us apart. We are seen as a valued partner on projects that deliver higher margins and better returns. Getting this done requires:

- Solid fundamentals – the right projects in the right markets, with an appropriate risk profile and a sharpened focus on execution.
- Investment in systems and technologies – to drive productivity and client value.
- Investment in people – an attractive employee value proposition and world-class leadership training and development.
- Operational standards and governance – one company, one approach with best practice standards that are clear, applicable group-wide and consistently applied.
- A new operating structure – agile, efficient and effective that allows leverage of collective expertise across the entire Group.

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 full reviewed interim condensed consolidated financial statements for the six months ended 31 December 2023 ("**Full Interims**"), which are available at https://senspdf.jse.co.za/documents/2024/JSE/ISSE/AEG/HY2024.pdf and on the Company's website 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 Full Interims and the full announcement.

Review opinion

The Full Interims have been reviewed by the Company's external auditors KPMG Incorporated, who expressed an unmodified review conclusion, in accordance with *International Standard on Review Engagements ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditors of the Entity* (ISRE 2410).

19 February 2024
Melrose Arch

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Non-Executive Directors
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