AVENG GROUP
Leaders in infrastructure development

Unaudited group results
for the six months ended 31 December 2011

- Revenue up **13,4%**
- Headline earnings down **34%**
- Two year order book growth up **49,2%**
- Strong balance sheet with net cash of **ZAR4,8bn**

AVENG GROUP
Leaders in infrastructure development

Interim consolidated statement of financial position

	31 December 2011 (Unaudited) Rm	31 December 2010 (Unaudited) Rm	30 June 2011 (Audited) Rm
ASSETS			
Non-current assets			
Property, plant and equipment	**6 252**	5 563	6 021
Goodwill and other intangibles	**1 530**	1 436	1 481
Investment in associates and joint ventures	**110**	97	92
Available-for-sale investments	**149**	125	131
Deferred tax	**445**	461	1 019
	8 486	7 682	8 744
Current assets			
Inventories	**2 550**	1 877	2 067
Trade and other receivables	**9 515**	6 345	8 132
Taxation receivable		53	
Cash and cash equivalents	**5 260**	6 146	5 611
	17 325	14 421	15 810
TOTAL ASSETS	**25 811**	22 103	24 554
EQUITY AND LIABILITIES			
Capital and reserves			
Equity attributable to ordinary shareholders of Aveng Limited	**13 145**	11 895	12 917
Non-controlling interests	**(6)**	5	(2)
	13 139	11 900	12 915
Non-current liabilities			
Interest-bearing borrowings	**53**	2	48
Deferred tax	**163**	188	832
	216	190	880
Current liabilities			
Trade and other payables	**11 937**	9 323	10 349
Interest-bearing borrowings	**409**	690	246
Taxation payable	**110**	—	164
	12 456	10 013	10 759
TOTAL EQUITY AND LIABILITIES	**25 811**	22 103	24 554
Net debt to equity ratio (%)	**(37)**	(46)	(41)
Net asset value per ordinary share (cents)	**3 273**	3 017	3 287

Interim consolidated statement of comprehensive income

	Six months ended 31 December 2011 (Unaudited) Rm	Six months ended 31 December 2010 (Unaudited) Rm	% change	Year ended 30 June 2011 (Audited) Rm
Revenue	**19 149**	16 892	13%	34 324
Operating profit before depreciation and amortisation	**1 066**	1 053	1%	2 615
Depreciation	**719**	531		1 101
Amortisation of intangibles	**15**	9		24
Operating profit before non-trading items	**332**	513	(35%)	1 490
Non-trading items	*****	*		(14)
Operating profit	**332**	513	(35%)	1 476
Share of profits and losses from associates and joint ventures	**15**	7		(7)
Income from investments	**133**	197		347
Operating income	**480**	717	(33%)	1 816
Finance cost	**28**	20		59
Profit before taxation	**452**	697	(35%)	1 757
Taxation	**182**	281		584
Profit for the period	**270**	416	(35%)	1 173
Other comprehensive (loss)/income for the period				
Exchange differences on translation of foreign operations	**515**	(97)		209
Total comprehensive income for the period	**785**	319	146%	1 382
Profit attributable to:				
Equity holders of Aveng Limited	**274**	416		1 177
Non-controlling interests	**(4)**	*		(4)
Profit for the period	**270**	416	(35%)	1 173
Total comprehensive income attributable to:				
Equity holders of Aveng Limited	**789**	319		1 386
Non-controlling interests	**(4)**	*		(4)
Total comprehensive income for the period	**785**	319	146%	1 382
**Amounts less than R1 million*				
Determination of headline earnings				
Profit for the year attributable to equity holders of Aveng Limited	**274**	416		1 177
Non-trading items net of taxation	*****	*		14
Surplus on disposal of property, plant and equipment				
Headline earnings	**274**	416	(34%)	1 191

Interim consolidated statement of cash flows

	Six months ended 31 December 2011 (Unaudited) Rm	Six months ended 31 December 2010 (Unaudited) Rm	Year ended 30 June 2011 (Audited) Rm
Operating activities			
Cash retained from operations	**332**	513	1 476
Depreciation and amortisation	**734**	540	1 125
Non-cash items	**(147)**	(146)	(171)
Cash generated by operations	**919**	907	2 430
Income from investments	**133**	197	347
(Increase)/Decrease in working capital	**(686)**	(805)	(1 873)
Cash generated by operating activities	**366**	299	904
Finance cost	**(28)**	(20)	(59)
Taxation paid	**(284)**	(440)	(455)
Cash available from operating activities	**54**	(161)	390
Dividends paid	**(561)**	(565)	(565)
Net cash flows (utilised in)/from operating activities	**(507)**	(726)	(175)
Investing activities			
Property, plant and equipment purchased			
– expansion	**(640)**	(206)	(1 140)
– replacement	**(204)**	(728)	(678)
Proceeds on disposal of property, plant and equipment	**46**	43	88
Purchase of subsidiaries	**(18)**	(285)	(285)
Purchase of other investments	**(18)**	(31)	
Investment in associate companies	**26**	14	15
Net cash flows utilised in investing activities	**(808)**	(1 193)	(2 000)
Financing activities			
Borrowings advanced/(repaid)	**11**	(159)	(254)
Shares repurchased		(74)	(117)
Net cash flows utilised in financing activities	**11**	(233)	(371)
Net decrease/(increase) in cash and cash equivalents	**(1 304)**	(2 152)	(2 546)
Cash and cash equivalents at beginning of year	**5 400**	7 631	7 631
Foreign currency translation reserve movement	**796**	106	315
Cash and cash equivalents at end of period	**4 892**	5 585	5 400
Cash and cash equivalents as per balance sheet	**5 260**	6 146	5 611
Overdrafts disclosed under short term borrowings	**(368)**	(561)	(211)
Cash and cash equivalents at end of period	**4 892**	5 585	5 400

Capital expenditure

	Six months ended 31 December 2011 Rm	Six months ended 31 December 2010 Rm	% change	Year ended 30 June 2011 Rm
Expansion	**204**	206		1 140
Maintenance	**640**	728		678
	844	934		1 818
Commitments for future capital expenditure:				
Contracted	**362**	40		525
Authorised, but not contracted for	**69**	63		541
	431	103		1 066

Share performance

Earnings per share (cents)				
Earnings	**70,8**	107,0	(34%)	302,9
Earnings – diluted	**67,6**	98,2	(31%)	283,3
Headline	**70,6**	106,9	(34%)	306,4
Headline – diluted	**67,5**	98,2	(31%)	286,6
Number of shares (millions)				
In issue	**401,6**	394,3		393,0
Weighted average	**387,0**	388,8		388,7
Diluted weighted average	**405,2**	423,2		415,5
Dividend per share (cents)	**Nil**	Nil		145,0

Segmental analysis

	Six months ended 31 December 2011 (Unaudited) Rm	Six months ended 31 December 2010 (Unaudited) Rm	Year ended 30 June 2011 (Audited) Rm
Business segmentation			
Revenue			
Construction and Engineering			
South Africa and Africa	**5 084**	4 993	9 575
Australasia and Pacific	**7 641**	6 419	13 281
Total Construction and Engineering	**12 725**	11 412	22 856
Opencut mining	**2 134**	1 788	3 656
Manufacturing and Processing	**4 290**	3 690	7 807
Administration	*	2	5
	19 149	16 892	34 324
Operating profit			
Construction and Engineering			
South Africa and Africa	**(61)**	253	443
Australasia and Pacific	**128**	133	291
Total Construction and Engineering	**67**	386	734
Opencut mining	**234**	208	414
Manufacturing and Processing	**277**	(24)	321
Administration	**(246)**	(57)	7
	332	513	1 476

Notes to the interim condensed consolidated financial statements

1. Corporate information

The interim consolidated financial statements of the Group for the six months ended 31 December 2011 were authorised for issue in accordance with a resolution of the directors on 12 March 2012.

Aveng Limited is a limited liability company incorporated and domiciled in the Republic of South Africa whose shares are publicly traded.

2. Basis of preparation and accounting policies

Basis of preparation

The interim consolidated financial statements for the six months ended 31 December 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Listing Requirements of the JSE Securities Exchange South Africa.

The interim condensed consolidated financial statements comply with IAS 34 Interim Financial Reporting and do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 30 June 2011.

The preparation of the Group's condensed consolidated reviewed results were supervised by the Chief Financial Officer, HJ Verster.

Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

Amendments resulting from Improvements to IFRSs to the following standards did not have any impact on the accounting policies, financial position or performance of the Group:

- IAS 24 Related party disclosures (Amendment) – 1 January 2011
- IFRIC 14 Prepayments of a minimum funding requirement (Amendment)
- Improvements to IFRSs (issued in May 2010)

3. Segment Information

Revenue and expenses are attributed directly to the segments to which they relate. Segment assets include all operating assets used by a segment, and consist principally of property, plant and equipment, as well as current assets. Segment liabilities include all operating liabilities and consist principally of trade and other payables. These assets and liabilities are all directly attributable to the segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects is measured differently from the operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

4. Impairments

The carrying amounts of assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, or when annual impairment testing of an asset is required, the recoverable amount is estimated as the higher of the fair value less cost to sell and the value in use.

In determining fair value less costs to sell, an appropriate valuation model is used. In assessing value in use, the expected future cash flows are discounted to the present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses and reversal of impairment losses are separately disclosed in the profit or loss, above the income before tax subtotal.

For an asset that does not generate cash inflows that are largely independent of those from other assets, the recoverable amount is determined for the cash generating unit to which the asset belongs. An impairment loss is recognised whenever the carrying amount of the cash generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years.

Goodwill impairment losses are not reversed.

Notes to the interim condensed consolidated financial statements

5. Income tax

The major components of income tax expense in the interim consolidated statement of comprehensive income are:

	Six months ended 31 December 2011 Rm	Six months ended 31 December 2010 Rm	Year ended 30 June 2011 Rm
Current income tax			
Current income tax charge	**173**	150	382
Secondary tax on companies	**57**	57	57
Deferred tax			
Relating to origination and reversal of temporary differences	**(48)**	74	145
Income tax expense	**182**	281	584

6. Property, plant and equipment

During the six months ended 31 December 2011, the Group acquired assets with a cost of R844,1 million (December 2010: R933.6 million).

7. Cash and cash equivalents

For the purpose of the interim consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

	Six months ende 31 December 2011 Rm	Six months ended 31 December 2010 Rm	Year ended 30 June 2011 Rm
Deposits and cash	**5 260**	6 146	5 611
Bank overdraft	**(368)**	(561)	(211)
	4 892	5 585	5 400

8. Related party transactions

During the year the company and its subsidiaries, in the ordinary course of business, entered into various sale and purchase transactions with associated companies and joint ventures. Those transactions occurred under terms that are no less favourable than those arranged with third parties.

There were no related party transactions with directors or entities in which the directors have a material interest.

Interim consolidated statement of changes in equity

Year ended 30 June 2010 (Audited)

	Share capital and share premium Rm	Foreign currency translation reserve Rm
Balance at 1 July 2010	**2 001**	**(145)**
Foreign currency translation		
Profit for the year		(97)
Total comprehensive income	—	(97)
Dividends paid		
Share repurchase programme	(74)	
Balance at 31 December 2010	**1 927**	**(242)**
Balance at 1 July 2010	2 001	(145)
Profit for the year		
Other comprehensive income/(loss)		207
Total comprehensive income	—	207
Dividends paid		
Share repurchase programme	(118)	
Acquisition during the year		
Transfers		
Balance at 30 June 2011	**1 883**	**62**
Six months ended 31 December 2011 (Unaudited)		
Balance at 1 July 2011	**1 883**	**62**
Profit for the year		
Other comprehensive income/(loss)		
– Foreign currency translation		**515**
Total comprehensive income	**—**	**515**
Dividends paid		
Shares issued		
Balance at 31 December 2011	**1 883**	**577**

**Amounts less than R1 million.*

	Other non-distributable reserve Rm	Retained income Rm	Total Rm	Non-controlling interest Rm	Total equity Rm
	68	**10 291**	**12 215**	**5**	**12 220**
		416	416	*	416
			(97)		(97)
	—	416	319	—	319
		(565)	(565)	*	(565)
			(74)	*	(74)
	68	**10 142**	**11 895**	**5**	**11 900**
	68	10 291	12 215	5	12 220
		1 177	1 177	(4)	1 173
	2		209		209
	2	1 177	1 386	(4)	1 382
		(566)	(566)	*	(566)
			(118)		(118)
			—	(3)	(3)
	2	(2)	—		—
	72	**10 900**	**12 917**	**(2)**	**12 915**
	72	**10 900**	**12 917**	**(2)**	**12 915**
		274	**274**	**(4)**	**270**
	*****		**515**		**515**
	*****	**274**	**789**	**(4)**	**785**
		(561)	**(561)**	*****	**(561)**
	72	**10 613**	**13 145**	**(6)**	**13 139**

OVERVIEW

Safety

The Aveng Group remains committed to the pursuance of its safety vision; 'Home Without Harm, Everyone Everyday'. Over this period, a further improvement in the recordable injury frequency rate (RIFR) was recorded, with RIFR decreasing from 1,22 for the year ended June 2011 to 1,14 for the half year to December 2011 (December 2010: 1,3).

The Group regrets that it has to report five fatalities during the period under review. The Aveng Group Board and Management extend their sincere condolences to the families of our deceased colleagues.

Operating environment

The South African construction and engineering market continued to be subdued, with further delays in infrastructure spend and limited large project opportunities. The construction and engineering operating environment in Australia and Pacific Rim remained buoyant, supported by strong global demand for commodities and energy which drove significant growth in the mining and energy related sectors.

The Group's diversified geographical footprint and broad product offering served to mitigate some of the effects of the weak domestic infrastructure market. Improved operating conditions in both the Opencut Mining and the Manufacturing & Processing segments bolstered Group profitability and partially offset the impact of low margins and project losses within the Construction & Engineering segments.

Unresolved claims and execution difficulties on a number of large projects adversely affected the performance of the Construction & Engineering segments, contributing to a 34% decline in earnings for the period.

The Group's two year order book increased by 24% from R37 billion at 30 June 2011 to R46 billion as of 31 December 2011, driven primarily by demand from the mining and energy related sectors in Australia.

FINANCIAL PERFORMANCE

Revenue for the six months increased by 13% to R19,1 billion (2010: R16,9 billion). The Opencut Mining, Manufacturing & Processing, and Construction & Engineering: Australia and Pacific business segments all recorded solid revenue growth while Construction & Engineering: South Africa's revenue performance was in line with the prior period.

Despite the higher revenue, the impact of problematic contracts resulted in a 35% decline in operating profit to R332 million (2010: R513 million). A resultant operating profit margin of 1,7% was recorded for the half year (2010:3,0%).

The Group's net income from investments reduced by 32% to R133 million (2010: R197 million) as a consequence of lower cash balances and prevailing low interest rates.

Cash generated from operating activities increased to R366 million (2010: R299 million). Net working capital reflected an outflow of R686 million (2010: R805 million). The large movement in accounts payable and receivable was largely as a consequence of non-cash items, arising from the translation of the Groups foreign balance sheets. The movement in the net working capital was due to increased project receivables, a decision to increase inventory levels within the Manufacturing and Processing segment and movements in project related provisions, which are included in Trade and other payables. Major cash outflows included a dividend payment of R561 million, a tax payment of R284 million and capital expenditure of R844 million. The largest investment in capital was by McConnell Dowell and Aveng Moolmans. R306 million was invested by McConnell Dowell on project specific expenditure, including project capital for the QCLNG, Australia Pacific LNG Pipeline and Vale Jetty projects. Aveng Moolmans invested R261 million, to equip the Chimiwugu contract and for the maintenance of its current fleet of equipment.

With a net cash position of R4,9 billion (2011: R5,4 billion) the Group's financial position remains solid. It is well positioned to take advantage of impending growth prospects. Liquidity management continues to be a key priority, with a focus on converting unresolved claims into cash and reducing inventories in line with greater reliability in steel supply.

Headline earnings declined by 34% from R416 million to R274 million, translating into headline earnings per share of 70,6 cents (2010: 106,9 cents).

OPERATIONAL REVIEW

Construction and Engineering: South Africa

This business segment comprises Aveng Grinaker LTA Building, Civil Engineering, Earthworks Engineering, Mechanical & Electrical, Mining, Aveng Water and Aveng E+PC divisions.

Revenue for this segment was consistent with last year at R5 billion. The segment however reported an operating loss for the period of R61 million (2010: Profit R253 million) due to contract provisions and unresolved claims on major contracts. The South African construction two year order book, which is comprised primarily of private sector contracts, contracted by 24%. This is as a result of a difficult and competitive local infrastructure market and project delays, on projects such as the KCM Konkola CRO plant in Zambia.

Revenue from the Building and Mechanical & Electrical divisions improved by 16% and 15% respectively, despite project delays and continued difficulties experienced on the sub-contracted steel fabrication projects for the Medupi and Kusile power plants. Unresolved claims, within the Mechanical & Electrical division, on these two projects adversely impacted both profitability and liquidity during the period.

The Group is aware of the reported settlement between Genrec, the main sub-contractor and the main contractor and is pursuing entitlements against the sub-contractor in terms of the contractual framework. The Group will engage all parties in this regard and pursue all contractual and legal remedies available.

Revenue generated by the Civil Engineering and Earthworks Engineering divisions declined by 15% and 29% respectively. The Civil Engineering division of Aveng Grinaker-LTA continued work on the Medupi and Kusile power stations. As previously reported, the terms and complexity of the Medupi power station contracts have resulted in numerous claims and additional entitlements which have caused material delays in revenue and profit recognition. Discussions with the client are currently underway to reach a settlement in respect of these issues.

Revenue at Earthwork Engineering was affected by the shortage in bitumen and asphalt, the slow start-up of the Mokolo project and the high revenue base recorded on the Gauteng Improvement Project in the comparative period.

Underground mining revenue improved by 5% to R1,0 billion on the comparative period as a result of both shaft sinking and development contracts secured during the previous financial year now being in full production. The resolution of underperforming mining contracts resulted in an improved earnings contribution.

Construction and Engineering: Australasia & Pacific

This business segment comprises McConnell Dowell Construction, Tunnelling, Electrical and Pipeline divisions.

McConnell Dowell's revenue increased by 19%, to R7,6 billion, boosted by an Australian dollar that has strengthened by 17% against the Rand over the comparable period. In Australian dollar terms the growth was relatively flat at 2%, despite a strong level of work in hand caused by delays in project start up. The McConnell Dowell business reported a record work in hand of R30 billion and continue to experience good project opportunities, particularly off the resources sector growth in Australia and Asia. The Company is well placed, given its geographical and capability profile to win a significant amount of this work, in spite of tougher commercial conditions and increased competition.

After experiencing site access delays and adverse weather conditions, the QCLNG export pipeline project has not yet reached planned productivity. McConnell Dowell has made provision to cover the expected financial impact of the project during the six month period. The project is still in an early phase of completion and therefore continues to pose a material risk.

The Adelaide Desalination project is nearing completion with physical work largely complete by July 2012 progressing to full commissioning by December 2012. The further delay in completion has resulted in an additional loss provision during the six months period. The Group does not anticipate any further losses on this project, during the period, R15 billion of new work was secured, which includes:

- Australia Pacific LNG Pipeline & facilities, Queensland
- GLNG Upstream Roma Hub, Queensland
- Vale Jetty, Malaysia
- Waterview Connection Project, New Zealand
- Stronger Christchurch Infrastructure Rebuild, New Zealand

Revenue in Construction Australia was down 6,0%, in AUD terms, on the comparative period. The Australian business experienced a reduction in reported revenue due to delays in project commencements, delayed revenue recognition and the 'knock-on' effect of the previous year's flooding.

Offshore Construction increased revenue by 35% due to strong performance from South East Asia, New Zealand and the Pacific Islands. Markets in the Middle East remain highly competitive. McConnell Dowell's offshore revenue was negatively impacted by the significant appreciation in the Australian dollar.

Although Pipeline revenue was up by 15% the slower than expected progress on the QCLNG pipeline project has limited profit recognition. A number of large projects will go into full activities in the fourth quarter with strong revenue expected for the rest of the year into 2013.

Electrix's revenue was up 15% and the business unit is experiencing a strong workload across all areas in both New Zealand and Australian operations, resulting in good top-line growth. They have renewed maintenance contracts with most of their long-term customer base in the electrical sector and have continue to successfully diversify into gas maintenance.

Tunneling was successful as part of the Well Connected Consortium in winning New Zealand Transport Agencies' largest ever transport project, the Waterview Connection Alliance. Revenue for the period was down by 34% reflecting a lack of new work secured in 2011 and the slow start to the Waterview Alliance project, which is expected to contribute to earnings in the 2014 financial year.

Aveng Moolmans

Aveng Moolmans increased its revenue by 19% to R2,1 billion (2010: R1,8 billion) and operating profit by 13%. The improvement in performance is not-withstanding the once off Marikana (Aquarius Platinum) settlement receipt of R87,5 million in the previous reporting period. The turnaround of underperforming contracts, improved plant utilisation and efficiencies also contributed to a solid performance from the opencut mining operations.

While the order book has remained flat in comparison to June 2011, the outlook is positive given the ongoing demand for minerals. The Group awaits the award of two large projects which will improve the work on hand.

Manufacturing & Processing

This business segment comprises Aveng Manufacturing and Aveng Trident Steel (Pty) Limited.

The performance of the Aveng Manufacturing and Processing businesses, which includes Aveng Trident Steel, improved significantly despite a soft domestic infrastructure market, steel supply constraints and labour disruptions. Revenue increased by 16% to R4,3 billion (2010: R3,7 billion). Operating profit for the period improved substantially to R277 million, following last year's reported loss of R24 million which included the provision for a Competition Commission administrative penalty of R129 million.

With the exception of Aveng Manufacturing: Infraset, revenue and profitability improved in all other units within the Aveng Manufacturing & Processing cluster. The operating results benefited from various efficiency improvements, asset rationalisation and optimisation initiatives implemented during the past 12 months.

Aveng Trident Steel's revenue improved by 19% to R2,8 billion (2010:R2,3 billion) on the back of improved steel prices. Steel volumes were however negatively affected by the two week labour strike in July, as well as various domestic steel supply disruptions. The impact on customers and financial performance was lessened by the Group's decision to increase imports from various international suppliers.

Aveng Water

July 2011 saw the official launch of the Aveng Water division. Aveng Water's offering includes the design, construction, operation and maintenance of mine water treatment plants (AMD), municipal water treatment, waste water rehabilitation, sea water desalination and industrial effluent treatment.

Market interest indicates a growing demand for mine water treatment plants. Aveng Water's HiPro water recovery process serves to strengthen the Group's offering to the mine water treatment market. Recent projects awarded include the eMalahleni phase 2 expansion and the Kromdraai Treatment plant.

Renewable Energy

The South African Department of Energy's sponsored renewable energy procurement programme presents a significant opportunity for Aveng. Together with its international partner, Acciona Energy, and broad-based empowerment partners, the Group has submitted a bid for two projects in response to the Department's second bid invitation for a wind and solar facility. These projects, with a high local content, will impact positively on the Group's domestic order book.

Administration

The administration segment reported an operating cost of R246 million for the six month period (2010: R57 million). This increase is attributed to an unrealised foreign exchange loss on the translation of inter group loans for the period of R99 million (2010: profit R45 million), the "turn around" effect of the R45 million profit included in the segment for the comparative period and an interim portfolio provision of R50 million.

COMPETITION COMMISSION

The Aveng Group remains committed to cooperating and engaging with the Competition authorities to resolve all historical anti-competitive practices, and to eradicate any such practices from the industry. Subsidiary company, Aveng (Africa) Limited submitted comprehensive applications in terms of the Competition Commission's Fast Track Settlement Process, which are currently under review by the Competition Commission. This process is expected to culminate in clarity on this sector-wide issue during 2012. At this stage it remains premature to speculate on the quantum of any possible settlement and no provision has been raised.

BUSINESS OPTIMISATION

The Aveng Group is in the process of reorganising the business structure of both its South African construction and mining businesses with a view to improving its market approach and service to its customers. To this end, the deep shaft sinking and underground mining operations, previously part of Aveng Grinaker LTA, have been combined with Aveng Moolmans to form Aveng Mining. The new consolidated mining division with its combined capabilities of open cut, shaft sinking, incline development and underground mining is well positioned to pursue opportunities in the fast growing mining sector both locally and internationally.

The appointment of key internationally experienced executives to drive a focused growth strategy within Aveng Grinaker-LTA has been initiated and a reorganisation process is under consideration which will ensure that the business is optimally positioned for sustainable growth.

OUTLOOK AND PROSPECTS

The Aveng Group anticipates that the domestic infrastructure environment will remain under pressure over the short to medium term until meaningful public sector spend is more evident. The Group's two year order book indicates that approximately 77% of the work over the period will be generated by its foreign operations.

The Australian and Pacific Rim infrastructure market is expected to remain strong on the back of continued infrastructure investment in the mining, oil and gas sectors. This is reflected by a 62% increase in the McConnell Dowell two year order book of R31 billion, which underpins the 24% increase in the Groups construction order book to R46 billion.

The Manufacturing & Processing segment is well positioned to participate in the anticipated increase in mining activity and rail infrastructure spend in South and Southern Africa and is expected to continue its improved performance over the short and medium term. Steel price volatility and the general state of the domestic infrastructure market will also continue to impact on the overall performance of this part of the business.

Aveng Mining is expected to build on its current performance. The recent combination of the Group's opencut mining, deep shaft sinking and underground mining services capabilities into a single division is aimed at improving both product and service offerings to its customers in the mining sector.

Aveng remains well positioned both domestically and internationally to participate in key infrastructural growth areas, including water technology, power, rail and renewable energy.

By order of the Board

AWB Band	**WR Jardine**	**HJ Verster**
(Chairman)	*(Chief Executive Officer)*	*(Financial Director)*

14 March 2012

AVENG LIMITED
Registration number 1944/018119/06
Share code: AEG
ISIN code: ZAE000111829

DIRECTORS
AWB Band* (Chairman), WR Jardine (Chief Executive Officer),
HJ Verster (Financial Director), JJA Mashaba,
DG Robinson (Australian), PJ Erasmus*#, MA Hermanus*#,
RL Hogben*#, TM Mokgosi-Mwantembe*#, MJD Ruck*#,
NL Sowazi*, PK Ward*#, KC Rumble resigned 1 December 2011
(*non-executive) (#independent)

COMPANY SECRETARY
iThemba Governance and Statutory Solutions (Pty) Ltd

REGISTERED OFFICE
204 Rivonia Road, Morningside, Sandton, 2057

REGISTRARS
Computershare Limited
(Registration number 2000/006082/06)
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107

DISCLAIMER

This commentary contains forward-looking statements about the company's operations and financial conditions. They are based on Aveng Limited's best estimates and information at the time of writing. They are nonetheless subject to significant uncertainties and contingencies many of which are beyond the control of the company. Unanticipated events will occur and actual future events may differ materially from current expectations due to new business opportunities, changes in priorities by the company or its joint ventures as well as other factors. Any of these factors may materially affect the company's future business activities and its ongoing financial results.

This document is printed on Power Matt paper which is of a certified recyclable grade,
contains no chlorine or acid chemicals and is harvested using accredited forestry techniques.

BASTION GRAPHICS

REGISTERED OFFICE

204 Rivonia Road, Morningside,
Sandton, 2057

HOME WITHOUT HARM
EVERYONE EVERYDAY

www.aveng.co.za