AVENG

"Targeting consistent long-term value"

- **Revenue up 18%**
- **Headline earnings up 23%**
- **Diluted headline EPS up 21%**

UNAUDITED INTERIM REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2002

Consolidated balance sheet

Rm	31 Dec 2002	31 Dec 2001	Percentage change	Audited 30 June 2002
ASSETS				
Property, plant and equipment	**1 804,8**	1 507,4		1 770,0
Goodwill	**1 017,1**	1 029,2		1 075,7
Investments	**490,9**	465,7		507,9
Inventories	**1 388,0**	1 104,3		1 249,5
Trade and other receivables	**2 865,1**	2 159,9		3 020,6
Cash and cash equivalents	**709,8**	361,1		678,6
TOTAL ASSETS	**8 275,7**	6 627,6		8 302,3
EQUITY AND LIABILITIES				
Shareholders' funds	**2 540,5**	2 323,0		2 555,0
Minority interests	**199,5**	185,0		248,7
Interest-bearing borrowings – long-term	**551,6**	675,2		614,9
Deferred taxation	**86,0**	94,7		66,9
Trade and other payables	**3 533,5**	2 440,7		3 507,5
Interest-bearing borrowings – short-term	**1 318,7**	839,2		1 253,3
Taxation	**45,9**	69,8		56,0
TOTAL EQUITY AND LIABILITIES	**8 275,7**	6 627,6		8 302,3
Net debt to equity ratio (%)	**42,4**	46,0	(8)	42,4
Net asset value per ordinary share (cents)	**641**	586	9	645

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

Statement in changes in equity

Rm	Six months ended 31 Dec 2002	Six months ended 31 Dec 2001	Year ended 30 June 2002
Shareholders' funds and debentures at the beginning of the period	**2 555,0**	2 012,9	2 012,9
Conversion of debentures			(169,6)
Disposal of treasury stock		125,0	170,1
Dividends paid	**(105,2)**	(74,3)	(74,3)
Earnings for the period	**307,3**	125,9	362,5
Foreign currency translation	**(215,3)**	133,5	77,7
Repurchase of shares by the Share Trust	**(1,3)**		
Premium on issue of ordinary shares to redeem the debentures			175,7
	2 540,5	2 323,0	2 555,0

Consolidated cash flow

Rm	Six months ended 31 Dec 2002	Six months ended 31 Dec 2001	Audited Year ended 30 June 2002
Cash retained from operating activities	**95,7**	(93,2)	216,8
Net fixed assets purchased	**(272,2)**	(146,4)	(624,4)
Acquisitions net of disposals			0,3
Investments – other	**205,5**	260,9	243,7
Net long-term borrowings	**(51,4)**	(51,7)	48,9
Proceeds from disposal of treasury shares		125,0	169,0
Net increase/(decrease) in cash and cash equivalents	**(22,4)**	94,6	54,3
Cash and cash equivalents at beginning of period	**(430,9)**	(485,2)	(485,2)
Cash and cash equivalents at end of period	**(453,3)**	(390,6)	(430,9)

Capital expenditure

Rm	Six months ended 31 Dec 2002	Six months ended 31 Dec 2001	Year ended 30 June 2002
Expansion	**129,1**	65,9	315,6
Maintenance	**169,1**	100,2	387,5
	298,2	166,1	703,1
Commitments for future capital expenditure:			
Contracted	**117,7**	35,3	183,7
Authorised, but not contracted for	**201,7**	263,3	152,0
	319,4	298,6	335,7

Contingent liabilities

Claims which may result from pending litigation and guarantees issued amount to R94,5 million compared to R91,0 million at 30 June 2002

Consolidated income statement

Rm	Six months ended 31 Dec 2002	Six months ended 31 Dec 2001	Percentage change	Audited Year ended 30 June 2002
Revenue	**6 968,9**	5 930,6	18	13 185,2
Operating income before depreciation	**467,2**	418,2	12	1 008,3
Depreciation	**195,9**	175,4		364,2
Operating income	**271,3**	242,8	12	644,1
Income from associates and joint ventures	**90,8**	64,1		113,8
Income from investments	**20,4**	11,3		48,6
Income before interest paid	**382,5**	318,2		806,5
Interest paid	**139,5**	112,5		242,6
Income before exceptional items	**243,0**	205,7	18	563,9
Amortisation of goodwill	**(27,7)**	(28,5)		(53,8)
Non-trading items	**145,3**			(4,6)
Income before taxation	**360,6**	177,2	103	505,5
Taxation	**45,8**	40,0		119,7
Income after taxation	**314,8**	137,2	129	385,8
Minority interests	**7,5**	11,3		23,3
Earnings	**307,3**	125,9	144	362,5
Net adjustments for amortisation of goodwill and non-trading items	**(117,6)**	28,5		58,4
Headline earnings	**189,7**	154,4	23	420,9
Earnings per share (cents)				
Diluted headline	**48,7**	40,1	21	107,3
Diluted earnings	**78,9**	32,7	141	92,4
Headline	**48,7**	41,6	17	111,2
Earnings	**78,9**	33,9	133	95,7
Number of shares (millions)				
In issue	**396,1**	396,1		396,1
Weighted average	**389,5**	371,3	5	378,6
Diluted weighted average	**389,5**	385,2	1	392,3
Dividend per share (cents)				27,0
Non-trading items				
Net (surplus)/loss on disposal of properties	**0,6**			(1,3)
Net loss/(surplus) on disposal of investments	**(145,9)**			5,9
	(145,3)			4,6

Segmental analysis

Business segmentation	Revenue: Six months ended 31 Dec 2002 Rm	Revenue: Six months ended 31 Dec 2001 Rm	Revenue: Year ended 30 Jun 2002 Rm	Operating income: Six months ended 31 Dec 2002 Rm	Operating income: Six months ended 31 Dec 2001 Rm	Operating income: Year ended 30 Jun 2002 Rm
Construction	**4 895,2**	4 409,2	9 559,2	**142,6**	162,7	345,0
Steel and Allied	**2 073,7**	1 521,4	3 626,0	**128,7**	80,1	299,1
	6 968,9	5 930,6	13 185,2	**271,3**	242,8	644,1

Geographical segmentation	Revenue			Assets		
Republic of South Africa (CMA)*	**4 119,0**	3 114,1	7 286,5	**3 975,8**	2 745,4	3 701,3
Africa and Middle East	**1 846,0**	1 725,3	3 499,6	**1 985,0**	2 154,5	2 537,8
Australasia and South East Asia	**1 003,9**	1 091,2	2 399,1	**1 114,2**	900,9	876,7
	6 968,9	5 930,6	13 185,2	**7 075,0**	5 800,8	7 115,8

*Common monetary area of South Africa, Namibia, Lesotho and Swaziland.

Notes

Accounting policies

The accounting policies applied are in accordance with South African Statements of Generally Accepted Accounting Practice, the Listings Requirements of the JSE Securities Exchange South Africa, Schedule 4 of the South African Companies Act and are consistent with those of the prior reporting period with the exception of the adoption of AC133 "Financial Instruments: recognition and measurement". The effect of the adoption of AC133 is not material.

The financial information has been presented in accordance with AC127 "Interim Financial Reporting".

COMMENTARY

Financial review

Aveng traded well over the six-month period with revenues and headline earnings increasing 18% and 23% respectively.

In line with the group's stated objectives, diluted headline earnings per share increased by 21%, exceeding the targeted 20% growth rate. The average return on equity for the half year was 14,1% compared to 13,4% at December 2001.

The appreciation of the rand to the US dollar, from R10,37 at June 2002 to R8,66 at December 2002 resulted in an unrealised foreign currency translation loss of R215 million on net assets. The operating income was negatively impacted by an R18 million foreign exchange loss for the six months to 31 December 2002, compared to an R86 million foreign exchange gain for the year ended 30 June 2002.

The secondary effects of the strengthening Rand have been firstly that 59% (53%) of the half year's revenue was generated in the Rand area and secondly that construction contributed 53% (67%) of the group's operating income.

Net debt levels have reduced marginally to R1 160 million over the period. However, the net debt to equity ratio has improved to 42,4% compared to 46,0% at December 2001. This was achieved despite a high level of capital expenditure of R298 million in the past six months and R835 million in the twelve months since December 2001. In addition, R100 million was expended on extraordinary steel purchases ahead of the January 2003 price increases. If the foreign currency translation charge is excluded, the group's net debt to equity ratio would have been 39%, halfway to our 35% target.

Operational review

Construction revenue for the six months grew by 11% while operating income declined by 12%. This division generates the major portion of its revenue outside South Africa, principally in US dollars. The strengthening rand negatively affected earnings for the period while having a limited positive impact on input costs. In the longer term, this trend is expected to reverse. The order book for the next two years of R8,2 billion compares to R8,8 billion at December 2001, a reflection of the 19,8% weaker dollar as well as the ongoing drive for quality work.

Steel & Allied, comprising Trident Steel, Grinaker-LTA Infrastructure and Mining Services as well as the Aveng corporate office, benefited significantly from higher activity levels in the steel based construction and manufacturing sectors. While overall activity in the sector is being retarded by the significant steel price increases and by the strengthening rand, the division should continue to show growth for the remainder of the financial year. The new factory at Roodekop is on programme for commissioning in June 2003.

Cement has benefited from an active local market. Industry volumes for the six months were 9,9% higher than the comparable prior period. Alpha's non-core 34% interest in Omnia Limited and 33% interest in Natal Portland Cement (Pty) Limited were sold. The R280 million expansion at Dudfield's No 3 Kiln remains on track for completion by December 2003.

Dividend

It is the group's policy to declare dividends once a year, after its financial year-end at 30 June.

Prospects

The board continues to believe that in order to best balance business risk, it is in the long-term interest of the group to retain its objective of generating 50% of its revenues in "hard currencies". This will naturally impact on earnings and asset values, as currencies fluctuate but will provide the best long-term stability.

Trading conditions within South Africa have been buoyant. However, in the face of the current international political and economic difficulties and the uncertainty of the rand/dollar exchange rate, it is unlikely that the group will manage to maintain the same growth in earnings for the next six months.

For and on behalf of the board

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

Sandton, 10 March 2003

GRINAKER-LTA Trident Alpha

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

Directors: RB Savage* *(Chairman)*, PL Erasmus* *(Deputy Chairman)*, C Grim *(Chief Executive)*, CV Campbell**, PF Crowley, DR Gammie, JR Hersov*, HDK Jones, VZ Mntambo*, AR Mpungwe**, BP Steele*, M Taback**, W Wassermeier **Independent non-executive **Non-executive* **Company secretary:** PH Hansen

Transfer secretaries: Computershare Investor Services Limited (Registration number 1958/003546/06), 70 Marshall Street, Johannesburg, 2001, PO Box 61051, Marshalltown, 2107, Telephone (011) 370-5000, Telefax (011) 370-5560

Aveng Limited Registration number 1944/018119/06 **Share code:** AEG **ISIN code:** ZAE 000018081 **Registered office:** 19 Impala Road, Chislehurston, Sandton, 2196

For more information visit **www.aveng.co.za**

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