AVENG LIMITED
(Incorporated in the Republic of South Africa)
(Registration number: 1944/018119/06)
ISIN: ZAE000111829
SHARE CODE: AEG
("Aveng", "the Company" or “the Group”)

TRADING STATEMENT, TRANSACTION ANNOUNCEMENTS AND RENEWAL OF CAUTIONARY

Salient features

- A trading statement indicating a full year headline loss being between 45% and 55% better, and the basic loss in earnings between 75% and 85% better than the comparative period.
- Agreements signed for the following significant transactions:
  o sale of Aveng Capital Partner’s equity interests in four major infrastructure investments for R860 million cash; and the
  o sale of a 70% interest in the Group’s steel reinforcing and mesh business for approximately R252m of which between R93 million and R123 million will be in cash and the remainder paid on a deferred basis.

Trading statement announcement

In accordance with section 3.4 (b) of the JSE Listings Requirements, shareholders are advised that the headline loss per share (“HEPS loss”) for the 12 months ended 30 June 2016 will be between 45% and 55% better than the comparative period. The HEPS loss will be between (65)cps and (79)cps, compared to (144.3)cps in 2015, while the headline loss for the year will be between (R260) million and (R318) million, compared to (R578) million in 2015.

The basic loss per share (“EPS loss”) will be between 75% and 85% better than the comparative period. The EPS loss will be between (17)cps and (29)cps, compared to (114.8)cps in 2015, with basic loss in earnings of between (R69) million and (R115) million for the year, compared to (R460) million in 2015.

This result is a material improvement on the prior year and is underpinned by:

- an improved financial performance from Aveng Grinaker-LTA on completion of loss-making and non-contributing contracts, an improvement in the ratio of contracts operating at tendered margins, strong performance in the building business, the resolution of some major commercial claims and a further reduction in fixed operating expenses
- realisation of cost savings initiatives previously implemented throughout the Group
- improved financial performance from Aveng Steel in the second half of the year
- fair value gains on the infrastructure investments
though partially offset by:

- restructuring expenses incurred to further right-size the Group’s overhead structure in response to market conditions
- underperformance on certain contracts in McConnell Dowell
- additional expenses on a problematic water contract in Aveng Water
- contract cancellations and activity reductions in Aveng Mining
- continuing difficult trading conditions in most of the markets in which the Group operates.

The basic loss for the year includes the profit on sale of the South African property portfolio of R577 million in the first half of the year, partially offset by the impairment of certain steel assets recognised in the second half of the year.

**Aveng Capital Partners’ infrastructure investments**

Further to the Group’s half year results announcement on SENS on 23 February 2016, the monetisation of the four major infrastructure investments has been largely concluded. A wholly-owned subsidiary of Aveng, Aveng Africa (Pty) Ltd, has concluded a binding agreement with Royal Bafokeng Holdings (Pty) Ltd, for the sale of its entire interest in the investments as detailed in the terms below.

Conditions precedent to the disposal transaction include the waiver of the pre-emptive rights by current shareholders, and compliance, regulatory and lender approvals. Shareholder approval is required for this transaction by virtue of its quantum.

**Aveng Steeledale**

Further to the renewal of the cautionary announcement on 4 July 2016 regarding the divestiture from the Group’s steel assets, shareholders are advised that a wholly-owned subsidiary of Aveng, Aveng Africa (Pty) Ltd, has reached an agreement with Kutana Steel (Pty) Ltd (Kutana) whereby Kutana will acquire a 70% interest in the Steeledale business for approximately R252 million, with between R93 million and R123 million payable in cash and the remainder payable on a deferred basis. Aveng Africa will have the option to divest from the remaining 30% shareholding in the Steeledale business at any time after three years.

The Kutana group of companies is a black women-owned investment group. Thoko Mokgosi-Mwantembe is the CEO of the Kutana group of companies. Ms Mokgosi-Mwantembe is an independent non-executive director of Aveng Limited and other major South African listed companies. The sale to an affiliate of a director is deemed to be a sale to a related party and hence shareholder approval is required to complete this transaction. Refer to the transaction details provided below.

The proceeds from these transactions will be used to primarily strengthen the balance sheet of the Group to support Aveng’s move to the next phase of its strategy, namely, positioning for growth.
Aveng Grinaker-LTA

Further to the Group’s half year results announcement on SENS on 23 February 2016, the empowerment of Aveng Grinaker-LTA through the introduction of a B-BEEE partner is progressing well and shareholders will be updated in due course.

Aveng Trident Steel and Aveng Steel Fabrication

Further to the renewal of the cautionary announcement on 4 July 2016 regarding the divestiture from the Group’s steel assets, an update on the status of this transaction will be provided at the results presentation on 23 August 2016.

Cautionary

Aveng is still in negotiations in relation to (i) the sale of its Aveng Trident Steel and Aveng Steel Fabrication business units, and (ii) the introduction of a B-BBEE partner to Aveng Grinaker-LTA, accordingly shareholders are advised to continue to exercise caution when dealing in Aveng Limited securities until a further announcement is published. Further information, including the pro forma financial effects of the proposed ACP and Steeledale transactions, together with a detailed timetable pertaining to these proposed transactions, will be published in due course.

Reporting

The above information has not been reviewed nor reported on by Aveng’s independent external auditors. The Group’s results for the twelve month period ending 30 June 2016 will be released on SENS on 23 August 2016 when the Group will be updating the market on its business in a presentation in Johannesburg on the same day and in Cape Town on 25 August 2016. The presentation will be available for all stakeholders on the Group’s website, www.aveng.co.za.

Forward looking statements

This announcement includes forward-looking statements that reflect the current views or expectations of the Board with respect to future events and financial and operational performance. All statements, other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: the Group’s strategy; the economic outlook for the industry; use of the proceeds of any rights offer; and the Group’s liquidity and capital resources and expenditure.

These forward-looking statements speak only as of the date of this announcement and are not based on historical facts, but rather reflect the Group’s current expectations concerning future results and events. The
Shareholders are advised that Aveng, via a wholly owned subsidiary Aveng (Africa) (Pty) Ltd (“Aveng”), has entered a Share Sale Agreement (SSA) with Royal Bafokeng Holdings (Pty) Ltd (RBH) in terms of which RBH acquires the Equity Interests and Loans, as detailed below, for a cash consideration of R860 million (Purchase Price) (the Proposed ACP Transaction):

1.1 the equity interests, which are managed by Aveng Capital Partners (ACP), comprise the following:

1.1.1 Blue Falcon 140 Trading (RF) (Pty) Ltd (Blue Falcon), a project company that owns the 138MW Gouda wind farm in the Western Cape. The project reached commercial operations in August 2015. Aveng’s investment comprises a 29% interest and a shareholder loan in Blue Falcon;

1.1.2 Imvelo Concession Company (RF) (Pty) Ltd (Imvelo), a project company that entered a 27-year concession agreement for the design, building, operation and maintenance of the Department of Environmental Affairs campus in Pretoria. The concession is in its fourth year of operation. Aveng’s investment comprises a 30% interest and a shareholder loan in Imvelo;

1.1.3 N3 Toll Concessions (Pty) Ltd (N3TC) is a project company that entered a 30-year concession agreement with the South African National Roads Agency (SOC) Ltd (Sanral) in 1999. Aveng, through a wholly owned subsidiary, currently holds a 10.92% interest in N3TC;

1.1.4 Windfall 59 Properties (RF) (Pty) Ltd (Windfall), a project company that owns the 74MW Sishen Solar Photovoltaic Plant located in the Northern Cape. The project reached commercial operation in December 2014. Aveng’s investment comprises a 29% interest and a shareholder loan in Windfall;

(collectively the Equity Interests).

1.2 In addition to the Equity Interests, Aveng shall sell to RBH, loans advanced to certain
shareholders of Blue Falcon and Windfall (Aveng Loans).

1.3 Depending on the outcome of the pre-emptive process in 2 below, Aveng may, at its election decide to sell some, as opposed to all, of the Equity Interests and/or Aveng Loans.

1.4 The proceeds from the Proposed ACP Transaction will be used primarily to strengthen the balance sheet of the Group to support Aveng’s move to the next phase of its strategy, namely, positioning for growth.

2. Pre-emptive process

2.1 The other shareholders in Blue Falcon, Windfall, N3TC and Imvelo (Project Companies) have pre-emptive rights to acquire the Equity Interests in the Project Companies. Pursuant to the pre-emptive rights, Aveng has provided the shareholders of each Project Company with the terms of the RBH binding offer applicable to the sale of the relevant Equity Interest and has requested that such shareholders waive their pre-emptive rights. Aveng has received waivers from some but not all the shareholders who have pre-emptive rights in respect of the relevant Equity Interests. The Group is expecting correspondence from the remaining shareholders on whether they intend exercising their pre-emptive rights by no later than the final pre-emptive period expiry date, being 28 September 2016.

2.2 The Proposed ACP Transaction with RBH is subject to the conditions precedent set out in 5 below, notably:

- Aveng obtaining pre-emptive waivers from all the other shareholders of Blue Falcon and Windfall; or
- if such waivers are not granted, the Blue Falcon and Windfall shareholders not exercising their pre-emptive rights successfully on or before 28 September 2016, being the date on which the final pre-emptive period expires.

2.3 Should the above conditions not be fulfilled, the SSA shall terminate and the sale of the Equity Interests will proceed via the pre-emptive process and/or with other interested buyers.

3. Overview of RBH

3.1 RBH is a community based investment company and is the primary investment vehicle of the Royal Bafokeng Nation, a community of approximately 150 000 Setswana-speaking people with substantial minerals-rich land holdings in South Africa’s North West Province.

3.2 The Royal Bafokeng Development Trust is the sole shareholder of RBH, whose investment activities are aimed at generating the income required for the funding of sustainable projects
that will benefit the Bafokeng community.

3.3 RBH has assets spread across the mining, financial services, infrastructure, oil and gas services, and property sectors. As at 31 December 2015, RBH’s net asset value was R25 billion.

4. **Rationale for the Proposed ACP Transaction**

4.1 The ACP investment strategy includes the monetisation of those assets comprising its portfolio once the underlying projects reach commercial operations, thereby enhancing their marketability and value upon exit.

4.2 Four project investments in the ACP Infrastructure portfolio, namely, Blue Falcon, Windfall, Imvelo and N3TC are now fully operational and therefore, in line with ACP’s strategy, suitable for monetisation.

5. **Conditions Precedent to the Proposed ACP Transaction**

5.1 The Proposed ACP Transaction will be subject to, among others, the following conditions precedent (Conditions Precedent):

5.1.1 to the extent required, Aveng shall obtain all the relevant consents or approvals in terms of the Companies Act and the JSE Listings Requirements required for entering and implementing the SSA;

5.1.2 Aveng shall deliver to RBH a copy of the waiver of the pre-emptive rights or shall confirm in writing that the pre-emptive rights process was followed but not exercised in terms of the relevant Shareholders’ Agreements;

5.1.3 RBH shall enter and sign a deed of adherence to the relevant Shareholders’ Agreements of the respective Project Companies pursuant to the SSA; and

5.1.4 the project finance conditions precedent embedded in the various transaction documents as entered into by each of the Project Companies with various stakeholders for purposes of implementing their respective projects, shall have been fulfilled or waived.

5.2 The Effective Date of the Proposed ACP Transaction will be the fifth business day immediately following the date on which the Conditions Precedent are fulfilled. It is anticipated that this date will be no later than 31 October 2016.
6. Circular

The transaction is a Category 1 transaction in terms of JSE Listings Requirements and therefore shareholder approval is required for the Proposed ACP Transaction. Accordingly, a circular containing the notice of meeting will be sent to Aveng shareholders in due course.

TRANSACTION DETAILS REGARDING THE PROPOSED DISPOSAL BY AVENG AFRICA (PTY) LTD OF ITS STEEL REINFORCING AND MESH BUSINESS CONDUCTED BY AVENG STEELEDALE, TO THE KUTANA GROUP OF COMPANIES

1. Introduction and rationale for the Proposed Steeledale Transaction

1.1 As set out in the cautionary announcement of 23 February 2016, Aveng Limited has received various non-binding offers from numerous parties to acquire from, or partner with the Group for either (i) the entire steel operating group (Aveng Steel); or (ii) certain individual business units thereof, being Aveng Trident Steel, Aveng Steeledale and Aveng Steel Fabrication. These three business units are held by Aveng Africa (Pty) Ltd (Aveng Africa), a wholly owned subsidiary of Aveng Limited.

1.2 One of the business units of Aveng Steel for which offers were received was the steel reinforcing and mesh business unit (the Steeledale Business).

1.3 Shareholders are advised that Aveng Africa has reached agreement with a subsidiary in the Kutana group of companies, Kutana Steel (Pty) Ltd (Kutana), a black women-owned entity, whereby Kutana will acquire a 70% shareholding in the Steeledale Business on or about 1 November 2016 (the Effective Date) following the fulfilment of certain conditions precedent as described in 5 below (the Proposed Steeledale Transaction).

1.4 The Proposed Steeledale Transaction shall be implemented as follows:

a) Steeledale (Pty) Ltd (Steeledale) will be incorporated, and the issued share capital of Steeledale shall be subscribed for at a nominal value and held as follows:
   - Kutana holding a 70% interest; and
   - Aveng Africa holding a 30% interest.

b) on the Effective Date, in terms of a sale of business agreement, Aveng Africa shall sell the Steeledale Business to Steeledale as a going concern on loan account (Aveng Loan Account) for an amount which shall be determined in accordance with the formula as set out in 3 below, and which shall be settled as detailed in 4 below (Sale of Business Agreement).
1.5 The Proposed Steeledale Transaction will (i) create a black women-owned and led entrant into the South African steel reinforcing and mesh market; and (ii) through the concomitant improvement achieved in the Broad-Based Black Economic Empowerment Scorecard, ensures that it aligns with Government’s transformation agenda.

1.6 Aveng Africa has the option, at its election, to divest of its remaining 30% shareholding in the Steeledale Business at any time from the third anniversary of the Effective Date.

1.7 The transaction structure as detailed above allows for (i) the maximum value extraction at the time of the disposal of the initial 70% interest; and (ii) maximising the opportunity for further value extraction at the time of sale of Aveng Africa’s remaining 30% interest.

1.8 Existing management of the Steeledale Business will remain with the business in order to ensure the necessary operational continuity.

1.9 Entering into the abovementioned transaction with Kutana will amount to a related party transaction, for the purposes of the JSE Listings Requirements. In terms of Section 10.4 of the JSE Listings Requirements, where a listed company enters a transaction with an affiliate of a director (Related Party), for a value which exceeds 5% of the listed company’s market capitalisation, certain requirements must be fulfilled before completing the transaction, including but not limited to:
   a) obtaining approval from the shareholders of the listed company; and
   b) the board of directors confirming that the proposed acquisition is fair insofar as the shareholders of the listed company are concerned and that the board has been so advised by an opinion from an independent professional expert acceptable to the JSE.

2. Overview of Kutana

2.1 The Kutana group of companies is a black women-owned investment group.

2.2 Kutana has successfully structured, raised funding through its strong banking/funding experience and relationships, and concluded numerous mergers and acquisitions since incorporation.

2.3 Thoko Mokgosi-Mwantembe is the CEO of the Kutana group of companies. Ms. Mokgosi-Mwantembe is an independent non-executive director of Aveng Limited and other major South African listed companies.

3. Sale Price

3.1 The Sale Price payable by Steeledale to Aveng Africa for the Steeledale Business shall be calculated in accordance with the following formula:
\[ SP = a + b + c - d + e + f \]

where

\( SP \) = sale price:  
\( a = \) carrying amount of the plant and equipment, and the equity investments in the Namibia and Lesotho businesses in the accounting records of Aveng Africa in relation to the Steeledale Business as at the Effective Date;  
\( b = \) carrying amount of the inventory in the accounting records of Aveng Africa in relation to the Steeledale Business as at the Effective Date;  
\( c = \) carrying amount of the trade and other receivables in the accounting records of Aveng Africa in relation to the Steeledale Business as at the Effective Date;  
\( d = \) carrying amount of the trade and other payables in the accounting records of Aveng Africa in relation to the Steeledale Business as at the Effective Date; and  
\( e = \) cash and cash equivalents necessary to ensure sufficient liquidity within the Steeledale Business as determined at the Effective Date; and  
\( f = \) the sum of ZAR 1, being the value attributable to the Goodwill and the Intellectual Property.

3.2 The Sale Price shall be calculated as at the Effective Date of the Sale of Business Agreement which shall be the first day of the next calendar month, following the fulfilment of the last of the conditions precedent. As set out in 1.3 above, this is expected be on or about 1 November 2016.

3.3 Should the Effective Date of the Proposed Steeledale Transaction be 1 November 2016, the Sale Price as per the formula in 3.1 above is estimated to be R302 million. This would equate to a present value amount of R252 million taking cognisance of the discounting effect of the time value necessary to repay the Aveng Loan Account, as set out in 4 below. Irrespective of the formula above, the Sales Price shall not exceed a maximum of R330 million (Sale Price Cap), being a present value amount of R263 million.

4. Payment

Discharge of the Sale Price as embodied in Aveng Loan Account will be structured as follows:

a) an amount of between R50 million and R80 million paid on the Effective Date; and  
b) the remaining amount settled as follows:  
   • R43 million within 12 months of the Effective Date; and  
   • the residual amount being paid from the free cash flows generated by Steeledale.
5. **Conditions Precedent to the Proposed Steeledale Transaction**

5.1 The Proposed Steeledale Transaction will be subject to customary terms and conditions including the fulfilment of certain conditions precedent, that on or before 31 October 2016:

(a) the necessary shareholder approval by the Aveng Limited's shareholders in terms of the JSE Listings Requirements is obtained;

(b) the necessary written third party consents in relation to the transfer of any material contracts from Aveng Africa to Steeledale are obtained;

(c) the sale and all agreements and transactions contemplated in the Proposed Steeledale Transaction (to the extent necessary) have been unconditionally approved by the Competition authorities;

(d) finalisation of a right of first refusal agreement between Steeledale and Aveng Africa in terms of which Steeledale will have right of first refusal to supply Aveng Africa at market related prices; and

(e) finalisation of the necessary funding agreements to be entered into between Steeledale and the funders.

6. **Use of Proceeds**

The proceeds from the Proposed Steeledale Transaction will be used to primarily strengthen the balance sheet of the Group to support Aveng’s move to the next phase of its strategy, namely, positioning for growth.

7. **Independent Professional Expert’s Report**

Deloitte & Touche has been appointed to express an opinion on the fairness of the terms and conditions of the Proposed Steeledale Transaction. The report will additionally opine on the Sale Price Cap, providing assurance that the mechanism does not prejudice value realised by shareholders.

8. **Circular**

A circular in respect of the Proposed Steeledale Transaction will be sent to the shareholders of Aveng Limited in due course.

Independent JSE Sponsor
J.P. Morgan Equities South Africa (Pty) Ltd

**Advisors to Aveng Limited for the Proposed ACP Transaction**

Legal Advisors
Bowman Gilfillan

**Advisors to Aveng Limited for the Proposed Steeledale Transaction**

Financial Advisors
Absa Bank Limited

Legal Advisors
Baker & McKenzie

Due Diligence Advisors
KPMG

Tax Advisors
Cliff Dekker

Independent Professional Expert
Deloitte & Touche

*By Order of the Board*

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Jet Park

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