

## Press release – PSV Holdings Limited

### PSV faces tough trading conditions

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

PSV Holdings, the diversified industrial engineering Group, today released interim results for the period ended 31 August 2009. Abie da Silva, Chief Executive Officer of PSV said that, “The past six months has brought tough trading conditions to bear on the Group. The strengthening of the Rand and high cost of debt reduced the company’s profit after tax. However, we are pleased that the implementation of strict working capital protocols, has lifted cash flow from operating activities by 195% to R6.1 million from a negative position in 2008.” “This achievement enabled PSV to repay expensive short term mezzanine debt and should result in a noticeable reduction in finance costs in the next six months,” says Da Silva.

#### Financial review

Revenue for the period increased by 8.1% to R188.9 million (2008: R174.7 million). This resulted in a steady operating profit which was up by 5.5% to R17.7 million (2008: R16.8 million) and a sustained operating profit of 9.4% (2008: 9.6%). Da Silva goes on to say that, “Profitability for the period was adversely effected by an increase in net finance charges of R7.5 million (2008: R1.4 million) partially comprising notional interest to the value of R1.5 million, on deferred purchase considerations relating to certain acquisitions and a foreign currency loss of R1.4 million, arising from the strengthening of the Rand.”

The influences mentioned above caused headline earnings per share to decrease by 43.2% to 2.92 cents per share (2008: 5.14 cents per share). Core earnings per share (defined as the Group’s headline earnings after eliminating all material non-cash flow adjustments) declined by 22.6% to 4.67 cents per share, from a level of 6.03 cents per share in the previous period.

An impairment of goodwill and intangibles of R69.4 million severely impacted earnings per share resulting in a decline from 5.3 cents per share at the interim period in 2008 to negative 25.25 cents for the same period in 2009.

#### Operational review

Most business units performed below budgeted expectations and came under severe margin pressure. Notwithstanding, all business units made a profit with the exception of PSV Zambia which made a loss due to declining copper prices and the consequential down scaling to care and maintenance programmes by the copper mines

The **Pumps, Spares and Valves segment** contributed R63.3 million, or 34%, of total revenue to the Group with a gross segmental profit margin of 37.5%. The slow down in demand from Zambia copper mines was quickly countered by diversifying business towards lower margin projects where the segment successfully landed contracts with Lusaka Water,

## Press release – PSV Holdings Limited

the Blantyre Water Board and a swirl vane pilot project being approved with Shell International in The Hague. In the beginning of the calendar year PSV announced the acquisition of Mather + Platt and since then, much effort has been extended into marketing efforts surrounding the brand. The Group is beginning to see increased recognition and brand awareness of Mather + Platt.

The **Engineering Linings and Industrial Supplies segment** contributed 29% to revenue bringing in R55.2 million with a gross segmental profit margin of 27.8%. Groupline has been awarded lining contracts with attractive margins. Omnirapid, despite performing well was impacted by a declining steel price. Engineering Linings has felt the impact of a slow down in mining and water sewerage projects being awarded.

Within the **Specialised Services segment**, Rand Air and Gas Installations experience an excellent six months but as a whole the segment experienced margin pressure. A gross segmental margin of 16.5% was achieved and the division contributed R70.4 million, or 37% to Group revenue. Petrologic has seen a slight increase in order intake and has recently won a contract with SASOL for the maintenance and supply of their petroleum pumps.

The current order book for the Group stands at R130 million.

### **Prospects**

Da Silva concludes by saying, “Despite the awarding of contracts being extended and in some instances, final appointment being slow, we have recently experienced an increase in activity. Our future prospects currently stands at R234 million, of which approximately 50% is attributable to lining projects with the remainder being made up of service contracts, a vaporizer contract in Richards Bay, and pumps and piping contracts.” The management of PSV believe that a difficult six months still lie ahead.

**19 November 2009**

**-ENDS-**

---

## Press release – PSV Holdings Limited

---

**Background information:** PSV is an industrial engineering holding company comprising three operating business segments:

- Pumps, spares and valves
- Engineering linings and general industrial supplies
- Specialised services (including petrochemical and cryogenic activities).

**For further information, please contact:**

Abie da Silva - CEO

(011) 828-7789 or 082-652-5523

**Released by:**

Keyter Rech Investor Solutions

Vanessa Ingram

(011) 447-8656 or 083-307-5600

**Release date:**

**19 November 2009**

**For additional information:**

[www.psvholdings.com](http://www.psvholdings.com)

---

---