

## **B&W'S INTERIMS IMPROVE ON PRIOR SIX MONTHS**

**AltX niche electrical and instrumentation contractor, B & W Instrumentation & Electrical Limited ("B&W"), today showed its resilience with interim results for the six months to February 2010 ("the period") stronger than the preceding six months ended August 2009 despite tough market conditions.** The group's order book of R595 million at the end of the period puts B&W on track to achieve targets.

Notwithstanding the solid performance certain key indicators showed a slight drop compared to same six months in 2009 due to macro-economic challenges. Revenue fell 8,3% to R248,6 million from February 2009, marginally depressing net profit after tax ("NPAT") to R30,9 million and earnings per share to 15,5 cents. However, the group managed to boost gross profit margins to 23% on the back of historical projects now completed and an optimised product mix. B&W currently holds R70 million in cash reserves despite an increase in book debts and the R12,9 million cash portion of the purchase price for Pontins' business.

Being cash-flush has prompted B&W to declare an interim dividend of 2,5 cents a share, equal to that at February 2009. This is in addition to the commitment to declare annual dividends of at least 25% of NPAT.

Chairman John Barrow attributes revenue pressure during the period to delays in major contracts as clients battled the weak economy. He points out though that all the delayed projects have now been re-commissioned and are on track for substantial completion before B&W's year-end in August 2010. "This has boosted our full year order book and enabled confidence of achieving financial targets including revenue, earnings and returns."

CEO Brian Harley adds that B&W has also aggressively pursued new contracts to bolster its project pipeline. "Towards the end of the period we noted an upswing in market sentiment and project flow, albeit somewhat conservative. We leveraged our reputation as one of the country's top three E&I contractors to secure new projects. In total we brought in new work valued at over R180 million between December 2009 and February 2010."

He says the mining industry remains a good revenue stream for the group despite volatility in commodity prices and demand. Just before the interim period B&W secured three contracts worth more than R160 million in the coal mining area of Douglas/Middelburg, which are progressing well. Further, the group's intensified focus on infrastructure and related projects in South Africa also paid off with a R28 million contract for overhead line reticulation in the Northern Cape and a R21 million contract for the expansion of a cement plant in Gauteng.

In addition B&W successfully secured infrastructure projects in northern Mozambique and is actively pursuing two similar projects in neighbouring countries. "Fortunately B&W can dual focus without compromising efficiency and quality of service," says Harley, referring to the group's focus on cross-border projects. In arenas other than infrastructure B&W recently won a R27 million oil & gas contract in northern Mozambique to entrench its foothold in the region.

The acquisition of earthing, lightning and surge protection specialist Pontins during the period has already fared well for B&W. “Operating synergies are yielding benefits for the group, notable so far in economies of scale. Going forward we expect to see the upside of dovetailing project participation and the positive effect on cash flow – Pontins usually provides its services upfront on a project while B&W’s involvement is towards the end.”

Looking ahead Barrow cautions that even though there is a recovery in the market, it remains fragile and limited in scope. “Although signs of improvement are reason for optimism we must bear in mind that reverting to the heyday contract values of 2007/8 is not on the cards for the short- to medium-term.” Regarding B&W he is confident of a stronger second half of the year in light of proactivity in maintaining the order book even in a contracting market.

“We are chasing outstanding debts as well as securing profitable new projects, while at the same time keeping a watchful eye on operating expenses and working capital. These factors, supported by the slowly escalating trading conditions, should assist B&W in the six months ahead to year-end.”

B&W’s share closed yesterday at R1.42.

Ends.

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