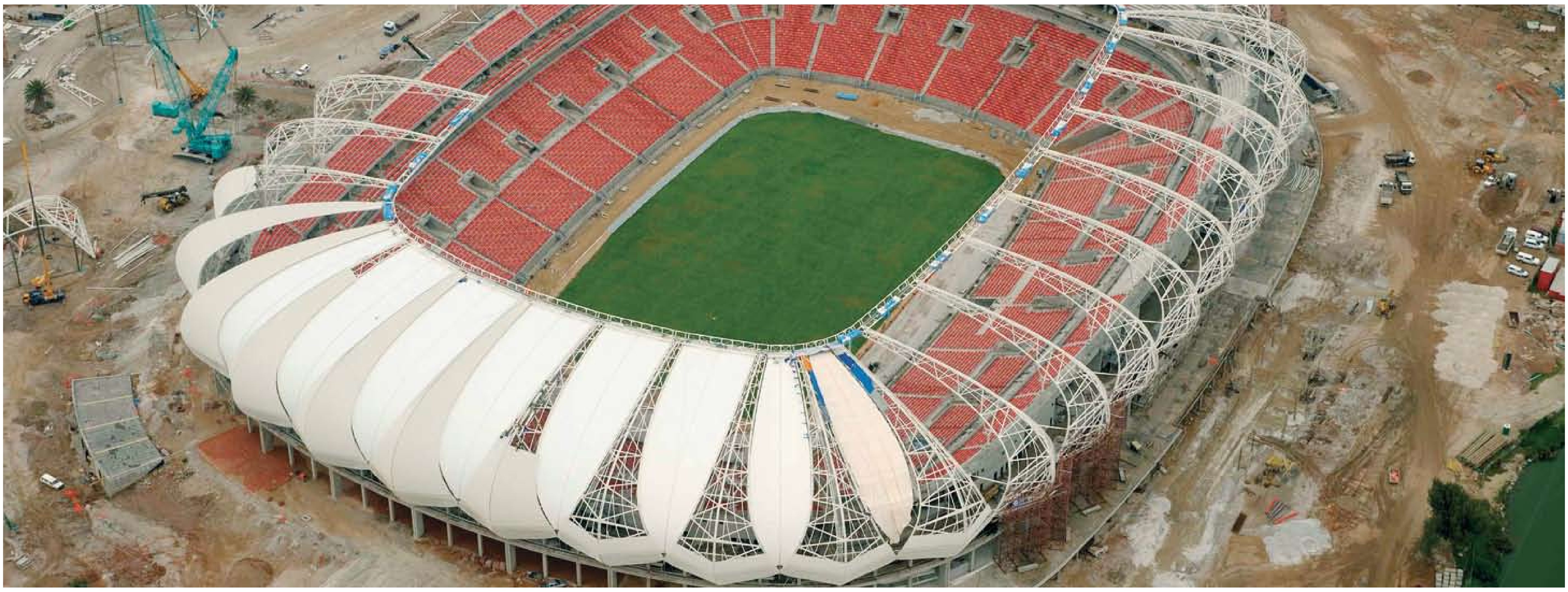

**30%** increase in **Group revenue** to R17,8 billion

**36%** increase in **operating profit before non-trading items** to R967 million

**43%** increase in **headline earnings** per share to 244,4 cents

Strong balance sheet with net **cash** of R6,1 billion

Two year order book up **13,2%** to **R29,2 billion**

# THE AVENG GROUP

## unaudited interim results for the six months ended 31 December 2008

## Commentary

### Financial Review

All operating groups in Aveng showed solid revenue growth during the six months under review, supporting a 30% growth in Group revenue to R17,8 billion from R13,7 billion for the comparable period. Operating profit before non-trading items continued its upward trend, increasing by 36% to R967 million with the operating margin improving from 5,2% to 5,4%.

The Group earned net income from investments of R416 million, compared to R354 million in the prior period as high interest rates persisted and after the some R4,0 billion was returned to shareholders which reflects the strong operating cash flow during the period.

Diluted headline earnings per share amounted to 222,1 cents, reflecting a growth of 54% from 144,1 in 2007 while diluted earnings per share improved by 62% from 137,0 cents to 222,3 cents.

Cash generated by operations rose by 41% to R1,4 billion, in line with the improved operating performance of the Group. The closing net cash of R6,1 billion, declined from R9,2 billion as at June 2008, primarily as a result of:

- Total capital expenditure amounting to R1,8 billion, of which R694 million related to maintenance capital expenditure on existing equipment. The remainder was incurred to increase capacity to deliver on secured contracts, the majority of which related to Moolmans and McConnell Dowell.
- The acquisitions of Built Environs Group (Australia) by McConnell Dowell and Keyplan (Pty) Limited by E+PC being finalised during the period, for an initial payment of R443 million. Further payments will be dependent on profit performance.
- The Group repurchasing approximately 8 million Aveng shares for a total consideration of R415 million, which have been cancelled.
- The payment of a special dividend amounting to 145 cents per share, in addition to ordinary dividend number 9 of 145 cents per share, in October 2008 which totalled R1,1 billion.

The fully diluted number of shares includes 35,5 million Aveng shares to meet the Group's potential obligation to the BEE grouping in Aveng (Africa) and Trident Steel.

### Business Environment

While the tightening global economic environment has affected Aveng's target markets, the Group's diversified capability across the construction and engineering sector has muted the effects of slower demand. The impact on public sector infrastructure spending in the geographies in which Aveng operates has so far been limited, although projects related to mining and commodities have come under pressure, in particular, junior mining houses have been particularly affected by declining commodity prices. In Australia and the Asia pacific region, greenfields infrastructure projects in the downstream oil and petrochemical sectors are also under pressure.

The South African government recently renewed its commitment to upgrading all aspects of the national infrastructure, increasing its three-year investment budget to R787 billion.

Similarly in Australia, the government allocated R518 billion to infrastructure investments including funds for road, rail and ports in October 2008. Aveng continues to benefit from the backlog in infrastructure projects, including coal fired power stations, roads and dams.

In spite of deteriorating market conditions over the review period, the Group has won several contracts, most notably:

- McConnell Dowell was awarded a R2,7 billion project from BHP Billiton Iron Ore Pty Ltd for the Rapid Growth Project 5 Marine Works contract, which is a staged development valued in excess of R4,0 billion.
- McConnell Dowell was engaged to deliver the design and construction contract for a new woodchip loader and the berth at Corio Quay for Geelong Port Pty Ltd in Victoria Australia, valued at R1,6 billion.
- McConnell Dowell, as part of a consortium, won a contract from South Australia Water to design and construct the Adelaide desalination plant. The Company's share is valued at R3 billion.
- Grinaker-LTA was awarded the civil works for the new mine at Sishen Iron Ore for Kumba Iron Ore valued at more than R200 million.
- Grinaker-LTA won a contract valued at R145 million for the road rehabilitation works on the N3 between Umgeni River and Nottingham Road.
- Moolmans, the Group's opencast mining contracting operation, concluded six new long term contracts, valued at R11,4 billion for a period of up to five years.
- E+PC won an eight year operations contract at the sulphuric acid plant which it built for Paladin Energy Ltd in Malawi.

The decline in global steel prices has been much steeper than expected, ranging from 30% to 35% on different products. Demand for steel has slowed from the high levels experienced in the first half of the calendar year, especially in the motor industry.

### Operational Review

The **Construction and Engineering** division comprising Grinaker-LTA, E+PC and McConnell Dowell, lifted revenue by 30% to R11,5 billion. Operating profit increased by 64% to R497 million. This represents an operating margin of 4,3%, up from 3,4% in the comparable period while the operating margin of the South African and African Construction and Engineering division more than doubled.

**Grinaker-LTA** continued to improve its performance with a solid contribution from the Building, Roads & Earthworks and Civil Engineering business units. However, the Mining and Mechanical and Electrical business units were affected by a downturn in spending in the mining and petrochemical sectors. Grinaker-LTA has resolved the majority of its legacy contracts and continuous improvement programmes have been heightened to ensure efficiencies to weather the current market conditions.

**E+PC** delivered strong organic growth as it benefited from its increased resource pool. In addition, the Keyplan acquisition which became effective in the latter part of 2008 made a positive contribution to overall performance. The operating group successfully commissioned the Tarkwa project in Ghana and won several new contracts despite a general delay in the roll out of new work in its target market. The integration of Keyplan was completed during the period, facilitating E+PC's entry into the growing environmental services market.

**McConnell Dowell**, which represents the Group's construction and engineering interests in Australasia and the Pacific region, showed resilience to the tougher operating environment. Revenue increased by 48% to R6,3 billion, while operating profit rose by 44% from R241 million to R346 million as the operating group continued to gear up for delivery on its order book. Despite a tightening market resulting from the global slowdown, which caused some contracts to be postponed, the order book has continued to grow.

**Opencast Mining**, comprising **Moolmans**, delivered revenue of R1,3 billion, representing 26% growth, while its operating profit rose by 84% to R103 million. The operating profitability in opencast mining advanced to 8,0% from 5,5%. This operating group concluded several new long term contracts and continues to pursue new opportunities.

The **Manufacturing and Processing** division, consisting of **Trident Steel** and **Aveng Manufacturing**, delivered revenue growth of 29% to almost R5,0 billion. Operating profit increased by 17% to R515 million from R440 million in the prior period. The impact of the decline in steel prices only became material in the second quarter of the half year although volumes were under pressure during the full period. Consequently the operating margin declined to 10,4% compared to 11,5% in the comparable period last year.

**Trident Steel** lifted revenue by 26% to R2,8 billion, driven by higher steel prices when compared to the prior period. Volumes were under pressure as fabrication demand and motor vehicles sales, both locally and for the export market, were lower. Stock levels became excessive but have now been reduced to a normal level. Good progress was made with equipment upgrades and improvements to maximise internal efficiencies and Trident Steel is participating in the supply of steel to the Medupi Power Station over the next three years. Trading conditions are expected to be challenging in the second half.

**Aveng Manufacturing** maintained its strong growth track record, with revenue growing by 37% to R2,2 billion supported by a strong performance from Duraset and Lennings Rail Services. **Duraset** retained market share and reported excellent results, despite slower demand in the mining sector. The business unit focused on diversifying its export product lines and concluded an attractive export contract. Although **Steeledale** delivered strong revenue growth, profitability was negatively affected by the declining steel price, long lead times and the marking to market of the cost differential on a shipment of imported steel, ordered in the last quarter of the previous financial year when steel was in short supply. **Lennings Rail Services'** plate laying construction and machine performance service lines performed well. The business unit continued to pursue opportunities to diversify its private sector client base while delivering on its core contracts. **Infraset** focused on controlling production efficiencies and overhead costs to counter the ongoing impact of the downturn in residential property.

*Construction of the Nelson Mandela Bay stadium in Port Elizabeth is progressing well as this photograph taken on 25 February 2009 indicates.*

## Safety

Safety is a crucial strategic intent for the Group and the Group's safety focus will be further enhanced with the appointments of a SHE Manager at Group level as well as a Moolmans Operating Group SHE Manager.

Safety achievements across the Group include:

- Grinaker-LTA completed approximately 30 million manhours from July 2008 to December 2008 without a fatality.
- Moolmans completed 3,4 million manhours over a period of 24 months without a single injury at the Siguiri Mine in Guinea.

The Group's disabling frequency rate (DIFR) decreased by 10% (DIFR 12 months progressive) from 0,64 (June 2008) to 0,57 (December 2008).

Regrettably, during the period under review, a total of four fatalities were reported across the Group.

A determined safety drive by The Aveng Group over the next few months includes engaging the services of an international safety expert to advise on a world-class safety programme to ensure that the Group's safety mission "Home Without Harm, Everyone Everyday" is realised.

## Post-balance Sheet Events

Aveng announced on 13 February 2009 that it had entered into a consent agreement with the Competition Commission to settle a complaint arising from an investigation into anticompetitive practices in relation to concrete products, which form part of a range of products manufactured by Infraset. Decisive disciplinary procedures have been instituted within this business unit. Confirmation of the agreement by the Competition Tribunal was obtained on 25 February 2009. In terms of the agreement, Aveng (Africa), a subsidiary of Aveng, agreed to pay an administrative penalty in the amount of R46,3 million. This amount, which has been provided for, will be paid to the Commission in three equal annual instalments. In addition, Aveng (Africa) will develop and implement a formal compliance programme as prescribed by the Competition Commission in terms of the consent agreement.

Aveng`s Board of Directors is committed to good corporate practices, has a zero tolerance policy towards unethical behaviour and will continue to act swiftly to deal with any breaches of its Code of Business Conduct and the Competition Act.

## Prospects

The confirmed two-year order book of R29,2 billion, which represents an increase of 13,2% from the June 2008 level of R25,8 billion, demonstrates that Aveng continued to secure new projects in spite of a tightening market. Grinaker-LTA and McConnell Dowell closed the period with two-year work on hand amounting to R9,4 billion and R12,6 billion respectively, compared to R9,5 billion and R11,5 billion as at June 2008. Moolmans' two-year order book of R6,1 billion has increased by 42% from R4,3 billion as at June 2008 as it secured several substantial opencast mining projects during the six months. The Group maintained its momentum with regard to training, recruiting and retaining its pool of artisans, technicians and engineers to deliver on these opportunities.

Looking forward, the existing order book should ensure that the Construction and Engineering segment as well as the Opencast Mining operations will continue to achieve operating results, at least, in line with current levels of performance. The Manufacturing and Processing business units are, however, facing a very different market when compared to the same time last year when steel was in short supply, driven by high demand, and steel prices were rising sharply. The second half of this financial year will see a reversal of this trend with lower steel prices and a weaker market. Consequently, the operating performance of both Trident Steel and Steeledale will be under pressure. In addition, interest received will be lower, in line with lower cash balances. As a result, the Group does not expect headline earnings for the second half of the 2008 financial year to be matched this year. Against the backdrop of the slower economic outlook and the ongoing effects of the global liquidity squeeze, the Group's conservative approach to conducting business and its strong balance sheet, ensure that it is well positioned to weather the current adverse markets.

## Dividend

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

By order of the board

| AWB Band | WR Jardine | DR Gammie |
|---|---|---|
| (Chairman) | (Chief Executive Officer) | (Director: Finance) |

Sandton

10 March 2009

**www.aveng.co.za**

THE AVENG GROUP HOME WITHOUT HARM EVERYONE EVERYDAY


**REGISTRARS:** Computershare Investor Services (Pty) Limited (Registration number 2004/003647/07), 70 Marshall Street, Johannesburg, 2001 PO Box 61051, Marshalltown, 2107

Telephone (011) 370 5000 Telefax (011) 688 7717

**AVENG LIMITED:** Registration number 1944/018119/06

**Share code:** AEG **ISIN code:** ZAE000111829

**REGISTERED OFFICE:** 204 Rivonia Road, Morningside, 2057

**DIRECTORS:** AWB Band* (Chairman), WR Jardine (Chief Executive Officer), DR Gammie, RL Hogben*, JJA Mashaba, VZ Mntambo*, DG Robinson (Australian), MJD Ruck*, NL Sowazi*, PK Ward*
(*Non-executive)

**COMPANY SECRETARY:** GJ Baxter


# Consolidated balance sheet

| Rm | 31 December 2008 | 31 December 2007 | 30 June 2008 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 4 660 | 2 713 | 3 513 |
| Goodwill and trademarks | 1 049 | 780 | 823 |
| Investment in associates, joint ventures and other | 145 | 146 | 97 |
| Available for sale investments | 12 | 12 | 12 |
| Deferred taxation | 466 | 245 | 680 |
| **Current assets** | | | |
| Inventories | 2 572 | 1 513 | 2 047 |
| Trade and other receivables | 4 642 | 3 415 | 5 346 |
| Cash and cash equivalents | 6 577 | 10 668 | 9 491 |
| **Total assets** | 20 123 | 19 492 | 22 009 |
| **EQUITY AND LIABILITIES** | | | |
| Ordinary shareholders' funds | 9 799 | 11 230 | 10 517 |
| Minority interests | 88 | 8 | 13 |
| **Non-current liabilities** | | | |
| Interest-bearing borrowings | 206 | 1 119 | 243 |
| Deferred taxation | 122 | 91 | 324 |
| **Current liabilities** | | | |
| Trade and other payables | 9 369 | 6 518 | 9 772 |
| Interest-bearing borrowings | 261 | 325 | 360 |
| Taxation payable | 278 | 201 | 780 |
| **Total equity and liabilities** | 20 123 | 19 492 | 22 009 |
| **Net debt to equity ratio (%)** | (62) | (82) | (84) |
| **Net asset value per ordinary share (cents)** | 2 505 | 2 837 | 2 639 |

# Consolidated cash flow statement

| Rm | Six months ended 31 December 2008 | Six months ended 31 December 2007 | Year ended 30 June 2008 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash retained from operations | 966 | 676 | 2 436 |
| Depreciation | 458 | 317 | 653 |
| Non-cash items | (43) | (13) | (20) |
| Cash generated by operations | 1 381 | 980 | 3 069 |
| Income from investments | 462 | 398 | 946 |
| (Increase)/decrease in working capital | (14) | 828 | 1 618 |
| Cash generated by operating activities | 1 829 | 2 206 | 5 633 |
| Interest paid | (46) | (44) | (80) |
| Taxation paid | (936) | (370) | (584) |
| Cash available from operating activities | 847 | 1 792 | 4 969 |
| Dividends paid | (1 138) | (331) | (331) |
| **Cash available from operating activities** | (291) | 1 461 | 4 638 |
| **Investing activities** | | | |
| Fixed assets purchased – expansion | (1 097) | (352) | (924) |
| – replacement | (694) | (219) | (865) |
| Proceeds on disposal – fixed assets | 136 | 45 | 293 |
| Acquisition of business | (443) | | |
| Investments in associate companies | (6) | 23 | 83 |
| **Cash retained from investing activities** | (2 104) | (503) | (1 413) |
| **Financing activities** | | | |
| Capital reduction scheme | (415) | (19) | (3 611) |
| Long-term borrowings repaid | (44) | (43) | (67) |
| | (459) | (62) | (3 678) |
| **Net (decrease)/increase in cash and cash equivalents** | (2 854) | 896 | (453) |
| Cash and cash equivalents at beginning of year | 9 206 | 9 480 | 9 480 |
| Foreign currency translation reserve movement | 23 | 3 | 179 |
| Cash and cash equivalents at end of period | 6 375 | 10 379 | 9 206 |
| Cash and cash equivalents as per balance sheet | 6 577 | 10 668 | 9 491 |
| Overdrafts disclosed under short-term borrowings | (202) | (289) | (285) |
| **Cash and cash equivalents at end of period** | 6 375 | 10 379 | 9 206 |

# Capital expenditure

| Rm | Six months ended 31 December 2008 | Six months ended 31 December 2007 | Year ended 30 June 2008 |
|---|---|---|---|
| Expansion | 1 097 | 352 | 924 |
| Maintenance | 694 | 219 | 865 |
| | 1 791 | 571 | 1 789 |
| **Commitments for future capital expenditure:** | | | |
| Contracted | 104 | 124 | 869 |
| Authorised, but not contracted for | 182 | 697 | 346 |
| | 286 | 821 | 1 215 |

### Contingent liabilities

Significant contingent liabilities are noted below:

Aquarius Platinum (South Africa) Limited, has issued a summons for R963 million against Moolmans, an operating group of Aveng (Africa) Limited, for alleged misrepresentation. Attorneys are currently of the opinion that there is no financial exposure to Moolmans. The entire R963 million has, however, been disclosed as a contingent liability. Proceedings are in progress.

Grinaker-LTA Building, a division of Aveng (Africa) Limited, 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 seeking restitution in the amount of €15,5 million (R206 million), due to an alleged default by the government of Gabon. Proceedings are in progress.

# Consolidated income statement

| Rm | Six months ended 31 December 2008 | Six months ended 31 December 2007 | Percentage change | Year ended 30 June 2008 |
|---|---|---|---|---|
| **Revenue** | 17 753 | 13 695 | 30 | 29 622 |
| **Operating profit, before depreciation** | 1 425 | 1 027 | 39 | 3 077 |
| Depreciation | 458 | 317 | | 653 |
| **Operating profit before non-trading items** | 967 | 710 | 36 | 2 424 |
| Non-trading items | (1) | (34) | | 12 |
| **Net operating profit** | 966 | 676 | 43 | 2 436 |
| Share of profits and losses from associates and joint ventures | 9 | 12 | | 18 |
| Income from investments | 462 | 398 | | 946 |
| **Operating income** | 1 437 | 1 086 | 32 | 3 400 |
| Interest paid | 46 | 44 | | 80 |
| **Profit before taxation** | 1 391 | 1 042 | 33 | 3 320 |
| Taxation | 435 | 406 | | 1 011 |
| **Profit for the period** | 956 | 636 | 50 | 2 309 |
| **Attributable to:** | | | | |
| Equity holders of Aveng Limited | 952 | 633 | | 2 302 |
| Minorities | 4 | 3 | | 7 |
| **Profit for the period** | 956 | 636 | 50 | 2 309 |
| **Determination of headline earnings** | | | | |
| Profit attributable to Aveng equity holders | 952 | 633 | | 2 302 |
| Non-trading item | (1) | 34 | | |
| Surplus on disposal of properties and equipment | | | | (1) |
| Disposal of investment loss/(surplus) | | | | (11) |
| **Headline earnings** | 951 | 667 | 43 | 2 290 |
| **EARNINGS PER SHARE (CENTS)** | | | | |
| Earnings | 244,5 | 162,6 | 50 | 594,2 |
| Earnings – diluted | 222,3 | 137,0 | 62 | 538,3 |
| Headline | 244,4 | 171,4 | 43 | 591,4 |
| Headline – diluted | 222,1 | 144,1 | 54 | 535,7 |
| **NUMBER OF SHARES (MILLIONS)** | | | | |
| In issue | 391,1 | 395,8 | | 398,5 |
| Weighted average | 389,1 | 389,2 | | 387,3 |
| Diluted weighted average | 429,5 | 482,8 | | 428,2 |
| **DIVIDEND PER SHARE (CENTS)** | | | | 290,0 |

# Segmental analysis

**BUSINESS SEGMENTATION**

| Revenue<br>Rm | Six months ended 31 December 2008 | Six months ended 31 December 2007 | Year ended 30 June 2008 |
|---|---|---|---|
| Construction and Engineering | | | |
| South Africa and Africa | 5 217 | 4 609 | 9 259 |
| Australasia and Pacific | 6 263 | 4 219 | 9 458 |
| Total Construction and Engineering | 11 480 | 8 828 | 18 717 |
| Opencast mining | 1 290 | 1 026 | 2 397 |
| Manufacturing and Processing | 4 935 | 3 830 | 8 503 |
| Administration | 48 | 11 | 5 |
| | 17 753 | 13 695 | 29 622 |

| Net operating profit<br>Rm | Six months ended 31 December 2008 | Six months ended 31 December 2007 | Year ended 30 June 2008 |
|---|---|---|---|
| Construction and Engineering | | | |
| South Africa and Africa | 151 | 62 | 318 |
| Australasia and Pacific | 346 | 241 | 646 |
| Total Construction and Engineering | 497 | 303 | 964 |
| Opencast mining | 103 | 56 | 190 |
| Manufacturing and Processing | 515 | 440 | 1 409 |
| Administration | (149) | (123) | (127) |
| | 966 | 676 | 2 436 |

# Statement of changes in equity

| Rm | Six months ended 31 December 2008 | Six months ended 31 December 2007 | Year ended 30 June 2008 |
|---|---|---|---|
| **Share capital and share premium** | 1 926 | 949 | 1 916 |
| Balance at beginning of the period | 1 916 | 949 | 949 |
| Convertible bond conversion | 11 | | 965 |
| Return of equity | (1) | | (3) |
| Treasury Share movements | | | 5 |
| **Equity portion of compound instrument** | 10 | 140 | 11 |
| Balance at beginning of the period | 11 | 140 | 140 |
| Convertible bond conversion | (1) | | (129) |
| **Non-distributable reserves** | (7) | (261) | 120 |
| Balance at beginning of the period | 120 | (225) | (225) |
| Foreign currency translation | (127) | (36) | 334 |
| Other | | | 11 |
| **Retained income** | 7 870 | 10 402 | 8 470 |
| Balance at beginning of the period | 8 470 | 10 119 | 10 119 |
| Profit for the period | 952 | 633 | 2 302 |
| Dividends paid | (1 138) | (331) | (331) |
| Return of equity and other | (414) | (19) | (3 620) |
| **Attributable to equity holders of the parent** | 9 799 | 11 230 | 10 517 |
| **Minority** | 88 | 8 | 13 |
| Balance at beginning of the period | 13 | 5 | 6 |
| Profit for the period | 4 | 3 | 7 |
| Acquisition during year | 71 | | |
| Foreign currency translation | | | |
| **Shareholders' funds at the end of the period** | 9 887 | 11 238 | 10 530 |

# 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 Ltd. 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 2008.

## Post-balance sheet events

The consent agreement reached with the Competition Commission as announced on 13 February 2009 was approved by the Competition Tribunal on 25 February 2009.