

B&W AHEAD OF FORECASTS IN MAIDEN FULL YEAR LISTED ON ALTX

Expansion in the mining industry and increased focus on Africa drove record growth for AltX construction group B&W Instrumentation & Electrical (“B&W”). In annual results for its maiden full year listed on the exchange, the group recorded revenue up 53% to R450 million which was 34% ahead of forecast. B&W furthered its strategy of focusing on cross-border projects when it established companies in Madagascar and Mozambique following the award of major projects in the countries. For the year since listing in July 2007 until August 2008 B&W’s share price has delivered a 13,5% return, making it one of the top five performers that listed on the JSE last year.

Net profit after tax (“NPAT”) grew 133% to R58 million and headline earnings per share (“HEPS”) increased 104% to 29,02 cents year-on-year. Executive Chairman John Barrow points out that NPAT was up 75% and HEPS up 76% on forecasts set out in the prospectus. The group declared a final dividend of 5 cents a share which together with the interim dividend of 2 cents a share brings the total for the year to 7 cents, or 25% of NPAT. Barrow says the company intends declaring dividends along the same lines in future years.

Strict cost controls saw B&W’s profit margin of 12,8% outstrip the average of 6,5% for JSE Main Board competitors in the ‘Heavy Contracting’ sector. Healthy cash flows left the group with R111 million cash in hand at year-end, more than tripling the R34 million at August 2007.

CEO Brian Harley is very excited about growth opportunities on the continent. He says B&W’s intensified Africa campaign has helped to address the impact of the local power shortage on its target projects in South Africa. African contracts worth R207 million made up 43% of the total orders B&W secured for the year. “The installation at a nickel mine in Madagascar for a Canadian company, grossing R135 million for the group, is progressing well and we are currently negotiating our biggest single order to date in Mozambique.” Harley says the Mozambique contract, if secured, will be Rand-denominated to mitigate any risk posed by the presently soft currency relative to the US Dollar.

He adds that the foothold gained in Mozambique and Madagascar will enable B&W to target more projects in the region as well as new mines in the pipeline in Zambia, Angola, Botswana and the DRC.

The local mining industry also remained a good revenue stream for the group during the year. “Our order book was boosted by two large contracts – one at Anglo Platinum’s Amandebult Platinum operation and the second at Anglo Coal’s Phola Coal processing plant - with values of R36 million and R25 million apiece.” He says global demand for coal and other commodities is spurring expansion in the sector, projected to last until at least 2013. The group expects to see a number of coal projects fast-tracked in light of Eskom’s need for greater coal supply which should boost growth prospects for B&W.

Harley says in the long-term a possible slowdown may occur in the mining industry, which B&W is addressing to ensure sustainability. "In addition to our traditional markets B&W is actively targeting increased penetration of high-growth 'energy' industries including oil and gas, where considerable construction activity is anticipated from 2010." He says the group's track record in infrastructure projects positions it to secure contracts in these related sectors. "Further we have established relationships with major oil companies and most of the leading contractors who are expected to be involved in the projects, boding well for the group's ability to secure the work," he adds.

In the infrastructure sector B&W won two substantial contracts from Transnet during the year. "We believe there is further opportunity for growth in this sector with government's commitment to development expected to continue despite the downturn in the economy," says Harley.

Of the current state of global financial markets Barrow says that the group has seen little direct impact so far. Echoing Harley he adds: "We believe going forward there will be an inevitable effect on our target markets reducing projects coming onstream in particular in the mining industry." He says he has no illusions regarding the years ahead which will be tougher as a result of a challenging economy.

However, Barrow is positive B&W is in a strong position. "The group already has R428 million in hand for the year to August 2009 which is 80% of our total projected order book." He is quick to point out that B&W will not rest on its laurels and is intent on securing further profitable projects. "We are confident the current local and African markets offer sufficient scope for the group to grow organically at a rate of 20% year-on-year in the short-term." B&W is well on track to achieve this target for the year ahead to August 2009 and aims to have in hand around 50% of the order book for the following financial year to August 2010 before that year begins. Negotiations are already underway in respect of these contracts.

B&W's share closed Friday at R1.03.

Ends.

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