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GROUP OVERVIEW

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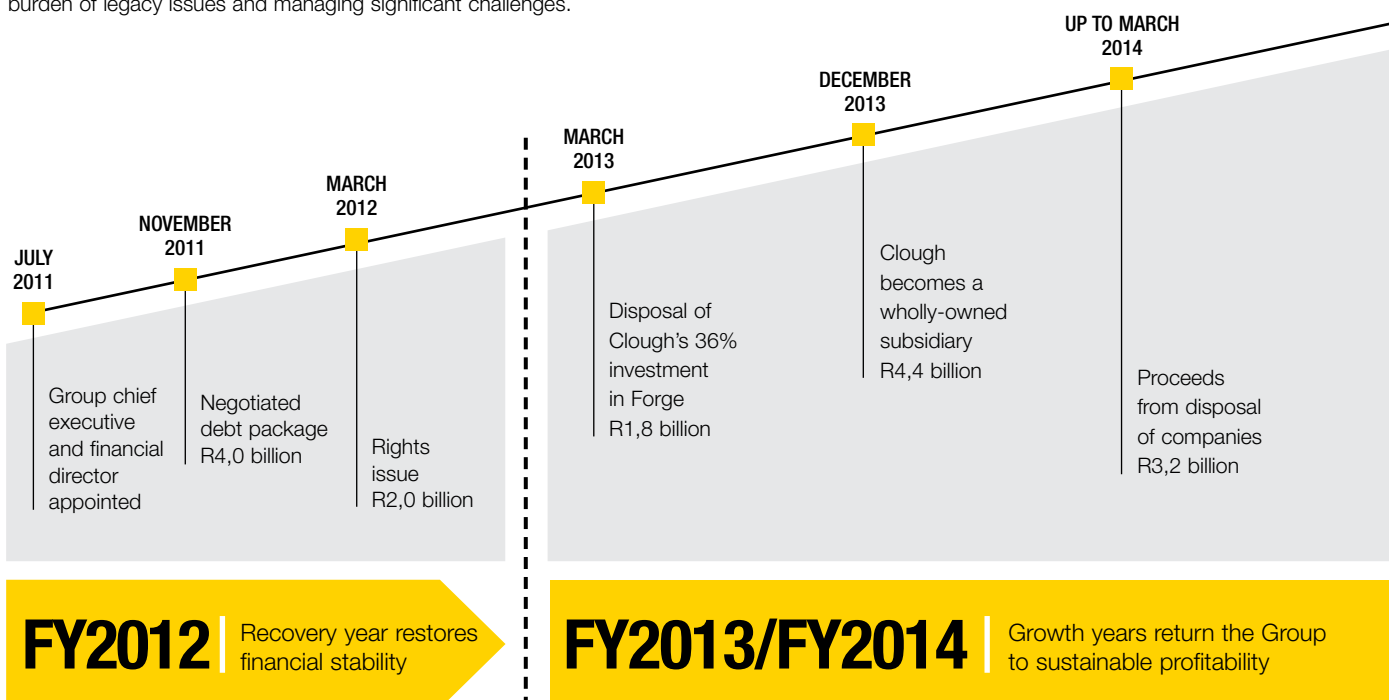
14 Material issues



THE ROAD TO A *NEW STRATEGIC FUTURE*

FOCUSED ON GROWTH, RETURNS AND SUSTAINABILITY

Murray & Roberts is today a multinational engineering and construction group, with a focused portfolio of businesses providing services primarily in the natural resources market sectors of metals & minerals, oil & gas, and power & water. The Group is listed on the Diversified Industrials sub-sector of the JSE Limited. Reshaping and alignment of the organisation over the past few years to position it for sustainable growth, profitability and operational excellence, has required recapitalisation and major corporate action, removing the burden of legacy issues and managing significant challenges.



1 Gorgon Pioneer Materials Offloading Facility marine project.

LANDMARK PROJECTS AROUND THE WORLD

In their diversity, scale and local socio-economic importance, it is our landmark projects around the world that best illustrate the Group's successful transformation into a project delivery group.

OIL & GAS

Gorgon Project
WESTERN AUSTRALIA



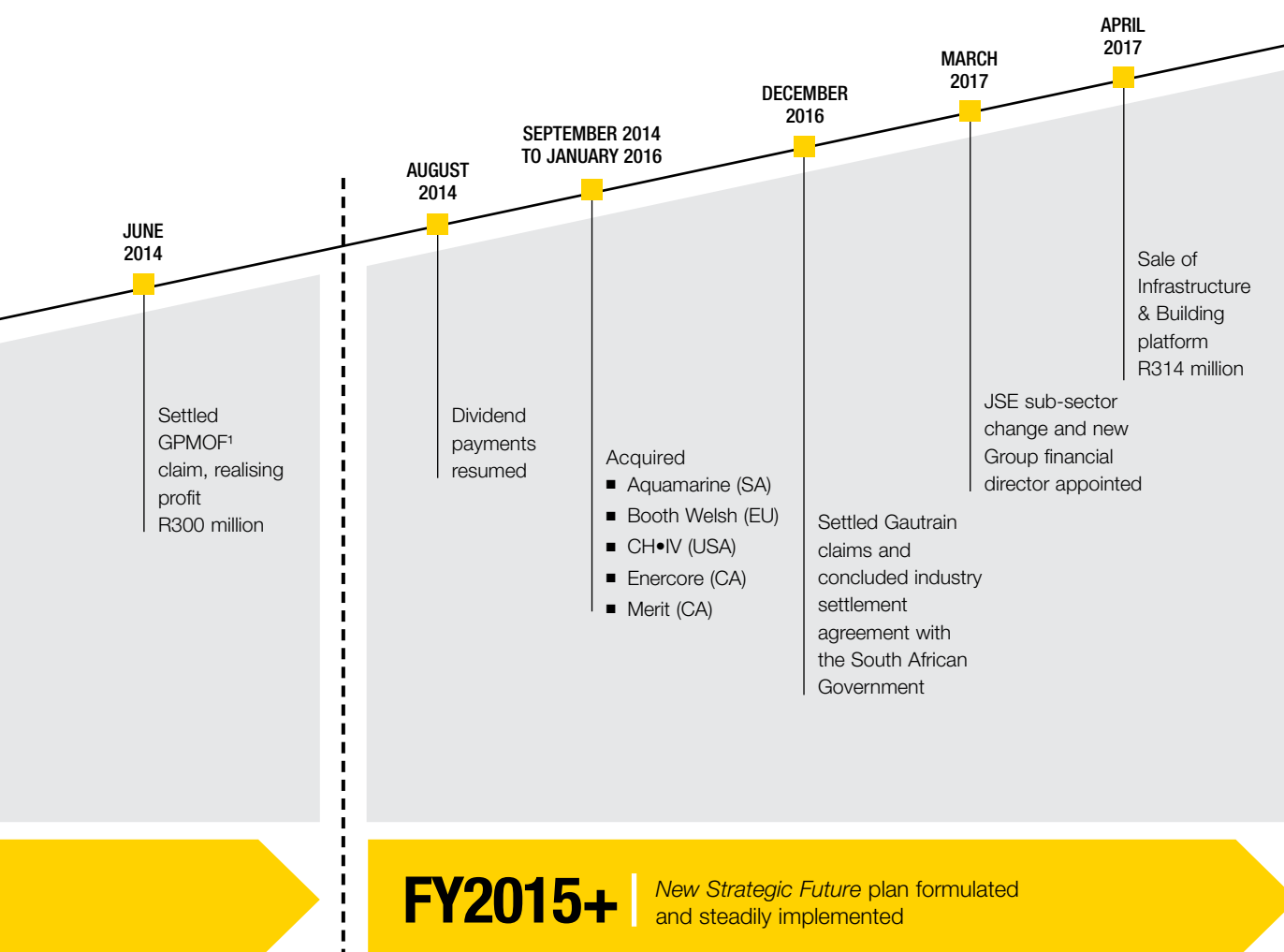
Wheatstone Offshore Hook-up & Commissioning
WESTERN AUSTRALIA



UNDERGROUND MINING

Booyendal Platinum Mine
SOUTH AFRICA





LEADERSHIP REVIEW

SUMMARISED BUSINESS
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FINANCIAL REPORTSHAREHOLDERS'
INFORMATION

Freeport Copper Mine
INDONESIA



POWER & WATER

Kusile Power Project
SOUTH AFRICA



GOIL MGO Storage Facility
GHANA



THE *NEW STRATEGIC FUTURE*

GEOGRAPHIC AND LIFE CYCLE DIVERSIFICATION

The Group's Purpose and Vision, which connect our capabilities to fixed capital formation and human development, and our Values and principle of *Engineered Excellence*, provide the primary point of reference for what we aspire to. Ultimately, they determine the Group's reputation and the quality of our relationships with stakeholders, and therefore our success in advancing our strategy.

The Group's strategic focus is firmly directed at primarily delivering services in the global natural resources market sectors of metal & minerals (underground mining), oil & gas, and power & water. Although it exposes the Group to cyclical

dynamics, our strategy is informed by the positive long-term demand trend for natural resources including global population growth, urbanisation and global economic growth.

The geographic and project life cycle diversification of the Group's business platforms mitigates the impact of economic cycles and provides a blend of revenue and earnings. Our approach to international diversification focuses on establishing a permanent presence in growth regions for our clients. We also support clients on an ad hoc basis in other geographies where we do not have a permanent presence.

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

BUSINESS PLATFORMS

OIL & GAS

**UNDERGROUND
MINING**

**POWER
& WATER**

PURPOSE

ENABLING FIXED CAPITAL
INVESTMENTS THAT SUPPORT
THE ADVANCEMENT OF HUMAN
DEVELOPMENT

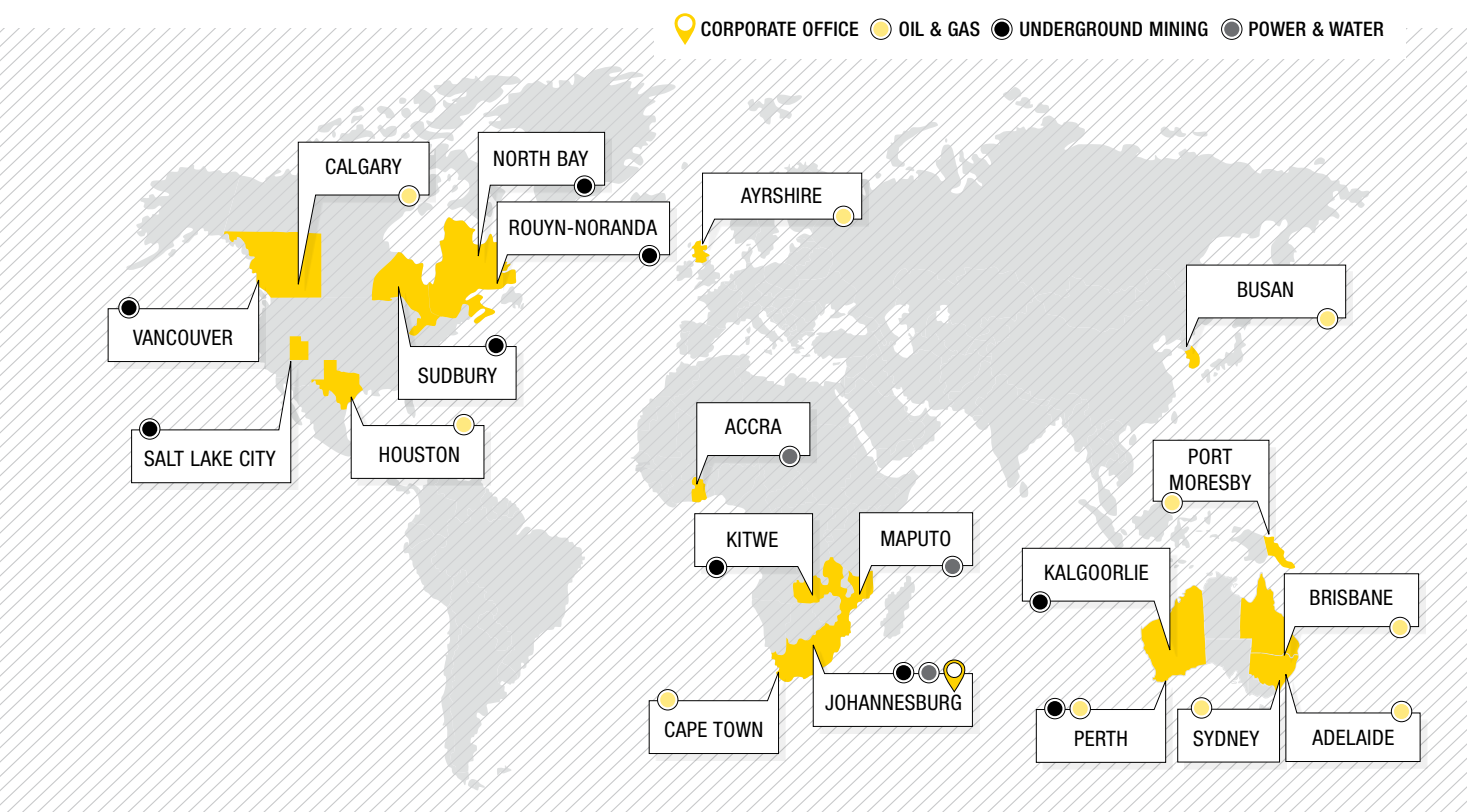
VISION

BY 2025, WE STRIVE TO
BE A LEADING MULTINATIONAL
ENGINEERING AND
CONSTRUCTION GROUP THAT
APPLIES OUR PROJECT
LIFE CYCLE CAPABILITIES TO
OPTIMISE FIXED CAPITAL
INVESTMENT

VALUES

- INTEGRITY
- RESPECT
- CARE
- ACCOUNTABILITY
- COMMITMENT

ENGINEERED EXCELLENCE



LEADERSHIP REVIEW

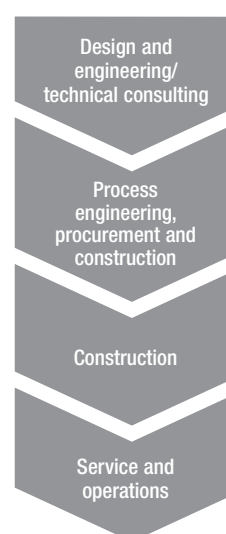
SUMMARISED BUSINESS
PLATFORM OVERVIEWS

FULL SERVICE OFFERING ACROSS REGIONS AND PROJECT LIFE CYCLE

BUSINESS PLATFORMS

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

PROJECT LIFE CYCLE

GOVERNANCE, RISK AND
REMUNERATION REPORTSSUMMARISED
FINANCIAL REPORT

Platforms are named after primary market segments, but also undertake work in selected complementary markets.

PG 44 Summarised business platform overviews

ONLINE Full business platform reviews

SHAREHOLDERS'
INFORMATION

FRAMEWORKS FOR VALUE CREATION

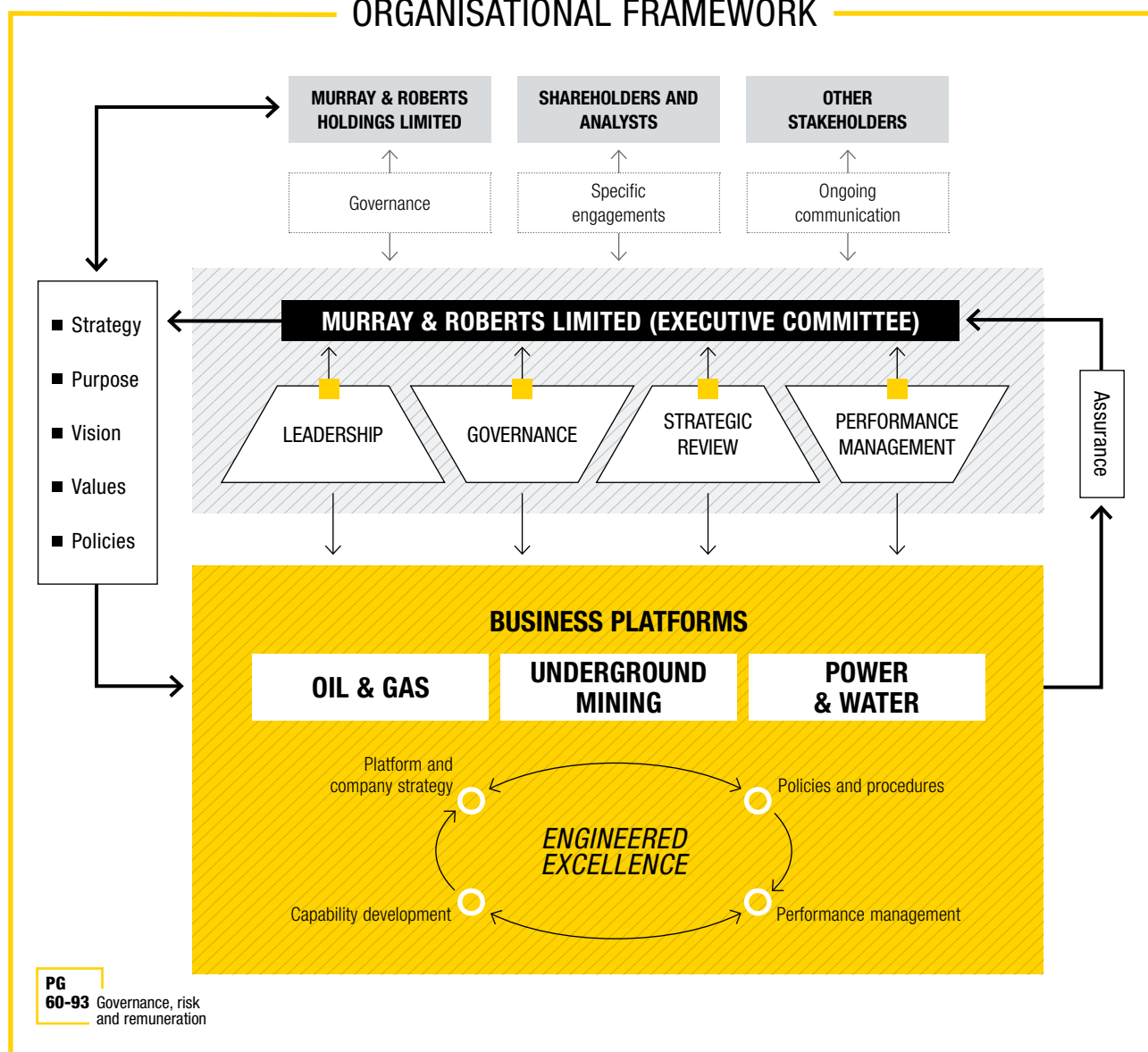
ENSURING INTEGRATED MANAGEMENT APPROACHES

The Board leads the Group in striving to achieve the highest standards of business integrity, ethics and corporate governance, in the pursuit of our strategic and business objectives. A well-constituted and effective governance structure is in place, which ensures effective strategic direction and oversight in respect of the business platforms.

Proactive succession planning over the last three years has allowed the Board to systematically align its competencies to the strategy, delivering a mix of local, international and market sector experience and the relevant professional acumen to take the Group into the future.

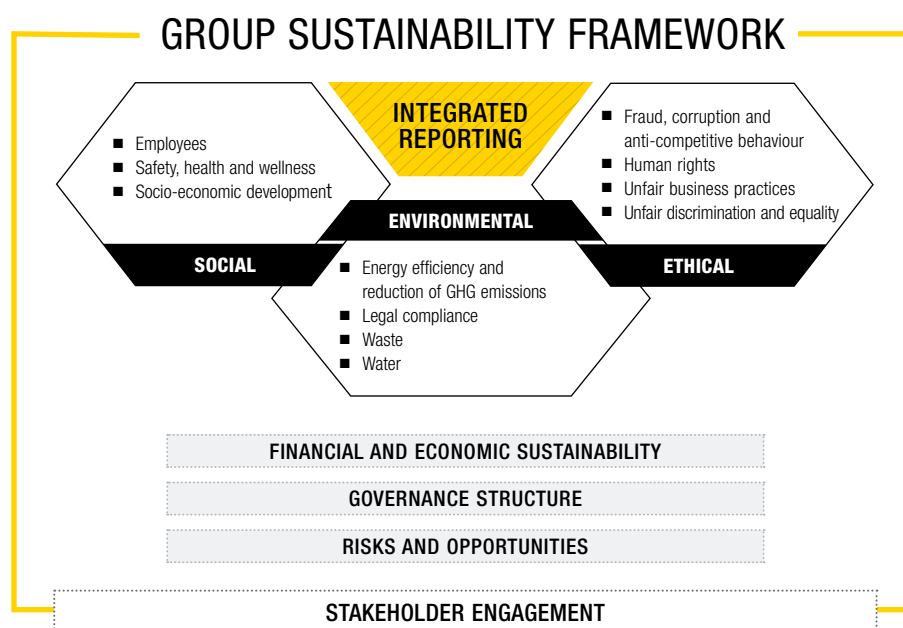
The redefined role of the smaller corporate office is to provide strategic direction and ensure strong leadership at platform level with robust succession plans. Risk is managed by the platforms within the Group's defined risk tolerance framework, and aligned to specified contracting principles, with oversight from the corporate office.

ORGANISATIONAL FRAMEWORK

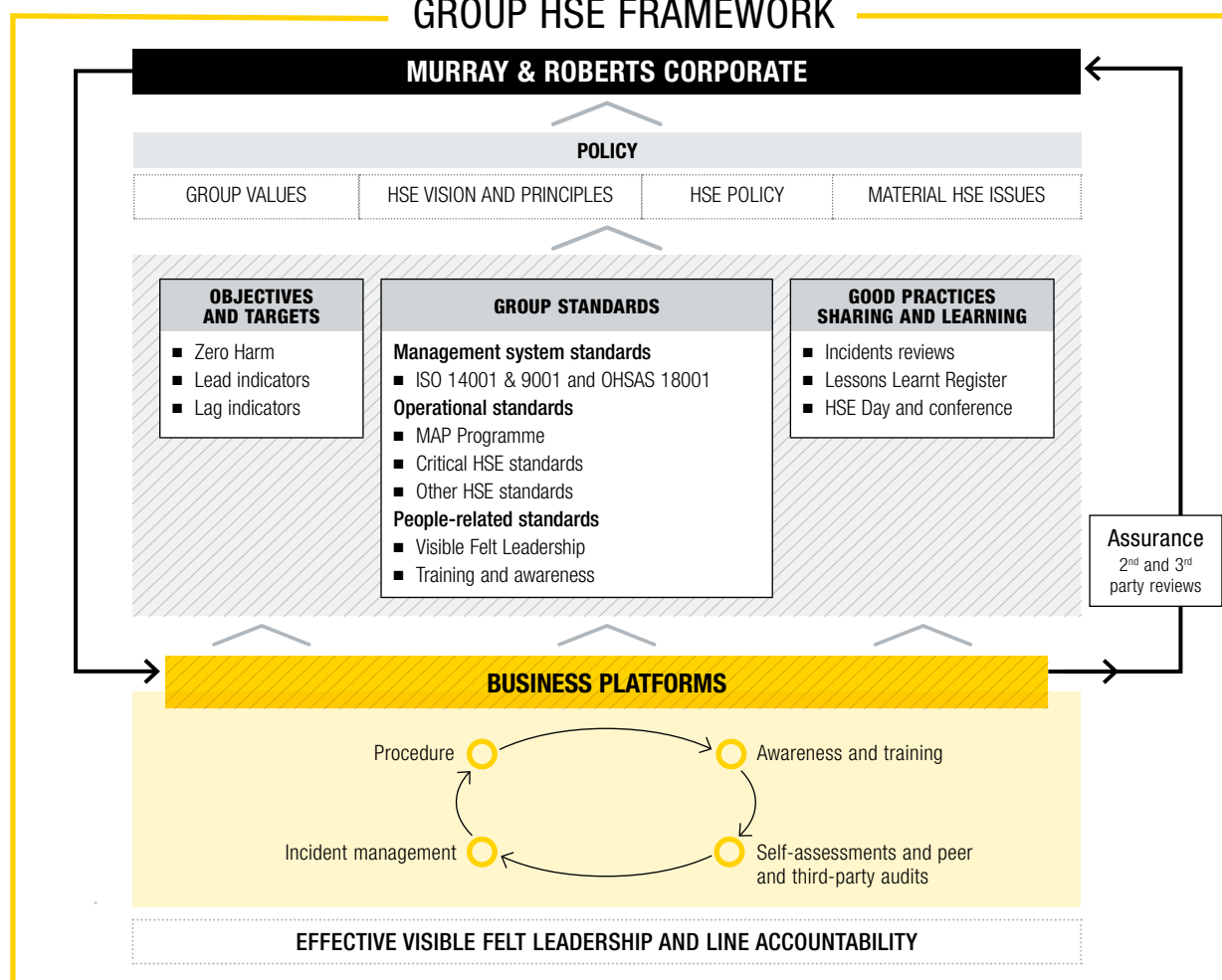


Our Group Sustainability Framework sets out our aspiration to operate in an ethical and sustainable way by:

- Considering the views and concerns of our stakeholders in our strategic and operational decision-making;
- Understanding and mitigating our risks in relation to our opportunities;
- Applying best practice corporate governance beyond minimum requirements;
- Operating world-class businesses able to create and sustain value for shareholders, clients, employees, partners and suppliers, as well as the countries and communities in which we operate; and
- Managing all our impacts according to the principle of Zero Harm.



GROUP HSE FRAMEWORK



STRATEGY AND RISK

THE ESSENCE OF THE NEW STRATEGIC FUTURE

To be a
MULTINATIONAL,
specialised engineering and
construction group, focused on
the natural resources sector

To provide
SPECIALISED
services across
the project life cycle

To achieve
**ENGINEERED
EXCELLENCE**
in all aspects of the business

FOCUS ON VALUE CREATION

PG 34 Group chief executive's and
financial director's report

VALUE DRIVERS	CORPORATE ACTION	KEY CONSIDERATIONS	FY2018	FY2019	FY2020
01 STRATEGY EXECUTION AND EARNINGS DELIVERY	STRATEGIC FOCUS	<ul style="list-style-type: none"> Focus on the strategic framework within which the business platforms design their plans Continue to expand internationally Close-out the Middle East projects/office and the Dubai Airport claim 	✓	✓	✓
	MERGERS AND ACQUISITIONS	<ul style="list-style-type: none"> Identify and conclude value-accretive acquisitions in key growth markets, specifically the USA Continue to position the business in developed markets and higher margin segments of the project life cycle 	✓	✓	
02 OPERATIONAL PERFORMANCE	PERFORMANCE MANAGEMENT	<ul style="list-style-type: none"> <i>Engineered Excellence</i> is non-negotiable Deliver/exceed ROICE targets and earnings guidance 	✓	✓ ✓	✓ ✓
03 OPTIMAL CAPITAL STRUCTURE	BALANCE SHEET MANAGEMENT	<ul style="list-style-type: none"> Target appropriate gearing level to support sustainable growth in the context of the commodity cycle and market volatility 		✓	✓
04 CASH RETURNS TO SHAREHOLDERS	DIVIDEND POLICY	<ul style="list-style-type: none"> Maintain dividend policy and reinvest excess cash in value-creating acquisitive growth 	✓	✓	✓
05 STRONG SHAREHOLDER REGISTER	SHAREHOLDER ENGAGEMENT	<ul style="list-style-type: none"> Secure support from key shareholders on strategy and value proposition 	✓	✓	✓



To achieve
GROWTH
through acquisition and
competitive differentiation

To enhance
**SHAREHOLDER
VALUE**

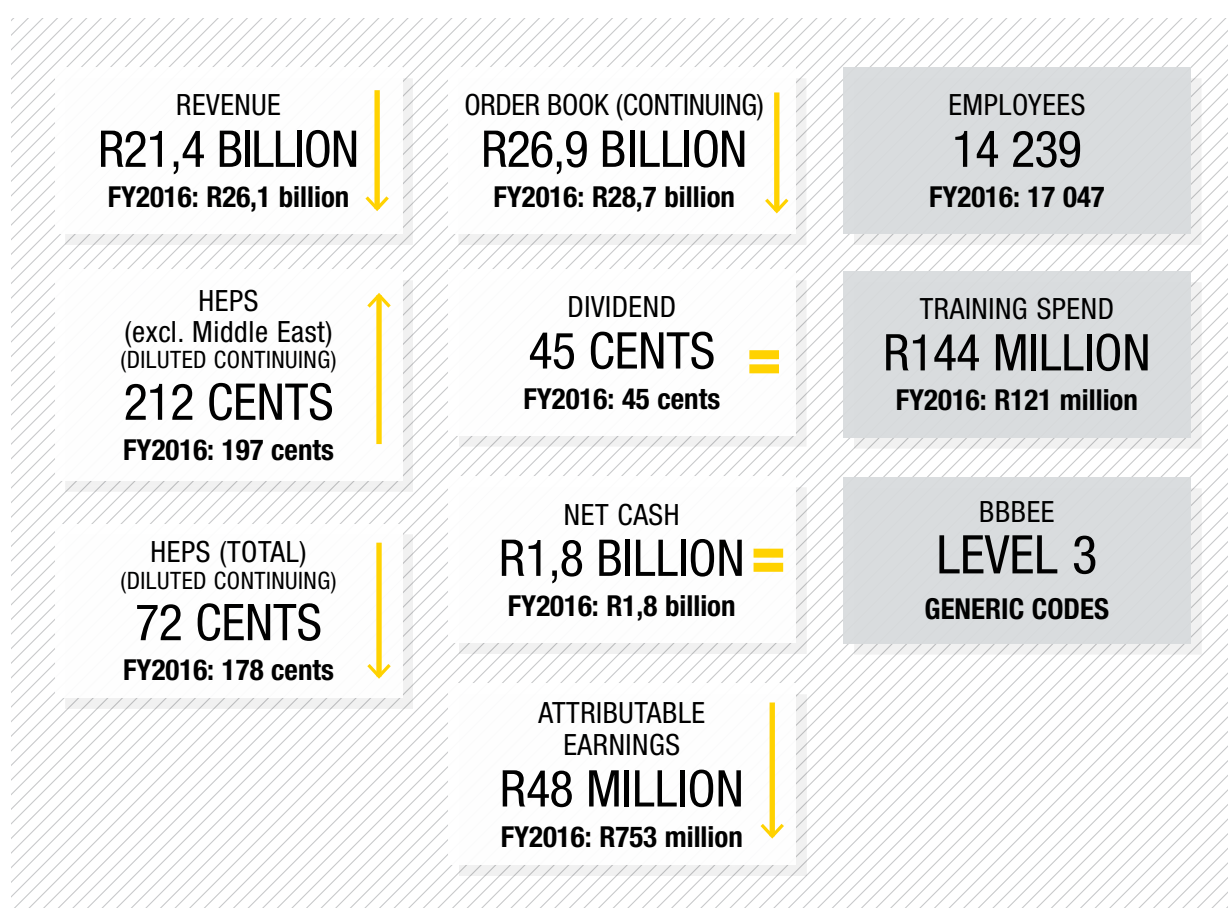
**PG
64** Risk management
report

RISKS

	STRATEGIC RISK	<ul style="list-style-type: none"> Global economy remains depressed Order book replenishment Ongoing weakness in oil and gas markets leading to a lack of large project opportunities Replacement work post the completion of the South African power programme Undertaking value-creating acquisitions Complete the Middle East projects and closure of this operation
	CORPORATE RISK	<ul style="list-style-type: none"> Recovery of uncertified revenues
	OPERATIONAL RISK	<ul style="list-style-type: none"> Winning new work in the Oil & Gas platform and margin erosion in the platform's existing projects Resource constraints impacting rapid organic growth in the Underground Mining platform as the commodity cycle turns
	OPERATIONAL AND PROJECT RISK	<ul style="list-style-type: none"> Health, safety and environmental exposures Industrial unrest in South Africa Ineffective project delivery and project losses Commercial close-out on the South African power programme Unfavourable outcome in terms of the Grayston temporary works collapse
	STRATEGIC RISK	<ul style="list-style-type: none"> Group liquidity constraints
	STRATEGIC RISK	<ul style="list-style-type: none"> Group liquidity constraints
	STRATEGIC RISK	<ul style="list-style-type: none"> Global economy remains depressed
	CORPORATE RISK	<ul style="list-style-type: none"> Recovery of uncertified revenues

PERFORMANCE IN THE YEAR

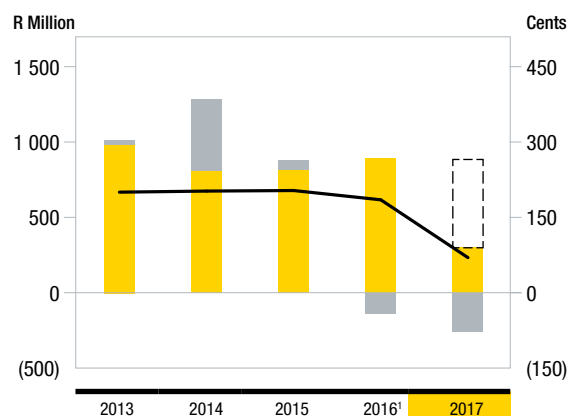
RESILIENT FINANCIAL PERFORMANCE AND RECORD-LOW SAFETY RECORD



ATTRIBUTABLE EARNINGS AND DILUTED CONTINUING HEPS

ATTRIBUTABLE EARNINGS WERE IMPACTED BY THE FOLLOWING EXCEPTIONAL ITEMS:

- R570 million loss incurred in the Middle East.
- R160 million profit realised in Bombela Civils JV, following settlement of Gautrain claim.
- R170 million net present value charge of the cash contribution over 12 years in terms of the Voluntary Rebuilding Programme with the South African Government.



	2013	2014	2015	2016 ¹	2017
TOTAL ATTRIBUTABLE EARNINGS (Rm)	1 004	1 261	881	753	48
CONTINUING ATTRIBUTABLE EARNINGS (Rm)	976	801	810	889	301
DISCONTINUED ATTRIBUTABLE EARNINGS (Rm)	28	460	71	(136)	(253)
DILUTED CONTINUING HEPS (CENTS)	192	194	195	178	72

¹ Restated for Mookloof investment moved from discontinued to continuing operations.

Impact of Middle East losses.

LTIFR¹
0.52
FY2016: 0.68

TRCR²
3.1
FY2016: 4.1

1 Lost Time Injury Frequency Rate.

2 Total Recordable Case Rate.

HEALTH AND SAFETY

The Group achieved a record-low safety performance during the year in its progress towards Zero Harm. Sadly there was one fatality in the Southern African Infrastructure & Building platform on 12 July 2016.

We work towards continuous health and safety improvement by better understanding our exposure risk, benchmarking ourselves against clients and peers, and by implementing lessons from incidents and audits.



ONLINE
Our employees, transformation
and economic development report



ONLINE
Safety, health and
wellness report

INVESTMENT MARGINS AND ASPIRATIONS

CRITERIA AND METHOD	ASPIRATION	FY2017 RESULTS
MARGIN EBIT ¹ REVENUE	5% TO 7.5%	2.3% 4.9% (FY2016)
GEARING TOTAL INTEREST BEARING DEBT ORDINARY SHAREHOLDERS' EQUITY	20% TO 25%	8.9% 14.4% (FY2016)
ROE² NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS AVERAGE ORDINARY SHAREHOLDERS' EQUITY	17.5% THROUGH CYCLE	0.7% 11% (FY2016)
ROICE³ (TAXED EBIT + INCOME FROM ASSOCIATES) TOTAL CAPITAL EMPLOYED ⁴	WACC ⁵ (13%) PLUS 1% TO 4%	2.6% 10.9% (FY2016)
FREE CASH FLOW PER SHARE OPERATING CASH FLOW – CAPEX ⁶ + PROCEEDS ON DISPOSAL OF PPE AND INTANGIBLES NUMBER OF SHARES	BUDGET	CASH POSITIVE (FY2016)
RONA⁷ TAXED EBIT + INCOME FROM ASSOCIATES TOTAL NET ASSETS (EXCL. TAX AND CASH)	18% AFTER TAXED EBIT	4.1% 17% (FY2016)
TOTAL SHAREHOLDERS' RETURN (INCREASE IN SHARE PRICE YEAR ON YEAR + DIVIDEND PER SHARE) SHARE PRICE (PY)	RELATIVE TO PEERS	ABOVE AVERAGE

- Earnings before interest and tax.
- Return on equity.
- Return on invested capital employed.
- Total capital employed = total equity + interest bearing debt – net assets held-for-sale – cash + advance payments.
- Weighted average cost of capital.
- Capital expenditure.
- Return on net assets.

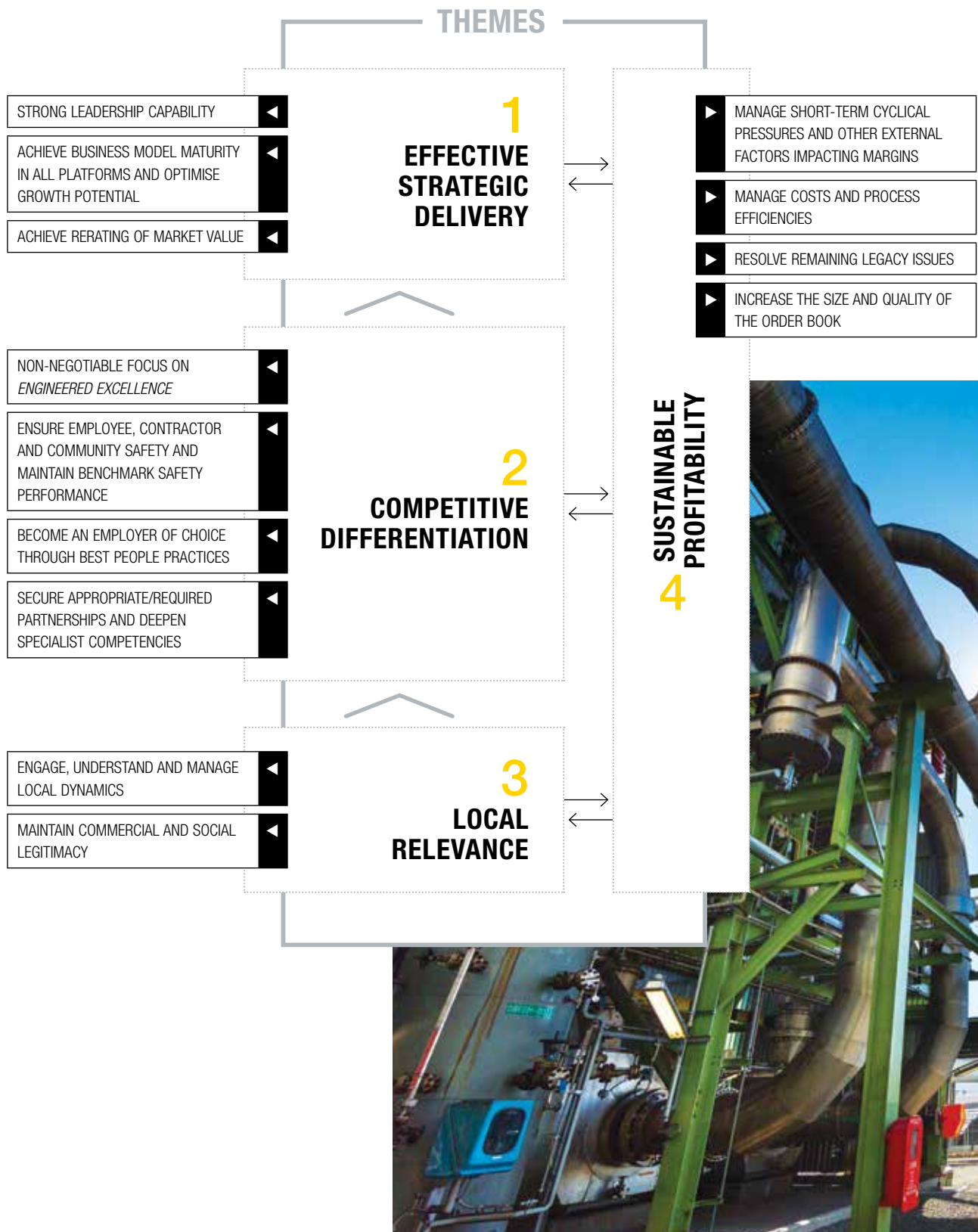
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Group chief
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Summarised
financial report

MATERIAL ISSUES



THEME 1:

EFFECTIVE
STRATEGIC
DELIVERY

Context

- A clear business model and strategy, and a focused portfolio of quality assets, positions the Group well for sustainable growth.
- Strong leadership at Group, platform and business level is fundamental to achieving our strategic objectives, necessitating ongoing succession planning.
- Our performance management system ensures accountability for team and individual objectives, and aligns these to our strategic objectives through the integrated performance dimensions on which leadership is remunerated.
- A strategic focus on global natural resources market sectors exposes the Group to cyclicality. As business platforms expand their geographic scope and ability to deliver services across the full project life cycle, this diversification protects profitability.

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Group chief executive's and financial director's report

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Summarised business platform overviews



ONLINE

Our employees, transformation and local economic development report



ONLINE

Full business platform reviews

MATERIAL ISSUE

STRONG LEADERSHIP
CAPABILITYSUB-ISSUE: ONGOING PERFORMANCE AND
SUCCESSION MANAGEMENT

GROUP ASPECT

- Appointed Suresh Kana, a Murray & Roberts Board member, as chairman of the Board.
- Appointed Daniël Grobler as Group financial director from within the Group.
- Clarified the governance framework and provided strategic roadmaps for the business platforms, with platform CEOs and CFOs responsible for performance.
- Recruited, selected and appointed new non-executive directors to succeed retiring directors.

OIL & GAS

- Robert Radici promoted to the executive committee as head of commercial and risk.
- Strengthened the business development function, considering its critical importance in growing the order book.
- Delivered bespoke training interventions for leadership, designed for small group participation.

UNDERGROUND MINING

- Justin Oleson, previously president of Cementation USA, appointed president of the Americas, effective July 2017, succeeding Roy Slack.
- Search for new platform CEO underway, to succeed Orrie Fenn who retires end-June 2018.

POWER & WATER

- Further strengthened the executive committee by appointing new functional executives in human resources, business development, commercial, estimating and procurement.
- Hired a new country manager in Mozambique.
- Conducted a talent review to identify potential successors for the executive committee.
- Reviewed middle management and identified the top 20 high potential individuals.

MATERIAL ISSUES | THEME 1: EFFECTIVE STRATEGIC DELIVERY – CONTINUED
MATERIAL ISSUE
**ACHIEVE BUSINESS
MODEL MATURITY IN ALL
PLATFORMS AND OPTIMISE
GROWTH POTENTIAL**
SUB-ISSUE: ACCELERATE PROJECT LIFE
CYCLE DIVERSIFICATION
GROUP ASPECT

- Increased the Group's investment in Bombela to 50% (diversifying across the project life cycle).
- Achieve business plan targets with greater focus on organic growth.
- Expand further into higher margin segments including project development, engineering, de/commissioning, operations & maintenance.
- Grow niche capabilities of bolt-on acquisitions.

OIL & GAS

- Grow specialist engineering and asset support capabilities (operations & maintenance), as well as de/commissioning.
- Secure brownfields opportunities in Australia (specifically) and internationally from FY2019.
- Focus on organic growth in the bolt-on acquisitions.
- Maintain positive relationships with clients to secure LNG projects coming onstream in the medium to long term.
- Explore project life cycle diversification opportunities in complementary markets.

UNDERGROUND MINING

- Renewed focus on predominantly organic growth, but bolt-on acquisitions will be considered.
- Focus on growing contract mining portfolio to generate further annuity income.
- Expand the mine development and engineering service offering.
- Develop 'life-of-mine' relationships with longstanding top and mid-tier mining clients.

POWER & WATER

- Grow operations, maintenance and shutdown capabilities and business.
- EPC work in water treatment: borehole, dams and sea.
- Expand the electrical and instrumentation business offering.
- Increase business volumes in Aquamarine.
- Conclude the concession to operate a biomass plant in George, South Africa.

SUB-ISSUE: MANAGE THE CONSTRAINTS TO STRATEGIC DELIVERY
AND POSITION BUSINESSES FOR BEST OPPORTUNITIES
GROUP ASPECT

- Target appropriate gearing and re-invest excess cash in capex and acquisitions to support sustainable growth.
- Develop client relationships to position the Group to access opportunities as they come to market.
- Establish a permanent presence and capacity in regions with major opportunities in selected natural resources market segments.
- Support clients on an ad hoc basis in regions where the Group does not have a permanent presence.

OIL & GAS

- Identify and conclude the appropriate EPC acquisition in the USA to access LNG projects in the region over the medium term.
- Secure gas-to-power, marine and water opportunities in Asia, Africa and North America.
- Secure LNG greenfields projects in PNG and South East Asia.
- Open an office in Indonesia.
- Opened an office in Sydney to pursue selected public infrastructure opportunities on the east coast of Australia.

UNDERGROUND MINING

- Capitalise on the upturn in the commodity cycle.
- Manage potential resource constraints to position the platform for sector upcycle growth.
- Capital expenditure required in FY2018 to deliver secured opportunities.
- Pursue opportunities to grow organically in Australia, Canada, Indonesia, South America and Africa.
- Explore unrealised opportunities in Mongolia, a market re-entered in FY2017.
- Grow the Africa footprint and develop the Asia Pacific Rim market.

POWER & WATER

- Focus on developing and building power generation plants, water treatment services and acid mine drainage solutions in sub-Saharan Africa.
- Capitalise on the increasing demand for solutions to mitigate the environmental impact of traditional natural resource use.
- Business development sectors identified: industrial (sugar and paper sectors) power and health sector for water.
- Actively engage clients developing significant projects.
- Manage public sector risk in Africa.

MATERIAL ISSUE
ACHIEVE RERATING OF MARKET VALUE
GROUP ASPECT LIMITED

- Transferred JSE Limited sub-sector listing from 'Heavy Construction' to 'Diversified Industrials' in March 2017.
- Communicate the new Murray & Roberts' positioning to investment community, including relevant international peer group.
- Secure support for the strategy from long-term shareholders.
- Maintain dividend policy.

THEME 2:

COMPETITIVE DIFFERENTIATION

Context

- The Group's reputation as a leading contractor is fundamental to strengthening our relationships with clients, securing repeat business and negotiating more favourable contractual terms, all of which support profitability and our ability to achieve our strategy. This requires that we understand what matters most to our clients.
- Safety performance is a differentiating factor for clients in all our business platforms and informs the tendering price. It also directly impacts our reputation as an employer of choice. Our journey to Zero Harm is supported by a range of programmes focused on continual improvement. We benchmark our safety practices against clients and peers, and implement lessons learnt from incidents and audits. Our businesses carry out self-assessments on Group safety initiatives, and are subjected to independent assurance by internal and external experts. These assessments show a maturing level of compliance.
- We strive to be an employer of choice in all our markets, which enables us to attract and retain top talent and manage our human capital requirements through the cycle, especially in retaining the capacity needed to win work.
- Our performance management system assists with identifying development needs, which are satisfied through extensive education and training programmes.
- Our ability to secure JV and sub-contractor partnerships are critical to accessing local business and we ensure that these partnerships align to our Values and principles, and the high standards we set as a responsible employer and corporate citizen. This ensures excellent project delivery and mitigates risk, particularly in respect of safety. In addition, an important aspect of effective project delivery is strong local management teams that understand the commercial and social imperatives, and cultural nuances in the regions in which we operate.

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Group chief executive's and financial director's report



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Our employees, transformation and local economic development report

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Summarised business platform overviews



ONLINE
Full business platform reviews

MATERIAL ISSUE

NON-NEGOTIABLE FOCUS ON ENGINEERED EXCELLENCE

GROUP ASPECT

- Only one loss-making project across all business platforms (excluding Middle East).
- Continue to improve project management systems and ensure contracting excellence.

OIL & GAS

- Business processes and the Pursuit of Excellence culture ensure work is delivered to a high standard, limiting rework and creating opportunities for scope growth and additional income.

UNDERGROUND MINING

- Continued to drive project management excellence through the Project Management Office.
- The absence of any loss-making projects in FY2017 is evidence of improved project management capability within Murray & Roberts Cementation.

POWER & WATER

- Implemented more robust project review governance processes and organisational adjustments to strengthen project delivery.
- Considerable improvement in project delivery with only one loss-making project.
- Developed an improved Project Management Framework with Critical Controls Assurance for full implementation in FY2018.

MATERIAL ISSUES | THEME 2: COMPETITIVE DIFFERENTIATION – CONTINUED
MATERIAL ISSUE
**ENSURE EMPLOYEE,
CONTRACTOR AND
COMMUNITY SAFETY AND
MAINTAIN BENCHMARK
SAFETY PERFORMANCE**
GROUP ASPECT

- Progress in implementing the MAP Programme.
- Achieved record-low safety performance with an LTIFR of 0.52 in FY2017.
- Increased focus on wellness initiatives.

OIL & GAS

- Clough implemented the MAP Programme across all projects in Australia, and is rolling it out to subsidiary companies globally.
- Achieved 555 LTI free days up to May 2017.
- A significant milestone achieved with Zero Harm attained for the first time on Clough's Woodside Karratha Life Extension project.
- Developed HSSE Leadership Programme for construction leaders, combining the practical application of risk management processes with behavioural safety principles.
- Continued to implement pre-mobilisation physical assessments, with all project personnel completing detailed medical assessments.

UNDERGROUND MINING

- Implemented a five-year safety strategy in CCI.
- Achieved 20 months without a fatality.
- Continued to implement the MAP Programme, with the injury severity index and number of high potential incidents decreasing compared to FY2016.

POWER & WATER

- Improved health and safety performance.
- Implemented the MAP Programme across the power programme with good results.
- Developing an enhanced Behaviour Based Safety system with Sasol Group Technology.

MATERIAL ISSUE
**BECOME AN EMPLOYER
OF CHOICE THROUGH
BEST PEOPLE PRACTICES**
GROUP ASPECT

- R144 million (FY2016: R121 million) spent on training and development.
- Continue to align training and development to support excellence in project delivery.

OIL & GAS

- The need to develop employees in supervisory roles, has resulted in the development of a Construction Management Academy.
- Reinvigorated the Graduate Programme with an intake of five new graduates.

UNDERGROUND MINING

- Ensure that human capital resources are sufficient to take advantage of the upturn.
- Skills development at Murray & Roberts Cementation is delivered through the world-class training facility at Bentley Park, Carletonville, which is accredited by both the Mining Qualifications Authority and British Safety Council.
- Cementation Canada recognised six times as one of Canada's Top 100 Employers by Mediacorp, and twice as one of The Financial Post's Ten Best Companies to Work For.

POWER & WATER

- Continued to support a successful bursar and graduate programme, which makes young engineers available to the business.
- A structured internship programme is offered in finance, procurement and human resources.

MATERIAL ISSUE**SECURE APPROPRIATE/
REQUIRED PARTNERSHIPS
AND DEEPEN SPECIALIST
COMPETENCIES****GROUP ASPECT**

- Enter appropriate JVs and partnerships with technology providers.
- Enter JVs with local contractors to access opportunities in target markets and geographies.
- Employ new technologies to support differentiated service offerings.

OIL & GAS


- Maintain strong relationships with JV partners in Australia, with the BAM Clough and the Clough AMEC JVs continuing to deliver value.
- Continue to work in collaboration with the Underground Mining platform to pursue brownfields EPC opportunities on the Oyu Tolgoi Expansion Project in Mongolia.

UNDERGROUND MINING

- RUC Cementation Mining introduced real-time tracking of assets which improves decision-making and is providing business development opportunities.
- CCI is developing a full-scale prototype that uses injection hoisting technology (transporting ore to the surface using a pump-driven pipeline loop).
- Continue to invest in trackless mechanised mining and other automated mining technologies.
- Murray & Roberts Cementation is developing rapid access development capability, as well as enhanced systems and skills.

POWER & WATER

- Leverage agreements with technology partners in areas of desalination and water treatment, which are a differentiator in this market sector.
- Demonstrate the water treatment technology with a view to building a full-scale water treatment plant in the long term.
- Signed a strategic cooperation agreement with Shanghai Electric in June 2017, which develops equipment relating to power generation, power transmission and distribution, electromechanical integration, transport and environmental compliance.
- Explore industrial water opportunities through strategic partnerships with Hyflux, Organica and Osmoflo.



**WE BENCHMARK OUR
SAFETY PRACTICES
AGAINST CLIENTS AND
PEERS AND IMPLEMENT
LESSONS LEARNT FROM
INCIDENTS AND AUDITS.**

MATERIAL ISSUES THEME 3: LOCAL RELEVANCE

THEME 3:

LOCAL RELEVANCE**Context**

- As the Group grows its multinational operating base, it is essential that we retain our commercial and social licences to operate in each territory in which we have a presence.
- The Group's leadership continues to ensure compliance with the applicable national regulatory frameworks.
- In South Africa, accelerating our transformation performance is a priority, notwithstanding the constraints of low growth on our ability to drive employment equity.
- Our contribution as a fair employer to the societies we serve, especially in developing countries, is important in driving socio-economic development and mitigating levels of unemployment and inequality.
- The Group develops local leadership and skills, and enters into JVs with local contractors in compliance with local contracting conventions.
- Ethical business practices are of great importance to the Group's reputation and ability to win work. The Group mitigates the risk of unethical behaviour through its Code of Conduct, internal audit, oversight by a compliance officer and an anonymous fraud reporting and investigating function.

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Group chief executive's and financial director's report

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Safety, health and wellness report

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Our employees, transformation and local economic development report

ONLINE

Ethical performance

ONLINE

Community development report



MATERIAL ISSUE**ENGAGE, UNDERSTAND
AND MANAGE
LOCAL DYNAMICS****GROUP ASPECT**

- Mitigate risks relating to:
 - Labour relations.
 - Commercial risk (jurisdictional).
 - Compliance to national laws, standards and codes.
 - Changes to legal requirements.
 - Corruption.

OIL & GAS

- Clough sits on the Employee Relations – Industrial Relations Policy groups supporting both clients and their service companies.
- Prioritised direct engagements with labour to resolve workforce matters. This has proven successful, with no projects impacted by industrial action.
- Diversity initiatives, specifically focused on indigenous engagement, have been implemented at Clough and include a Policy for Indigenous Engagement.

UNDERGROUND MINING

- Implemented components of the Employee Relations Framework and concluded a three-year wage agreement with industry unions in South Africa.
- In Mongolia, RUC Cementation Mining and Clough partnered with a local contracting company to tender on both surface and underground work at Rio Tinto's Oyu Tolgoi copper mine.
- Cementation Canada established several partnerships and JVs with First Nation groups in Canada and with local companies in Mexico and certain South American countries.

POWER & WATER

- Skills transfer and development remain high priority issues for organised labour. Significant investment in training and development is made to build a high performing core group of artisans and supervisors.
- Instituted a court bid to prevent Eskom from implementing a contract with a Chinese service provider for the Duvha Unit 3 boiler recovery project, which was found to be irregular.

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

- Ensure that the following aspects that contribute to our legitimacy and reputation are well managed:
 - Stakeholder management.
 - Local management depth.
 - Employment creation.
 - Diversity relevant to each geography.
 - Social investment.
 - Ethics (Values and contracting principles).

OIL & GAS

- Scholarships awarded to top engineering students in the Scholar's Programme.
- In Australia, a range of policies are being implemented to improve gender diversity.

UNDERGROUND MINING

- Transformation and diversity are key focus areas in the South African business, which achieved a BBBEE Level 4 rating under the generic codes.
- 100% of promotions to middle management levels were black (African, Coloured and Indian) employees.

POWER & WATER

- Achieved a BBBEE Level 3 rating.
- Transformation is a priority, with an increase in black senior managers from 5% in FY2016 to 18%, including two appointments at executive committee level.
- The partnership with Raizcorp, a business incubator in Africa, continues to support the development of entrepreneurs in the market.
- 1 515 learners have been trained on the power programme to date, with 118 learners still undergoing training.

MATERIAL ISSUES THEME 4: SUSTAINABLE PROFITABILITY
THEME 4:
**SUSTAINABLE
PROFITABILITY**
Context

- Conditions in FY2017 remained difficult, however we believe that the commodity cycle has turned and that we are moving into a growth phase.
- We remain responsive to short-term market dynamics, employing tactics that support our profitability and hence our ability to invest in our strategic priorities.
- The reduction of costs in the corporate office and across our business platforms continues.
- With margins under increasing pressure, operational excellence in project delivery is essential, and this requires continued investment in productivity and efficiency initiatives.
- *Engineered Excellence* is non-negotiable and our focus on contract, risk and project management excellence prevents project losses and margin erosion.
- Progress has been made in resolving legacy issues and this continues to be a focus. Removing the uncertainty around the settlement of these claims is expected to contribute to the rerating of the Group's market value over time.
- Future profitability depends on the size and quality of our order book, which depends on the embedded risk, margin and commercial terms in the projects we secure.

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Group chief executive's and financial director's report

**PG
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Summarised business platform overviews


ONLINE

Full business platform reviews

MATERIAL ISSUE
**MANAGE SHORT-TERM
CYCLICAL PRESSURES
AND OTHER EXTERNAL
FACTORS IMPACTING
MARGINS**
GROUP ASPECT

- Remain flexible enough to employ short-term tactics in Oil & Gas and Power & Water, to capture profitable growth opportunities in complementary markets, based on existing competencies and client relationships.

OIL & GAS

- Employed a business development manager to facilitate selected civil infrastructure development projects in Australia, mitigating against the limited oil and gas opportunities in the short to medium term.
- Secured its first onshore maintenance project.

UNDERGROUND MINING

- The major contributor to performance was the platform's success in securing projects associated with mining companies' ongoing infrastructure replacement and development spend by mining companies.
- Maximise higher margin raise boring projects.
- Enhance commercial and project management skills to protect margins.

POWER & WATER

- Access downstream opportunities in oil and gas.
- Committed to securing an order book to replace work on Medupi and Kusile, expected to be substantially completed in FY2019.
- Obtained preferred bidder status on the George Biomass project, an important achievement as this comprises full project life cycle participation.

MATERIAL ISSUE**MANAGE COSTS AND
PROCESS EFFICIENCIES****GROUP ASPECT**

- Continue to streamline the corporate office costs and optimise capacity requirements.
- Leverage information systems to drive operating efficiencies.

OIL & GAS

- Enterprise and business risks are actively reviewed and the progress of mitigation actions regularly monitored.
- Continued to reduce the cost base to preserve gross margins and remain cost competitive in pursuing smaller brownfields and maintenance project opportunities.

UNDERGROUND MINING

- Re-engineer the overhead structure in South Africa.
- Manage the depreciation of idle equipment.

POWER & WATER

- Implemented more robust governance processes with continuing executive oversight on project performance and cost reviews.
- Reduced overhead costs across all projects.
- Completion of the power programme in the next 18 months will put pressure on overhead costs.

MATERIAL ISSUE**RESOLVE REMAINING
LEGACY ISSUES****GROUP ASPECT**

- Participated in the settlement agreement between the South African Government and seven construction companies, to enhance the relationship with the Government in a geography that remains key, particularly for Underground Mining and Power & Water.
- Settled all Gautrain development period disputes between BCC and GPG.
- Completion of the Middle East projects and closure of office by June 2018.
- Resolve the Dubai Airport claim by May 2018, which is expected to realise future value.
- Manage retained liabilities following the disposal of the Southern African Infrastructure & Building platform. These liabilities have been provided for and include an opencast mining project for Lonmin and the Grayston temporary works collapse.
- Divest from Genrec, the only remaining manufacturing business.

POWER & WATER

- Closed out FY2015/16 legacy projects, with one loss-making project remaining.

MATERIAL ISSUE**INCREASE THE SIZE
AND QUALITY OF THE
ORDER BOOK****GROUP ASPECT**

- Quality of the order book has improved due to rigorous contracting and risk management.
- Order book size negatively impacted by deferred or delayed projects.
- Acquire a full or partial share of an EPC company in the USA to provide access to gas opportunities in North America.

OIL & GAS

- The LNG market is expected to remain oversupplied until 2022, impacting recovery.
- Complementary markets such as Australia's mining and infrastructure markets present significant opportunities.
- Clough's strong track record in project delivery will enable it to successfully pursue new opportunities.
- East coast state governments in Australia are developing many large infrastructure projects. Clough is positioned to pursue selected opportunities and has developed partnering strategies for delivering these projects.

UNDERGROUND MINING

- Market indicators show that the commodity cycle has bottomed out and demand for commodities is anticipated to grow in the short term.
- The platform is positioned to take advantage of the large investment pipeline of underground mining projects in countries and regions where current mining activity is high. This is projected to increase in the future.
- Substantial scope for organic growth will come from mining companies' ongoing spend in infrastructure replacement to sustain their operations and increased greenfields expansion to meet future demand.

POWER & WATER

- The platform is positioned to secure work in coal, gas-to-power and solar projects.
- Investment in the oil and gas operation at Secunda, and recent project delivery success, together with HSE initiatives, have positioned the platform as an important service provider to Sasol.
- In the water sector, opportunity is expected from the wastewater treatment sub-sector due to increasing pressure to upgrade dysfunctional wastewater treatment plants and to reuse treated effluent.
- Growth is expected in the industrial sector as companies move to secure water supply and reduce costs through reuse and recycling initiatives.

02

LEADERSHIP REVIEW

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MAHLAPE SELLO

CHAIRMAN'S STATEMENT

**"AS THE BUSINESS PLATFORMS
IMPLEMENT THEIR PLANS, THE
BOARD IS OF THE VIEW THAT
THE GROUP'S FINANCIAL
PERFORMANCE MAY STEADILY
IMPROVE NOTWITHSTANDING
AN OPERATING CONTEXT THAT
ON BALANCE WILL REMAIN
CHALLENGING."**

An outcome of the *New Strategic Future*, which the Board approved in 2014, is a significantly different Murray & Roberts.

The Group has transformed from a predominantly South African construction business, to a multinational engineering and construction Group focused on the natural resources market sectors, with most of its income derived from international markets.

The strategy was implemented across two phases. Firstly, optimisation of the business platforms and secondly to position the Group for sustainable growth and value creation, based on the positive long-term demand drivers for natural resources. These include global population growth, urbanisation and economic growth, as well as environmental concerns that are stimulating investment in water security and clean energy sources.

The reclassification of the Group's listing to the Diversified Industrials index on the JSE Limited marks this successful repositioning. The strategic position the Group has achieved and the progress that has been made in addressing the legacy issues that have burdened its investment case for many years, are expected to lead to a rerating of its market value in time.

The Group's strategic focus on natural resources means that it is subject to cyclical dynamics. In mitigation, the business platforms are diversifying across geographies that show growth potential, as well as higher margin segments of the project life cycle.

Their ability to diversify successfully, requires that the business platforms progressively deepen the competitiveness of their value propositions to clients.

Amid persistently difficult market conditions, the Group's business platforms performed respectably in the year. This enabled the Board to declare an annual dividend of 45 cents per share, in line with the Group's dividend policy.

While the outlook for the natural resources market remains uncertain, we anticipate an upturn in the metals and minerals sector in the short term for which the Underground Mining platform is well positioned. The Oil & Gas platform is pursuing work in complementary markets, while its international expansion gathers momentum, given our medium-term expectations of a recovery in its markets. In the Power & Water platform, as the Medupi and Kusile power station projects near completion, concerted effort is being made to re-establish the business as a contractor of choice with new clients in the broader power and water sectors.

Consensus forecasts predict sustained global economic growth, at around 3%, supporting a recovery in demand for most key commodities to 2021, which bodes well for the mining sector. The current oversupply in global LNG markets should begin to moderate by 2022, although certain regions like the USA are buoyant in new supply capacity. In Africa, power generation and distribution and the escalating need for wastewater treatment solutions provide good opportunity. Geopolitical risks and rising economic protectionism, monetary and fiscal policies, regulatory risks and domestic political shocks will continue to be the major uncertainties affecting economic outcomes in our targeted regions.

The Board is confident that as the Group implements its strategy through the business platforms, its financial performance may steadily improve, despite the challenging operating context. In this respect, the Group's governance framework is clear and well-functioning, and each of the business platforms have strong management teams focused on operational excellence and growth opportunities.

DEEPENING CORPORATE CITIZENSHIP

As a multinational Group, our reputation as a responsible corporate citizen in each of our markets is fundamental to our strategic ambitions. This pertains to retaining our commercial and social licences to operate by being responsive to domestic regulatory and contracting requirements, maintaining a competitive edge through industry-leading HSE performance, and attracting and retaining the local talent needed to deliver specialised services. Excellence in every aspect of what we deliver to clients, and how we conduct ourselves, is as critical to the Group's profitability as it is to its sustainability.

Together to Zero Harm

Underpinning the Group's strategic journey is the progress it has made towards Zero Harm, with its record-low safety performance delivered in the year. Sadly, the Group experienced a fatality in the Infrastructure & Building platform before the completion of sale in April 2017. Ditebogo Phuduhudu (27), an apprentice mechanic, was electrocuted while performing his duties in July 2016. The Board deeply regrets the death of Ditebogo and again offers its deepest sympathies to his family and friends.

Fatalities and injuries at work are unacceptable and avoidable, and the Group continues to focus on understanding and managing the complex interplay of factors required to ensure Zero Harm to our employees, service providers and communities. The Group's safety programmes aim to empower employees to identify and report safety hazards, encouraging a culture of care that starts with each individual and extends to their colleagues. The Group's health and wellness programmes offer support in preventing the underlying issues that may affect employees' ability to work safely and productively.

Transformation and diversity

As the Group expands its operations across target geographies, the Board is cognisant of the importance of national and local requirements. This extends from localisation and diversity imperatives to fulfilling the expectations of the communities in which the Group operates, especially in respect of employing and developing local people.

In South Africa, in terms of the BBBEE generic codes, the Group was rated as a Level 3 contributor and the Board is focused on accelerating the Group's transformation progress, especially in employment equity. Outside of South Africa, appropriate diversity targets within the context of their operations, are also required from the Group's multinational business.

The Group's people management practices support a high-performance culture and a value proposition that offers professional and intellectual challenges, and continuous learning and development opportunities for employees. The Group's policies and procedures, which include a Code of Conduct and Statement of Business Principles, ensure consistency with the Purpose, Vision, Values and strategic goals of the Group. This alignment extends to the Group's performance management and development processes.



The Group's economic, social and environmental initiatives, are reviewed in the supplementary sustainability information online.

CHAIRMAN'S STATEMENT – CONTINUED

**LEADING THE TRANSITION TO A
'NEW' MURRAY & ROBERTS**

To contextualise this seminal point in the Group's strategic development, it is appropriate to look back briefly at the major developments that have characterised the Board's work during my tenure as chairman. It would not be an overstatement to say that this period has required far more in-depth strategic counsel and robust decision-making from the Board than may be considered routine.

Portfolio optimisation

The transition to a focused multinational engineering and construction Group involved major corporate action, including the divestment of the Construction Products business platform; the sale of Clough's investment in Forge; the acquisition of the minority shareholding in Clough and then the sale of the Infrastructure & Building platform. The Infrastructure & Building platform transaction was consistent with our intention, set out in the *New Strategic Future*, to exit the civil infrastructure and general building sector through a first-of-its kind empowerment transaction in this industry.

After this extended period of corporate activity, it was noteworthy for the Board that the three-year business plans we approved in July 2017, pertained entirely to value creation, the next phase of the *New Strategic Future*.

Legacy issues

Removing the commercial burden of the past and unencumbering the Group's strategic flexibility, and indeed its reputation, has been most complex and time consuming for the Board. Stakeholders will be aware of the intricate and protracted legal processes related to settling the substantial claims associated with legacy projects over the past few years. Having settled the Gorgon Pioneer Materials Offloading Facility marine project in Western Australia in June 2014, the claims relating to the Gautrain disputes were finally settled in the year (detailed in the chief executive's and financial director's report on page 34). The lengthy legal process in respect of the Dubai Airport claim is finally in arbitration, with an award expected in FY2018.

The Group incurred substantial losses in the Middle East in the year under review. The decision to close the Group's buildings business in the Middle East and to exit the region will be mainly implemented by June 2018.

Voluntary Rebuilding Programme

Arguably the most damaging and protracted issue affecting the Group in recent years, and indeed the entire construction sector in South Africa, has been the historical anti-competitive behaviour which led to the fast-track settlement process launched in February 2011 and settled in 2013.



Following an extensive period of negotiation, the Government and seven construction companies concluded a further settlement agreement in October 2016.

This latest agreement settles any exposure to potential claims for damages from identified public entities arising from the collusive activities of the past. It acknowledges the opportunity to foster a better working relationship between the Government and the industry going forward, and to advance the transformation of the South African construction sector. The financial impact of the settlement agreement for Murray & Roberts is a charge of R255 million over 12 years, of which the present value of approximately R170 million has been accounted for in FY2017.

The sale of the Infrastructure & Building platform was consistent with the option in the settlement to dispose of an economic interest of not less than 40% in the South African civil engineering and general building construction businesses of the companies involved, to enterprises that were more than 51% black owned, managed and controlled. This has released the Group from this option in respect of the settlement agreement, while it retains the financial obligation.

It is vital that our South African businesses can contract successfully with the public sector, which holds considerable opportunities, specifically for our Power & Water business platform. The restoration of this relationship through the settlement will support our intention to participate in future infrastructure development in South Africa.

Acquisition by ATON of a beneficial interest in Murray & Roberts

A notable event in the financial year was the acquisition by ATON of a 25.5% beneficial interest in Murray & Roberts in February 2017. ATON is a private investment holding company headquartered in Germany, with a diverse portfolio of investments in the mining, engineering, aviation and health technology sectors. As advised at the time on SENS, discussions were held with ATON as a major minority shareholder, specifically regarding the Group's interim results at the time. As of 30 April 2017, ATON's beneficial interest in Murray & Roberts increased to 29.99% according to the Group's analysis. We have not received any further guidance, correspondence or communication from ATON regarding its intentions in relation to its investment in the Group.

SUCCESSION PLANNING FOR THE NEW STRATEGIC FUTURE

I have had the privilege of serving on the Board as an independent non-executive director since 2009 and as chairman from 2013, and I will retire at the 2017 AGM.

Succession planning over the last three years, in view of impending retirements and in step with the *New Strategic Future*, has allowed the Board to systematically align its competencies to the strategy. The Board that takes the helm at the beginning of this new chapter in the Group's growth story, is well constituted in its mix of local, international and market sector experience and relevant professional acumen.

Following on from the three non-executive director appointments made last year in preparation for the retirement of two non-executive directors, the nominations committee followed a consultative process in planning for my retirement and that of Dave Barber. Dave has served as an independent non-executive director since June 2008 and will also retire from the Board.

In terms of the chairmanship, the nomination committee considered the skillset that would serve the best interests of the Group at this juncture and was unanimous in appointing Suresh Kana to serve as chairman.

Suresh has been a member of the Board since July 2015. He was previously the chief executive officer and senior partner of PwC Southern Africa and PwC Africa, in which position he served on the PwC Global Board and its Strategy Council. He is the chairman of the Financial Standards

Reporting Council of South Africa, and a member of the King Committee on Governance. He is also the chairman of Imperial Holdings and a non-executive director of the JSE Limited, and a professor of accounting at the University of Johannesburg.

Appointments made in the last year have culminated in a Board that will benefit from fresh thinking and new perspectives, and a considerably lower average age and length of term that will underpin its stability in the period ahead.

Daniël Grobler was appointed as Group financial director in April 2017. Diane Radley, Emma Mashilwane and Alex Maditsi were appointed as non-executive directors to the Board in August 2017. Emma and Diane have been appointed to both the audit & sustainability and risk management committees, where Diane will assume chairmanship of the audit & sustainability committee after the AGM. Alex has been appointed to the health, safety & environment; remuneration and social & ethics committees respectively.

In parallel with the succession process and similarly aligned to the Group's strategy, the Board conducted an amended evaluation process. This yielded positive findings (as outlined in the nomination committee report available in the online report) which the new chairman will address. Suresh will also guide the Board's full adoption of King IV to the extent that any changes are necessary. The Board has assessed the Group's readiness for the new requirements and, besides the additional disclosure requirements, our view is that the Group already materially accords with the principles and practices of the revised standard.


I wish to make special mention of Cobus Bester, who retired as Group financial director in the year. Cobus held this position for nearly six years, after more than a decade of service to the Group. His financial leadership has been invaluable in addressing the legacy issues the Group has faced. Daniël Grobler, previously the managing director of Murray & Roberts Cementation, succeeded Cobus in April 2017.

IN CLOSING

It is gratifying that my retirement coincides with Murray & Roberts' coming of age in its strategic development. The achievements over the past five years have been significant, with only one exception. That we were not able to complete the closure of the Group's operations in the Middle East, and settle the associated legacy claims, is an item I would have preferred to have seen dealt with.

However, my time at Murray & Roberts has been both challenging and deeply satisfying. I am indebted to my colleagues on the Board, who have been exemplary in their duty of care and their respective contributions to positioning the Group for sustainable growth and returns for all its stakeholders.

CHAIRMAN'S STATEMENT – CONTINUED



**EXCELLENCE IN EVERY
ASPECT OF WHAT WE
DELIVER TO CLIENTS,
AND HOW WE CONDUCT
OURSELVES, IS AS
CRITICAL TO THE GROUP'S
PROFITABILITY AS IT IS TO
ITS SUSTAINABILITY.**

On behalf of the Board, I convey our thanks to all our shareholders for their support, those that have walked this path with us and those that have bought into the Group's growth story more recently. Lastly, to the Group's executive teams and the business platforms, and all the people of Murray & Roberts, it is ultimately your talent and dedication that has delivered the Group to this point where the *New Strategic Future* is a visible reality, notwithstanding the profound changes you have faced and the challenges you have met.

I will watch the progress of the Group in the years ahead with much interest and great pride.

MAHLAPE SELLO

Group chairman

MESSAGE FROM THE INCOMING CHAIRMAN

It is my pleasure to accept the Board's endorsement to succeed Mahlape Sello as independent non-executive chairman of the Group.

Mahlape knows the Group well and has proven herself to be a director of dedication and insight. I would like to take this opportunity to thank Mahlape for her contribution in chairing the Board over the past five years.

Murray & Roberts has a proud and distinct history and is today recognised as a multinational project life cycle contractor, with a large portion of its operations, assets and profits derived outside of South Africa. The Group has over the recent past transformed its strategic direction and entered a new era through the implementation of its *New Strategic Future* plan, with the sale of its Infrastructure & Building platform and focus on the global natural resources market sectors of metals & minerals, oil & gas, and power & water.

It is a privilege to be associated with Murray & Roberts and I am excited about the Group's future. I am mindful of my duty as chairman, and collectively, with my fellow directors, will take great care in diligently discharging our obligations as a Board.

SURESH KANA



GROUP
DIRECTORATE

NON-EXECUTIVES

DAVE
BARBER

RM AS

QUALIFICATIONS

FCA (England & Wales),
AMP (Harvard)

APPOINTED

27 June 2008

EXPERIENCE

Former global chief financial
officer Anglo Coal
Former chief financial officer
Anglo American Corporation
of South Africa

OTHER DIRECTORSHIPS

n/a

RELEVANT SKILLS AND
EXPERTISEAccounting, Finance, Strategic
LeadershipRALPH
HAVENSTEIN

HSE N RHR SE

QUALIFICATIONS

MSC (Chemical Engineering),
BCom

APPOINTED

01 August 2014

EXPERIENCE

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

OTHER DIRECTORSHIPS

Northern Platinum Ltd
Omnia Holdings LtdRELEVANT SKILLS AND
EXPERTISEPetrochemistry and Mining,
Chemical Engineering,
Strategic LeadershipSURESH
KANA

Chairman designate



RM AS RHR N

QUALIFICATIONS

BCom Hons, BCompt, CA(SA),
MCom

APPOINTED

01 July 2015

EXPERIENCE

Former territory senior partner
for PwC Africa

OTHER DIRECTORSHIPS

Imperial Holdings
JSE Limited
King Committee on Corporate
Governance
Financial Standards Reporting
Council of South AfricaRELEVANT SKILLS AND
EXPERTISEAccounting, Finance,
Strategic LeadershipNTOMBI
LANGA-
ROYDS

SE RHR N RM

QUALIFICATIONS

BA Law (Lesotho),
LLB (Lesotho)

APPOINTED

01 June 2013

EXPERIENCE

Human resource executive

OTHER DIRECTORSHIPS

Mpact Ltd
Redefine Properties Plc
Europe Assistance
Worldwide Services (SA)RELEVANT SKILLS AND
EXPERTISE

Human Capital, Law

ALEX
MADITSI

RHR HSE SE

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 Ltd
African Rainbow Minerals LtdRELEVANT SKILLS AND
EXPERTISE

Law, Commercial, Remuneration

EMMA
MASHILWANE

RM AS

QUALIFICATIONS

BCom Hons, BCompt, CA(SA)

APPOINTED

23 August 2017

EXPERIENCE

Head of risk advisory services
of Nkonki Inc

OTHER DIRECTORSHIPS

Tiger Brands Ltd

RELEVANT SKILLS AND
EXPERTISEAccounting, Finance,
Risk ManagementN Nomination committee
Chairman: Mahlape SelloSE Social & ethics committee
Chairman: Ntombi Langa-RoydsRHR Remuneration & human resources committee
Chairman: Ralph HavensteinHSE Health, safety & environment committee
Chairman: Ralph HavensteinRM Risk management committee
Chairman: Keith SpenceAS Audit & sustainability committee
Chairman: Suresh Kana

DIANE MCCANN (RADLEY)



RM AS

QUALIFICATIONS

CA(SA), MBA

APPOINTED

23 August 2017

EXPERIENCE

Former chief executive officer
Old Mutual Investment Group

OTHER DIRECTORSHIPS

Old Mutual Real Estate
Holdings Ltd
Marriot Unit Trust Company Ltd
DG Murray Trust

RELEVANT SKILLS AND EXPERTISE

Accounting, Finance
Investment

XOLANI MKHWANAZI



RM HSE SE

QUALIFICATIONS

BSc, MA, PhD, EDP

APPOINTED

01 August 2014

EXPERIENCE

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

OTHER DIRECTORSHIPS

Public Investment Corporation
South 32 Ltd

RELEVANT SKILLS AND EXPERTISE

Applied physics,
Power, Engineering, Mining

MAHLAPE SELLO

Chairman

Appointed chairman
in 2013.



N SE RHR HSE

QUALIFICATIONS

Master of Arts in Law (Russia),
LLB (Wits)

APPOINTED

25 February 2009

EXPERIENCE

Advocate of the High Court

OTHER DIRECTORSHIPS

Life Healthcare
Group Holdings Ltd

RELEVANT SKILLS AND EXPERTISE

Law, Commercial

KEITH SPENCE



AS HSE RM

QUALIFICATIONS

BSc Hons

APPOINTED

25 November 2015

EXPERIENCE

Former chairman of Clough Ltd
Former executive at Woodside
Former executive at Shell

OTHER DIRECTORSHIPS

Geodynamics Ltd
Base Resource Ltd
Oil Search Ltd
Independence Group NL

RELEVANT SKILLS AND EXPERTISE

Oil & Gas,
Strategic Leadership

EXECUTIVES

DANIËL GROBLER

Group financial director

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



QUALIFICATIONS

CA(SA)

APPOINTED

01 April 2017

EXPERIENCE

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

OTHER DIRECTORSHIPS

n/a

RELEVANT SKILLS AND EXPERTISE

Accounting, Commercial
Negotiations, Strategic
Leadership, Corporate Finance

HENRY LAAS

Group chief executive

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



HSE

QUALIFICATIONS

BEng (Mining), MBA

APPOINTED

01 April 2011

EXPERIENCE

Former chairman of
Murray & Roberts Engineering
SADC Former managing director
of Murray & Roberts Cementation
Various senior management and
executive positions within the
Group since 2001

OTHER DIRECTORSHIPS

n/a

RELEVANT SKILLS AND EXPERTISE

Mining and Engineering,
Commercial Negotiations,
Strategic Leadership

BERT KOK

Group secretary

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



QUALIFICATIONS

FCIS, FCIBM

APPOINTED

26 February 2014

EXPERIENCE

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

OTHER DIRECTORSHIPS

n/a

RELEVANT SKILLS AND EXPERTISE

Corporate Governance,
Company Secretarial
Administration



HENRY LAAS AND DANIËL GROBLER

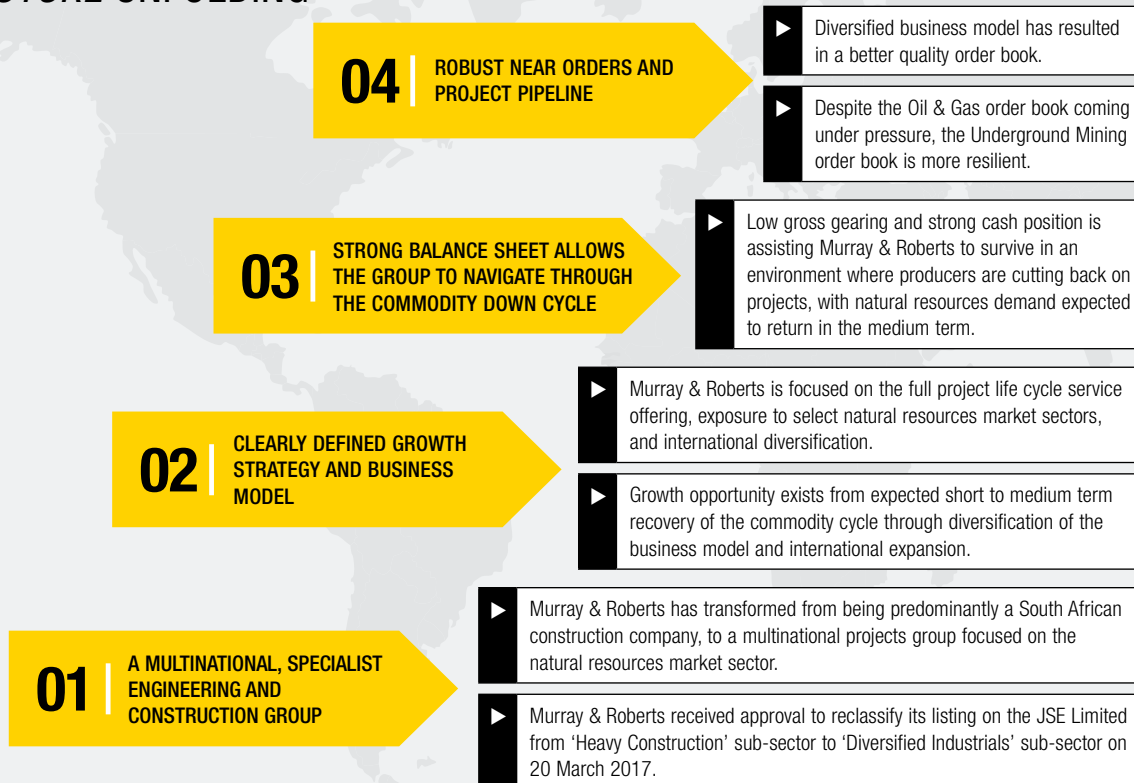
GROUP CHIEF EXECUTIVE'S AND FINANCIAL DIRECTOR'S REPORT

**"MURRAY & ROBERTS IS TODAY A
MULTINATIONAL ENGINEERING AND
CONSTRUCTION GROUP, WITH A
FOCUSED PORTFOLIO OF BUSINESSES
PROVIDING SERVICES PRIMARILY IN THE
NATURAL RESOURCES MARKET
SECTORS OF METALS & MINERALS,
OIL & GAS AND POWER & WATER."**

The significant reshaping and alignment of the organisation is the most evident feature of the progress we have made over the past few years to change the strategic direction of the Group, with a large portion of its operations, assets and profits derived outside of South Africa.

The milestones achieved over this period coincide with distinct phases of strategic delivery since 2011. The immediate challenge at that time was to restore liquidity and profitability. Then came a period of active risk and portfolio management to secure a base of high-quality assets, a platform for future growth. In tandem, we formulated and began to systematically implement the *New Strategic Future* – a strategy for sustainable growth widely supported by our shareholders and the broader investment community. Throughout this period, a focused effort to address the legacy issues that have undermined the Group's reputation and returns, has continued.

THE NEW STRATEGIC FUTURE UNFOLDING



PG 04

The 'Road to a *New Strategic Future*' is illustrated in more detail in the introductory pages of this year's report.

The business portfolio optimisation envisaged in the first phase of the *New Strategic Future* has been largely achieved. The last remaining items are to close our buildings business in the Middle East once our projects there have been completed, which we expect to do in FY2018, and to sell our strategically non-core steel fabrication business, Genrec. Although we will continue to evolve our strategy in response to market dynamics, the financial year to June 2018 will essentially be our first year as a fundamentally reshaped Murray & Roberts.

GROUP CHIEF EXECUTIVE'S AND FINANCIAL DIRECTOR'S REPORT – CONTINUED



ENGINEERED EXCELLENCE

THE PRINCIPLE OF *ENGINEERED EXCELLENCE* MEANS THAT WE WILL PLAN OR 'ENGINEER' EVERYTHING WE DO, IN SUCH A WAY THAT WE ACHIEVE AN OUTCOME OF 'EXCELLENCE'. WHETHER IT IS IN THE WAY WE ARE DEVELOPING OUR PROJECTS, THE WAY IN WHICH WE STRUCTURE OUR BALANCE SHEET OR THE WAY IN WHICH WE DEVELOP OUR PEOPLE. NOTHING WILL HAPPEN BY CHANCE – WE WILL TAKE CHARGE OF OUR FUTURE AND PLAN THE OUTCOMES WE WISH TO ACHIEVE.

The Group's strong year-end cash position, after several years of difficult trading conditions, is an outcome of the work done to restore the Group's statement of financial position. This has supported the Group's resilience through the commodity down-cycle and in withstanding the impact of the oil price collapse in November 2014. It has also enhanced our ability to create value for stakeholders, despite these pressures.

Another feature of repositioning the Group over the last six years has been the attention we have given to *Engineered Excellence*. While the excellence we strive for in every aspect of the business is fundamental to our competitiveness and reputation, it also supports the quality of the Group's earnings, and ultimately investment returns. It is a non-negotiable requirement for our three business platforms.

It is worth noting (as shown in the figure below) that the Group's average attributable earnings over the last five years, despite cyclical pressures, extensive portfolio management and the negative impact of exceptional items, compare well with those achieved historically. Generally, this demonstrates the benefit of narrowing the Group's focus to businesses able to deliver sustainable returns over the longer term.

In the last year, we redefined the role of the corporate office in relation to the business platforms (illustrated on page 8). This has consolidated the Group's business model, clarifying the organisational framework for a multinational business and the governance structure required to protect and grow shareholder value in the years ahead.

Critical to achieving the Group strategy and performance aspirations, and therefore an important aspect of the role of the corporate office, is to ensure strong leadership at business platform level. The process to appoint a candidate to succeed Orrie Fenn, chief executive officer of the Underground Mining business platform, when he retires in June 2018, is underway. A suitably experienced executive is being sought to lead this business into the future, given its strategic maturity and international footprint.

Notwithstanding the impact of persistently difficult market conditions and the potential for future losses from the remaining non-core businesses in its portfolio, an improvement in the Group's performance can be expected with renewed confidence, supported by analyst and third-party assessments.

FINANCIAL UPDATE

The Group took a strategic decision to exit the civil engineering and building market and to sell its Southern African Infrastructure & Building businesses. As this sale excluded the building business in the Middle East, the board of directors ("the Board") decided to close this business. In terms of the International Financial Reporting Standards, the business in the Middle East is to be abandoned and is not yet a discontinued operation. Its financial results are hence reported as continuing operations.

As the business in the Middle East recorded a substantial loss of R570 million for the year under review, Group revenue, EBIT, HEPS and earnings per share ("EPS") for FY2017 is reported as 'including and excluding' the Middle East. This is to enable a clear understanding of the negative impact of the Middle East business on the continuing operations' earnings profile.

It is anticipated that future losses in the Middle East will be limited to a reduced overhead cost and legal fees associated with pursuing the Dubai Airport claim, as all known project losses have been accounted for in FY2017.

The Group reported revenue from continuing operations, excluding the Middle East, of R20,8 billion (FY2016: R24,4 billion), or R21,4 billion (FY2016: R26,1 billion) including the Middle East. Attributable earnings were R48 million (FY2016: R753 million). Diluted continuing HEPS, excluding the Middle East, increased to 212 cents (FY2016: 197 cents), or decreased to 72 cents (FY2016: 178 cents) including the Middle East. The Group maintained its strong cash position with cash, net of debt, of R1,8 billion (30 June 2016: R1,8 billion).

As expected, the Oil & Gas platform delivered a reduced operating profit of R217 million (FY2016: R525 million). Major greenfields LNG projects in Australia that Clough worked on reached completion. Strategies are in place to secure work on brownfields, operations & maintenance, and public infrastructure projects. 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. The platform's operating margin declined to 3% (FY2016: 5%).

The Underground Mining platform delivered an operating profit of R464 million (FY2016: R506 million), a decline of 18% on the prior year, with a platform margin of 6% (FY2016: 6%). Decline in revenue and margins in the Americas were largely offset by an excellent year for RUC Cementation Mining in Australasia and Cementation Zambia in Africa.

The Power & Water platform delivered an operating profit of R171 million (FY2016: R27 million). The increase was underpinned by a strong performance on the power

programme, resulting in higher revenues. The prior year result was negatively impacted by the impairment of revenue taken on legacy contracts and a loss-making contract in Namibia.

Net financing costs decreased to R42 million (FY2016: R71 million), mainly attributable to the repayment of the revolving credit facility in Australia, as well as the cash received through the settlement of all the development claims with the Gauteng Province in respect of the Gautrain.

The increase in the effective taxation rate to 36% (FY2016: 25%) was mainly attributable to substantial losses incurred in the Middle East, a tax free jurisdiction, foreign withholding taxes and profits earned in higher tax jurisdictions, partly reduced by tax free dividend income and capital profits.

Income from equity accounted investments decreased to R7 million (FY2016: R18 million), largely made up of the Group's investment in BOC and a Mookloof development.

The loss from discontinued operations for the year was R253 million (FY2016: R136 million). The disposal of the Southern African Infrastructure & Building businesses was effective 1 April 2017, and the Group recorded R71 million of retained liabilities on the sale of these businesses and other historical items. Genrec recorded a loss before taxation of R68 million for the year, primarily due to low levels of revenue and a weak order book. The R170 million net present value charge of future expenses in relation to the VRP agreement between the listed construction companies and the South African Government, as previously announced on SENS, was also recorded under discontinued operations.

Capital expenditure for the period was R564 million (FY2016: R431 million) of which R405 million (FY2016: R332 million) was for expansion and R159 million (FY2016: R99 million) for replacement. The capital expenditure was largely incurred in the Underground Mining platform.

Shareholders are referred to the announcement released on SENS on 30 June 2017, regarding the Company's decision to repurchase shares to the value of R250 million.

The order book for continuing operations increased to R26,9 billion (30 June 2016: R28,7 billion).

STRATEGIC REVIEW

As we move forward to realise the Group's Vision for 2025, our strategic focus is shifting from portfolio management to optimising and aligning the earnings potential of the three business platforms. Each of the platforms are at different stages in their strategic development, with clear plans to deepen their specialist service offerings and achieve their growth aspirations through geographic and project life cycle diversification in their respective natural resources market sectors.

GROUP CHIEF EXECUTIVE'S AND FINANCIAL DIRECTOR'S REPORT – CONTINUED

Executing our strategy and delivering earnings

The Group has not escaped the pressure our clients have felt at the bottom of the commodity cycle, with our financial performance in the year indicating the considerable impact of weak commodity and energy prices, as well as trading risk in the Middle East. However, signs are encouraging that the commodity cycle is turning, with producers expected to start investing in expansion and exploration in the near term, especially in the mining sector.

To be a specialist contractor in our chosen market sectors requires our business platforms to have a permanent presence in the geographies with the most compelling growth potential for clients, along with the ability to support them in other territories. It also requires that our service offerings provide coverage of clients' requirements across the full project life cycle. This provides diversification benefits both in relation to geographic risk and the spread of revenue and earnings across all segments or phases of the project life cycle.

Our organic and acquisitive growth plans are therefore focused on positioning our businesses in key growth markets, specifically developed markets, and the higher-margin segments of the project life cycle. An important addition to engineering, construction and commissioning services, which are susceptible to volatile economic cycles, is for our business platforms to extend their service offering to include operations and maintenance work that provides more stable long-term income. Similarly, the Group will consider selective investments as a project developer to generate good returns over the life of a project.

The Oil & Gas business platform, which provides services across the project life cycle, has been significantly affected by the completion of all the major LNG projects in Australia and a depressed oil and gas market. This transition was anticipated with strategies in place to shift focus towards brownfields, operations and maintenance, and public infrastructure projects. Given its strong position in the Australasian region, the platform will also pursue LNG plant expansion opportunities and projects in the downstream petrochemicals industry.

Global LNG markets are forecast to remain in oversupply until around 2022 and additional capacity will have to be created timeously to meet the recovery in demand from then. New supply is likely to come from the USA, South East Asia, the Middle East and Africa. The North American market is expected to be buoyant over the short to medium term, with potential for midstream projects and LNG completions, commissioning, operations and maintenance opportunities.

As this platform is still predominantly a regional player, establishing a more meaningful presence outside the Australasian region, specifically in the USA, is critical to the platform's strategic development in the medium term. The platform is already providing niche engineering and consulting services for large LNG projects in the North American region, but with the Trump administration's emphasis on localisation, acquiring domestic project implementation capability is a necessity. We are in the process of identifying acquisition targets to secure an on-the-ground project construction capability to supplement our existing engineering capability.

TO BE A SPECIALIST CONTRACTOR IN OUR CHOSEN MARKET SECTORS REQUIRES OUR BUSINESS PLATFORMS TO HAVE A PERMANENT PRESENCE IN THE GEOGRAPHIES WITH THE MOST COMPELLING GROWTH POTENTIAL FOR CLIENTS, ALONG WITH THE ABILITY TO SUPPORT THEM IN OTHER TERRITORIES. IT ALSO REQUIRES THAT OUR SERVICE OFFERINGS PROVIDE COVERAGE OF CLIENTS' REQUIREMENTS ACROSS THE FULL PROJECT LIFE CYCLE.

To support its revenue aspirations while the plan to internationalise comes to fruition, the platform has the flexibility to broaden its market scope beyond its oil and gas focus, into complementary markets. This includes leveraging its capabilities and reputation in the Australian market to secure selected infrastructure projects coming to market as part of the large investment planned by Australian state governments over the next 10 years.

Underground Mining, the most mature business platform from a strategic perspective, is well diversified. Its balanced exposure to geographic regions and commodity types, which have displayed different patterns of upturn and downturn, have benefitted the platform over the past few years. The platform's profitability was slightly lower than the previous financial year, despite a soft North American market and low margins in the South African business. The platform's diversification has shielded it from the general commodity price decline in the sector that began in 2013, and positions it strongly for the upturn expected to gain traction from 2018.

Increased demand for mining equipment, evidenced by longer delivery times from original equipment manufacturers, as well as an increase in exploration activity, are early signs

of a cyclical turnaround in the global metals and minerals sector. Whereas major mining houses have for the past six years been focused on lowering costs, improving production efficiencies and preserving cash, capital expenditure among multinational clients is now expected to grow.

With its strong brands and excellent reputation as an underground hard-rock mining contractor, the platform is ready to grow with the upturn in the commodity cycle. Most key commodities are represented in its project portfolio, and it is well positioned in regions where mining activity is high and projected to grow. Its focus will be on driving organic growth in the Americas, Australia and sub-Saharan Africa, although bolt-on acquisitions will be considered if the right asset at the right price becomes available. Furthermore, for the first time in the platform's history, the business has contract mining projects in all its main geographic regions, providing a more stable base-load of work throughout the cycle.

We believe the platform has the strategic foresight and agility to respond effectively to changing circumstances, specifically the challenge of resourcing for the expected upturn, both in terms of capital expenditure and human capital. In the latter case, the requisite skills are likely to be in short supply, especially for projects in sub-Saharan Africa, which will require careful management to mitigate project delivery risk as the platform ramps up its capacity.

The full capacity of the Power & Water business platform has been largely dedicated to the power programme (the Medupi and Kusile power stations) for almost a decade. As the power programme nears completion, the business platform must re-establish itself as a contractor of choice with new clients in the broader power and water sectors. Sizeable project wins are required for it to meet our growth expectations. With demobilisation on the power programme to begin in the coming year and with completion anticipated in 2019, replacing this large volume of work remains the biggest challenge for the platform. The possibility of securing repair and maintenance contracts at Kusile and Medupi and other Eskom facilities is being explored.

The platform has lost opportunities due to political dynamics in the domestic power sector, including delays on the IPP programme. Another major setback was the loss of the Duvha power station's boiler rebuild tender to Dongfang from China, the circumstances of which resulted in a court action by the Group and General Electric. The Johannesburg high court interdicted Eskom from continuing with the R4 billion tender due to irregularities in the process. We anticipate that Eskom will likely restart the bid process.

Over the longer term, there are opportunities in gas-to-power, coal-fired and nuclear energy as the primary sources of base-load energy in the energy mix of African countries. The platform is specifically targeting gas-to-power

opportunities in South Africa, Mozambique and Ghana. While it has the capacity to secure oil and gas projects in Africa, major projects will provide the opportunity to collaborate with the Oil & Gas platform.

The platform is also pursuing work in complementary markets to support its order book. The metals & minerals, oil & gas, pulp & paper, petrochemical and sugar industries in South Africa and neighbouring countries present opportunities to do so.

The platform is establishing a water business in sub-Saharan Africa, focused on water treatment solutions for acid mine water, industrial effluent, municipal wastewater and sea water desalination. Although it has taken time to clarify the service offering, positive progress has been made in establishing the strategic partnerships that will underpin its ability to compete in this market.

Outside of the three business platforms, and in terms of its project life cycle diversification focus, the Group invests in projects on a selective basis as a project developer and income from these investments are reported separately from platform earnings. In August 2017, we announced an investment of R405 million to increase the Group's shareholding in BCC, from 33% to 50%. BCC holds the 15-year concession for operating and maintaining the Gautrain system until March 2026. We expect this low-risk investment in BCC to continue providing attractive returns, given that we know the business well and have representation on its board. The implementation of the transaction remains subject to BCC lenders' and regulatory approvals.

An investment in the George Biomass project, where the Power & Water platform was selected as preferred bidder, will also be made as soon as all outstanding Eskom approvals have been obtained. This will be the Group's second investment in project development.

In tandem with the implementation of the Group strategy, concerted effort to resolve claims on legacy projects has continued. The significant uncertified revenue historically carried on our balance sheet, associated with these claims, has created investor uncertainty and placed a drag on the Group's market value. We are working steadily to remove this detraction, both in terms of the call on management's time and the cost of lengthy legal proceedings.

The comprehensive settlement reached in the year on the Gautrain dispute, ending the almost decade-long legal process, has been a significant step forward. BCJV, the subcontractor responsible for the design and construction of the Gautrain system, in which the Group has a 45% stake, and the GPG reached agreement to settle all disputes relating to the development period of the project. GPG paid BCJV R980 million, with a further payment capped at R294 million (including interest) to be paid over two years.

GROUP CHIEF EXECUTIVE'S AND FINANCIAL DIRECTOR'S REPORT – CONTINUED

The amount that accrued to the Group equated to the project's uncertified revenue carried on the balance sheet for the period of the dispute and this settlement has significantly de-risked the Group's financial position.

Given the protracted time, significant costs and uncertain outcomes of such legal processes, we believe the settlement is in the best interests of all stakeholders. Importantly, the parties have agreed that no further work is required to address water ingress in a specific part of the Gautrain tunnel, which was the subject of a claim against BCJV by GPG. Although the water ingress is not fully in accordance with the contract specification, appointed professionals have confirmed that the functionality and safe operation of the system is not compromised in any way.

The buildings business in the Middle East, formerly part of the Infrastructure & Building platform, was excluded from the sale of the platform. This necessitated the decision to close this business. The cost associated with completing the remaining projects, closing the business and recovering the uncertified revenue on the Dubai Airport and other claims, are the outstanding issues in resolving this overhang from the past. The protracted legal process on the Dubai Airport claim is finally in arbitration, with an award expected in FY2018.

The closing of the Middle East business is being carefully managed, with a focus on expediting the complicated legal processes and limiting the associated costs. All projects should be largely completed by the end of the 2017 calendar year. The R570 million loss recognised in the year relates to completed as well as de-risking results on current projects – this reflects the increasingly difficult trading conditions and commercial risk that underpinned our decision to exit the region.

Also noteworthy is the liability the Group retained in the disposal of the Infrastructure & Building platform in respect of the Grayston temporary works collapse. The Department of Labour's inquiry is still in progress and we are disappointed at the slow pace that is delaying closure of this distressing incident for all parties involved.

Unrelenting focus on *Engineered Excellence*

Two major indicators of the progress we have made in *Engineered Excellence*, specifically in the quality of risk management and project delivery, are the Group's safety performance and the reduction in number of loss-making projects.

The significant improvement in the safety performance of our business platforms is a competitive advantage and underpins their efforts to be recognised as employers of choice in their markets. The Group has introduced and embedded several key initiatives, including a focus on lead indicators and improved incident reporting and analysis. The Group-wide implementation over the last year of the MAP Programme, which empowers supervisors and the

workforce to plan and take ownership of safety outcomes, has delivered excellent results and supported a record-low LTIFR for the Group.

However, this improved performance was overshadowed by a fatality at the start of FY2017 in the Infrastructure & Building platform, prior to its disposal. We deeply regret the death of Ditebogo Phuduhudu (27), an apprentice mechanic, in the service of the Group and again offer our condolences to his family and friends.

With safety a key differentiator for clients, and stringently enforced by regulators, it is commendable that the Underground Mining platform delivered its best-ever safety performance in the year. The Oil & Gas business platform also delivered a benchmark safety performance, exceeding its targets, with only one LTI incurred for the year and one of its major projects recording Zero Harm over the duration of the project. The Power & Water platform also delivered a good safety performance, with the implementation of MAP at Medupi and Kusile showing positive results.

The third annual Group Safety Conference identified important focus areas for the year ahead – as the reality of Zero Harm becomes more tangible despite the risky nature of project environments. The 'Safety Pledge', which emphasises the importance of personal leadership commitment, accountability and operational discipline in establishing a positive safety culture, was reconfirmed. Accountability and operational discipline were highlighted for improvement, through leaders modelling the desired safety behaviours, empowering employees with knowledge, skills and resources to perform their work safely and adopting a zero-tolerance approach to substandard behaviour.

In relation to loss-making projects, the improvement trend has been equally profound. The number of loss-making projects has reduced over the past five years to one in the year under review, a significant achievement considering the Group's current volume of projects globally.

This improvement is a good indicator of the quality of management within the business platforms, and the frameworks the Group has put in place to govern and assure operational excellence. The Group's risk tolerance is well defined and it has implemented specific parameters for risk and opportunity management at tender stage, contracting principles (which include a register of lessons learnt across the platforms), as well as clear limits of authority.

That the governance framework for operational excellence is entrenched and working well, is especially gratifying given the pressure on our business platforms to accept often onerous commercial demands from clients in tough economic and highly competitive environments.



The many intersecting aspects of *Engineered Excellence*, including the developments in human capital management as they pertain to each business platform, are reviewed in the summarised business platform reviews starting on page 44, as well as in our supplementary full business platform reviews online.

Ensuring an optimal capital structure and returning cash to shareholders

The Group's low order book is reflective of current market conditions, but it is of a high quality given the prudent approach we apply to mitigate project risk at tendering stage. While there is some cause for apprehension, near orders are looking robust and the medium-term project pipeline is strong in both the Underground Mining and the Oil & Gas businesses.

Achieving rerating and attracting supportive shareholders

With the extensive progress made in de-risking the Group, clarifying the business model and strategy, and devolving greater strategic responsibility to platform leadership to deliver on their medium-term business plans, the focus has shifted to optimising the Group's businesses and growing shareholder value. The Group's strong statement of financial position and improving performance expectations positions it well to fund its organic and acquisitive growth plans.

As such, we believe that the Group remains intrinsically undervalued, compared to international peer groups listed on exchanges in Australia, the USA and Europe. Our confidence in the Group's long-term value proposition is further validated by our decision to pursue a R250 million share repurchase programme. 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, and an appropriate balance of local and international shareholders supportive of the Group's long-term strategic direction.

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. With most of the groundwork done, the Group is set for growth and value creation for shareholders, and therefore for all stakeholders, in the next period of strategy implementation.

HENRY LAAS
Group chief executive

DANIËL GROBLER
Group financial director

WITH THE EXTENSIVE PROGRESS MADE IN DE-RISKING THE GROUP, CLARIFYING THE BUSINESS MODEL AND STRATEGY, AND DEVOLVING GREATER STRATEGIC RESPONSIBILITY TO PLATFORM LEADERSHIP TO DELIVER ON THEIR MEDIUM-TERM BUSINESS PLANS, THE FOCUS HAS SHIFTED TO OPTIMISING THE GROUP'S BUSINESSES AND GROWING SHAREHOLDER VALUE.

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

ORRIE FENN

*Business platform
chief executive officer*



Orrie joined the Group and was appointed to the executive committee in 2009. He is 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

DANIËL GROBLER

Group financial director



Daniël joined the Group in 2010 and was appointed as Group financial director in April 2017. Daniël is a director of Murray & Roberts Limited and a director of Clough Limited.

- Corporate office finance and payroll
- Financial control and reporting
- Information management and technology
- Secretarial
- Taxation
- Treasury

COMMITTEE PARTICIPATION

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

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 responsible for the assurance, commercial, legal and risk portfolios. Ian is a director of Murray & Roberts International Holdings and a director of Clough Limited.

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

COMMITTEE PARTICIPATION

- Audit & sustainability
- Risk management
- 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 Limited, Murray & Roberts International Holdings and Clough Limited.

- 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 health, safety, environment and transformation.

- Health, safety & environment
- Wellness
- BBBEE

COMMITTEE PARTICIPATION

- Health, safety & environment
- Social & ethics