

REPOSITIONED BUILDMAX DELIVERS SOLID GROWTH

In the 12 months to February 2009 (“the year”) JSE-listed Buildmax was successfully repositioned through two major acquisitions as a leading opencast coal mining contractor and supplier of construction materials. **The reconstituted group successfully integrated the acquisitions to deliver good year-on-year growth. Despite tough trading conditions in the second half of the year, group revenue was up 35% to R1.6 billion compared to the previous year’s results on a like-for-like basis including the acquisitions (“pro forma historical results”).**

The acquisitions of Diesel Power Open Cast Mining and the Buildco group of companies (“Buildco”) became effective in April 2008 and were included in the results for 11 months. Buildmax CEO Paul de Klerk points out that comparison to the previous year’s audited results for the group prior to the acquisitions is therefore not meaningful. “For this reason comparative performance is explained relative to the pro forma historical results.”

Group EBITDA grew 64% to R453.5 million from pro forma historical EBITDA of R277.2 million. On the same basis profit before tax excluding amortisation of intangibles and goodwill impairment increased 38% to R220.8 million. Taking into account the R255.4 million write-down of goodwill Buildmax incurred a loss before tax. “When assessing the fair value of goodwill at year-end, a substantial write down was required to take account of Buildco’s construction materials businesses having had a high goodwill value on acquisition in compliance with IFRS (goodwill was based on a price of R1.80 a share which was higher than the trading price at the time of negotiating the acquisition), and subsequent poor conditions in the sector affecting these operations.”

Strong cash flow from operations (before capital expenditure and debt repayment) of R449.9 million helped Buildmax end the year with R287 million cash in hand.

Core headline earnings per share of 18 cents, which excludes the IFRS accounting adjustments that have no cash impact, increased by 27% from the pro forma historical core HEPS of 14,2 cents. Notwithstanding this significant growth core HEPS fell short of the 22,5 cents forecast in April 2008 when the reconstituted group was listed on the JSE. De Klerk says this was due to unforeseen factors affecting operations in the final four months of the year.

“Abnormally high rainfall in November and January hit production and revenue in Mining Services hard. In addition two new large-scale, long-term contracts were secured which had not been anticipated, the start of which incurred plant and site set-up costs without production revenue being generated in the year under review.” In light of this he says the unit’s 64% growth in revenue to R1.1 billion and EBITDA of R380.7 million were satisfactory.

Further, De Klerk says Buildmax was forced to adopt a defensive stance in light of the sudden domestic downturn. “We quickly cut the proposed capital expenditure budget to protect our balance sheet. Buildmax ended the year with net debt of R659 million, significantly lower than the R800–R900 million forecast at the time of our interim results.” He explains this drastic but necessary decision placed margins under

pressure in the last quarter of the year. "Operating margins were squeezed as Mining Services hired-in more sub-contractors and equipment to make up for the shortfall in plant."

Capital expenditure in the Mining Services business unit was cut by 12% from the forecast to R494 million, almost all of which was required for expansion. De Klerk points out that the unit is taking all possible steps to manage capital expenditure for the 2010 financial year. "Approximately 40% of the current fleet is less than one year old and we have formal programmes in place to extend the life of all equipment."

The collapse of the South African residential market drove revenue lower than forecast in Construction Materials - the smaller of Buildmax's business units which accounts for 30% of group revenue. The Bricks & Blocks operation in the Western Cape was the worst affected. De Klerk says measures have been taken to stem the negative trend including a re-focus on government infrastructure projects. "This strategy is beginning to bear fruit especially in the Aggregates & Quarries operations which have secured supply contracts for infrastructure projects, particularly roads." He adds that the abnormal rainfall also negatively affected this division's performance.

During the year private equity specialist Brait acquired a 25% shareholding in Buildmax, reflecting confidence in the quality of the group's businesses and prospects.

Looking ahead De Klerk is positive about long term growth. He refers to demand for coal which is set to increase in light of Eskom's expansion plans, Sasol's coal-to-fuel plans and global demand for South Africa's cheap thermal coal.

"Recently started and new contracts in Mining Services should translate into increased revenue and profits in the year ahead provided the prevailing economic conditions do not worsen. At current prices and exchange rates most mining houses should be able to export profitably. We have also introduced measures that boost productivity, enhance quality and more efficiently deploy resources." He concludes that Construction Materials is also expected to improve as the delayed effect of the recent interest rate cuts filter through towards the end of 2009 or early in 2010.

Buildmax's share closed at R0,73 yesterday.

Ends.

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