

## **B&W DELIVERS GROWTH IN TOUGH MARKET**

**Rigorous focus on efficiencies as well as new infrastructure and cross-border projects saw B & W Instrumentation and Electrical Limited (“B&W”) withstand challenging market conditions to post modest growth for the year to August 2009 (“the year”). The group further maintained its healthy cash position.**

Entrenching its foothold as one of the three largest Electrical & Instrumentation (“E&I”) contractors in South Africa, B&W is heading into the new 2010 financial year with a record order book of R570 million in hand. B&W listed on AltX in 2007.

Executive Chairman John Barrow says the performance for the year was satisfactory in light of delays in a number of contracts which constrained growth. Revenue was up 12% to R502,8 million from R450,3 million in the previous year with operating profit remaining steady at R75,6 million. Mining continued to account for the lion’s share of group revenue (67%) although income from infrastructure and cross-border projects increased remarkably year-on-year.

HEPS of 29,76 cents per share bettered the previous year’s 28,92 cents. Net profit after tax of R59,3 million and earnings per share of 29,64 cents remained consistent with 2008. Reflecting the solid performance and B&W’s cash-flush position, a final dividend of 5 cents was declared. This together with the interim dividend of 2,5 cents brings the total dividend for the year to 7,5 cents (2008: 7 cents).

Barrow says the group staved off the negative trading landscape by tightening cost controls and streamlining operations for maximum efficiency. Intensified efforts regarding debt collections helped secure a healthy cash position at year-end of R140 million.

He says trading conditions remain tough. “Although we have not experienced any contract cancellations, delays hampered our activity during the year and contracts are still being awarded at a significantly slower pace than previously. We particularly see a drop in the knock-on growth of existing contracts that was commonplace in the recent past, as clients are no longer demanding accelerated completion of projects in an effort to conserve costs.”

Managing Director Brian Harley says major new contracts secured by B&W should jump-start increased growth in the year ahead. Three new coal mining contracts were won in the Middleburg region worth a total of R157,7 million. Further, new infrastructure projects were won for an upgrade and expansion for a cement plant worth R21 million and an iron ore reticulation and distribution project worth R27 million.

In Africa the group was awarded its biggest single order to date - for the electrification of a coal mine in Tete Province. “The establishment of offices in Mozambique and Madagascar has strengthened our presence in these regions, as reflected in the subsequent contract award for a central processing facility in Mozambique, worth R27,3 million,” says Harley.

Looking ahead he is both positive and cautious. He is optimistic that the coming year should see the kick-off of the projects that were delayed, boosting B&W’s revenue for

the 2010 year. “Our ongoing operational refinements should also yield benefits for the group in the year ahead.” However he warns that only a marginal recovery is anticipated in the E&I industry in the short-term and tighter competition for tenders is expected to continue to squeeze margins.

Harley says the local mining industry remains a good revenue stream for the group despite the slowdown in the sector. “Even taking into account reduced capital expenditure by mines in South Africa, there remains sufficient growth in the industry as seen in the major contracts still being awarded.” In addition B&W is closely aligned to government’s investment in infrastructure, which bodes well for growth. He adds that B&W will leverage its established platform in Africa to take advantage of growth opportunities that may present with more favourable margins.

Over the medium to long-term, the industry outlook eases somewhat. Harley says: “We believe the overall E&I projects pipeline indicates reasonable growth opportunities, particularly in the mining sector over the medium-term and in oil & gas from around 2013/2014.”

In conclusion Barrow acknowledges that B&W is sitting on a cash pile and says the group will obviously be looking to appropriate acquisitions. “New companies to the group must either expand B&W’s footprint in Africa or enable diversification into allied niche markets for sustainable growth.” In this regard B&W is currently negotiating the purchase of Pontins (Pty) Limited - a leading earthing and lightning protection company which will add another niche service to the group’s offering. At the time of results B&W continues to trade under cautionary.

B&W’s share closed Friday at R1.59.

Ends.

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