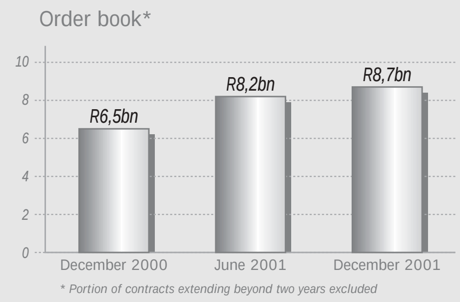
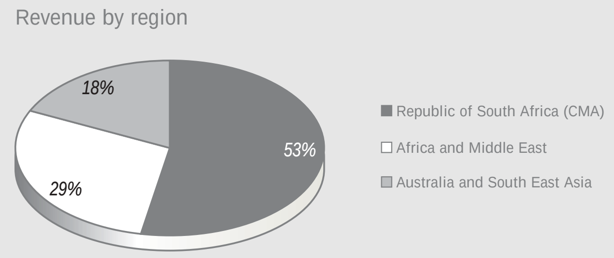
AVENG

INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2001

Construction in the developing world supported locally by steel and cement www.aveng.co.za

- Revenue up 20%
- Operating income up 54%
- Diluted earnings per share up 18%





CONSOLIDATED INCOME STATEMENT

Rm	Six months ended 31 December 2001	31 December 2000	Percentage change	Year ended 30 June 2001
Revenue	**5 930,6**	4 939,7	20	10 317,1
Operating income before depreciation	**418,2**	289,5	44	722,9
Depreciation	**175,4**	131,9		292,1
Operating income	**242,8**	157,6	54	430,8
Income from associates	**64,1**	56,5		99,9
Net financing costs	**(101,2)**	(22,5)		(111,3)
Income before exceptional items	**205,7**	191,6	7	419,4
Exceptional items	**(28,5)**	(29,7)		(58,6)
Income before taxation	**177,2**	161,9	9	360,8
Taxation	**40,0**	39,7		78,6
Income after taxation	**137,2**	122,2	12	282,2
Minority interests	**11,3**	19,4		14,3
Earnings	**125,9**	102,8	22	267,9
Headline earnings adjustment	**28,5**	29,7		58,6
Headline earnings	**154,4**	132,5	17	326,5
Headline earnings adjustment				
Net surplus on disposal and writedown of assets		(8,8)		(7,5)
Rationalisation and restructuring costs		4,0		
Goodwill written off	**28,5**	35,0		65,9
Other				0,2
	28,5	30,2		58,6
Attributable taxation credit		(0,5)		
Headline earnings adjustment	**28,5**	29,7		58,6
Earnings per share (cents)				
Headline earnings	**41,6**	39,5	5	99,4
Diluted headline earnings*	**40,1**	35,4	13	86,8
Earnings	**33,9**	30,7	11	81,6
Diluted earnings*	**32,7**	27,6	18	71,5

** Diluted number of shares include share options issued but not yet vested.*

CONSOLIDATED BALANCE SHEET

Rm	31 December 2001	31 December 2000		30 June 2001
ASSETS				
Property, plant and equipment	**1 507,4**	1 402,6		1 464,4
Goodwill	**1 029,2**	1 060,8		1 050,5
Investment in associates and joint ventures	**465,7**	555,3		618,5
Inventories	**1 104,3**	875,5		920,3
Trade, other receivables and prepayments	**2 159,9**	1 335,3		1 727,3
Cash and cash equivalents	**361,1**	430,9		368,0
TOTAL ASSETS	**6 627,6**	5 660,4		6 149,0
EQUITY AND LIABILITIES				
Shareholders' funds	**2 323,0**	1 678,6		1 841,7
Convertible subordinated debentures		171,2		171,2
Minority interests	**185,0**	158,9		173,7
Long-term borrowings	**675,2**	915,1		632,3
Deferred taxation	**94,7**	76,6		76,5
Trade and other payables	**2 440,7**	1 956,6		2 247,7
Short-term borrowings	**839,2**	656,3		930,3
Taxation	**69,8**	47,1		75,6
TOTAL EQUITY AND LIABILITIES	**6 627,6**	5 660,4		6 149,0
Ordinary shares in issue (million)	**396,1**	356,1		356,1
Weighted average number of ordinary shares	**371,3**	335,2		328,5
Weighted average number of diluted ordinary shares	**385,2**	383,8		383,4
Net asset value per ordinary share (cents)	**586,4**	471,3	24%	517,2

Associated and joint venture companies comprise unlisted investments which were valued by the directors at not less than their carrying value.

STATEMENT OF CHANGES IN EQUITY

Rm	Six months ended 31 December 2001	31 December 2000	Year ended 30 June 2001
Shareholders' funds and debentures at the beginning of the period	**2 012,9**	1 787,5	1 787,5
Dividends paid	**(74,3)**	(60,7)	(60,7)
Earnings for the period	**125,9**	102,8	267,9
Foreign currency translation	**133,5**	16,3	16,0
Treasury shares	**125,0**	2,9	2,9
Other		1,0	(0,7)
	2 323,0	1 849,8	2 012,9
Capital expenditure	**166,1**	305,4	536,1
Commitments for future capital expenditure:			
Contracted	**35,3**	10,0	49,5
Authorised, but not contracted for	**263,3**	52,0	272,9
	298,6	62,0	322,4

Contingent liabilities

Claims which may result from guarantees issued amount to R25,0m compared to R24,7m at 30 June 2001.

Compliance with Statements of Generally Accepted Accounting Practice and accounting policies

The interim results have been prepared in accordance with Statements of Generally Accepted Accounting Practice. There have been no changes effected to any accounting policies, and the methods of computation applied are consistent in all respects with those, applied in the annual financial statements for the year ended 30 June 2001.

CONSOLIDATED CASH FLOW STATEMENT

Rm	Six months ended 31 December 2001	31 December 2000	Year ended 30 June 2001
Cash generated from operations	**415,5**	294,5	736,0
Income from investments	**11,3**	66,3	67,2
Working capital changes	**(298,6)**	(37,0)	(191,4)
Interest paid	**(112,5)**	(67,9)	(178,5)
Taxation paid	**(34,6)**	(88,5)	(54,4)
Dividends paid	**(74,3)**	(77,6)	(63,3)
Cash flow from operating activities	**(93,2)**	89,8	315,6
Cash flow from investing activities	**114,5**	(1 714,3)	(2 024,7)
Cash flow from financing activities	**73,3**	722,8	529,0
Net increase/(decrease) in cash and cash equivalents	**94,6**	(901,7)	(1 180,1)
Cash and cash equivalents at beginning of period	**(485,2)**	676,9	694,9
Cash and cash equivalents at end of period	**(390,6)**	(224,8)	(485,2)

SEGMENTAL ANALYSIS*

Business segmentation	Revenue			Operating income		
	Six months ended 31 December		Year ended 30 June	Six months ended 31 December		Year ended 30 June
Rm	**2001**	2000	2001	**2001**	2000	2001
Construction	**4 409,2**	3 701,6	7 270,1	**162,7**	102,6	250,3
Steel and allied	**1 521,4**	1 238,1	3 047,0	**80,1**	55,0	180,5
	5 930,6	4 939,7	10 317,1	**242,8**	157,6	430,8

Geographical segmentation	Revenue			Assets		
	Six months ended 31 December		Year ended 30 June	Six months ended 31 December		Year ended 30 June
	2001 Rm	2000 Rm	2001 Rm	**2001 Rm**	2000 Rm	2001 Rm
Republic of South Africa (CMA)	**3 114,1**	3 013,2	6 654,8	**2 745,5**	2 297,8	2 519,7
Africa and Middle East	**1 725,3**	1 272,8	2 217,3	**2 154,5**	1 799,6	2 068,5
Australasia and South East Asia	**1 091,2**	653,7	1 445,0	**900,9**	576,8	574,3
	5 930,6	4 939,7	10 317,1	**5 800,8**	4 674,2	5 162,5

** Aveng's 46% interest in Alpha (cement) is not included in revenue or operating income as the investment is equity accounted.*

COMMENT

The directors of Aveng are pleased to announce a 20% growth in revenue and a sound 54% boost to operating income for the half year ending December 2001. The solid growth in the operating margin from 3,2% to 4,1% is particularly encouraging.

Largely as a result of the LTA acquisition, net financing costs increased by R79 million, restricting headline earnings growth to 17% or R154 million. Diluted earnings per share rose by 18% and diluted headline earnings per share by 13%.

The group's rand-hedge qualities are becoming increasingly evident as group companies secure more hard currency denominated international contracts. Some 47% of group revenue (35% in the prior period) is now generated outside the rand Common Monetary Area (CMA) of the RSA, Namibia, Swaziland and Lesotho. The growth in the group's international businesses, together with its rapidly increasing order book (up 34% in the past twelve months), reflects in the group's higher working capital. Net asset value per share has grown by 24%.

Nevertheless, the debt-to-equity ratio has declined in line with management's expectations to 46% at 31 December 2001, compared to 55% six months previously.

The effect of the growth in hard currency earnings offset the negative impact of the declining rand on the interest incurred on the group's offshore borrowings. The weaker rand will reflect positively on future earnings as contracts are executed.

OPERATIONAL REVIEW

The **Construction** businesses' ever-increasing international presence is the result of Aveng's drive to grow its hard currency earnings by becoming globally competitive in selected developing world niche markets. Underpinning this strategy is the excellent work done by the Grinaker-LTA team to streamline and reposition their company. The second stage restructuring announced recently will conclude a successful two-year rationalisation programme. The growth in operating income reflects this success and confirms that we now have a construction organisation that is able to contribute materially to the achievement of Aveng's longer-term strategic agenda.

The **Steel and Allied** businesses grew revenue by 23% and its operating income by 45% in a relatively buoyant market environment. Greater levels of activity in the concrete and structural steel market have boosted activity in Amalgamated Steele. The infrastructure and mining products business unit benefited from an active mining sector. A new R105 million press feed line to service the automotive export market will be operational by June 2003.

Cement volume for the six months to December 2001 is down by 2,6% compared to 2000. Despite this, improved efficiencies and some growth in achieved prices resulted in an improvement in operating income of 45%.

CORPORATE ACTIVITY

The 40 018 390 listed unsecured automatically convertible subordinated debentures were converted into an equivalent number of ordinary shares on 30 November 2001.

Aveng Management Company (Pty) Limited, a subsidiary of Aveng, held 20 616 919 Aveng Limited ordinary shares at an average price R6,51 at 30 June 2001. These shares were acquired as part of the acquisition strategy, but were not utilised as most shareholders preferred the cash option. Between October 2001 and January 2002, 16 704 829 of these shares were sold at an average price of R8,11.

PROSPECTS

The board is confident that the company will be able to deliver diluted headline earnings growth for the full year similar to that reported at the half year. The confidence-boosting budget and the State's commitment to developing infrastructure augur well for the group's local performance. Equally important, Aveng is well positioned to benefit from the considerable expenditure planned within the group's target markets internationally.

At 31 December 2001 the two-year construction order book stood at R8,7 billion, the majority of which is hard currency denominated. Subsequent to the end of the reporting period, the R1,7 billion Sasol pipeline project has been won in joint venture. Steel will continue to benefit from the increasing level of export activity and cement will continue to deliver good results.

Adopting a longer-term perspective, management continues to believe that Aveng's robust strategy and unique strategic positioning within the international energy and mining construction services markets provide exciting opportunities for growth.

DIVIDEND

It is company policy to consider the payment of a dividend at year-end.

For and on behalf of the board

RB Savage *Chairman* | **C Grim** *Chief executive* | **DR Gammie** *Financial director*

8 March 2002

DIRECTORS RB Savage* *(Chairman),* PL Erasmus* *(Deputy chairman),* C Grim *(Chief executive),* EA Behr, CV Campbell*, PF Crowley, MM Doyle, DR Gammie, JR Hersov*, HDK Jones, VZ Mntambo*, AR Mpungwe*, PJ Owen*#, M Taback*, W Wassermeier * *Non-executive* #*Australian* **COMPANY SECRETARY** PH Hansen, **TRANSFER SECRETARIES** Mercantile Securities Banking, a division of Mercantile Bank Limited, 10th Floor, 11 Diagonal Street, Johannesburg 2001, PO Box 1053, Johannesburg 2000, Telephone (011) 370-5000, Telefax (011) 370-5560 Aveng Limited Registration number 1944/018119/06
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