Audited group results

for the year ended 30 June 2004

AVENG

"Targeting consistent long-term value"

Consolidated balance sheet

	2004 Rm	2003 Rm
ASSETS		
Non-current assets		
Property, plant and equipment	**1 851,0**	1 922,9
Goodwill	**718,5**	959,2
Investments	**554,8**	526,1
Deferred tax	**65,8**	29,8
	3 190,1	3 438,0
Current assets		
Inventories	**1 017,7**	1 121,4
Trade and other receivables	**2 496,1**	3 122,5
Cash and cash equivalents	**746,1**	673,8
	4 259,9	4 917,7
TOTAL ASSETS	**7 450,0**	8 355,7
EQUITY AND LIABILITIES		
Capital and reserves		
Total ordinary shareholders' funds	**2 519,1**	2 823,2
Minority interests	**5,1**	173,9
Total shareholders' funds	**2 524,2**	2 997,1
Non-current liabilities		
Interest-bearing borrowings	**643,4**	732,1
Deferred tax	**27,8**	53,2
	671,2	785,3
Current liabilities		
Trade and other payables	**2 848,9**	3 242,7
Short-term interest-bearing borrowings	**1 405,7**	1 256,2
Taxation payable		74,4
	4 254,6	4 573,3
TOTAL EQUITY AND LIABILITIES	**7 450,0**	8 355,7

Cash flow statement

	2004 Rm	2003 Rm
Cash retained from operating activities	**344,8**	190,9
Net fixed assets purchased	**(298,3)**	(551,7)
Minorities acquired	**(136,3)**	
Investments – other	**135,4**	238,5
Net long-term borrowings	**(88,9)**	152,9
Net increase/(decrease) in cash and cash equivalents	**(43,3)**	30,6
Cash and cash equivalents at beginning of the year	**(400,3)**	(430,9)
Cash and cash equivalents at end of the year	**(443,6)**	(400,3)

Other group information

	2004 Rm	2003 Rm	% change
Determination of headline and diluted headline earnings:			
Adjustment for amortisation of goodwill	**46,4**	59,9	
(Surplus) on disposal of properties	**(4,2)**	(0,7)	
(Surplus) on disposal of investments	**(15,4)**	(191,7)	
Taxation		6,9	
	26,8	(125,6)	
Earnings	**193,2**	587,3	(67,1)
Headline earnings	**220,0**	461,7	(52,4)
Net debt to equity ratio	**51,6%**	43,9%	
Capital expenditure			
Expansion	**244,6**	403,8	(39,4)
Maintenance	**168,5**	423,8	(60,2)
	413,1	827,6	(50,1)
Goodwill (net) and amortisation			
At beginning of year	**959,2**	1 075,7	
Acquisition of subsidiaries	**(33,3)**		
Disposal of business		(4,8)	
Foreign exchange movements	**(161,0)**	(51,8)	
Current year change	**(46,4)**	(59,9)	
At end of year	**718,5**	959,2	(25,1)
Number of shares (millions)			
In issue	**396,1**	396,1	
Weighted average	**389,2**	389,3	
Diluted weighted average	**389,2**	389,3	

Consolidated income statement

	2004 Rm	2003 Rm	% change
Revenue	**11 739,7**	13 244,2	(11,4)
Operating income before depreciation	**617,5**	1 047,1	
Depreciation	**392,5**	375,4	
Operating income	**225,0**	671,7	(66,5)
Income from associates and joint ventures	**184,4**	155,1	
Income from investments	**65,7**	53,9	
Income before interest paid	**475,1**	880,7	(46,1)
Interest paid	**274,6**	315,4	
Income before goodwill and non-trading items	**200,5**	565,3	(64,5)
Amortisation of goodwill	**(46,4)**	(59,9)	
Non-trading items	**19,6**	192,4	
Income before taxation	**173,7**	697,8	(75,1)
Taxation	**(18,7)**	100,6	
Income after taxation	**192,4**	597,2	(67,8)
Minority interests	**(0,8)**	9,9	
Earnings	**193,2**	587,3	(67,1)
DETERMINATION OF HEADLINE EARNINGS			
Earnings	**193,2**	587,3	
Net adjustment for amortisation of goodwill and non-trading items	**26,8**	(125,6)	
Headline earnings	**220,0**	461,7	(52,4)
EARNINGS PER SHARE (Cents)			
Earnings	**49,6**	150,9	(67,1)
Diluted headline	**56,5**	118,9	(52,4)
NET ASSET VALUE PER SHARE (Cents)	**635,9**	712,7	(10,8)
DIVIDEND PER SHARE (Cents)	**14,0**	30,0	(100,0)

Segmental information

	2004 Rm	%	2003 Rm	%
Turnover				
Construction	**7 585,1**	**64,6**	9 832,4	74,2
Steel and Allied	**4 154,6**	**35,4**	3 411,8	25,8
	11 739,7	**100,0**	13 244,2	100,0
Operating income				
Construction	**(179,4)**	**(79,7)**	342,9	51,0
Steel and Allied	**404,4**	**179,7**	328,8	49,0
	225,0	**100,0**	671,7	100,0
Geographical revenue				
Republic of South Africa (CMA)	**7 547,4**	**64,3**	7 871,5	59,4
Africa and Middle East	**2 414,5**	**20,6**	3 398,3	25,7
Australasia and South East Asia	**1 777,8**	**15,1**	1 974,4	14,9
	11 739,7	**100,0**	13 244,2	100,0

NOTES

These results have been compiled in accordance with the South African Statements of Generally Accepted Accounting Practice ("GAAP") and International Financial Reporting Standards ("IFRS"). The presentation of these results also conform to the Listings Requirements of the JSE Securities Exchange South Africa and Schedule 4 of the South African Companies Act. The accounting policies used in the preparation of the results are consistent in all material respects with those adopted in the annual financial statements for the year ended 30 June 2003. The annual financial statements have been prepared on a going-concern basis.

The results have been audited by Ernst & Young and the unqualified audit opinion is available on request from the company secretary at the company's registered office.

The group's annual financial report will be available by the end of September 2004.

Statement of changes in equity

for the year ended 30 June 2004	Share capital Rm	Share premium Rm	Non distri-butable reserves Rm	Retained income Rm	Total Rm
Balance at 1 July 2002	19,5	932,0	111,7	1 491,8	2 555,0
Dividends paid				(105,2)	(105,2)
Earnings for the year				587,3	587,3
Equity accounted reserve movements			(42,6)		(42,6)
Foreign currency translation			(169,2)		(169,2)
Repurchase of shares by share trust		(2,1)			(2,1)
Balance at 30 June 2003	19,5	929,9	(100,1)	1 973,9	2 823,2
Dividends paid				(124,4)	(124,4)
Earnings for the year				193,2	193,2
Equity accounted reserve movements			(14,7)		(14,7)
Foreign currency translation			(358,1)		(358,1)
Repurchase of shares by share trust		(0,1)			(0,1)
Balance at 30 June 2004	19,5	929,8	(472,9)	2 042,7	2 519,1

Commentary

Financial overview

The past year has been the most difficult in Aveng's five-year history. In February the board informed the market that the combination of a strong Rand and problems with three road contracts in Africa would significantly affect Aveng's headline earnings for the year. At R7 to the US Dollar it was anticipated that headline earnings would be 50% lower than the past year.

Against this background and a stronger rand than anticipated in the trading statement, the directors are pleased to be able to report that the headline earnings decline has been restricted to 52% for the year, delivering R220 million (R462 million) and headline earnings per share of 57 cents (119 cents).

Revenue and shareholder funds declined by 11%, overhead costs declined by 10% and net debt remained static.

Construction

The biggest disappointment of the past year was the R179 million operating loss in the construction cluster consisting of Grinaker-LTA (excluding Grinaker-LTA Manufacturing) and the now 100% held McConnell Dowell Corporation based in Australia. Revenue declined by 23%, partially as a result of the 24% deterioration in the average Rand/US$ exchange rate directly impacting 50% of the cluster's revenue which was generated outside South Africa. McConnell Dowell made a small loss of AUS$1,9 million, and together with the three loss making African road contracts was the major reason for the non-currency component of the reported loss.

A critical review of all business units, including the off-shore operations has been completed. The resulting management action included a substantial reduction in overhead costs which unfortunately led to the loss of 2 500 jobs, spread across all employee grades. The Roads and Earthworks business unit has been downsized to half its 2002 size and reorganised to ensure that the necessary management skills exist at all levels.

Steel and Allied

Against the background of a highly volatile steel industry, the Steel and Allied businesses did well to return 22% growth in revenue and a 23% growth in operating income.

Trident Steel continues to be tightly managed with low cost structures and as a diversified supplier and processor of steel was fortunate to benefit from higher volume requirements in some of the market segments it serves.

Grinaker-LTA Manufacturing's market was less active but management responded quickly by restructuring their business, reducing overhead costs by 23% and delivering budgeted profits.

Cement

Aveng's cement interests reside in its 46% held associate company Holcim (South Africa) (Pty) Limited (previously Alpha).

Cement industry volumes grew by 6,6% in the first half of the Aveng financial year compared to the comparable prior period and by 17,3% in the second half. Regional cement consumption for the twelve months ending June 2004 rose to 11 million tons, the highest demand ever. This high level of market activity is reflected in excellent profits and cash flows.

Volumes are likely to level off soon, largely as a result of growing shortages in complementary building materials.

Black economic empowerment

Aveng's proposed BEE transaction will ensure that group companies are given the opportunity to benefit from their fair share of local construction work in the years ahead. The transaction with the TisoGroup led BEE consortium is more than just a shareholding deal. There will be active board involvement in Grinaker LTA and Trident Steel. The parties involved intend to seek ways to leverage this transaction for the benefit of all stakeholders.

Prospects

The Rand/US$ exchange rate has had a direct impact on one third of group earnings and an indirect impact, through its South African clients, on a second third of earnings. We have structured our businesses to be able to successfully win work internationally at R7/US$ and believe that most of our local clients will be able to do the same.

The final third of our earnings base comes from government infrastructure investment. Here we are particularly well placed to benefit from what would seem to be a renewed commitment to infrastructure expenditure. Grinaker-LTA is a member of one of the two consortia bidding for the Gautrain project. It is also well positioned to contribute towards the building of stadia and the other infrastructure required for the 2010 Soccer World Cup.

While the markets for the next six months will continue to be tough, the second half of the financial year looks more promising.

Dividend declaration 2004

Dividend No 5 of 14,0 cents per share, being the total dividend in respect of the financial year ended 30 June 2004 (2003: 30,0 cents per share) has been declared payable to shareholders recorded in the share register at close of business on Friday, 22 October 2004.

Last date to trade shares cum dividend	Friday, 15 October 2004
Shares trade ex dividend from	Monday, 18 October 2004
Record date	Friday, 22 October 2004
Payment date	Monday, 25 October 2004

No dematerialisation or rematerialisation of shares may take place for the period from 18 October 2004 to 22 October 2004, both days inclusive.

On Monday, 25 October 2004, the dividend will be electronically transferred to the bank accounts of all certificated shareholders unless this has not been requested by or is not available to them. If electronic funds transfer is not applicable, cheques dated 25 October 2004 will be posted on that date. Transfers will be made to the dematerialised shareholder accounts at their CSDP or broker on 25 October 2004.

By order of the board

Richard Savage *(Chairman)*, **Carl Grim** *(Chief Executive)*, **Dennis Gammie** *(Financial Director)*

Morningside, 10 September 2004

McCONNELL DOWELL GRINAKER-LTA Holcim

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Targeting construction in the developing world supported locally by steel and cement

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For more information visit www.aveng.co.za