

Press release – PSV Holdings Limited

PSV produces stellar results

PSV Holdings Limited (“PSV” or “the Group”)

- Revenue up **46%** to R174.7 million (2007: R119.9 million)
- Operating profit up **23%** to R16.8 million (2007: R13.6 million)
- Cash on hand up **42%** to R11.9 million (2007: 8.4 million)
- Headline earnings per share up **21%** to 5.14 cents (2007: 4.26 cents)

PSV Holdings, the diversified industrial engineering Group, today announced interim results for the six months ended 31 August 2008 with revenue increasing by 46% for the six months. Abie da Silva, CEO of PSV Holdings attributed revenue growth to the reinvestment of cash back into subsidiary businesses in order to capitalise each business and improve on the manufacturing capability of others. “This has proven to be a most successful strategy adopted by PSV. The reinvestment amounts are not large, but the returns certainly are,” said da Silva.

Financial overview

Revenue increased to R174.7 million from R119.9 million in 2007, a 46% improvement of. 70% of this growth is organic and 30% attributable to the acquisitions made last year. Gross margins were slightly reduced due to a change in the sales mix to lower margin products and services. Across the segments of the business PSV embarked on a substantial capital expenditure programme which led to higher depreciation charges and a reduced operating profit margin settling at 9.62%. Cash flow was impacted by a R10 million cash injection into the businesses of APE Pumps and Dasher necessary to enhance efficiencies and manufacturing capabilities within the operations.

Headline earnings per share increased by 20.67% to 5.14 cents (2007: 4.26 cents), with core earnings per share (defined as the Group’s headline earnings after eliminating all IFRS adjustments) increasing to 6.03 cents, up 20.68% compared to 5 cents in 2007.

Net tangible asset value per share increased by 33.8% to 39.85 cents per share (2007: 29.79 cents per share), reflecting continued balance sheet strengthening. “These results are extremely pleasing and reflect substantial intrinsic value in PSV Holdings”, said da Silva.

Operational overview

“PSV is in the fortunate position of supplying products and services essential to major industries”, says da Silva, “and, as such, despite tough trading conditions, demand for the PSV offering has remained high.”

Revenue is now derived roughly in thirds from each segment of the business.

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The **pumps, spares and valves segment** contributed 26% to revenue. Underpinned by a substantial working capital investment, the OEM pump manufacturer APE Pumps (“APE”) has made good progress and is currently profitable exceeding budgetary expectations. Gross margins continue to improve as the company focuses on obtaining additional refurbishment and service maintenance work on the approximately 25 000 APE pumps already being used in general industry.

PSV Services (“PSVS”) was successfully relocated to the premises of APE in April 2008. The property refurbishment programme is nearly completed and both APE and PSVS are now operating at full manufacturing capacity. State of the art manufacturing equipment worth approximately R3.5 million has been ordered and is due to arrive before the end of the year. This equipment will reduce both PSVS’s and APE’s dependence on sub-contractors thereby enhancing manufacturing capability profitability.

The **engineering linings and general industrial supplies segment** has increased revenue by 169% from the previous period. Omnirapid, the Group’s general industrial supplier, continues to impress with its immense organic growth. Compared to the same period last year, Omnirapid’s turnover has increased by 103% and its profit after tax by 51.1%. High growth in this company is attributable to the high demand for steel and steel products.

Engineered Linings has proven to be an exceptionally well managed and efficiently run operation. The conclusion of a R53 million contract in Namibia was the largest contract the company has ever obtained. For the first six months of the year, the subsidiary exceeded its budgetary profit targets by 29%, attributable to invoicing low volume high margin labour and service work. We expect that the company’s turnover will substantially increase in the next six months of the year as high volume low margin geo-synthetic linings are installed.

PSV bought the business of Rand Air and Gas Installations (Pty) Ltd (“RA&GI”) with effect 1 September 2008 and combined RA&GI with that of the petrochemical subsidiary to form the **specialised services segment**. RA&GI manufactures, installs and repairs storage vessels for the cryogenic industry. Petro-Logic continues to maintain steady growth.

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Prospects

PSV has a confirmed forward order book of **R151 million**. Da Silva sums up prospects stating, that being a manufacturer and supplier of essential products and services allows the company to grow, and capital expenditure invested into the subsidiaries has equipped each one to maximise its potential. Government's infrastructure spend and ESKOM's upgrade programme will add further momentum to PSV Holdings.

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