MURRAY & ROBERTS HOLDINGS LIMITED
(Incorporated in the Republic of South Africa)
Registration number 1948/029826/06
JSE Share Code: MUR
ADR Code: MURZY
ISIN: ZAE000073441
("Murray & Roberts" or the "Company" or "Group")

BUSINESS UPDATE AND TRADING STATEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

The Group has transformed from being a predominantly South African civil and building contractor, to a multinational engineering and construction Group focused on the natural resources market sectors.

The Group's three business platforms (Underground Mining, Oil & Gas and Power & Water) provide portfolio diversification. Main market segments and selective complementary market segments are of strategic importance to each of the three platforms, as these segments collectively mitigate the impact of market cyclicality.

BUSINESS UPDATE

The Underground Mining platform is operating in a buoyant market and is well positioned to achieve strong growth over the next few years. Its financial performance is exceeding management's expectations. The Oil & Gas and Power & Water platforms, however, continue to face very challenging market conditions, with low levels of investment and new projects plagued by delays and deferrals. Financial performance from these two platforms are not meeting management's expectations and cost management continues to be a major area of focus.

Oil & Gas Platform – Large oil and gas projects under execution by this platform will be completed in FY2019 H2. The current financial year has been characterised by the delay in the award of new projects. Tenders for several of these projects are expected to be adjudicated late FY2019 H2 and FY2020 H1. This set of circumstances is expected to have a considerable negative impact on FY2019 revenue and earnings of this platform.

Opportunities in the Australian Liquid Natural Gas ("LNG") market remain limited after years of project delays, although globally, new supply capacity must be developed to meet LNG forecast demand as from 2021/22. The platform is targeting potential LNG projects in Australia, Canada, Mozambique and Papua New Guinea.

The platform is continuing to pursue opportunities in complementary growth markets, such as the metal & minerals and infrastructure markets in Australia, in which it has vast experience and capability. Recently, the Clough Salini joint venture was selected as preferred tenderer for the civil work packages on the multi-billion Australian dollar Snowy 2.0 project. Clough has a 35% shareholding in this joint venture. The formal award of this project is expected during FY2019 H2. This is a significant development for this platform, which follows recent project awards from BHP and Rio Tinto.

Underground Mining Platform – The underground mining platform is performing exceptionally well at record levels and continues to experience strong demand for its services. Commodity prices in general have increased and there is a positive change in sentiment towards investment in the industry.

The platform operates globally and is engaged on projects in Australia, Indonesia, Mongolia, the USA, Canada, Mexico, South Africa and Zambia. Current projects include 18 vertical shaft sinking and equipping projects, 21 decline shaft and mine development projects, eight production mining projects and 13 support and construction services projects. The platform also has 37 raise drilling machines deployed in various locations around the globe.

Its global reach, broad range of services and reputation for successful project delivery, has positioned the platform favourably to capitalise on the underground mining market's large project investment pipeline. It is expected that this platform will continue to make a large contribution to Group earnings.

Power & Water Platform - This platform's scope of work on the Medupi power station has been completed and its work on the Kusile power station will continue into FY2020. For several years platform earnings were underpinned by the contribution from these two projects. The lack of meaningful replacement work for Medupi and Kusile will be reflected in reduced platform earnings.

The platform has one loss making project which will be completed by the end of FY2019.

The Baseload Coal Independent Power Producer Procurement Programme in South Africa continues to be delayed. As a result, the platform is targeting power plant repair and maintenance work in South Africa, as well as high voltage transmission projects in South Africa and sub-Saharan Africa. Several tenders have been submitted, although adjudication will not be imminent.

Investment in the local water sector continues to be very limited, notwithstanding increasing pressure to upgrade dysfunctional municipal wastewater treatment plants.

Two projects were recently secured in complementary markets, at a combined value of R0,6 billion; work on a sulphur dioxide abatement facility for Anglo Platinum and the erection of a recovery boiler for Sappi. These were two of the larger project opportunities available, which is indicative of current market conditions.

TRADING STATEMENT

Shareholders are advised that Murray & Roberts expects to show an improvement in total earnings per share ("EPS") and headline earnings per share ("HEPS"), for the six months period to 31 December 2018 ("FY2019 H1"), when compared to the previous corresponding period to 31 December 2017.

The Company expects to report FY2019 H1 results within the following ranges:

	31 December 2018	**31 December 2018**	**31 December 2017**
	Expected range (%)	Expected range (cps)	Actual (cps)
EPS			
Basic EPS	57 – 75	44 – 49	28
Diluted EPS	59 – 78	43 – 48	27
HEPS			
Basic HEPS	54 – 71	43 – 48	28
Diluted HEPS	50 – 68	42 – 47	28

The improvement recorded for FY2019 H1 relative to the previous corresponding period, is predominantly due to a smaller loss in discontinued operations. As indicated, the Oil & Gas and Power & Water platforms are experiencing challenging market conditions which is expected to have a considerable negative impact on FY2019 financial results for continuing operations, which impact is expected to be partly offset by an increase in earnings from the Underground Mining platform.

Shareholders are advised that, in accordance with Regulations 111 (9) and (10) of the Companies Regulations, 2011, read with Section 3.4 (b) (viii) (1) of the JSE Listings Requirements, the financial information under this heading “Trading Statement” has been reviewed and reported on by Deloitte & Touche, the Group’s external auditors. Their review was performed in accordance with ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A copy of the unmodified report is available for inspection by shareholders at the registered address of Murray & Roberts until the release of the FY2019 Interim Results, which is expected to be on or about 6 March 2019.

APPLICATION OF IFRS 15 AND 9

The Company implemented the new IFRS 15 (revenue from contracts with customers) and IFRS 9 (Financial Instruments) accounting standards on 1 July 2018.

Under IFRS 15, revenue can only be recognised to the extent that it is “highly probable” that a significant reversal will not occur in future. This new standard increases the threshold for revenue recognition, as the previous threshold was “probable”. The cumulative effect of applying the IFRS15 standard is an adjustment to the opening balance of retained earnings with an amount in the order of R1,1 billion. The adjustment relates mainly to revenue previously recognised in the Middle East operations and the Power & Water platform. The Company remains confident that the revenue as previously recorded, will be recognised once certain commercial matters have been settled.

IFRS 9 determines the measurement and presentation of financial instruments. The impairment requirements in the new standard are based on the “expected credit loss” (“ECL”) model that replaces the IAS 39 “incurred loss” model. The measurement of provisions against receivables was revised to comply with the ECL method. The cumulative effect of applying the new IFRS 9 standard, is an adjustment to the opening retained earnings with an amount in the order of R9 million.

INDEPENDENT BOARD UPDATE ON THE MANDATORY OFFER BY ATON GMBH ("ATON")

Implementation of ATON's mandatory offer ("Mandatory Offer") to acquire up to all of the issued ordinary shares of Murray & Roberts, not already owned by ATON, remains subject to certain suspensive conditions, specifically receipt of the required regulatory approvals in South Africa and a number of other jurisdictions.

The long stop date for the Mandatory Offer is 31 March 2019, a date which may be extended by ATON. In the event of ATON announcing that the Mandatory Offer has become unconditional in all respects prior to the long stop date, Murray & Roberts' shareholders will still have 10 business days from the date of such announcement to accept the Mandatory Offer, should they choose to do so. In the event that the Mandatory Offer does not become unconditional prior to the long-stop date and ATON electing not to extend the long-stop date, the Mandatory Offer will terminate in accordance with its terms.

Shareholders are reminded that ATON's cash offer price of ZAR17.00 per Murray & Roberts' ordinary share remains below the independent board's ("Independent Board") view of a fair value price range for control of Murray & Roberts of between ZAR20.00 to ZAR22.00 per share. The Independent Board has refreshed its valuation of the Group, taking into account the business update set out in this announcement, and maintains its view that a fair value price range for control is ZAR20.00 to ZAR22.00 per share.

The Independent Board will continue to update shareholders on all relevant matters pertaining to the Mandatory Offer.

Other than the Trading Statement, any other information in this announcement has not been reviewed nor reported on by the external auditors.

RESPONSIBILITY STATEMENT

The Independent Board accepts responsibility for the information contained in this announcement and certifies that, to the best of their knowledge and belief, the information contained in this announcement is true and nothing has been omitted which is likely to affect the importance of the information.

Bedfordview
19 February 2019

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