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 2024

Salient Features

- Revenue of A$1.4 billion (R16.6 billion); December 2023: A$1.5 billion (R18.6 billion)
- Operating loss before capital items of A$31.0 million (R356 million); December 2023: Operating earnings before capital items of A$15.5 million (R192 million)
- Operating loss before capital items includes A$76.7 million (R885 million) for losses from J108 and Kidston.
- Headline loss of A$34.4 million (R399 million); December 2023: Headline earnings of A$11.3 million (R137 million)
- Headline loss per share of A$26.7 cents (309 cents (Rands)); (December 2023: headline earnings per share of A$8.8 cents (106 cents (Rand))
- Basic loss of A$32.7 million (R378 million); (December 2023: Basic earnings of A$0.8 million (R11 million))
- Basic loss per share of A$25.4 cents (293 cents (Rands)); (December 2023: Basic earnings per share of A$0.6 cents) (8.4 cents (Rands))
- Work in hand of A$2.6 billion (R30.1 billion); (June 2024: A$3.1 billion (R37.2 billion))
- Cash on hand of A$256.1 million (R3.0 billion); (June 2024: A$227.7 million (R2.8 billion))
- Disposal of Investment in Dimopoint completed in December 2024.
- Moolmans has concluded a new 60-month contract with Gamsberg at higher volumes.
- Separation strategy making steady progress and remains the key focus for the calendar year.

Results for the six months period ended 31 December 2024

Aveng's revenue contracted 8.1%, in line with previous guidance, to A$1.4 billion (R16.6 billion) in the interim period ended 31 December 2024 (December 2023: A$1.5 billion (R18.6 billion)), following an expected softening of infrastructure markets in Australia and New Zealand.

The Group's gross earnings of A$38.3 million (R467 million), at a gross margin of 2.7% (December 2023: 5.5%), includes significant losses from the Jurong Region Line (J108) project in the Infrastructure Southeast Asia business unit, and the Kidston Pumped Storage Hydro project (Kidston) in the Infrastructure Australia business unit. Cost increases on these two key projects resulted in the recognition of a combined loss of A$76.7 million (R885 million) for the period ended 31 December 2024.

Whilst additional costs in the forecast cost to complete have been recognised in the current period, the cash flow impact will largely materialise over the next 18 months as the projects move towards being completed. The healthy cash balance in the Infrastructure and Building segments, supported by ongoing profitability and continued strong cash generation will fund the outflow from these projects.

The Group's operating loss before capital items of A$31.0 million (R356 million) (December 2023: operating earnings A$15.5 million (R192 million)) resulted from the recognition of losses on Kidston and J108. The balance of the projects in the Infrastructure portfolio remain profitable and cash-generative. Operating earnings improved in the Building segment through continued solid project execution. The Mining segment continued to focus on achieving steadily improving production performance, better commercial outcomes and the pursuit of new work.

Continuing on from the prior year, the Group continued to deliver a strong operating free cash inflow of A$16.1 million (December 2023: A$52.6 million inflow).

The Group closed with a higher cash balance of A$256.1 million (R3 billion) (June 2024: A$227.7 million (R2.8 billion)) and an improved net cash position of A$187.5 million (R2.2 billion) (June 2024: $173.7 million (R2.1 billion), with both the South African and Australian liquidity pool balances increasing in the period. A$75.0 million (R877 million) is held in joint arrangements within McConnell Dowell. The Group's debt now comprises asset-backed finance associated with property, plant and equipment in the Mining and Infrastructure segments.

Improved quality of work in hand with higher embedded margin, despite a decrease in work in hand

The Group enters the second half of the 2025 financial year with combined work in hand amounting to A$2.6 billion (R30.1 billion), down from A$3.1 billion (R37.2 billion) in June 2024. As previously guided, work in hand in the Infrastructure segment has reduced to A$1.7 billion (June 2024: A$2.2 billion), reflecting the overall reduction in state government spending (particularly in Victoria and NSW). The segment remains aligned to the market shift to defence, energy, water, marine and resources.

Work in hand in the Building segment has increased to A$515 million (June 2024: A$443 million) following the successful award of projects in the healthcare, recreation and education sectors.

Post period end, the Mining segment concluded a new 60-month contract at Gamsberg, delivering greater volumes, increased revenue and improved profitability.

Disposal of infrastructure investment in Dimopoint

As announced on 2 December 2024, Aveng completed the disposal of its 30% investment in the issued share capital of Dimopoint Proprietary Limited (Dimopoint), through its subsidiary, Aveng Africa Proprietary Limited (Aveng Africa), to Collins Property Group for cash proceeds of A$8.1 million (R96 million). The disposal resulted in the termination of the head lease agreement between Aveng Africa and Dimopoint, the settlement of rights and the release of all obligations and liabilities associated with the head lease agreement. The disposal resulted in the derecognition of the remaining lease liabilities and associated sub-lease receivables previously recognised by Aveng Africa. In addition, the ongoing expenses and associated liabilities, including contingent liabilities, associated with the properties will be extinguished. Moolmans has entered into a lease with Dimopoint for the property that it occupies on substantially the same terms and conditions.

Operational performance

Our commitment to ensuring the success of our three businesses, McConnell Dowell, Built Environs and Moolmans, remains unwavering and in line with the objective of ensuring a sustainable future for all three businesses.

Aveng delivers its projects through three strong operating brands which make up three distinct segments. The Infrastructure segment, branded McConnell Dowell, operates in three geographical regions – Australia, New Zealand & Pacific Islands and Southeast Asia; the Building segment, branded Built Environs, operates in New Zealand and the states of Victoria and South Australia, and the Mining segment branded Moolmans, which operates in South Africa.

Infrastructure

The Australia and Southeast Asia business units have previously reported on under-performance associated with certain projects awarded prior to the COVID-19 period. The majority of these projects have been managed to a satisfactory outcome and, whilst not contributing profit to the Group, they represent a reducing proportion of revenue as these projects are steadily being worked out of the portfolio. The remainder of the project portfolio continues to perform well at higher average operating margins.

For the period ended 31 December 2024, the Infrastructure segment achieved revenue of A$1.1 billion (December 2023: A$1.2 billion), mainly attributable to revenue in its Australia and New Zealand & Pacific Islands business units. The business continues to focus on specialised projects in Australia, New Zealand & Pacific Islands, and Southeast Asia, offering engineering and infrastructure solutions in the transport, water & wastewater, ports & coastal, energy and resources sectors.

The New Zealand & Pacific Islands business unit continues to deliver a strong performance, with revenue of A$157 million (December 2023: A$157 million) and has reported an operating margin of A$13.4m million (December 2023: A$13.1 million). As expected, work in hand is down in the period to A$266 million (June 2024: A$339 million), reflecting the timing of larger infrastructure project awards, particularly for government funded projects. An improvement is expected to emerge in the New Zealand & Pacific Islands markets in the coming period.

The Australia business unit's revenue decreased by 6.9% in the period to A$892 million (December 2023: A$958 million). Improving margins across its portfolio of projects have contributed to a strong performance for the business unit, however, this performance is overshadowed by the Kidston project in Queensland. The project has not achieved expected productivities, resulting in increased forecast cost to complete and a reported loss in the period. Cost escalation on certain alliance contracts translated into additional revenue at zero margin. Consequently, the Australian business unit will report a breakeven result for the period (December 2023: A$19.1 million). As expected, work in hand has reduced to A$1.1 billion (June 2024: A$1.6 billion), with new projects to the value of A$436 million awarded in the period.

In the Southeast Asia business unit, newly awarded marine projects are profitable. However, the J108 project for the Land Transport Authority in Singapore has experienced delays and disruptions. These delays have resulted in commercial claims and increased forecast cost to complete. The commercial negotiations continue with the client and the project will report a significant loss for the period. As a result, the Southeast Asia business unit will report a significant loss for the period of A$40.3 million (December 2023: A$4.3 million loss). The business unit's strategy focuses on self-perform projects in specialised sectors in Indonesia and Singapore.

The J108 and Kidston projects were tendered and awarded prior to March 2020. Following the interventions and changes to our risk management approach from June 2023, due to their risk profile and commercial terms, projects of this nature would no longer be accepted as lump-sum design and construct contracts.

The Infrastructure segment recorded a lost-time injury frequency rate of 0.46 against a target of 0.35 and total recordable injury frequency rate of 3.13 against a target of 3.00.

Building

Aveng's commercial building business unit, Built Environs, has reported lower comparable revenue of A$203 million (December 2023: A$224 million), with improved operating earnings of A$9.2 million as compared to the prior period (December 2023: A$5.2 million). Work in hand is spread evenly across the three regional markets, has increased to A$515 million (June 2024: A$443 million) and remains at comfortable levels to deliver similar revenue going forward. The improved operating performance and growth in order book reflects a disciplined approach to operational delivery and a focus on its targeted market segments of education, healthcare and recreation.

The Building segment recorded a lost-time injury frequency rate of 0.00 against a target of 0.46 and total recordable injury frequency rate of 3.7 against a target of 6.9.

Mining

Moolmans is a tier-one contract mining business offering specialised services to the open-cast mining industry. Moolmans operates primarily in South Africa where continued challenges relating to road and rail infrastructure, ports, electricity and logistical challenges continue to impact our clients' operational plans. Moolmans has extensive experience in the SADC and West African regions and will utilise this experience in seeking opportunities to diversify its operations.

The business unit reduced its revenue by 7.1% to R1.4 billion (A$126.2 million) for the period ended 31 December 2024 (December 2023: R1.7 billion (A$135.9 million)) following the early completion of work on two contracts in H2 2024. The business unit reported operating earnings of R15 million (A$1.4 million) for the period ended December 2024 (December 2023: R25 million (A$1.9 million)).

Moolmans has focused on achieving consistent production volumes at its projects and this is yielding results. The Gamsberg project has delivered increased volumes and profitability over the period. At Tshipi, whilst production volumes are steady, operating margins remain under pressure, and these are being addressed through the resolution of outstanding commercial claims.

Moolmans has been working with their client at the Gamsberg project over the period to increase production volumes in anticipation of a new contract at significantly higher volumes. This has culminated in the award of a new 60-month contract. This contract is expected to deliver greater volumes, increased revenue and improved profitability, allowing Moolmans to utilise and renew existing fleet, and add new equipment. Additional capital expenditure for new equipment and a renewal plan for existing equipment over the contract period, will be funded through project cashflows. Moolmans has worked with its OEM suppliers and financiers to ensure new equipment is already on site, so as to allow steady production increases and achieve full production from 1 April 2025. The new contract increases work in hand, profitability and longer-term cash flows.

The Mining segment recorded a lost-time injury frequency rate of 0.17 against a target of 0.35 and total recordable injury frequency rate of 0.33 against a target of <3.00.

Aveng Legacy

Aveng continues to complete the significant task of closing out non-core asset disposals and ensuring that the Group complies with all statutory, legal, technical, commercial, and human resources obligations. This primarily relates to Aveng Africa Proprietary Limited. In the period, the business unit concluded the disposal of its 30% investment in the issued share capital of Dimopoint for R96 million (A$8.1 million).

The business unit recorded an operating loss of R29 million (A$2.4 million) (December 2023: R35 million (A$2.9 million)). The South African performance guarantee exposure decreased to R45 million (A$3.9 million) compared to R51 million (A$4.2 million) at 30 June 2024. Subsequent to the balance sheet date, this performance guarantee exposure reduced by a further R42 million (A$3.6 million).

Strategic review

Aveng remains committed to its strategy of enhancing stakeholder value and maximising value to shareholders through improved operational performance and the creation of two independent and separate entities. Aveng continues to support and enhance the prospects of both entities for all stakeholders by enabling the two entities to access the most attractive capital to pursue their separate strategies.

Moolmans

The focus remains on improving operational performance, commercial management and securing new contracts that add value to Moolmans. A new 60-month transformational contract has been entered into at Gamsberg subsequent to period end. Steady progress has been made with the overall process to introduce new ownership, including BBBEE capital. Negotiations continue to take place with interested parties.

McConnell Dowell (including Built Environs)

Focus remains on operational performance through improving the consistency of project delivery and winning new work within the Infrastructure segment.

Preparatory work, including legal, tax, statutory and financial due diligence for the separation has proceeded in accordance with plan. A range of implementation options for the separation are being assessed to deliver shareholder value and will be pursued in the coming 12 months.

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 the information contained in the full reviewed interim condensed consolidated financial statements for the six months ended 31 December 2024 ("**Full Interims**"), which are available at https://senspdf.jse.co.za/documents/2025/JSE/ISSE/AEG/HY2025.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.

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).

17 February 2025
Boksburg

JSE Sponsor
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