

**Murray
& Roberts**

DELIVERING ON OUR PROMISE OF A NEW STRATEGIC FUTURE

OIL & GAS + UNDERGROUND MINING + POWER & WATER

ANNUAL
INTEGRATED
REPORT

**20
18**

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- + Notice of annual general meeting
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WWW ONLINE

Supplementary information online

www.murrob.com/inv-annual-reports.asp

Group Sustainability Report 2018

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- + Sustainability management framework
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Full business platform reports

Supplementary governance information

- + Board committee report and record of attendance
- + King IV application register

Full annual financial statements including:

- + Accounting policies
- + Notes to the annual financial statements
- + Murray & Roberts Holdings Limited annual financial statements
- + Notes to the Murray & Roberts Holdings Limited annual financial statements
- + Annexure 1 – Major operating subsidiaries and associated Companies
- + Annexure 2 – Interest bearing borrowings
- + Annexure 3 – Group segmental report

FEEDBACK

This integrated report is intended to provide the basis for meaningful engagement with our stakeholders. We welcome your feedback which can be provided to Ed Jardim, Group investor and media executive at ed.jardim@murrob.com.

GLOSSARY

A glossary of acronyms and terms used in this report is provided on page 122.

01





GROUP
OVERVIEW

LEADERSHIP
REVIEW

BUSINESS
PLATFORM
OVERVIEWS

GOVERNANCE,
RISK AND
REMUNERATION
REPORTS

SUMMARISED
FINANCIAL
REPORT

SHAREHOLDERS'
INFORMATION



GROUP OVERVIEW

03

DELIVERING ON THE PROMISE OF A NEW STRATEGIC FUTURE

- > Well diversified for sustainable growth through the cycle.
- > Strong medium-term growth profile across the portfolio.
- > Sustainable competitive advantage underpinned by ***Engineered Excellence***.
- > Financial position supports capacity for organic and acquisitive growth.
- > Clear strategy for focused value creation.
- > Well governed with proven leadership.





The essence of the *New Strategic Future*

05

- > Be a multinational specialised engineering and construction group focused on the natural resources sector (oil & gas, metals & minerals, power & water)
- > Provide services across the project life cycle
- > Achieve *Engineered Excellence* in all aspects of the business including health & safety, risk & commercial and project delivery
- > Achieve growth organically and through acquisition
- > Enhance shareholder value



PG 34
Chairman's statement



PG 38
Group chief executive's and financial director's report

DIVERSIFIED FOR SUSTAINABLE GROWTH

The Group's strategic focus on selected global natural resources market sectors is informed by the positive long-term demand drivers of global population growth, urbanisation and economic growth. Whereas this exposes the Group to commodity demand cycles, the geographic and project life cycle diversification of our business platforms provides a blend of revenue and earnings. Tactical diversification into complementary markets, based on the platforms' regional capabilities and footprint, further mitigates the impact on the Group at the bottom of the commodity cycle. The combination of portfolio diversification and strategic flexibility protects the resilience of our revenue and earnings through the cycle.

Murray & Roberts Holdings Limited

A GROUP OF WORLD-CLASS COMPANIES AND BRANDS ALIGNED TO THE SAME PURPOSE, VALUES AND VISION

STOP. THINK. ACT. 24/7: SAFETY FIRST IN EVERYTHING WE DO

06

PURPOSE

Enabling fixed capital investments that support the advancement of human development

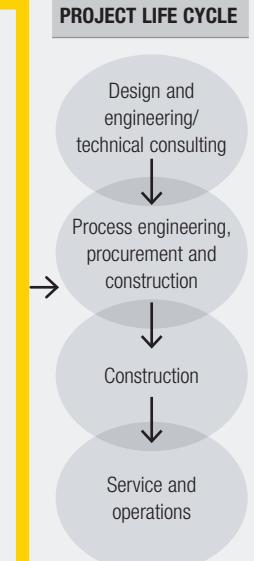
VALUES

- Integrity
- Respect
- Care
- Accountability
- Commitment

VISION

To be a leading multinational engineering and construction group that applies our project life cycle capabilities to optimise clients' fixed capital investment

Full service offering across regions and project life cycle

	CAPABILITIES	GEOGRAPHIES	PROJECT LIFE CYCLE
OIL & GAS	<ul style="list-style-type: none"> + Detailed engineering + Procurement + Construction + Commissioning & maintenance 	AFRICA AMERICAS ASIA AUSTRALIA EUROPE	
UNDERGROUND MINING	<ul style="list-style-type: none"> + Detailed engineering + Procurement + Construction + Commissioning & maintenance + Operations 	AFRICA AMERICAS ASIA AUSTRALIA EUROPE	
POWER & WATER	<ul style="list-style-type: none"> + Detailed engineering + Procurement + Construction + Commissioning & maintenance 	AFRICA	

ENGINEERED EXCELLENCE

The Group's Purpose connects our capabilities to the investment our clients make in the project infrastructure that supports socioeconomic development in their industries and markets, which is the principal shared outcome of our business model. The Group's Values guide the execution of our conduct and capabilities, which are delivered according to the principle of *Engineered Excellence*. Together, they underpin the Group's reputation among our stakeholders, the primary point of reference for the leadership aspiration espoused in our Vision.



PG 38
Group chief executive's and financial director's report



PG 44
Business platform overviews



ONLINE
Full business platform reports



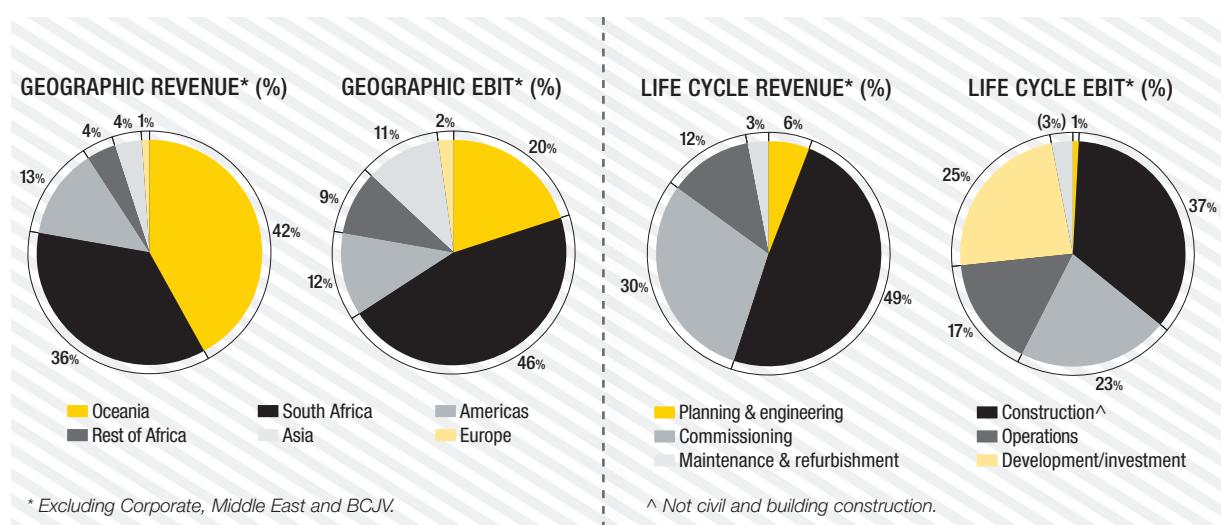
Geographic and project life cycle diversification

Besides being a counter to cyclical, geographic and project life cycle diversification are functions of client focus.

The Group's geographic footprint is focused on establishing a permanent presence in high-growth regions for our clients. We also support clients on an ad hoc basis in geographies where we do not have a permanent presence. The Group's capabilities across the project life cycle enables us to provide a seamless and competitive service offering, while diversifying our revenue and margin mix.



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STRONG MEDIUM-TERM GROWTH PROFILE

The diversification and growth potential of our business platforms display the progress the Group has made to deliver on the *New Strategic Future* plan, **to transform from a predominantly South African construction business to a multinational engineering and construction services group**, focused on selected natural resources market sectors.

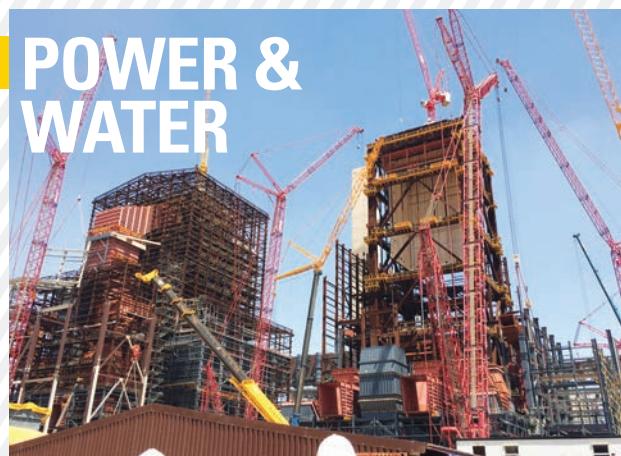
OIL & GAS



UNDERGROUND MINING



POWER & WATER





An independent review of the *New Strategic Future* plan during the year confirmed the Group's strategic direction and clarified the business platforms' priorities for sustainable growth, profitability and competitiveness through the commodity cycle.

- + Global LNG markets are set to remain in oversupply until at least 2020/21, and there is currently little opportunity for new greenfield LNG developments in Australia.
- + Although activity remains subdued LNG, capital expenditure is expected to accelerate to US\$25 billion in Australia and US\$353 billion in North America by 2022.
- + By extending into complementary markets the platform is set for significant growth in the short term and is mitigating the impact of low activity and high competition for significantly smaller projects in the core oil & gas market.

Key strategic responses:

Establish strong position in complementary markets, focusing on Australia's metals & minerals and infrastructure sectors.

Maintain current strong businesses in oil and gas markets in Australasia.

Grow international businesses by actively pursuing acquisitions, specifically to gain credible EPC capability in the USA.



PG 46
Oil & Gas business platform overview



ONLINE
Full business platform reports

- + Capital expenditure in the mining sector is forecast to rise to US\$61 billion by 2022 across the Americas, Africa and Australasia, 94% of the global total.
- + Key lead indicators suggest the sector is moving into an upturn as investment in exploration projects are at their highest level in six years and mining equipment delivery times are extending.
- + Managing higher working capital requirements and competing effectively for the technical capacity to service a rapid upturn in activity are priorities.

Key strategic responses:

Focus on organic growth, with targeted acquisitions being considered in Africa and North America.

Enhance profitability through *Engineered Excellence*, strong financial discipline and maximising opportunities across the value chain.

Leverage structured approach to innovation.

Increase contract mining contribution.

Enter into strategic partnerships and JVs to access target markets.



PG 50
Underground Mining business platform overview



ONLINE
Full business platform reports

- + In the power sector, capital expenditure of US\$11 billion is forecast in South Africa and US\$45 billion in the rest of Africa. In the domestic water sector, spending of US\$4 billion is expected by 2020.
- + The completion of the power programme at Medupi and Kusile will create capacity to provide maintenance services on these sites, as well as capacity and capability that is transferable to new-build coal, solar and gas-to-power projects.
- + Delays in infrastructure investment in South Africa, despite national infrastructure backlogs, continue to result in the deferral of contracts.

Key strategic responses:

Targeted opportunities in the renewable energy sector and new generation coal power, solar and gas-to-power sectors.

Expand offering in complementary resource and industrial markets, focusing on:

- + Transmission and distribution
- + Repairs and maintenance
- + Industrial water
- + Gas-to-power infrastructure.

Focused organic growth will be supplemented by targeted bolt-on acquisitions.

Enter into strategic partnerships and JVs to access target markets.



PG 54
Power & Water business platform overview



ONLINE
Full business platform reports

DELIVERING ENGINEERED EXCELLENCE

Engineered Excellence informs every aspect of our business, and supports our aspiration to be a contractor of choice and an employer of choice across our markets.

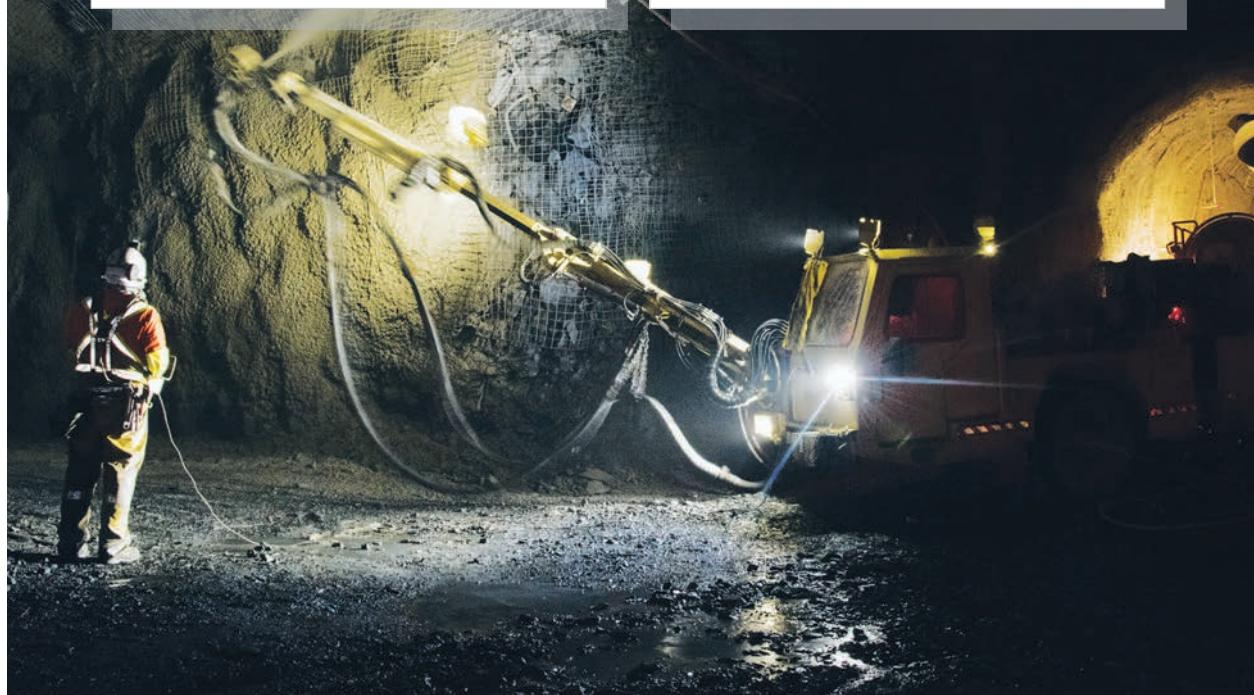
This operating principle drives continuous improvement in project risk management and delivery, to minimise losses and protect margins, and achieve industry leading health, safety and environmental performance, which is as important to our clients as it is to our people.

CONTRACTOR OF CHOICE

The Group aims to achieve excellence and deepen specialism in all areas of project delivery, from disciplined risk management to leveraging technology, to enhance our competitive advantage.

EMPLOYER OF CHOICE

Ethical leadership, employee health and safety, diversity and localisation are strategic priorities, enabling us to attract, retain and engage high-calibre and high-performing employees who live the Group's Values, in highly competitive markets.



PG 44
Business platform overviews



ONLINE
Full business platform reports



CONTRACTOR OF CHOICE

Our credibility and reputation as a leading multinational engineering and construction group, delivering project excellence, is an important differentiator in the competitive markets in which we operate, supporting our ability to win work. The disciplined management of commercial and execution risk in tendering for and delivering projects has minimised our loss-making projects and supports our profitability. Our competitiveness and profitability are in turn underpinned by our integrated governance, risk and sustainability management frameworks.

ORDER BOOK

(CONTINUING)

**R30,1[↑]
BILLION**

30 JUNE 2017: R26.9 billion

ATTRIBUTABLE EARNINGS

**R267[↑]
MILLION**

FY2017: R48 million

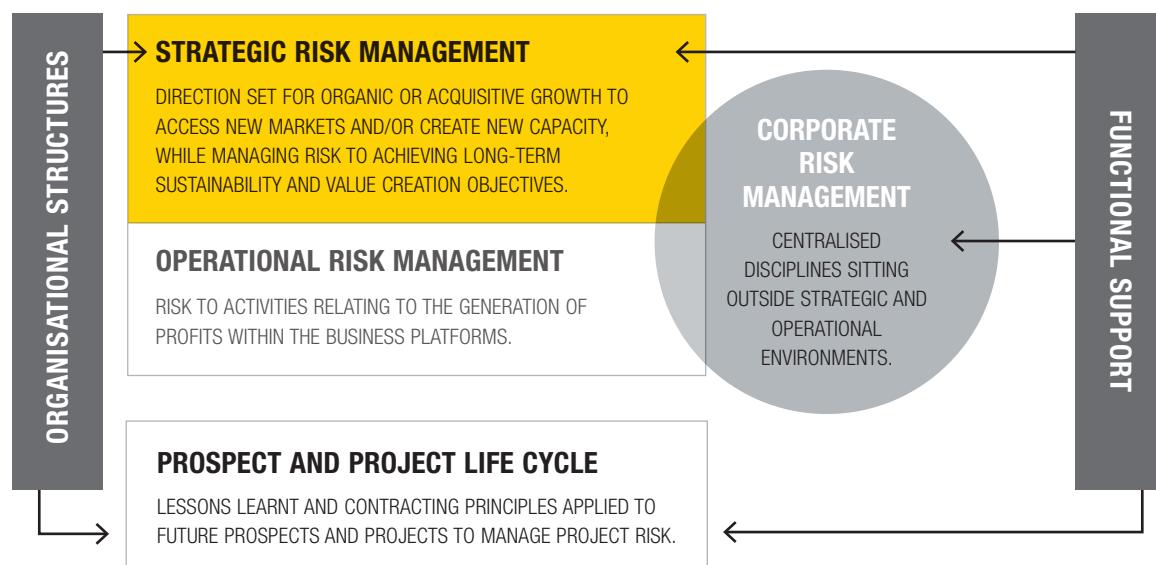
EBIT

**R864[↑]
MILLION**

FY2017: R487 million

Group risk management framework

The business platforms deliver the Group's business aspirations and are held accountable for the non-negotiable operating principle of *Engineered Excellence*. Risk is managed by the platforms within the Group's defined risk tolerance framework and aligned to specific contracting principles. A well-constituted governance structure ensures effective strategic direction and oversight of the business platforms from the corporate office and the Board.



EMPLOYER OF CHOICE

The Board leads the Group in striving to achieve the highest standards of business integrity, ethics and corporate governance, in the pursuit of its strategic and business objectives. The Group's Values and sustainability management frameworks support its aspirations to be recognised as an employer of choice in our operations. This determines our ability to employ, develop and retain high-performing and engaged employees who are technically competent.

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TRAINING SPEND¹

**R130 ↓
MILLION**
FY2017: R144 million

BURSARIES AWARDED

**R5,2 ↑
MILLION**
FY2017: R4,8 million

CSI SPEND

**R7,2 ↑
MILLION**
FY2017: R5,7 million

¹ Reduction due to lower headcount, largely due to power programme demobilisation.



Health and safety

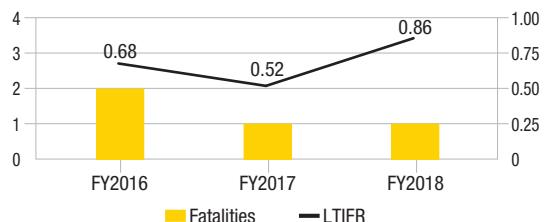
The Group maintained an industry-leading safety performance during the year. Regrettably, however, we experienced a fatality in the Underground Mining platform on 17 October 2017. The Oil & Gas and Power & Water platforms continued to improve their world-class performance.



ONLINE

Our employees, transformation and economic development report

SAFETY PERFORMANCE



**LTIFR²
0,86**

FY2017: 0,52

² Lost Time Injury Frequency Rate.

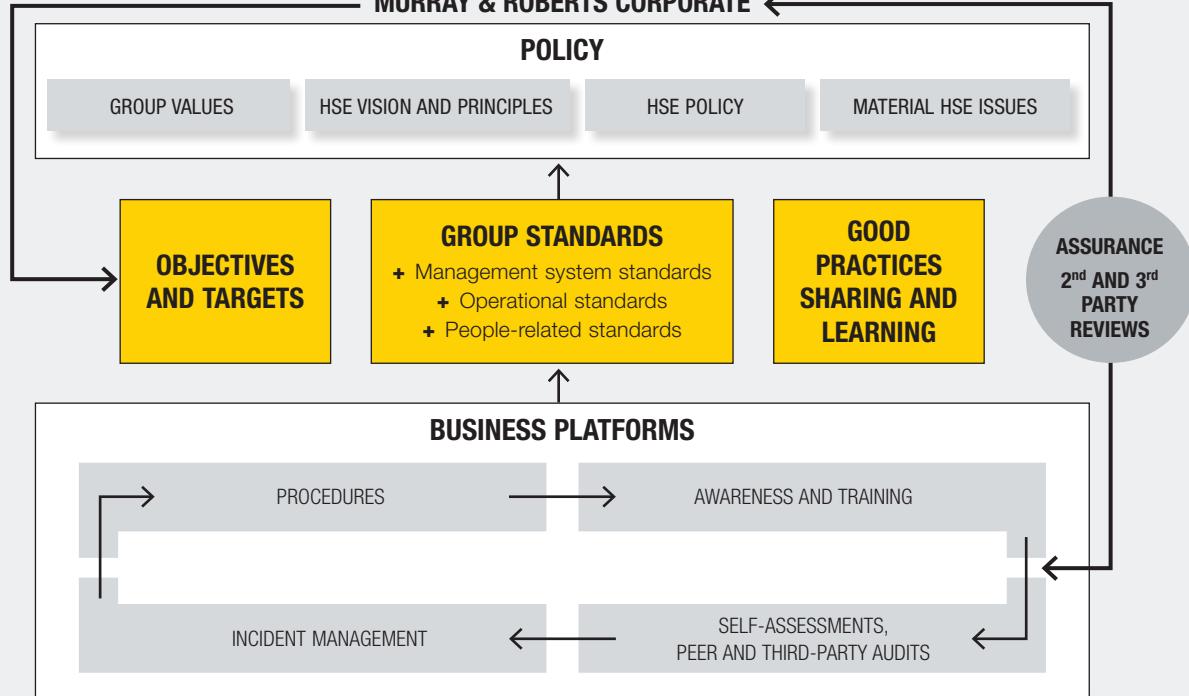


Achieving Zero Harm

The Group remains firm in the belief that Zero Harm is possible, notwithstanding the challenging environments in which our people operate. We work towards continuous health and safety improvement by better understanding exposure risk, benchmarking ourselves against clients and peers, and by implementing lessons learnt from incidents and audits. Deploying technology that lowers the baseline risk at project level is also a focus. The Group health & safety framework outlines the role, responsibility and accountability of the corporate office and business platforms, and implements recommendations from independent experts and from ongoing risk assessments and audits.

GROUP HSE FRAMEWORK

MURRAY & ROBERTS CORPORATE



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ONLINE

World-class health and safety performance

OUR CONTRIBUTION TO SOCIETY

The Murray & Roberts Community Development Programme priorities education and skills development to support socioeconomic development. Effective partnerships and engagement with our host communities and employees has ensured that the programme responds to their needs and expectations.

Businesses across the Group participate in local corporate social investment initiatives as well as encouraging active employee volunteering programmes.

FINANCIAL POSITION SUPPORTS CAPACITY FOR GROWTH

The principle of *Engineered Excellence* underpins the Group's sustainable competitive advantage and its ability to deliver resilient financial performance, and protects margins and profitability through the cycle. The Group's financial position is strong, despite the impact of challenging markets on its performance in the last two years, with adequate capacity to fund our organic and acquisitive growth plans.

With a well-defined business model and strategy, and a focused portfolio of quality assets, the Group is positioned to deliver sustainable growth and earnings improvements.

REVENUE (CONTINUING)

**R21,8[↑]
BILLION**

FY2017: R21,4 billion

ORDER BOOK (CONTINUING)

**R30,1[↑]
BILLION**

30 JUNE 2017: R26,9 billion

DIVIDEND

**50[↑]
CENTS**

FY2017: 45 cents

ATTRIBUTABLE EARNINGS

**R267[↑]
MILLION**

FY2017: R48 million

HEPS (DILUTED CONTINUING)

**112[↑]
CENTS**

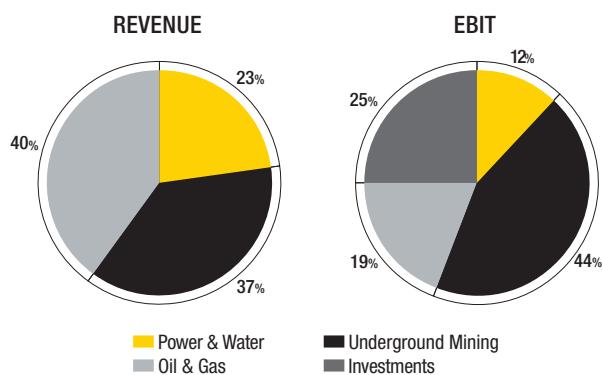
FY2017: 72 cents

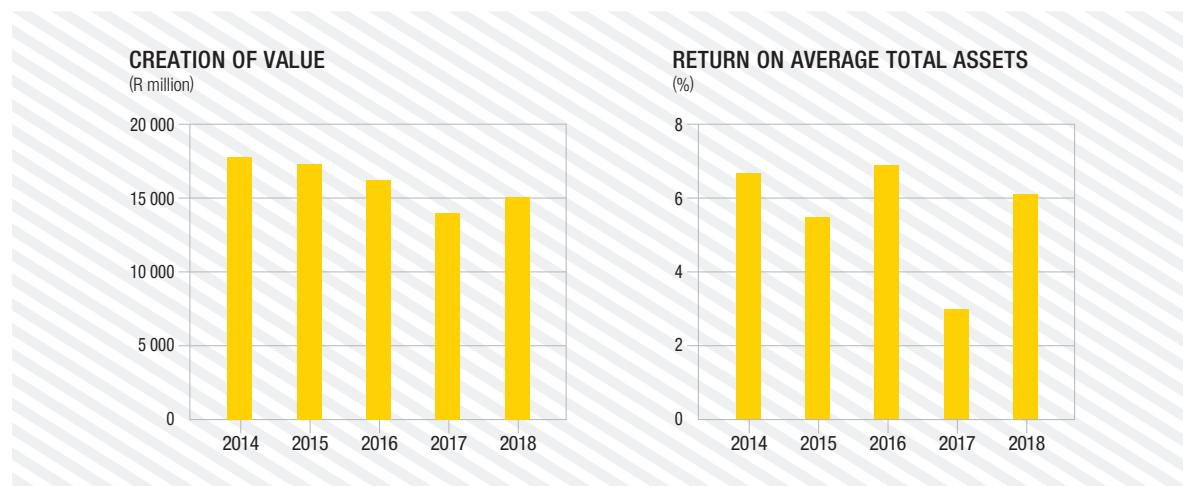
NET CASH

**R2,0[↑]
BILLION**

30 JUNE 2017: R1,8 billion

PLATFORM REVENUE AND EBIT CONTRIBUTION (%)*





PG 114

Statement of value created

Investment margins and aspirations

Our aspirations for the medium to longer term remain unchanged, supported by the evolution of our strategy in response to market expectations across our portfolio.

CRITERIA & METHOD

ROE ²		MARGIN		GEARING		
Net profit attributable to ordinary shareholders	Average ordinary shareholders' equity	EBIT ¹	Revenue	Total interest bearing debt	Ordinary shareholders equity	
		RESULTS		RESULTS		
ASPIRATION	RESULTS	ASPIRATION	RESULTS	ASPIRATION	RESULTS	
17.5% through cycle	FY2018 4.0% FY2017 0.7% FY2016 11%	5% – 7.5%	FY2018 4.0% FY2017 2.3% FY2016 4.9%	20% – 25%	FY2018 7.3% FY2017 8.9% FY2016 14.4%	
RONA ⁷		ROICE ³		FREE CASH FLOW		
Taxed EBIT + Income from associates	Total net assets (excl tax and cash)	(Taxed EBIT + Income from associates)	Total capital employed ⁵	Operating cash flow – Replacement CAPEX ⁶ + Proceeds on disposal of PPE & Intangibles	Number of shares	
		RESULTS		RESULTS		
ASPIRATION	RESULTS	ASPIRATION	RESULTS	ASPIRATION	RESULTS	
18% after Taxed EBIT	FY2018 11.1% FY2017 4.1% FY2016 17%	WACC ⁴ (13%) plus 1% – 4%	FY2018 7.5% FY2017 2.6% FY2016 10.9%	N/A	FY2018 Cash positive FY2017 Cash positive FY2016 Cash positive	
TSR ⁸		KEY:				
Taxed EBIT + Income from associates	Total net assets (excl tax and cash)	(Increase in share price year on year + Dividend per share)	Share price (PY)	1 Earnings before interest and tax 2 Return on equity 3 Return on invested capital 4 Weighted average cost of capital 5 Total capital employed = total equity + interest bearing debt – net assets held for sale – cash + advance payments 6 Capital expenditure 7 Return on net assets 8 Total shareholder return		
		RESULTS		RESULTS		
ASPIRATION	RESULTS	ASPIRATION	RESULTS	ASPIRATION	RESULTS	
Relative to peers	FY2018 Above average	FY2018 Above average	FY2017 Above average	FY2016 Above average		



PG 38

Group chief executive's and financial director's report



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Summarised financial report



ONLINE

Full annual financial statements

FOCUSED VALUE CREATION

Value drivers	Corporate action	Key considerations	PG 38 Group chief executive's and financial director's report	FY18	FY19	FY20
Strategy execution and delivery	Strategic focus	+ Focus on strategic oversight and capital allocation, to support the clear medium-term business plans across the business platforms.		✓	✓	✓
		+ Continue to expand internationally.		✓	✓	✓
		+ Close-out Middle East projects and office, and the Dubai Airport claim.		✓		
	Mergers and acquisitions	+ Identify and conclude value-accretive acquisitions in growth markets, specifically the USA and Asia.		✓	✓	
		+ Continue to reposition the business platforms in developed markets and higher margin segments of the project life cycle.		✓	✓	✓
Operational performance	Performance management	+ Hold business platforms accountable to non-negotiable operating principle of <i>Engineered Excellence</i> .		✓	✓	✓
		+ Deliver and exceed ROICE targets and earnings guidance.			✓	✓
Optimal capital structure	Balance sheet management	+ Target appropriate gearing level to support sustainable growth in context of commodity cycle and market volatility.		✓	✓	
Cash returns to shareholders	Dividend policy	+ Maintain dividend policy and reinvest excess cash in value-creating acquisitive growth.		✓	✓	✓
Strong shareholder register	Shareholder engagement	+ Secure support from shareholders on strategy and value proposition and deliver returns despite challenging macroeconomic conditions.		✓	✓	✓



The progress made in de-risking the Group has allowed us to shift our strategic focus to optimising the competitive positions and earnings potential of our business platforms for the longer term, in line with their market opportunities. Our disciplined approach to managing the complex risks across our multinational operations, through robust and well-defined risk management processes and practices, supports our ability to deliver on our strategy and create value in the longer term. The table below shows the link between our strategic objectives and top risks, the mitigation of which are detailed in the actions we are taking to manage our material issues and in the risk management report.

Risk drivers

PG 64

Risk management report

Link to material issues

PG 22

Material issues

STRATEGIC RISK

- + Global economy remains depressed.
- + South African pipeline opportunities.
- + Order book replenishment.
- + Ongoing weakness in oil & gas markets and low oil prices.
- + Grow international businesses.
- + Slow pace of transformation within the Group.
- + Lack of leadership capacity.

CORPORATE RISK

- + Complete Middle East projects and closure of this operation.
- + Recovery of uncertified revenues on the Dubai Airport claim.

OPERATIONAL RISK

- + Resource capacity constraints impacting rapid organic growth in the Underground Mining platform as the commodity cycle outlook improves.
- + Securing new work in the Oil & Gas platform.

Strategic delivery

- + Manage constraints to growth in the short term (resolve claims and non-performing operations).
- + Effectively manage capital and liquidity.
- + Achieve business model maturity and optimise growth potential over the medium and longer term.

Employer of choice

- + Develop quality management skill and succession depth.
- + Attract and retain high-performing talent.

Corporate reputation

- + Maintain commercial and social legitimacy.

STRATEGIC RISK

- + Safety, health & wellness and environmental exposures.

OPERATIONAL AND PROJECT RISK

- + Industrial unrest in South Africa.
- + Ineffective project management across the life cycle and project losses.
- + Unethical conduct and collusive behaviour.
- + Unsatisfactory commercial close-out on the South African power programme.
- + Unfavourable outcome of the Grayston temporary works collapse inquiry.
- + Inability to favourably settle disputes.

Strategic delivery

- + Manage constraints to growth in the short term (resolve claims).
- + Effectively manage capital and liquidity (ensure disciplined fixed cost management).
- + Achieve business model maturity and optimise growth potential over the medium and longer term.

Contractor of choice

- + Achieve *Engineered Excellence*.
- + Accelerate digital readiness (process step change for technologically-enabled operations).

Employer of choice

- + Maintain best people practices.

Corporate reputation

- + Manage the impact of local dynamics on project delivery.

STRATEGIC RISK

- + Effectively manage Group liquidity.

Strategic delivery

- + Manage constraints to growth in the short term.
- + Effectively manage capital and liquidity.

STRATEGIC RISK

- + Effectively manage Group liquidity.

Strategic delivery

- + Manage constraints to growth in the short term.
- + Effectively manage capital and liquidity.

STRATEGIC RISK

- + Global economy remains depressed.

Strategic delivery

- + Manage constraints to growth in the short term.
- + Effectively manage capital and liquidity.

OUR LEADERSHIP

The Board leads an experienced management team in striving for the highest standards of business integrity, ethics and corporate governance. An effective governance structure, aligned to King IV, is in place and a clear organisational framework defines the relationships and decision-making rights between governing bodies and business platforms.

Succession planning over several years has systematically aligned Board competencies to Group strategy, resulting in a well-constituted and diverse Board with deep collective experience relevant to the macroeconomic and socioeconomic realities of our markets.

Independent non-executive directors

Suresh Kana

Chairman

QUALIFICATIONS

BCom Hons, BCompt, CA(SA), MCom

APPOINTED

1 July 2015

EXPERIENCE

Former territory senior partner for PwC Africa

OTHER DIRECTORSHIPS

Quilter; Imperial Holdings; JSE; King Committee on Corporate Governance; Financial Standards Reporting Council of South Africa

RELEVANT SKILLS AND EXPERTISE

Accounting, Finance, Strategic Leadership, Governance



Ralph Havenstein

Lead independent director

QUALIFICATIONS

MSc (Chemical Engineering), BCom

APPOINTED

1 August 2014

EXPERIENCE

Former chief executive officer Anglo American Platinum; Former chief executive officer Norisk Nickel International

OTHER DIRECTORSHIPS

Northern Platinum; Omnia Holdings

RELEVANT SKILLS AND EXPERTISE

Petrochemistry and Mining, Chemical Engineering, Strategic Leadership



Ntombi Langa-Royds

QUALIFICATIONS

BA Law (Lesotho), LLB (Lesotho)

APPOINTED

1 June 2013

EXPERIENCE

Human resources executive

OTHER DIRECTORSHIPS

Mpact; Redefine Properties; Kumba Iron Ore; Europe Assistance Worldwide Services (SA)

RELEVANT SKILLS AND EXPERTISE

Human Capital, Law

Alex Maditsi

QUALIFICATIONS

BProc, LLB, LLM

APPOINTED

23 August 2017

EXPERIENCE

Former operations planning and legal director for Coca-Cola Southern and East Africa

OTHER DIRECTORSHIPS

Bidvest Group; African Rainbow Minerals

RELEVANT SKILLS AND EXPERTISE

Law, Commercial, Remuneration



Emma Mashilwane

QUALIFICATIONS

BCom Hons, BCompt, CA(SA), MBA

APPOINTED

23 August 2017

EXPERIENCE

Former head of risk advisory services of Nkonki Inc; chief executive officer Masa Risk Advisory Services

OTHER DIRECTORSHIPS

Tiger Brands; Famous Brands

RELEVANT SKILLS AND EXPERTISE

Accounting, Finance, Risk Management, Internal Audit



GROUP
OVERVIEWLEADERSHIP
REVIEWBUSINESS
PLATFORM
OVERVIEWSGOVERNANCE,
RISK AND
REMUNERATION
REPORTSSUMMARISED
FINANCIAL
REPORTSHAREHOLDERS'
INFORMATION

Independent non-executive directors



RM
AS

Diane Radley

QUALIFICATIONS
CA(SA), MBA, AMP (Harvard)

APPOINTED
23 August 2017

EXPERIENCE
Former chief executive officer Old Mutual Investment Group

OTHER DIRECTORSHIPS
Transaction Capital; DG Murray Trust; Base Resources

RELEVANT SKILLS AND EXPERTISE
Accounting, Corporate Finance, Investment, Strategic Leadership



Executive directors

Xolani Mkhwanazi

QUALIFICATIONS
BSc, MA, PhD, EDP

APPOINTED
1 August 2015

EXPERIENCE
Former chairman of BHP Billiton SA Operations; Former head of National Energy Regulator

OTHER DIRECTORSHIPS
Public Investment Corporation; South 32

RELEVANT SKILLS AND EXPERTISE
Applied Physics, Power, Engineering, Mining

RM
HSE
SE



AS
HSE
RM

Keith Spence

QUALIFICATIONS
BSc Hons

APPOINTED
25 November 2015

EXPERIENCE
Former chairman of Clough; Former executive at Woodside; Former executive at Shell

OTHER DIRECTORSHIPS
Geodynamics; Base Resource; Oil Search Independence Group NL

RELEVANT SKILLS AND EXPERTISE
Oil & Gas, Strategic Leadership

Henry Laas

Group chief executive

QUALIFICATIONS
BEng (Mining), MBA

APPOINTED
Joined the Group in 2001. Appointed to the Board and as Group chief executive in 2011.

EXPERIENCE
Former chairman of Murray & Roberts Engineering SADC; former managing director of Murray & Roberts Cementation.

RELEVANT SKILLS AND EXPERTISE
Mining and Engineering, Commercial Negotiations, Strategic Leadership



Bert Kok

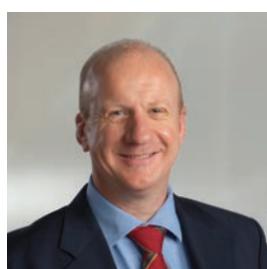
Group secretary

QUALIFICATIONS
FCIS, FCIBM

APPOINTED
Joined the Group in 2011. Appointed Group secretary in 2014.

EXPERIENCE
More than 10 years Listed Company Secretary; former (2010) President of Chartered Secretaries of Southern Africa

RELEVANT SKILLS AND EXPERTISE
Corporate Governance, Company Secretarial Administration



Daniël Grobler

Group financial director

QUALIFICATIONS
CA(SA)

APPOINTED
Joined the Group in 2010. Appointed to the Board and as Group financial director in 2017.

EXPERIENCE
Former managing director of Murray & Roberts Cementation. Various financial and leadership functions within the Group since 2010.

RELEVANT SKILLS AND EXPERTISE
Accounting, Commercial Negotiations, Strategic Leadership, Corporate Finance

Previous non-executives

Mahlape Sello

Former chairman

Resigned as chairman and director on 2 November 2017.

Dave Barber

Resigned as director on 2 November 2017.

N

Nomination committee

Chairman: Suresh Kana

SE

Social & ethics committee

Chairman: Ntombi Langa-Royds

RHR

Remuneration & human resources committee

Chairman: Ralph Havenstein

HSE

Health, safety & environment committee

Chairman: Ralph Havenstein

RM

Risk management committee

Chairman: Keith Spence

AS

Audit & sustainability committee

Chairman: Diane Radley

GROUP EXECUTIVE

Peter Bennett

Business platform chief executive officer



Peter joined the Group in 2016 and was appointed to the executive committee in February 2016. He is responsible for the Oil & Gas business platform.

- Booth Welsh
- CH&IV
- Clough
- Clough Enercore
- Clough Murray & Roberts
- e2o

COMMITTEE PARTICIPATION

- Health, safety & environment

Daniël Grobler

Group financial director



Daniël joined the Group in 2010 and was appointed to the executive committee in 2017. Daniël is a director of Murray & Roberts International, Bombela Concession Company and Clough.

- Corporate office finance & payroll
- Financial control & reporting
- Information management & technology
- Murray & Roberts Properties
- Secretarial
- Taxation
- Treasury

COMMITTEE PARTICIPATION

- Audit & sustainability
- Remuneration & human resources
- Risk management
- Social & ethics

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Orrie Fenn*

Business platform chief executive officer



Orrie joined the Group and was appointed to the executive committee in 2009. He was the executive director responsible for the Underground Mining business platform.

- Cementation AG
- Cementation Canada & USA
- Merit Consultants International
- Murray & Roberts Cementation
- RUC Cementation Mining

COMMITTEE PARTICIPATION

- Health, safety & environment

* Retired 31 July 2018.

Steve Harrison

Business platform chief executive officer



Steve joined the Group in 2011 and was appointed to the executive committee in September 2015. He is responsible for the Power & Water business platform.

- Aquamarine
- Murray & Roberts Power & Energy
- Murray & Roberts Water

COMMITTEE PARTICIPATION

- Health, safety & environment

**Ian
Henstock**
*Commercial
executive*

Ian joined the Group and was appointed to the executive committee in 2008. He is the corporate executive responsible for the assurance, commercial and legal portfolios. Ian is a director of Murray & Roberts International and Clough.

- Commercial
- Forensics
- Internal audit
- Legal, compliance and ethics
- Risk and insurance

COMMITTEE PARTICIPATION

- Audit & sustainability
- Risk management (until 30 June 2018)
- Social & ethics

**Henry
Laas**
*Group chief
executive*

Henry joined the Group in 2001 and was appointed to the Board and as Group chief executive in July 2011. Henry is a director of Murray & Roberts International, Bombela Concession Company and Clough.

- Sustainable delivery of Group strategy and performance

COMMITTEE PARTICIPATION

- Audit & sustainability
- Health, safety & environment
- Nomination
- Remuneration & human resources
- Risk management
- Social & ethics

**Thokozani
Mdluli**
*Health, safety &
environment
executive*

Thokozani joined the Group in 2010 and was appointed to the executive committee in 2013. He is responsible for risk and health, wellness, safety and environment. Thokozani oversees the Group's BBBEE verification and transformation plans.

- Health, safety & environment
- Wellness
- BBBEE

COMMITTEE PARTICIPATION

- Health, safety & environment
- Social & ethics
- Risk management (from 1 July 2018)

**Mike
da Costa***
*Business platform
chief executive
officer*

Mike joined the Group and was appointed to the executive committee in 2018. He is the executive director responsible for the Underground Mining business platform.

- Cementation AG
- Cementation Canada & USA
- Merit Consultants International
- Murray & Roberts Cementation
- RUC Cementation Mining

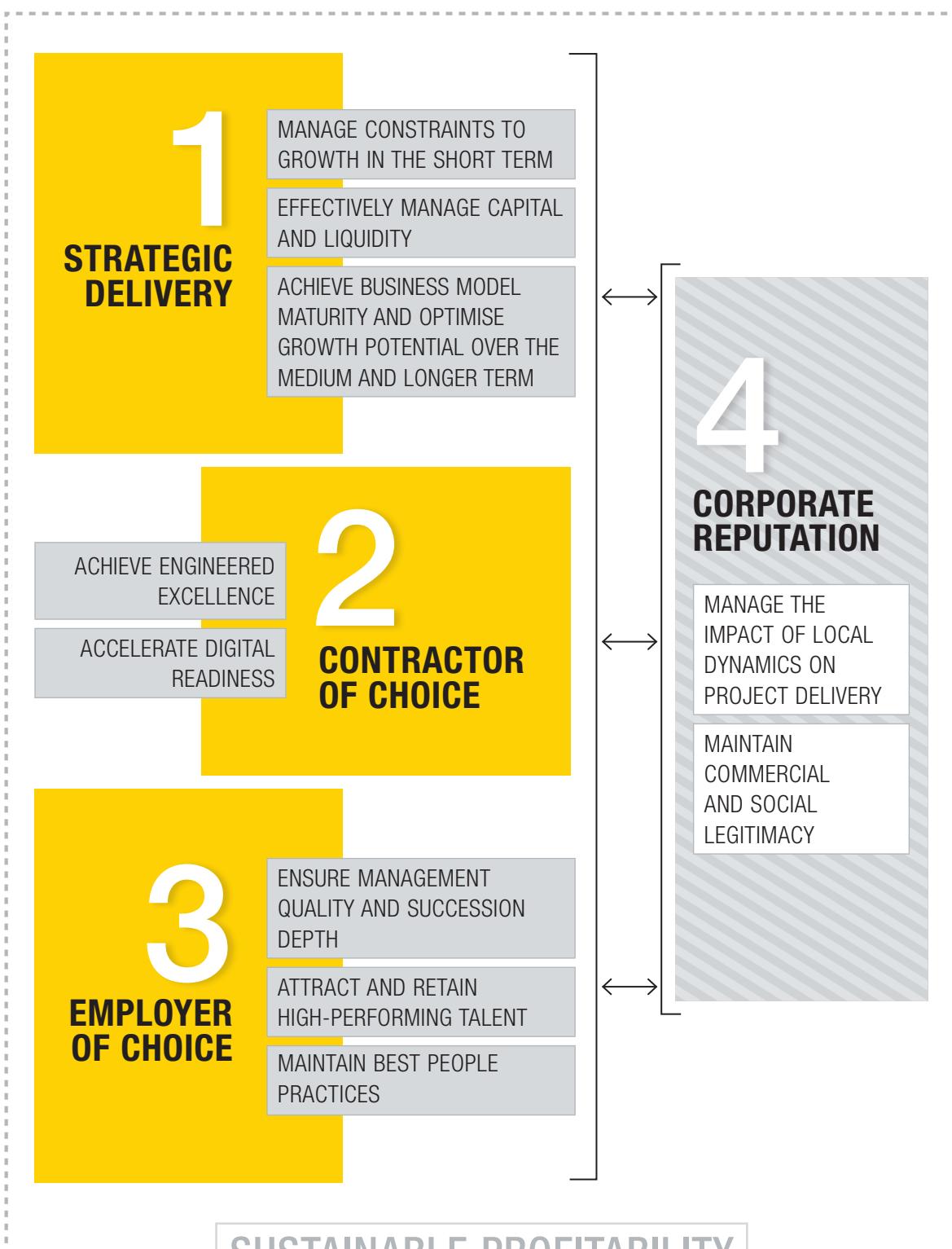
COMMITTEE PARTICIPATION

- Health, safety & environment

* Appointed 1 August 2018.

MATERIAL ISSUES

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1

STRATEGIC DELIVERY

CONTEXT TO THE MATERIAL ISSUES:

- + Conducted an independent assessment of the *New Strategic Future* plan, which validated the Group's strategic direction and clarified areas of growth potential within the platforms.
- + The review confirmed the importance of achieving maximum organic growth and the necessity of acquisitive growth, to achieve the Group's Vision.
- + Shareholder support for the long-term strategic direction is important.

MATERIAL ISSUE

MANAGE CONSTRAINTS TO GROWTH IN THE SHORT TERM

GROUP

- + Manage cyclical impacts on working capital to ensure liquidity:
 - Project delays and deferrals, and longer payment terms (especially among large clients), in soft markets.
 - Rapid upswings in activity as markets recover.
- + Manage the impact of M&A on liquidity position:
 - Identify appropriate funding mechanisms.
- + Resolve claims and address non-performing operations:
 - Unwind uncertified revenue and collect associated cash: close-out Dubai Airport claim and other claims recorded as uncertified revenue.
 - Manage legal costs: close-out remaining Middle East projects and office.
 - Seek conclusion to the Grayston temporary works collapse inquiry.
- + Ability to resource market upturns and manage market cyclicity at platform level, and the capacity at Group level to identify, assess, close and integrate suitable acquisitions:
 - Ability of leadership to anticipate and respond to market shifts.
 - Manage tactical move and time lag of positioning businesses in complementary markets to support order book.

UNDERGROUND MINING

- + Manage project margins and cash flow to free up working capital for growth.
- + Compete for scarce specialised skills to resource growth.
- + RUC Cementation Mining:
 - Consolidate, promote and expand mine development offering.
 - Maximise high-margin raise boring work.
 - Secure additional contract mining projects.
- + Cementation Canada & USA:
 - Diversify service offering across value chain and expand surface material handling business.
 - Grow contract mining portfolio.
- + Murray & Roberts Cementation:
 - Enhance capabilities in rapid mechanised mine development, embed new shaft sinking methodology and increase raise boring competitiveness.
 - Increase footprint in commodities where market outlook is positive.
 - Grow contract mining portfolio.

OIL & GAS

- + Due to decline in core markets in Australasia, expand into complementary markets:
 - Complex infrastructure projects in Australia, based on previous project experience and success.
 - Mine surface infrastructure in Australia.
 - Water treatment and desalination plants and dam remediation.
- + Seek growth opportunities in new international markets:
 - Target USA due to strong growth in oil and gas.
- + Enhance skills and contracting expertise in complementary markets of infrastructure, mining and water in line with expanding focus areas.

MATERIAL ISSUES — *continued*

MATERIAL ISSUE

EFFECTIVELY MANAGE CAPITAL AND LIQUIDITY

GROUP

- + Manage free cash flow in operations.
- + Manage short-term liquidity facilities per platform.
- + Target net debt to equity ratio of more than 25%.
- + Ensure disciplined cost management, achieve best-in-class overhead cost to revenue ratio (6% at Group level).

UNDERGROUND MINING

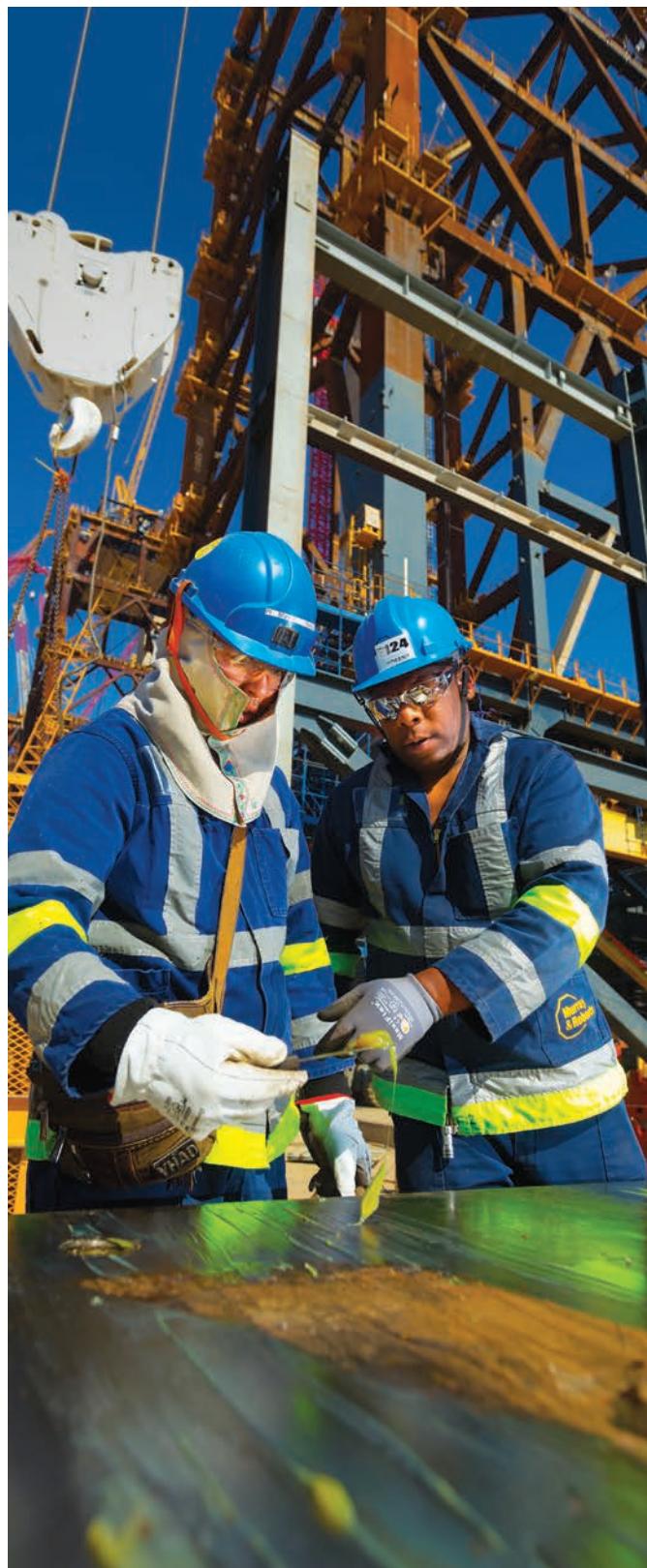
- + Manage overhead costs (particularly costs related to IT and training) to less than 6% of revenue through the cycle.
- + Reduce idle assets to release locked-up cash and improve asset utilisation.
- + Negotiate advance payments on new projects to improve working capital.

OIL & GAS

- + Reduce overhead costs to less than 6% of revenue through the cycle.
- + Negotiate advance payments on new projects to improve working capital.

POWER & WATER

- + Maintain overhead costs to less than 6% of revenue through the cycle.
- + Reduce working capital by settling uncertified revenues and claims.
- + Develop external funding solutions to drive project development opportunities.



**MATERIAL ISSUE****ACHIEVE BUSINESS MODEL MATURITY AND
OPTIMISE GROWTH POTENTIAL OVER THE
MEDIUM AND LONGER TERM****GROUP**

- + Target geographic diversification and growth opportunities.
- + Encourage collaboration between platforms to enhance competitiveness.
- + Continue to increase project life cycle exposure for optimal margin mix, especially operations and maintenance.
- + Access new sources of annuity income as project developer, operator and investor.
- + Maintain focus on complementary markets even during upturn in core markets to ensure long-term resilience.

POWER & WATER

- + Further develop the business in Ghana and Kenya.
- + Target new sectors in power market in sub-Saharan Africa:
 - Transmission and distribution service.
 - Boiler repair and maintenance.
 - Gas-to-power infrastructure.
- + Establish scale in water business:
 - Target municipal wastewater opportunities through the Organica Water resource recovery demonstration facility.
 - Industrial water treatment with bespoke solutions for mining and power sectors.
 - Secure annuity income through chemical supply contracts and operation of wastewater treatment plants.
- + Expand project development, EPC and operations & maintenance service offering.
- + Develop Aquamarine client base across South Africa. Establish Aquamarine in Ghana.
- + Continue to develop relationships with equity and funding partners.

UNDERGROUND MINING

- + RUC Cementation Mining:
 - Further develop opportunities in Asian and other markets together with the Oil & Gas platform.
- + Cementation Canada & USA:
 - Increase North American market share.
 - Access opportunities in South America and with existing clients in Europe.
- + Murray & Roberts Cementation:
 - Develop client relationships across the platform to enhance the Africa strategy (Central and West Africa), focusing particularly on raise boring opportunities.
 - Secure annuity income from contract mining projects.

OIL & GAS

- + Grow market share of hook-up and commissioning and shutdown work.
- + Undertake acquisition in USA to expand LNG geographic footprint and capture opportunities in this high-growth market:
 - Core market growth.
 - Midstream and commissioning and brownfields services.
- + Focus areas outside of the USA:
 - Established office in Kazakhstan.
 - Further develop the business in the UK.

2 CONTRACTOR OF CHOICE

CONTEXT TO THE MATERIAL ISSUES:

- + To be a contractor of choice, the Group must achieve excellence in all areas of project delivery, from effective risk management to leveraging technological solutions.
- + A key driver of success is the Group's ability to attract and retain the best management and technical expertise.

MATERIAL ISSUE

ACHIEVE ENGINEERED EXCELLENCE

GROUP

- + Maintain project losses within minimum tolerance levels:
 - Embed effective project implementation methodologies.
 - Accurate pricing of project scope, for risk and minimum standards.
 - Conclude contracts with reasonable commercial terms, based on lessons learnt and Group contracting principles.
 - Effective resourcing (especially project personnel) and start-up of projects.
 - Effective project and risk management to achieve predictable outcomes in line with tender expectations.
- + Continue to strive for Zero Harm:
 - Focus on lead indicators.
 - Continued development, enhancement and sharing of effective interventions to maintain world-class safety performance.
 - Embed the MAP Programme across the business platforms.
 - Align with clients' safety systems.

UNDERGROUND MINING

- + Further reduce levels of project losses.
- + Streamline safety and project management systems.
- + Provide ongoing commercial and project management skills training to enhance project performance.
- + Continue to develop innovative safety initiatives to prevent safety performance plateau:
 - Cementation USA introduced 'safety pays' – a near miss reporting initiative – and will expand this into Canada.
- + Focus on driving latest technology advances to reduce exposure to safety risks.
- + LTIFR deteriorated to 1.89 (FY2017: 1.23), however Cementation USA remained LTI-free for the fifth year running.

OIL & GAS

- + Manage client expectation that contractors assume greater commercial risk – less cost reimbursable and more lump sum work.
- + Strengthen reputation for complex project delivery capability through track record of successful projects.
- + Strong focus on client relationships.
- + Manage the shift to lump sum contracts in complementary markets and impact on revenue recognition.
- + LTIFR decreased to 0.14 (FY2017: 0.25) and TRIR increased to 1.71 (FY2017: 0.98).
- + While lag and lead indicators remain the focus for improvement, the low severity of incidents and the delivery of two EPC projects with Zero Harm is encouraging.

POWER & WATER

- + Manage demolitions at Medupi and Kusile power programme projects:
 - Potential impact on site stability.
 - Maintain productivity during demobilisation disruption.
- + Maintain operational and commercial discipline in tendering process, avoiding projects with poorly defined scope.
- + Maintain world-class safety performance. LTIFR improved to a record-low 0.12 (FY2017: 0.43), which translates to two lost-time injuries in more than 16 million work hours worked.

**MATERIAL ISSUE****ACCELERATE DIGITAL
READINESS****GROUP**

- + Understand extent of digital readiness.
- + Accelerate technologically-enabled operations to achieve process step change:
 - Develop the leadership mindset and capacity to adapt to technological advances.
 - Invest in innovative technology.
 - Use established partnerships to achieve technology advances.
 - Commercialise new technology.

UNDERGROUND MINING

- + Operationalise technology-enabled processes, such as wireless data communications, tele-remote loading and automated production processes.
- + Expand technological advances across geographies.
- + RUC Cementation Mining:
 - Global technology partnership providing first access to new developments in remote control and auto systems.
- + Cementation Canada & USA:
 - Five-year asset management plan incorporating innovative technology to increase reliability, productivity and return on investment.
- + Murray & Roberts Cementation:
 - Enhance systems, skills and processes to be a leading mechanised mining contractor in Africa.

OIL & GAS

- + Implemented augmented reality to improve safety practices in the field by providing real-time visualisation for operators.
- + Implement a global IT system (financial and quality) to enable consistent processes across geographies and businesses.

POWER & WATER

- + Explore opportunities to digitalise processes.
- + Driven by environmental concerns, the platform invested in class-leading Organica Water wastewater treatment technology:
 - Organica Water is a global provider of innovative solutions for localised treatment and recycling of wastewater and the system can be monitored remotely via mobile phone with live data feeds from the plant.



3 EMPLOYER OF CHOICE

CONTEXT TO THE MATERIAL ISSUES:

- + Being recognised as an employer of choice enables the Group to employ, develop and retain competent employees who embrace the Group's ethical and high-performance culture.
- + A key driver of success is a workforce that resonates with the Group's Values of Integrity, Respect, Care, Accountability and Commitment.

MATERIAL ISSUE

ENSURE MANAGEMENT QUALITY AND SUCCESSION DEPTH

GROUP

- + The concept of a Murray & Roberts leader has been defined.
- + Annual Board and executive leadership succession review conducted.
- + High-performing talent identified and development plans tracked.
- + Group-wide performance contracts aligned to Group strategic objectives for senior management and above.
- + Leadership development programmes delivered at all levels.

MATERIAL ISSUE

ATTRACT AND RETAIN HIGH-PERFORMING TALENT

GROUP

- + Safety first philosophy.
- + Provide challenging job experiences through high-profile projects.
- + Offer extensive skills development and career advancement.
- + Recognised and established brands.
- + Global online eRecruitment portal.
- + Market-related remuneration and incentive schemes.
- + Corporate social responsibility programmes.
- + Employee wellness programmes.

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UNDERGROUND MINING

- + RUC Cementation Mining:
 - Deliver leadership training to supervisory and future leaders.
- + Cementation Canada & USA:
 - Invest in management and supervisor training, and maintain robust succession plan.
- + Murray & Roberts Cementation:
 - Provide training programmes for first-line supervisors and managers.
- + Emergency successors available for all executive roles.

OIL & GAS

- + Formal annual capability review and succession planning.
- + High-potential employees are coached and mentored to develop into future leadership roles.
- + Emergency successors identified for all executive roles.

POWER & WATER

- + Developing a high-performing core group of leaders and supervisors, with a particular focus on black talent.
- + Emergency successors available for all executive roles.

UNDERGROUND MINING

- + Mike da Costa and Trevor Naidoo appointed as platform CEO and CFO respectively.
- + Sibulele Songca appointed as financial director for Murray & Roberts Cementation
- + Tumi Mametse appointed as human resources director for Murray & Roberts Cementation.
- + Murray & Roberts Training Academy offers industry best practice in technical and supervisory training.
- + Mining internships, bursaries and graduate-in-training posts offered every year.

OIL & GAS

- + Provide depth and variety of work experiences to attract and retain the right talent.
- + Project Management and Construction Management Academies provide critical industry skills training for employees.

POWER & WATER

- + Charmaine Mabuza appointed as Aquamarine managing director.
- + Patrick Metswi promoted to platform human resources executive.
- + 2 789 learners have been trained on the power programme with 173 learners still in training.
- + Young engineers are supported in the business through a bursary scheme and graduate programme.



MATERIAL ISSUE

MAINTAIN BEST PEOPLE PRACTICES

GROUP

- + Comprehensive policies and procedures that are appropriate and relevant to working environments.
- + Induction sessions to share the Group's Values, culture, history and expectations.
- + Communication and engagement initiatives between Group leadership and employees.

UNDERGROUND MINING

- + ISO9001 accredited.
- + Internal audits conducted regularly.
- + Values-based assessments.

OIL & GAS

- + ISO9001 accredited.
- + Internal audits conducted regularly.
- + Structured human resource reporting.
- + Flexible employment options.

POWER & WATER

- + ISO9001 accredited.
- + Internal audits conducted regularly.
- + Safety, production, quality, cost, and people process used to communicate with employees.
- + Tool-box talks embedded at projects.



4

CORPORATE REPUTATION

CONTEXT TO THE MATERIAL ISSUES:

- Trust and support from our stakeholders is critical to the Group's success and longevity.
- Businesses are expected to align to the Group's frameworks, standards and Values despite local operating differences.
- The Group's governance frameworks and reporting structures ensure visibility of and compliance across all platforms.
- Managing the impact of local dynamics on project delivery to limit contagion risk when dealing with multinational clients is imperative for the Group.
- A key value driver is being recognised as a responsible corporate citizen that responds to national objectives and complies with local laws, codes and standards.

MATERIAL ISSUE

MANAGE THE IMPACT OF LOCAL DYNAMICS ON PROJECT DELIVERY

GROUP

- Understand local requirements and norms across the jurisdictions where the Group delivers projects.
- Comply with local requirements.
- Manage impact of local factors on project delivery including safety, work culture, labour and community relations, local procurement practices and community development skills.

OIL & GAS

- On international project sites, relevant local industrial frameworks are reviewed prior to commencing a project and an industrial relations strategy is developed and implemented.

UNDERGROUND MINING

- Murray & Roberts Cementation:
 - Negotiate three-year wage agreements to mitigate the risk of protected stoppage.
 - Focused employee relations framework empowers operations to build meaningful relationships with employees and stakeholders.
- Cementation Canada & USA:
 - Mexico: improve the safety culture through on-boarding and induction training.
 - Canada: respond to requirement for First Nation business partnerships.

POWER & WATER

- Focus on maintaining strong BBBEE credentials to access opportunities in South Africa, especially in the public sector.
- The Murray & Roberts Khula Nathi Enterprise and Supplier Development Experience develops entrepreneurs with potential to create employment and become part of the platform's supply chain.

**MATERIAL ISSUE****MAINTAIN COMMERCIAL AND SOCIAL LEGITIMACY****GROUP**

- + Introduced a global diversity policy to be supported by locally adapted standards.
- + Accelerate localisation and transformation to remain competitive and legitimate with clients, employees and communities.
- + Defend reputation for responsible and ethical conduct:
 - Comply with laws, standards and codes in all operations.
 - Compliance and ethics training.

OIL & GAS

- + A greater focus on improving workforce participation by indigenous communities and women.
- + Clough Code of Conduct sets mandatory standards for decision-making.
- + Compulsory annual employee Code of Conduct training programme and assessment.

UNDERGROUND MINING

- + RUC Cementation Mining:
 - Continue to develop local skills in Indonesia – expats only 12% of workforce at Freeport in Indonesia.
 - JV with Mongolian company at Oyu Tolgoi project.
- + Murray & Roberts Cementation:
 - Partnering on mining projects in Central Africa, developing a BBBEE underground mining contractor at Kalagadi and exploring local partnership in Zambia.
 - Dedicated CSI spending in local project areas and local procurement.
 - Industry training provided for unemployed members of local communities.
 - Murray & Roberts Training Academy provides accredited training and development enhancing industry skills.

POWER & WATER

- + Restructuring for operations post power programme completed in consultation with labour agreements.
- + Year-on-year improvement in black representation in senior, middle and junior management levels.
- + Form BBBEE partnerships in power maintenance, transmission and distribution, and water.
- + Develop local partnerships in East and West Africa.







GROUP
OVERVIEW

LEADERSHIP
REVIEW

BUSINESS
PLATFORM
OVERVIEWS

GOVERNANCE,
RISK AND
REMUNERATION
REPORTS

SUMMARISED
FINANCIAL
REPORT

SHAREHOLDERS'
INFORMATION



LEADERSHIP REVIEW



Suresh Kana
Group chairman

CHAIRMAN'S STATEMENT

34

"Effective leadership, financial capacity and the long-term demand trend for natural resources will enable a strategically repositioned Murray & Roberts to realise its Vision. The Group is focused on delivering its organic and acquisitive growth plans, strengthening its credibility as a preferred contractor and employer of choice, and accelerating innovation – a combination that will create sustainable value for all of our stakeholders."

Introduction

With a well-defined business model and strategy, and a focused portfolio of quality businesses the Group is well positioned for sustainable growth and earnings improvement. Management have substantially delivered on the intentions set in the *New Strategic Future* plan, which the Board approved in 2014. These have included dealing decisively with legacy issues, aligning the Group's portfolio of businesses to its strategic focus on engineering and construction services to selected international markets, and embedding *Engineered Excellence* as a Group-wide initiative, to drive continuous improvement in all aspects of the business.

Engineered Excellence also applies to safety performance. It is therefore deeply saddening to report a fatality in the Underground Mining platform. The Board extends its deepest sympathy to the family and colleagues of Hendry Munardi, who was overcome by blasting fumes at the Big Gossan mine in Indonesia.

Decline in the Underground Mining platform's overall safety performance marred an otherwise world-class performance for the Group as a whole. The improvement in the Group's safety record over several years has been a significant focus for the Board. While we acknowledge the challenge that management faces in constantly improving on already exceptional safety performances, we continue to emphasize Zero Harm.

The business plan for the next three-year period takes cognisance of the variable rates of upturn expected in the global natural resources markets, but remains subject to an uncertain outlook for global economic growth. Although macroeconomic and socioeconomic realities are difficult to predict and plan for, the Group's strategy to increase geographical and services diversification as a defence against the cyclical nature of its markets, is well considered.



Of concern is the tension between the United States, given its increasingly protectionist stance, and China and the European Union, which threatens to undo global trade policies and hamper economic growth. This would undermine a sustained recovery in commodity demand, affecting prospects in the Group's markets. However, global economic growth is forecast to rise from 3.7% in 2017 to 3.8% for 2018 and 2019, according to the International Monetary Fund. Trade tensions, geopolitical concerns and political uncertainty are cited as downside risks to this forecast.

While dynamics in the Group's market sectors differ, the overall outlook is relatively optimistic. Capital expenditure in the mining sector is forecast to rise to US\$61 billion by 2022 across the Americas, Africa and Australasia, which together will account for 94% of the global total. Although activity in the oil and gas sector remains subdued, capital expenditure is expected to accelerate to US\$25 billion in Australia and as much as US\$353 billion in North America, the latter comprising 57% of the global total forecast for 2022. Capital expenditure of US\$11 billion is forecast in South Africa and US\$45 billion in the rest of Africa in the power sector, with spending in the domestic water sector of US\$4 billion expected by 2020.

Strategy execution

Each business platform has formulated plans for organic and acquisitive growth, which focus on expanding their geographic footprint and ability to deliver services across the full project life cycle. To optimise growth potential as the cycle turns will require selective acquisitions, either to gain a foothold in new growing markets or to achieve greater access to the entire engineering and construction services value chain.

Besides the smaller bolt-on acquisitions made over the past few years to increase project life cycle exposure, the transformative acquisitions the Group has sought have evaded it for a number of reasons. Among these have been high asset prices in developed markets, specifically North America, ahead of the imminent upturn in mining and revised expectations for recovery in oil and gas.

The chief executive's and financial director's report addresses the actions envisaged in this regard, as well as the role of complementary markets in high-growth sectors to bolster the Group's financial position in the short to medium term.

Successful execution of the Group's strategy is contingent on management's ability to anticipate and adapt to market dynamics and to effectively manage relationships and resources, particularly finance and human capital. To this end, succession planning is critical to preserve the management capacity that we believe is a powerful differentiator for the Group.

We were pleased to welcome new executives to the Group during the year. Mike da Costa was appointed as chief executive officer of the Underground Mining platform on 1 August 2018, succeeding Orrie Fenn who retired at the end of July 2018 after a structured handover process. Orrie served for almost a decade on the Murray & Roberts Limited Board and was instrumental in guiding the Underground Mining platform in becoming a significant part of the Murray & Roberts Group. I'd like to take this opportunity to thank Orrie for his service and valuable contribution.

Mike joins the Group from Lonmin, where he fulfilled the role of executive vice president group technical services and is an experienced mining executive. Trevor Naidoo succeeded David Meyer as the chief financial officer of this platform. David relocated to Salt Lake City to assume the role of financial director of the businesses in the USA and Canada. Trevor, formerly finance director of Aveng Mining, is a Chartered Accountant (SA) and Chartered Management Accountant. At Murray & Roberts Cementation, Sibulele Songca was appointed as financial director and Tumi Mametse as human resources executive. In the Power & Water platform, Patrick Metswi was promoted to human resources executive and Charmaine Mabuza appointed as managing director of Aquamarine Water Treatment. The Board is confident that these new executives will rise to the challenge of delivering on the potential of their respective businesses.

Another feature of the Group's competitive advantage is its commitment to the principle of *Engineered Excellence*, which has supported its profitability in difficult operating conditions. *Engineered Excellence* pivots on the Group's value system, which comes alive in the organisation through prioritising best practices. Although it is difficult to achieve and requires continuous improvement, the Group has done well in making *Engineered Excellence* a key differentiator in its aspiration to be a contractor of choice. This is largely determined by also being an employer of choice.

Fundamental to these aspirations is the Group's management systems that govern and promote disciplined risk management, industry-leading health, safety and environmental performance, as well as its commitment to stakeholder inclusiveness and good corporate citizenship. As the Group grows its multinational operating base, ethical business practices are essential not only to its reputation, but also its ability to secure work. The Group mitigates the risk of unethical behaviour through its Code of Conduct, internal audit and an anonymous and independent fraud reporting and investigating function.

CHAIRMAN'S STATEMENT — *continued*

Taking a longer-term view, it is true that productivity levels in the engineering and construction sector have not kept pace with other industries, as the Fourth Industrial Revolution has taken hold. These gains are based in the efficiencies made possible by the digitalisation of processes, and the application of data to deliver real-time insights that inform more effective decision-making and resource allocation. In our sector, the agility this could potentially afford the Group in risk management and project delivery, and in reducing safety risk for our people by remote and automated processes, is compelling.

In advancing the Group's digital capabilities, we will be mindful of the broader socioeconomic ramifications of greater automation in line with our obligations as a responsible corporate citizen to support job creation in our markets, especially in developing countries.

Finally, the perception that the Group is systematically divesting from South Africa, following the Group's disposal of the Infrastructure & Building platform, necessitates some reflection. The Group has been clear that its strategic focus must for the sake of sustainable growth and profitability include the sectors, markets and service offerings that provide the most compelling business opportunities in the longer term. Should opportunities available in South Africa justify investment, within the scope of our strategy, we will embrace them.

Offer to acquire Murray & Roberts by ATON GmbH (“ATON”)

Stakeholders will be aware of the announcements made in respect of ATON's intention to obtain control of Murray & Roberts through a formal offer to acquire the balance of shares from our other shareholders. ATON made an initial voluntary offer of R15 per share to shareholders in April 2018; the Independent Board constituted to respond to the ATON offer, recommended that shareholders reject the offer as materially undervaluing the shares. This followed an independent valuation by BDO Corporate Finance in its capacity as the appointed independent expert.

ATON have since increased their investment in the Group to about 44%, triggering a regulatory requirement to make a mandatory offer (a mandatory offer is triggered at 35%) to all shareholders, made on 4 June 2018 at R17 per share to purchase the remaining issued share capital. The offer remains open to shareholders for 10 days after the offer is declared unconditional in all respects.

The Independent Board acknowledges that ATON's significant investment in the Group secures their entitlement to ensure that the Group's strategic decisions correspond to their expectations of risk and return. However, this cannot be to the detriment of all our other shareholders. It is unfortunate that the fractious nature of the process thus far has created the impression that the Board is set on frustrating ATON's intentions, which is without basis. It is our duty to ensure that all our shareholders are made a fair offer for the value we believe is inherent in the Group, and full account is taken of the future value we believe will be created by the current strategy.

It is also regrettable for the Board that the misalignment between the aspirations set out in the strategy and the objectives of ATON, have restricted the Group's options in the acquisitions it can realistically pursue and in the proposed repurchase of Group shares, which has hampered the Group's longer-term strategic positioning and its ability to create immediate value for shareholders. That said, the Group's leadership remains open to engagement with ATON to clarify their intentions for Murray & Roberts in the longer term and obtain their input on the Group's strategic direction.

Governance and reputation

Given the recent governance failures at corporations, which have resulted in extraordinary value destruction for shareholders and deepened suspicion of the motives of business among other sectors of society, it is necessary to explicitly state my conviction in the effectiveness and independence of the Murray & Roberts Holdings Limited Board. I can attest to the fact that the principle of *Engineered Excellence* – of thorough and detailed planning and highly considered action – is not confined to operating level, but is also embraced by the competent and principled directors that serve with me on the Board.

The emphasis on Board succession planning over several years has resulted in a well-constituted and diverse Board, with collective expertise relevant to the Group's strategy and the macroeconomic and socioeconomic realities within our markets. The Board adopted a formal policy to guide and assist in attaining gender and race diversity at Board level. At present, the Board has 50% black and 33% women representation.

During the year, the Board also approved a diversity policy for the Group. The policy is based in our belief that diversity, of race, gender, skills and perspectives, can be a strength that propels performance. The policy sets the framework within which our operations respond



to different localisation priorities, which include developing local leadership and skills, and entering into joint ventures with local contractors in line with local contracting conventions. For several of our operations in South Africa, accelerating transformation progress in relation to BBBEE requirements is a condition of their competitiveness, especially when tendering for work from state-owned enterprises and other public sector clients.

The Group's reputation as a responsible multinational organisation is a function of policy directives that set high standards for all its businesses, according to recognised best practice. The Board is comfortable that the Group's governance, risk management and sustainability frameworks and procedures provide adequate "line of sight" and the necessary assurance to the Board. The Group's governance structure and procedures reflect the principles of King IV. Of specific importance, we are pleased with the outcome of the shareholder vote on remuneration policy and directors' pay at the last AGM, with 89% and 99% approval respectively.

Clarity on the outcome of the Department of Labour's inquiry into the Grayston temporary works collapse has not yet been obtained. Conclusion of the inquiry is expected by the end of the calendar year. We welcome the clear timeframe to bring closure to this distressing incident for all parties involved.

Outlook and appreciation

The Group's strategic plans are aimed at achieving the growth potential in our markets over the medium term. Selected acquisitions across all platforms to meet the Group's growth aspirations will be pursued. Establishing a presence and growing scale in the most attractive markets will be prioritised, with the most suitable strategy for market entry applied, either by following existing clients, entering into local partnerships or by acquisition.

The Underground Mining platform is positioned to provide the highest earnings growth contribution in the next two years, as it leverages and strengthens its position in high-growth markets. Although a meaningful recovery in the Oil & Gas platform is not expected within this timeframe, the platform will retain and grow its presence and capabilities in its core market sector, with earnings growth supported in the interim by working in complementary markets. For the Power & Water platform, revenue substitution is critical post completion of the Medupi and Kusile power station projects, and the challenge will be to gain a foothold and rapidly acquire scale in new segments of the power market.

Scale will be critical as the digital era dawns in the global construction and engineering sector, and a step-change in productivity widens the gap between those that are digitally ready and able to compete, and those that cease to be relevant. Both these factors are considered in the Group's strategy.

Supporting these objectives, will be the firm commitment to strengthen the Group's reputation as a preferred contractor and employer of choice, through *Engineered Excellence*. More broadly, our reputation as a responsible multinational organisation that aims for the highest standards across all its operations in balance with being a responsible local corporate citizen, will continue to be the foundation for stronger relationships with our clients, our people and other stakeholders.

The Board remains of the opinion that the Group's strategy will create sustainable value for shareholders over the longer term. The strategic intentions that underpin this conviction, detailed in the chief executive's and financial director's report, are without doubt challenging. However, the Group's track record in the last four years should give our shareholders confidence that they are achievable, notwithstanding the volatile nature of its markets.

It bears saying, in closing, that we take seriously our duty as a Board to balance the best interests of all our stakeholders over time. On behalf of the Board, I convey our thanks to our shareholders for their support, and to the Group's executive teams and all our employees for their extraordinary commitment to delivering excellence, even at this uncertain time in the Group's development.

Suresh Kana

Group chairman



Henry Laas
Group chief executive



Daniël Grobler
Group financial director

GROUP CHIEF EXECUTIVE'S AND FINANCIAL DIRECTOR'S REPORT

Introduction

With this being the first full financial year of a fundamentally reshaped Murray & Roberts, we commissioned an independent assessment of the *New Strategic Future* plan adopted in 2014. This review confirmed the long-term viability of the Group's strategic direction and clarified the growth priorities of our business platforms, to support the market leadership and performance aspirations associated with the Group's Vision. To move closer towards achieving this aspiration and considering current expectations for our market sectors and their variable growth potential in different regions, organic growth will be supplemented by acquisitive growth.

"The progress made over several years in de-risking the Group, defining its business model and optimising its portfolio of businesses, has allowed our focus to shift towards enhancement of the strategic positioning and earnings potential of our three business platforms for the longer term. The evolution of our strategy in anticipation of and response to market dynamics, specifically the cyclicity of the international natural resources market sectors in which we operate, has provided a clear roadmap for shareholder value growth in the years ahead."

With each of our platforms at different stages in their strategic development, they continue to diversify their specialist service offerings, to capture growth and margin opportunity and to spread risk across different international regions and phases of the project life cycle. Whereas their primary focus is to achieve this within their respective core natural resources market sectors, the reality of market volatility and slower-than-expected recovery in these markets make it necessary to maintain strategic flexibility. This enables platforms to leverage their competitive advantages and reputation to secure work in selective complementary markets, especially during protracted down-cycles in core markets.

Whereas strategic flexibility is imperative at platform level, it is equally so at Group level, as we seek to secure the long-term shareholder support and financial capacity required to deliver on our strategy. This will underpin the Group's ability to maximise organic growth potential and accelerate acquisitive growth on the road to achieving our Vision even within the constraints of variable market dynamics.

Despite the challenges we anticipate, the Group's focused position provides an already strong springboard. The portfolio alignment of the last few years, culminating in the disposal of the Infrastructure & Building platform and our



last remaining non-core asset, the steel fabricator Genrec – both of which were closed-out in the year – will serve the Group well. The close-out of the operations in the Middle East are also progressing according to plan, although the arbitration ruling of the Dubai Airport claim has been delayed to November 2018. We remain hopeful that the resolution of this claim will realise value in FY2019.

The Group has performed well in strengthening operational and commercial discipline, thereby protecting project margins and achieving a marked improvement compared to previous reporting periods. We believe this is reflective of the progress made in instilling disciplined management of risk in tendering for and delivering projects, which has enhanced our credibility as a service provider that gets the job done in line with the conditions and client expectations specified at the outset – an important differentiator given the competitive nature of the contracting environment in our target markets.

Financial performance

In FY2016 the Board decided to close the business in the Middle East as part of the Group's strategic decision to exit the civil engineering and building market. In terms of IFRS, the business in the Middle East is to be abandoned and cannot be classified as a discontinued operation. Its financial results accordingly continue to be reported as part of the continuing operations.

As the business in the Middle East recorded a substantial loss of R570 million in the prior year, Group revenue, EBIT, HEPS and EPS are reported as 'including and excluding' the Middle East. This is to enable a clear understanding of the negative impact that the Middle East business had on the continuing operations' earnings profile of the Group, and in order to separate the earnings profile of the sustainable platforms within the Group going forward.

Current year losses in the Middle East relate to overhead costs and legal fees associated with pursuing the Dubai Airport claim. All projects are substantially completed and are expected to be handed over by December 2018. The arbitration ruling for the Dubai Airport claim has been delayed to no later than 4 November 2018.

The Group reported revenue from continuing operations, excluding the Middle East, of R21,4 billion (FY2017: R20,8 billion), or R21,8 billion (FY2017: R21,4 billion) including the Middle East. Attributable earnings were R267 million (FY2017: R48 million). Diluted continuing HEPS, excluding the Middle East, decreased to 120 cents (FY2017: 212 cents), or increased to 112 cents (FY2017: 72 cents) including the Middle East. The Group is pleased to have maintained its strong cash position with cash, net of debt, of R2,0 billion (30 June 2017: R1,8 billion).

The Oil & Gas platform delivered an operating profit of R209 million (FY2017: R217 million). The Group has noted the stabilisation in the crude oil price at around US\$70 per barrel. Meaningful earnings growth from this current low base is only expected in the medium term, as global energy producers' confidence returns and they start investing in new projects. Notwithstanding revenue growth, the platform's operating margin reduced to 2% (FY2017: 3%) reflective of both the different nature of work completed in FY2018 when compared to FY2017, as well as of lower margins in works completed in the hook-up and commissioning subsector.

The Underground Mining platform delivered an operating profit of R471 million (FY2017: R464 million), with a platform margin of 6% (FY2017: 6%). Excellent performance by Cementation Africa was largely offset by a decline in margins in Australasia as a result of the non-extension of a contract on a major project. Strong order book in the Americas and Australasia reflects the improving market conditions in these jurisdictions.

The Power & Water platform delivered an operating profit of R134 million (FY2017: R171 million). This overall reduction is due to the phased completion of the Medupi and Kusile power station projects, which for the last seven years underpinned the platform's financial performance.

The Group increased its investment in BCC to 50%, which continued to yield strong cash returns of 18.5% after tax. The current year comprised a R277 million (FY2017: R253 million) fair value adjustment.

Net financing costs marginally decreased to R41 million (FY2017: R42 million).

GROUP CHIEF EXECUTIVE'S AND FINANCIAL DIRECTOR'S REPORT – *continued*

The high effective taxation rate of 36% (FY2017: 36%) was due to profits earned in higher tax jurisdictions, foreign withholding taxes and losses incurred in the Middle East, a tax free jurisdiction.

Income from equity accounted investments increased to R21 million (FY2017: R7 million), largely made up of the Group's investment in BOC which was sold in the current financial year.

The loss from discontinued operations was R278 million (FY2017: R253 million). The Infrastructure & Building businesses disposed of in FY2017 recorded an operating loss of R141 million due to a claim awarded against Murray & Roberts as a retained liability and an updated view on the forecast cost to close out retained assets and liabilities. Genrec, disposed of on 1 May 2018, recorded an operating loss of R128 million for the period until the effective date of disposal.

Capital expenditure for continuing operations for the year was R436 million (FY2017: R511 million) of which R358 million (FY2017: R395 million) was for expansion and R78 million (FY2017: R116 million) for replacement. The capital expenditure was largely incurred in the Underground Mining platform.

The order book for continuing operations increased to R30,1 billion (30 June 2017: R26,9 billion).

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Strategic performance

Driving organic growth

For the Oil & Gas platform, the swift decline in large project opportunities in its Australasian core market combined with the sluggish recovery in the global LNG market, continues to subject this business to significantly lower levels of investment by energy companies and increased competition in winning new projects, which are also far smaller in size. Although the consensus view holds that investment activity will accelerate over the next 18 months as the global supply surplus moderates and demand increases, the platform is tactically repositioning itself to take advantage of the spending boom underway in the complementary public infrastructure market in Australia. In this regard, the platform is distinguished by its ability to deliver large and complex projects in, for instance, marine settings and remote locations. Management is aware of the importance of not diluting its emphasis on internationalising this business, specifically noting the strong growth prospects in the North American core oil and gas market. The metals and minerals sector is also showing strong recovery both in Australia and abroad, and the platform is targeting projects aligned with its capabilities. Early project awards from BHP validate this strategy and the sector will provide significant opportunities for the platform going forward.

In the Power & Water platform, the lack of infrastructure investment in South Africa, despite national infrastructure backlogs, continues to hamper its ability to substitute the significant drop-off in revenue as the Medupi and Kusile power projects near completion. Similar to the Oil & Gas platform, it must balance its allocation of resources between positioning itself for work in complementary markets, while it seeks longer-term opportunities in new segments of the power and water markets on the African continent.

This platform has signed memorandums of understanding to establish joint ventures with selected partners in pursuit of projects in identified high-growth segments of the power market, such as transmission and distribution infrastructure. Opportunities exist to enter the large EPC market for power transmission in South Africa and other Southern Africa countries. The platform also aims to leverage its capability and track record at Medupi and Kusile to secure boiler repairs and maintenance work on power stations, which will require a BBBEE partner.

It is important for the platform to develop scale and credibility to compete effectively in the industrial water market sector. We anticipate that its recently constructed and commissioned Organica Water resource recovery demonstration facility will achieve a breakthrough in municipal wastewater treatment, and unlock new opportunities in industrial water re-use.

That the Oil & Gas and Power & Water platforms succeed in striking the balance between establishing competitive market positions in both core and complementary markets, could not be more profound. Complementary markets provide the earnings support needed to endure protracted periods of market softness, to avoid the fate of too many businesses in our sector that have stalled or failed in the period since the oil price collapse in 2011.

The challenge for the Underground Mining platform, our strategically best positioned platform to achieve accelerated organic growth, is similar in terms of the call on its resources, but for entirely opposite reasons. As commodity demand and prices recover and producers commit to investing in expansion and exploration, this platform will be confronted with higher levels of working capital and competition for technical skills, as activity in its core market sector increases. The platform will also continue to bid for annuity income opportunities such as contract mining, mindful of the impact should clients revert to owner-miner operating models.



Local partnerships are a prerequisite to work in certain jurisdictions. In South Africa, the platform is developing a BBBEE underground mining contractor at one of its major operations and has established local partnerships to access mining projects in central Africa and within its existing operation in Zambia. This approach extends to First Nation partnerships in Canada and with local companies in selected South America markets. In all these cases, local partners are chosen and retained on the basis that they align to the operating standards and Values of the Group.

Whereas our market focus requires strategic flexibility over time, in which short-term tactics must be played off against long-term strategic direction, it is important to understand what is non-negotiable. This pertains to our Values and what the Group stands for, which preserves our competitiveness and our reputation, and ultimately the quality of our earnings and the investment returns our shareholders expect.

To this end, we continue to hold our business platforms accountable for our non-negotiable principle of *Engineered Excellence* in everything we do. This principle informs every aspect of how we do things – from the way we manage commercial and execution risk in delivering projects, which underpins our aspiration to be a contractor of choice, to the best practices that underpin our aspiration to be an employer of choice. It is gratifying that what started as a philosophy and a slogan is steadily becoming a reality that is tangible and measurable, as the quality of our people and our management systems have matured.

Our success in systematically minimising project risk has resulted in a marked reduction in the number of loss-making projects. This has come primarily from being disciplined in pricing properly for execution risk in tendering for projects, even at the risk of being less price competitive, and negotiating the most appropriate commercial terms and being prepared to turn down an opportunity if these are not granted.

The improvement in commercial risk management is particularly pleasing given that market conditions have been characterised by negotiating strength being almost entirely vested in the client. This is irrespective of the implications for project delivery of sometimes dysfunctional adjudication processes, poorly defined scoping of projects, and emphasis on price at the expense of value – all of which introduce untenable levels of risk, that may result in losses borne by the contractor.

A more recent market development is the increasing expectation from clients for contractors to provide funding solutions as part of the bid process, which is largely a feature of the power and water market sector on the African continent. The strong balance sheets and risk appetites of mainly Chinese and Indian contractors, which enable them to provide attractive equity funding solutions for projects, often provide them with a competitive advantage in winning large tenders.

In response, the Power & Water platform has facilitated a new funding model for public private partnerships, particularly for energy projects in Africa, which is being considered in Ghana and Kenya. The model involves partnering with the Swedish Development Finance Institution to provide partial debt funding to local governments at competitive rates, in return for Swedish companies supplying an agreed percentage of project equipment and materials. This is an eloquent solution to unlocking market access and addressing funding constraints, in response to market realities.

Fundamental to *Engineered Excellence*, and particularly our reputation as an employer and contractor of choice, is our belief that Zero Harm is indeed possible. Although the principle of “safety first” circumscribes our business model and connects to our Values, achieving Zero Harm requires continuous commitment, innovation and improvement to avoid plateaus in safety performance, which are a reality at the level of the world-class standards we have achieved.

It is disappointing that the Underground Mining platform has slipped back from its record safety performance last year, with a fatality at RUC Cementation Mining in Indonesia, the first fatality recorded in this operation in more than 20 years. We are deeply saddened by the death of Hendry Munardi in the service of the Group and extend our sympathy to his family and friends.

Management continues to analyse the root causes of all incidents in order to implement appropriate corrective and preventative measures. This includes a specific focus on operations in South Africa where workplace culture and broader socioeconomic factors contribute towards safety risks. The sharing of lessons learnt to effectively manage safety and the application of technological solutions to reduce exposure to safety hazards, continue between and across all platforms.

The Oil & Gas platform’s world-class HSE performance is driven by core programmes designed to proactively manage HSE risks. While lag indicators remain the focus for improvement, the low severity of incidents and the delivery of two EPC projects with Zero Harm is encouraging.

GROUP CHIEF EXECUTIVE'S AND FINANCIAL DIRECTOR'S REPORT – *continued*

The Power & Water platform achieved an exceptional safety performance, with LTIFR of 0.12 and no severe injuries. This has been achieved by reaffirming the platform's commitment to Zero Harm at all levels, with personal accountability taken by leaders and managers for instilling safety discipline at operational level, together with the implementation of the MAP Programme at Medupi and Kusile.

These elements of our employment value proposition have important strategic implications. Market up-cycles require rapid recruitment and upskilling, which if not effective become a constraint to business performance. This risk is being managed through employee retention, internal collaboration to transfer skills and robust succession planning, not only at management level but also for specialised technical skills that are a critical success factor to project delivery.

The unfortunate counterpoint is managing the process of headcount reduction when major projects come to an end, and the possible impact on site stability and performance during the final phases of completion. This is the reality facing the Power & Water platform as the Medupi and Kusile projects draw to a close. This process is being carefully managed in consultation with employees and various labour unions.

In both these extremes, it is the Group's frameworks for achieving employer of choice status in all our operations that underpin our ability to respond effectively to the human capital capacity challenge. This is as much a value driver as financial capacity in managing cyclical.

To deepen the competitive advantage that *Engineered Excellence* affords us, a strategic focus for all platforms is to invest in technology-enabled operations and, for the Group, to increase our understanding of the impact of digital technologies and accelerate digital readiness. The engineering and construction sector worldwide lags other industries in implementing digital technologies and there is significant "first mover" advantage given the productivity benefits they promise. We have committed to develop the management mindset and capacity to accelerate and adapt to technological advances, and to increase our investment in the requisite skills and partnerships to develop and commercialise new technology.

While we acknowledge the need to move swiftly, we also recognise the pockets of industry-leading digitalisation and innovation within the Group. The Underground Mining platform has introduced promising initiatives, including a world-first in implementing a wireless solution for real-time underground equipment tracking, safety compliance and production; a global partnership with Remote Control Technologies that gives it first access to new developments in remote control and automation systems for underground mines; and the use of virtual reality in engineering design to improve processes and reduce risks prior to implementation.

The Oil & Gas platform has implemented augmented reality to improve safety practices by providing real-time visualisation for operators and linking them to anyone on the network to share onsite information and receive immediate support.

The Power & Water platform is the exclusive licence partner of Organica Water in South Africa, and has successfully demonstrated this innovative technology. The Organica system can be monitored remotely via mobile phone with live data feeds from the plant.

Accelerating acquisitive growth

The need to accelerate our acquisitive growth strategy, across all three platforms, requires executive capacity, specifically at Group level, to provide support in identifying and assessing prospects and negotiating transactions. The balancing act of allocating capital that will generate maximum return and the intended strategic outcome, relative to the variable rates of growth in our core market sectors, is also a consideration that we are mindful of.

The potential combination of Murray & Roberts and Aveng, an opportunity under consideration since the fourth quarter of 2017, was announced in May 2018. The proposed combination of Murray & Roberts' Oil & Gas and Underground Mining platforms with Aveng's McConnell Dowell (infrastructure) and Moolmans (mining) businesses was compelling and would have established Murray & Roberts as a significant multinational engineering and construction group.

The Group obtained the requisite approvals from the Takeover Regulation Panel and our shareholders to further develop this transaction. The Takeover Special Committee then overturned the Takeover Regulation Panel approval and ruled that Murray & Roberts may not develop the potential transaction while the ATON mandatory offer remains in place. As part of Aveng's recent rights offer, ATON acquired 25.42% of Aveng's equity, thereby establishing negative control of Aveng. ATON was not supportive of the combination of Murray & Roberts and Aveng, and with its shareholding in Aveng it has the ability to block any such combination. Following these developments, the Murray & Roberts Board withdrew from the potential Aveng transaction in early August 2018.

The planned acquisition of a USA-based EPC contractor in the oil and gas sector will give the Oil & Gas platform the ability to deliver projects to a rapidly growing market in the USA. Potential acquisition targets for the Underground Mining platform will aim to consolidate its presence in Australia and Canada, the latter specifically in British Columbia and Quebec, where it is under-represented.



The Power & Water platform is targeting transmission projects in sub-Saharan Africa, with its joint-venture partners being potential targets for bolt-on acquisitions. A bolt-on acquisition in South Africa to strengthen its repairs and maintenance service offering to Eskom is under investigation, while the platform is considering bolt-on acquisitions to secure the required scale and credentials to pursue municipal wastewater treatment opportunities.

Unlocking shareholder value

We are confident that the Group's organic and acquisitive growth plans for the next three-year planning period are achievable, given current expectations for our market sectors. Cost management will continue to be a focus and all platforms are targeting levels of overhead costs of about 5% of revenue, through the cycle.

The Underground Mining platform is set to benefit from the major projects coming to market in regions in which it is well established. Near-term growth in the Oil & Gas platform will be primarily through acquisition to expand its international footprint in advance of the recovery in its core market sector. In the interim, the platform is well positioned to secure sizeable projects in complementary markets. The Power & Water platform will focus on diversifying its revenue streams, entering into partnerships and making acquisitions to secure the necessary capabilities in its target markets. An acquisition or a breakthrough in the municipal wastewater treatment is required to achieve competitive scale.

Our efforts to communicate the repositioning of the Group to the investment community will continue with an expectation of achieving a more reflective market rating.

It will be clear to our stakeholders from the emphasis we apply to *Engineered Excellence* that we are cognisant that the Group's sustainable competitive advantage, and therefore its ability to deliver returns to shareholders, is premised on the value we create for all our stakeholders. All dimensions of the *New Strategic Future* plan, particularly our aspirations to be a contractor and employer of choice, relevant and reputationally beyond reproach, are inseparable if we are to achieve the Group's Vision.

We thank the Board, our executive team and all our employees for their contribution to the progress we have made in pursuit of a *New Strategic Future* for the Group.

Henry Laas
Group chief executive

Daniël Grobler
Group financial director

