

ALTX NEWCOMER B&W BUILDS LARGEST PLATINUM PLANT IN SOUTHERN HEMISPHERE

33 year-old B&W Instrumentation & Electrical (“B&W”), currently the largest privately-owned electrical and instrumentation (“E&I”) construction company in South Africa, is well positioned to capitalise on its construction niche valued at R1 billion locally. As one of only two E&I contractors involved in building the largest platinum concentrator in the Southern hemisphere, B&W stands to benefit from the ongoing expansion in the mining, energy and oil and gas sectors. The company is set to debut on AltX on 5 July 2007 with a market capitalisation of approximately R200 million.

The group builds a plant’s E&I infrastructure and ensures that it functions in accordance with design specifications. Services include equipment procurement, project supervision and installation of the E&I system. Post-installation B&W provides specialised calibration and commissioning services to optimise the E&I system as well as ongoing maintenance. Blue chip clients in the industrial utilities, mining, chemical, oil and gas and food and beverage industries include Anglo Platinum, BHP Billiton, BP, Caltex, Debswana, Impala Platinum, Lafarge Cement, PetroSA and Sasol.

With revenue of R163,6 million for the year to August 2006, earnings of R5,8 million were up on 2005 earnings of R4,2 million. The growth trend is set to continue into 2007 with revenue and earnings forecast to rise to R270,0 million and R23,3 million, respectively. Looking to August 2008 the group is forecasting revenue of R336,0 million and earnings of R33,1 million. Executive Chairman John Barrow says 56% of the forecast order book for 2008 is already in hand before the 2007 financial year has ended.

B&W will be declaring a dividend to shareholders roughly two months after listing. The 2006 dividend of 1,4 cents a share is forecast to rise to 3 cents a share for the year to August 2007 and to 4,1 cents a share in 2008. Barrow says the rationale for the dividend, so soon after a pre-listing capital raising, is primarily to ensure that the beneficiaries of the Employee Trust share in an immediate tangible benefit. Established in 2006 the Employee Trust holds 7% in the company for employees with a minimum four-year service record, 75% of whom are black.

Barrow adds: “Our committed dividend policy further reflects the company’s strong growth prospects.” Major expansion projects in the mining, energy and oil and gas industries are expected to generate growth in the E&I industry in the short to medium term. He explains that government’s “use it or lose it” policy with respect to mineral rights should boost the mining construction market in B&W’s favour. The group is currently involved in the E&I installation for a major uranium extraction plant in Klerksdorp in addition to work on the platinum concentrator near Potgietersrust.

“New mines and power generation plants being planned in Africa are further spurring the group’s plans to expand its footprint on the continent,” says CEO Brian Harley. “B&W is an ideal tenderer for these projects. Since 1998 when we installed the E&I infrastructure of a cobalt mine in Uganda we have become highly experienced in resolving challenges specific to remote parts of Africa.” B&W intends generating

60% of revenue from South Africa, 30% from the cross-border African market and 10% internationally.

B&W has further identified nuclear construction as a focus over the medium to long term and is actively developing its niche capability to capitalise on planned nuclear sites in South Africa. “There is limited South African competition with our track record and expertise capable of handling complex E&I contracts.”

Harley’s confidence is supported by the 8EE rating of capacity and capability anticipated shortly from the Construction Industry Development Board (CIDB). The group will be one of only a handful of contractors in South Africa to enjoy this status which will enable it to undertake multiple E&I contracts of up to R100 million each in value.

He points out that due to the specialised nature of E&I, skills shortages are an obvious challenge which “we are addressing with intensive internal training programmes.” B&W intends to use part of the capital raised in the pre-listing private placement to fund skills development specifically for nuclear installations. It should raise R30 million through a private placement of 30 million shares at R1 each and a further R30 million through a vendor placement. The Employee Trust is one of the vendors, which according to Harley will enable it to repay its loan to the company and ensure that its share pool going forward is unencumbered.

Barrow concludes: “With the opportunities presented by the rapid expansion of our key target markets and our long established specialist expertise and experience, we believe we can better our profit record and deliver meaningful returns to shareholders.”

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