

## Final Results Press Release

### **SANYATI's PERFORMANCE UNDERPINNED BY STRONG CIVIL ENGINEERING BUSINESSES**

- Revenue up 42% to nearly R2.0 billion
- EBITDA up 66% to R173 million
- EBITDA margin 8.6% compared to 7.4% in 2009
- Normalised fully diluted HEPS from continuing operations up 15% to 23.5 cents
- Strong cash flow from operations of R116 million
- Net debt to equity ratio of 9.8%, down from 17.0% at 28 February 2009

#### **Introduction**

Sanyati, South Africa's broad-based empowered listed civil engineering and construction group, produced an impressive set of results despite difficult trading conditions in the domestic construction market. Malcolm Lobban, CEO of Sanyati, said "The highlight of these results was undoubtedly the performance of our three regional civil construction businesses. They all achieved strong growth this year and most importantly delivered on a number of challenging projects throughout the country."

#### **Financial overview**

During the year under review, total revenue increased by 42% to R1 997 million, resulting in an operating profit (EBITDA) of R173 million, 66% up on the previous period. This translated into an EBITDA margin of 8.6%, an increase of 16.2% from the 2009 EBITDA margin of 7.4%.

The core Civils Divisions, comprising Sanyati Central (Free State and Northern Cape), Sanyati North (Gauteng, Mpumalanga, Limpopo and North-West) and Sanyati Coastal (KwaZulu-Natal and Eastern Cape) delivered sterling results, with revenue increasing by a satisfactory 62% to R1 769 million (2009: R1 090 million) and EBITDA increasing by an exceptional 107% to R176 million (2009: R85 million). The EBITDA margin rose from 7.8% in 2009 to 9.9%.

Lobban expressed his satisfaction and said: "Full credit goes to our project teams at the many sites around the country. Demanding deadlines ahead of the World Cup were made all the more challenging by the heavy rainfalls that we had to deal with in the last few months. It has been a year of delivery during which we have been able to strengthen a number of key relationships with both our clients and the communities that we serve."

Sanyati's specialist contracting operations in the concrete sliding and piling disciplines produced credible results in markets that were severely impacted by the downturn in the economy. Historic problems in the building construction operations however resulted in an aggregate operating loss of R9 million from these businesses for the year. The Group also disposed of its roads surfacing business in February this year which resulted in once off loss from discontinued operations of R15.8 million. "We are confident that all these performance issues have now been fully dealt with and the sale of the roads surfacing business at the end of the year means that we have completed the process of streamlining the business back to its core areas of focus and capability" said Lobban.

The overall result for Sanyati meant an increase of 15% in the year-on-year fully diluted normalised headlines earnings per share from continuing operations from 20.4 cents last year to 23.5 cents for this year. Good progress was made in the management of the cash and the balance sheet. Capex was contained to R45 million (2009:R73 million) and net borrowings, including vendor liabilities, were reduced from R120 million to R75 million at the end of the year.

## **Outlook**

“Notwithstanding certain challenges that lie ahead, we remain optimistic that Government’s well publicised infrastructural spend programme will ensure significant opportunities for the construction sector in the months and years ahead. We therefore continue to adopt a strategy that optimises our opportunities to meaningfully participate in this spend program as and when it is rolled out.

At the same time we have embarked on a selective and responsible strategy of expanding our business into the SADC region and the leveraging of our position in the mining infrastructural markets. Both these strategies provide an important hedge against the timing risks associated with government infrastructural spend programs and are significant opportunities in their own right” said Lobban.

Lobban nevertheless cautioned that traditional civil engineering markets are currently very competitive. The freeing up of significant capacity at the conclusion of the major FIFA projects will ensure that this situation continues for some time into the future. “We nevertheless remain positive about the year ahead and our confirmed order book for the next 12 months is just over R1.0 billion with a pending order book of almost R1.8 billion,” concludes Lobban.

## **Ends**

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