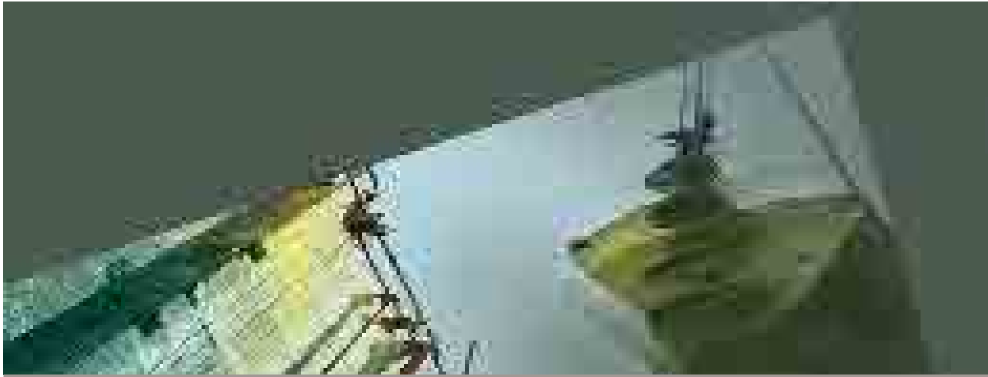

# THE AVENG GROUP

# UNAUDITED INTERIM RESULTS

## for the six months ended 31 December 2006

**Operating Profit up 197%** | **Operating Cash Flow R712 million** | **Diluted Headline Earnings per Share up 114%** | **Order Book R15,6 billion**

## CONSOLIDATED BALANCE SHEET

| Rm | 31 December 2006 | 31 December 2005 Restated | 30 June 2006 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 2 268 | 1 852 | 2 083 |
| Goodwill and other intangibles | 760 | 755 | 760 |
| Investments | 539 | 651 | 472 |
| Deferred taxation | 280 | 193 | 276 |
| **Current assets** | | | |
| Inventories | 1 556 | 1 326 | 1 374 |
| Trade and other receivables | 2 637 | 2 676 | 3 464 |
| Cash and cash equivalents | 2 004 | 1 197 | 1 585 |
| **Total assets** | 10 044 | 8 650 | 10 014 |
| **EQUITY AND LIABILITIES** | | | |
| Ordinary shareholders' funds | 3 900 | 3 102 | 3 521 |
| Minority interests | 5 | 5 | 4 |
| **Non-current liabilities** | | | |
| Long-term interest bearing borrowings | 1 242 | 1 206 | 1 252 |
| Deferred taxation | 92 | 28 | 63 |
| **Current liabilities** | | | |
| Trade and other payables | 4 450 | 3 599 | 4 573 |
| Short-term interest bearing borrowings | 271 | 659 | 467 |
| Taxation | 84 | 51 | 134 |
| **Total equity and liabilities** | 10 044 | 8 650 | 10 014 |
| **Net debt to equity ratio (%)** | (13) | 22 | 4 |
| **Net asset value per ordinary share (cents)** | 985 | 783 | 889 |

Included in investments are associated and joint venture companies comprising unlisted investments valued by the directors at not less than their carrying value.

## STATEMENT OF CHANGES IN EQUITY

| Rm | Six months ended 31 December 2006 | Six months ended 31 December 2005 Restated | Year ended 30 June 2006 |
|---|---|---|---|
| **Share capital and share premium** | 949 | 949 | 949 |
| **Equity portion of compound instrument** | 140 | 140 | 140 |
| Balance at beginning of the period | 140 | | |
| Convertible bond conversion | | 140 | 140 |
| **Non-distributable reserves** | (281) | (394) | (357) |
| Balance at beginning of the period | (357) | (405) | (405) |
| Foreign currency translation | 76 | 11 | 18 |
| Other | | | 30 |
| **Retained income** | 3 092 | 2 407 | 2 789 |
| Balance at beginning of the period | 2 789 | 2 305 | 2 305 |
| Profit for the period | 451 | 192 | 588 |
| Dividends paid | (148) | (90) | (90) |
| Other transfers | | | (14) |
| **Attributable to equity holders of the parent** | 3 900 | 3 102 | 3 521 |
| **Minority** | 5 | 5 | 4 |
| Balance at beginning of the period | 4 | 9 | 9 |
| Profit for the period | 1 | 2 | 2 |
| Foreign currency translation | | (6) | (7) |
| **Shareholder's funds at the end of the period** | 3 905 | 3 107 | 3 525 |

## CONSOLIDATED CASH FLOW STATEMENT

| Rm | Six months ended 31 December 2006 | Six months ended 31 December 2005 Restated | Year ended 30 June 2006 |
|---|---|---|---|
| **Cash retained from operating activities** | | | |
| Cash retained from operations | 463 | 156 | 613 |
| Depreciation | 196 | 181 | 338 |
| Non-cash items | 53 | 11 | 163 |
| Cash generated by operations | 712 | 348 | 1 114 |
| Income from investments | 41 | 34 | 88 |
| Decrease in working capital | 522 | 244 | 379 |
| Cash generated by operating activities | 1 275 | 626 | 1 581 |
| Interest paid | (85) | (105) | (162) |
| Taxation paid | (217) | (85) | (206) |
| | 973 | 436 | 1 213 |
| Dividends paid | (148) | (90) | (90) |
| | 825 | 346 | 1 123 |
| **Investing activities** | | | |
| Fixed assets purchased – expansion | (235) | (82) | (406) |
| – replacement | (177) | (157) | (355) |
| Proceeds on disposal – fixed assets | 53 | 58 | 205 |
| – investments | | | 10 |
| Investments in associate companies | 158 | 192 | 341 |
| | (201) | 11 | (205) |
| **Financing activities** | | | |
| Long-term borrowings repaid | (50) | (111) | (225) |
| Net increase in cash and cash equivalents | 574 | 246 | 693 |
| Cash and cash equivalents at beginning of period | 1 247 | 554 | 554 |
| Cash and cash equivalents at end of period | 1 821 | 800 | 1 247 |
| Cash and cash equivalents as per balance sheet | 2 004 | 1 197 | 1 585 |
| Overdrafts disclosed under short-term borrowings | (183) | (397) | (338) |
| Cash and cash equivalents at the end of the period | 1 821 | 800 | 1 247 |

## CONSOLIDATED INCOME STATEMENT

| Rm | Six months ended 31 December 2006 | Six months ended 31 December 2005 Restated | % change | Year ended 30 June 2006 |
|---|---|---|---|---|
| **Revenue** | 10 631 | 7 625 | 39 | 16 054 |
| **Operating profit before depreciation** | 659 | 342 | 93 | 966 |
| Depreciation | 196 | 181 | | 338 |
| **Operating profit before amortisation and non-trading items** | 463 | 161 | 188 | 628 |
| Non-trading items | | (5) | | (15) |
| **Operating profit** | 463 | 156 | 197 | 613 |
| Share of profits and losses from associates and joint ventures | 225 | 147 | | 249 |
| Income from investments | 41 | 34 | | 88 |
| **Operating Income** | 729 | 337 | 116 | 950 |
| Interest paid | 85 | 105 | | 162 |
| **Profit before taxation** | 644 | 232 | 178 | 788 |
| Taxation | 192 | 40 | | 198 |
| **Profit for the period** | 452 | 192 | 135 | 590 |
| *Attributable to:* | | | | |
| Equity holders of Aveng Limited | 451 | 192 | | 588 |
| Minorities | 1 | | | 2 |
| **Profit for the period** | 452 | 192 | 135 | 590 |
| **Determination of headline earnings** | | | | |
| Profit attributable to Aveng equity holders | 451 | 192 | | 588 |
| Surplus on disposal of properties and equipment | | | | 17 |
| Disposal of investments loss/(surplus) | | 4 | | (2) |
| **Headline earnings** | 451 | 196 | 130 | 603 |
| **EARNINGS PER SHARE (CENTS)** | | | | |
| Earnings | 115,9 | 49,4 | 135 | 151,0 |
| Headline | 115,9 | 50,4 | 130 | 154,9 |
| Diluted earnings | 105,3 | 48,3 | 118 | 141,5 |
| Diluted headline | 105,3 | 49,2 | 114 | 144,9 |
| **NUMBER OF SHARES (MILLIONS)** | | | | |
| In issue | 396,1 | 396,1 | | 396,1 |
| Weighted average | 389,2 | 389,2 | | 389,2 |
| Diluted weighted average | 454,7 | 454,7 | | 454,7 |
| **DIVIDEND PER SHARE (CENTS)** | Nil | Nil | | 38,0 |

## SEGMENTAL ANALYSIS

**BUSINESS SEGMENTATION**

| Revenue Rm | Six months ended 31 December 2006 | Six months ended 31 December 2005 Restated | Year ended 30 June 2006 |
|---|---|---|---|
| Construction – South Africa and Africa | 4 287 | 3 749 | 7 498 |
| – Australasia and Pacific | 2 821 | 1 057 | 2 956 |
| Steel and Allied | 3 523 | 2 819 | 5 600 |
| | 10 631 | 7 625 | 16 054 |

| Operating profit Rm | Six months ended 31 December 2006 | Six months ended 31 December 2005 Restated | Year ended 30 June 2006 |
|---|---|---|---|
| Construction – South Africa and Africa | 33 | (95) | (125) |
| – Australasia and Pacific | 114 | 29 | 67 |
| Steel and Allied | 316 | 222 | 671 |
| | 463 | 156 | 613 |

| Holcim (South Africa) (Pty) Ltd – (100%) Rm | Six months ended 31 December 2006 | Six months ended 31 December 2005 | % change | Year ended 30 June 2006 |
|---|---|---|---|---|
| Revenue | 2 689 | 2 293 | 17 | 4 535 |
| Operating profit | 799 | 605 | 32 | 1 156 |
| Assets | 2 747 | 2 020 | | 2 127 |
| Liabilities | 999 | 1 443 | | 625 |
| Capital expenditure | 274 | 222 | | 388 |
| Depreciation | 57 | 60 | | 112 |
| Net Debt to equity ratio (%) | 20 | 13 | | 34 |

## CAPITAL EXPENDITURE

| Rm | Six months ended 31 December 2006 | Six months ended 31 December 2005 Restated | Year ended 30 June 2006 |
|---|---|---|---|
| Expansion | 235 | 82 | 406 |
| Maintenance | 177 | 157 | 355 |
| | 412 | 239 | 761 |
| **Commitments for future capital expenditure:** | | | |
| Contracted | 104 | 114 | 157 |
| Authorised, but not contracted for | 19 | 66 | 110 |
| | 123 | 180 | 267 |

**Significant contingent liabilities**

In December 2005 Aquarius Platinum (South Africa) (Pty) Ltd purported to rescind the Marikana contract with Moolmans on the basis of an alleged misrepresentation of the weightings in an escalation formula that was tabled for discussion at the time of tender, late in 2001. It contends that there was never a valid contract and has issued proceedings out of the High Court for R963 million for damages. This is being defended, and substantial counterclaims are being pursued.

Grinaker-LTA Building division entered into a contract in 2001 to build 100 houses in Gabon. The houses were duly built by means of finance provided by a local financial institution which is now, together with Aveng (Africa) Limited seeking restitution in the amount of €15,5 million (R142 million), due to an alleged default by the government of Gabon. Proceedings are in progress.

A dispute exists with BHP Billiton over the Minerva project termination. McConnell Dowell has taken action against BHP Billiton to recover costs. BHP Billiton has counterclaimed for damages against McConnell Dowell.

## NOTES

### Accounting policies

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Statements and the listing requirements of the JSE Limited. The accounting policies adopted are consistent with those of the previous year. The external auditors have not reviewed the financial results for the half-year ended 31 December 2006.

### 31 December 2005 Restatements

IFRS 2 Share-based Payment

The group adopted IFRS 2: Share-based Payment during the 2005 financial reporting period. The adoption of this statement resulted in a change in the accounting policy for share-based payments adjusted retrospectively.

The 2005 interim results have been restated for the effect of IFRS 2 which was processed in the 30 June 2006 audited financial statements.

| | Effect | 31 December 2005 Rm |
|---|---|---|
| **Balance Sheet effect (cumulative)** | | |
| Distributable reserves | Decrease | 70 |
| Provision for share-based payment liability | Increase | 98 |
| Deferred tax asset | Increase | 28 |
| **Income Statement effect (current year)** | | |
| Operating expenses | Increase | 9 |
| Taxation | Decrease | 3 |

**Impairment of Stockton goodwill within McConnell Dowell**

The Stockton goodwill within McConnell Dowell was reviewed for impairment in 2006. The goodwill was considered to be impaired as at 30 June 2004. The goodwill was, however, not written down until 2006. This gave rise to a prior year adjustment which resulted in the goodwill and opening retained income figure being reduced by R8 million.

## COMMENTARY

### Financial Review

Revenue grew by 39% to R10,6 billion with all operations experiencing buoyant trading conditions. Operating profit increased by 197%, profit before tax by 177% and headline earnings by 130% to R451 million. The operating margin improved from 2,1% to 4,4% with an annualised return on shareholders equity of 24,4%.

Given the improved performance of Aveng (Africa) (formally Grinaker-LTA) and Trident Steel, the empowerment transaction will accrue value which will be recognised at the year end.

Net asset value per share rose by 26% over the prior year, while cash generated by operations doubled to R712 million. Net capital expenditure, after disposals, of R283 million is 144% of the depreciation charge, reflecting the need to add additional capacity to meet market demand in a number of our businesses.

The group's balance sheet continues to strengthen with a December 2006 net cash position of R491 million compared to net debt of R668 million in December 2005.

### Construction

Total construction revenue grew by 48% to R7,1 billion and the operating margin improved from 0,8% to 2,1% compared to the prior corresponding period.

South African construction, including Grinaker-LTA (construction), Moolmans (opencast mining) and E+PC, (engineering and projects company), increased revenue by 14% to R4,3 billion for the period. Operating profit of R33 million equates to an operating profit margin of 0,8%. This compares to a loss of R95 million in the comparable prior period after having provided an amount of R105 million in respect of the Marikana dispute with Aquarius Platinum.

McConnell Dowell increased revenue by 167% to R2,8 billion during the six-month period, a reflection of the strong Australasian and Pacific markets. The operating profit was R114 million, well above the comparative R29 million, with an operating profit margin of 4,0%.

### Steel & Allied

The Steel & Allied cluster, consisting of Trident Steel, Aveng Manufacturing (Steeledale, Infraset, Duraset and Lennings Rail) and the Aveng corporate office, grew revenue by 25% to R3,5 billion and operating profit to R316 million, reflecting encouraging activity levels in the housing infrastructure, civil engineering and automotive sectors. An operating profit margin of 9% compares to 8% in the comparable period.

### Cement

Cement continued to benefit from an active housing market, but capacity constraints have resulted in the need to import. Holcim (South Africa) (Pty) Ltd, 46% held by Aveng grew revenue by 17% to R2,7 billion and operating income by 32% to R799 million for the period.

On 2 February 2007 Aveng renewed its cautionary announcement to shareholders where it noted that the company continued to be involved in discussions regarding the proposed black economic empowerment transaction in Holcim (South Africa) (Pty) Ltd.

### Prospects

The percentage improvement in the profitability for the first six months of the year is high as a result of the provision for Marikana made in the previous year. Consequently the improvement for the full year will not be of the same magnitude as that achieved in the first half.

The two-year order book at December 2006 has grown substantially to R15,6 billion compared to R11,3 billion six months ago. Approximately two thirds of this is scheduled for completion in the 12 months. The order book is 150% of the 2006 construction revenue.

Subsequent to this reporting period, the group has been awarded a number of large contracts including the R1,5 billion Soccer City (Johannesburg) and the R1,1 billion Nelson Mandela Bay (Port Elizabeth) soccer stadiums.

The South African building and civil engineering markets remain strong and will result in an improved performance from Grinaker-LTA. The remainder of the South African operations are expected to perform above current levels. McConnell Dowell is expected to continue to benefit from strong trading conditions in its target markets.

### Dividend

It is group policy to consider paying a single annual dividend after the 30 June year end.

For and on behalf of the board

**RB Savage** (Chairman)
**C Grim** (Chief executive)
**DR Gammie** (Director – Finance)

5 March 2007

GRINAKER-LTA

Trident Steel


**Directors:** RB Savage* [Chairman], AWB Band* [Deputy chairman], C Grim [Chief executive], DR Gammie, L Gcabashe*, JR Hersov*, VZ Mntambo*, DG Robinson, MJD Ruck*, NL Sowazi*, BP Steele* *Non-executive

**Company secretary:** G J Baxter

**Registrars:** Computershare Limited (Registration number 2000/006082/06), 70 Marshall Street, Johannesburg, 2001; PO Box 61051, Marshalltown, 2107. Telephone (011) 379 5000, Telefax (011) 688 7717

**Aveng Limited:** Registration number 1944/018119/06

**Share code:** AEG **ISIN code:** ZAE 000018081

**Registered office:** Block B, 204 Rivonia Road, Morningside, Sandton, 2057


www.aveng.co.za

BASTION GRAPHICS