Howden

The summarised unaudited results

for the six months ended 30 June 2007

contents

abridged consolidated income statement

		Actual 6 months ended 30 June 2007 (Unaudited) R'000	Actual 6 months ended 30 June 2006 (Unaudited) R'000	Actual % change	Actual 12 months ended 31 December 2006 (Audited) R'000
Sales		**300 614**	227 910	31,9	510 942
Operating profit from operations		**36 770**	17 165	114,2	52 154
Financial (cost)/income		**(2 353)**	1 674		(1 483)
Foreign exchange profit		**352**	1 731		2 196
Loss on sale of associate		**(1 028)**	–		–
Share of results of associate		**1 153**	438		3 056
Profit before income tax		**34 894**	21 008	66,1	55 923
Income tax expenses		**(10 906)**	(21 698)		(35 349)
Net profit for the period		**23 988**	(690)		20 574
Attributable to:					
Equity holders of the Company		**23 229**	(1 328)		16 542
Minority interest		**759**	638		4 032
		23 988	(690)		20 574
Number of shares in issue	(000's)	**65 729**	65 729		65 729
Earnings per share	(cents)	**35,34**	(2,02)		25,17
Headline earnings per share	(cents)	**36,89**	(1,94)		25,25
Dividends per share	(cents)	**–**	6,00		6,00
Special dividend per share		**–**	148,12		148,12
Return of share premium per share		**–**	92,88		92,88
Reconciliation of headline earnings attributable to the equity holders of the Company					
Net profit for the period attributable to equity holders		**23 229**	(1 328)		16 542
(Profit)/loss on sale of property, plant and equipment		**(9)**	53		52
Loss on disposal of associate		**1 028**	–		–
Headline earnings attributable to equity holders		**24 248**	(1 275)		16 594

abridged consolidated balance sheet

	Actual 6 months ended 30 June 2007 (Unaudited) R'000	Actual 6 months ended 30 June 2006 (Unaudited) R'000	Actual 12 months ended 31 December 2006 (Audited) R'000
ASSETS			
Non-current assets	**114 080**	136 495	138 133
Property, plant and equipment	**35 585**	33 881	35 181
Intangible assets	**36 079**	37 724	36 972
Investment in associate	**–**	29 975	32 593
Deferred income tax assets	**40 661**	33 145	29 634
Retentions due	**1 755**	1 770	3 753
Current assets	**244 964**	251 296	202 711
Inventories	**30 847**	26 138	32 431
Trade and other receivables	**146 918**	125 026	127 626
Derivative financial instruments	**15**	40	299
Cash and cash equivalents	**67 184**	100 092	42 355
Total assets	**359 044**	387 791	340 844
EQUITIES AND LIABILITIES			
Capital and reserves attributable to Company's equity holders	**48 221**	8 324	26 166
Minority interest	**2 603**	5 864	8 850
Total equity	**50 824**	14 188	35 016
LIABILITIES			
Non-current liabilities			
Borrowings	**50 000**	–	81 647
Deferred income tax liabilities	**16 227**	15 316	11 908
Derivative financial instruments	**75**	–	–
Provisions for other liabilities and charges	**2 117**	1 737	2 117
	68 419	17 053	95 672
Current liabilities	**239 801**	356 550	210 156
Trade and other payables	**216 670**	178 567	193 142
Provisions for other liabilities and charges	**7 292**	4 574	6 485
Derivative financial instruments	**640**	662	25
Shareholders for dividend	**–**	158 407	–
Current income tax liabilities	**7 704**	14 340	876
Borrowings	**7 495**	–	9 628
Total liabilities	**308 220**	373 603	305 828
Total equity and liabilities	**359 044**	387 791	340 844

abridged consolidated cash flow statement

	Actual 6 months ended 30 June 2007 (Unaudited) R'000	Actual 6 months ended 30 June 2006 (Unaudited) R'000	Actual 12 months ended 31 December 2006 (Audited) R'000
Cash inflow from operating activities	**32 745**	7 972	19 684
Cash generated by operations	**39 636**	21 192	58 776
Utilised to decrease working capital	**9 599**	5 097	10 191
Cash generated from operating activities	**49 235**	26 289	68 967
Interest paid	**(5 704)**	(4 067)	(8 021)
Income tax paid	**(10 786)**	(14 250)	(41 262)
Cash inflow from investing activities	**152**	3 538	3 731
Movement on loans to associate company	**–**	2 174	2 174
Interest received	**3 351**	5 741	9 048
Exchange differences on conversion of foreign subsidiaries	**(1 174)**	(2 012)	(2 448)
Replacement of property, plant and equipment	**(2 034)**	(2 365)	(5 120)
Proceeds from sale of property, plant and equipment and intangible assets	**9**	–	77
Cash outflow from financing activities	**(8 012)**	(8 944)	(78 642)
Proceeds from borrowings	**–**	–	100 000
Repayment of borrowings	**(33 724)**	–	(11 291)
Proceeds on sale of associate company	**32 718**	–	–
Dividends paid	**–**	(3 944)	(162 351)
Dividends paid to minorities	**(7 006)**	(5 000)	(5 000)
Net increase/(decrease) in cash and cash equivalents	**24 885**	2 566	(55 227)
Cash and cash equivalents at beginning of period	**42 299**	97 526	97 526
Cash and cash equivalents at end of period	**67 184**	100 092	42 299

other group salient features

	Actual 6 months ended 30 June 2007 (Unaudited) R'000	Actual 6 months ended 30 June 2006 (Unaudited) R'000	Actual % change	Actual 12 months ended 31 December 2006 (Audited) R'000
Net asset value per share (cents)	**73,36**	12,66	479,3	39,81
Depreciation	**1 740**	1 289		2 540
Amortisation	**952**	954		1 834
Capital expenditure	**2 034**	2 365		5 120
Capital commitments				
Authorised and contracted	**5 572**	163		286
Authorised not contracted	**4 641**	–		4 787

abridged consolidated statement of changes in equity

	Attributable to equity holders of the Company	Minority interest	Total equity
Balance at 1 January 2006	174 015	10 226	184 241
Currency translation differences	(2 012)	–	(2 012)
(Loss)/profit for the period	(1 328)	638	(690)
Dividends paid	(3 944)	(5 000)	(8 944)
Dividend and return of share premium	(158 407)	–	(158 407)
Balance at 30 June 2006	8 324	5 864	14 188
Balance at 1 July 2006	8 324	5 864	14 188
Currency translation differences	(436)	–	(436)
Profit for the period	17 870	3 394	21 264
Minority interest acquired	408	(408)	–
Balance at 31 December 2006	26 166	8 850	35 016
Balance at 1 January 2007	**26 166**	**8 850**	**35 016**
Currency translation differences	**(1 174)**	**–**	**(1 174)**
Profit for the period	**23 229**	**759**	**23 988**
Dividends paid	**–**	**(7 006)**	**(7 006)**
Balance at 30 June 2007	**48 221**	**2 603**	**50 824**

segmental analysis by operating division

	Actual 6 months ended 30 June 2007 (Unaudited) R'000	Actual 6 months ended 30 June 2006 (Unaudited) R'000	Actual % change	Actual 12 months ended 31 December 2006 (Audited) R'000
Sales				
FANS AND HEAT EXCHANGERS	**206 112**	157 387		344 934
ENVIRONMENTAL CONTROL	**94 502**	70 523		166 008
	300 614	227 910		510 942
Orders				
FANS AND HEAT EXCHANGERS	**272 741**	204 037		407 582
ENVIRONMENTAL CONTROL	**172 036**	49 608		130 555
	444 777	253 645		538 137

commentary

OVERVIEW

It is pleasing to report another satisfactory set of results for the half year to June 2007, building on the improvements reported in the second half of last year. Order book levels remain firm with order intake for the six months to June 2007 being 75% higher than the corresponding period last year, reflecting the higher demand for capital equipment in the markets served by the Company.

RESULTS

In the six months ended 30 June 2007 Sales of R300,6 million compares to R227,9 million in the corresponding period last year. Strong growth in Sales in the fans and heat exchangers division was largely driven by the robust mining market and increased activity levels connected to the return to service (RTS) programme within Eskom.

Group operating profit from operations of R36,8 million is reported for the period to 30 June 2007, against R17,2 million reported for the six months to June last year. Higher sales volumes account substantially for the favourable movement in the results under review.

Earnings per share of 35,34 cents compare with (2,02) cents last year, the secondary tax on companies relating to the special dividend of 148,12 cents per share declared on 30 June 2006 negatively affecting last year's earnings per share by 18,52 cents. Excluding the effect of STC, earnings per share reflect an increase of 114% over last year.

A net cash position of R9,7 million compares with the net borrowings of R48,9 million reported at the end of December 2006, boosted by the R32,7 million proceeds received from the sale of shares in Pump Brands (Pty) Limited. Surplus cash generated from operating activities has been used to accelerate repayments against the R100 million loan facility made available by Standard Bank during the course of last year.

ACCOUNTING POLICIES

The interim results to June 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS), and comply with IAS 34 – 'Interim Financial Reporting'. The accounting policies are consistent with those applied in the annual financial statements for the year ended 31 December 2006. The Group will apply IFRS7 – "Financial Instruments: Disclosures" in its financial statements for the year ended 31 December 2007.

REVIEW OF OPERATIONS

FANS AND HEAT EXCHANGERS

Order intake for fans and heat exchangers totalled R272,7 million compared to R204,0 million in the corresponding period last year. Strong commodity prices over the period resulted in higher levels of business in the mining market covering coal, gold and platinum. The RTS programme in Eskom continues to generate increased volumes and together with the mining market this has led to an increase in manpower resources in order to meet these challenges.

A strong order book exists at the half year and given a fair success ratio in converting available prospects this position should be maintained.

ENVIRONMENTAL CONTROL

The environmental control business received orders totalling R172,0 million compared to R49,6 million last year. Two large value orders totalling R90 million were processed in the period connected to Eskom's ongoing efforts to improve the efficiency of flue gas cleaning plant. Sales improvement compared to last year is largely attributable to the sale of the rotary incineration equipment previously reported as written off due to an aborted sale to the Middle East.

Gas cleaning and combustion prospects in general are picking up and, with the environmental division now wholly owned, the combining of resources should lead to a business more competitively placed to improve its market standing.

POST BALANCE SHEET EVENT

On 6 July 2007 agreement was reached in acquiring the remaining 50,01% shareholding in Bateman Howden South Africa (Pty) Limited for a consideration of R26,3 million.

PUMPS

Shareholders were advised that the company's disposal of its 42% shareholding in Pump Brands (Pty) Limited had been satisfactorily concluded on 18 May 2007 for a consideration of R32,7 million. The net effect of the sale transaction, and share of results of associate up to the date of sale, result in a small surplus being reported.

OUTLOOK

The strong order book levels in place should ensure some continuity in performance through to year-end. Maintaining present levels will be a challenge, however, given the peak in the RTS programme over the coming months there is a need to replace this with business volumes from other quarters. Fixed capital formation growth is forecast to remain robust over the next three years and the Company remains well placed to participate in this growth.

DIVIDENDS

The relatively high gearing ratio, coupled with the need to commit capital to expanding the Group's manufacturing facilities, leads the Board to resolve not to declare an interim dividend this year.

DIRECTORATE

There were no changes in directorate during the period.

REVIEW INTERIM RESULTS – AUDITORS' OPINION

The company's auditors, PricewaterhouseCoopers Inc, have not reviewed or audited these results for the six months ended 30 June 2007.

For and on behalf of the Board of Directors.

RJ Cleland
(Chairman)

S Meyer
(Chief Operating Officer, acting)

28 August 2007

Directors:
RJ Cleland (Chairman)#**
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("the Company" or "the Group")