BELL Equipment Ltd August 2011

Business Review - Financial Results to June 2011

Review

- 1st Half Highlights
- Order Book and Outlook
- Production Levels
- Product Development
- Strategy/Project 2014
- Summary

Group Highlights - 1^{st} Half 2011

- YTD June
  - Sales Revenue up 42% driven by volumes and price realisation
  - Earnings per Share 109 cents
  - Gearing increased to 17% driven by increased Production
  - Order Book – record high!

- Business Environment - Need for Caution !
  - South Africa: Mining at High – Construction Industry dismal
  - Africa: Demand levels high – 2^{nd} Half double Sales
  - Europe: Slow growth (Spain excluded) – supply constraints
  - Australasia: Demand and enquiry rate up significantly
  - North America: Kits to Deere at 3 year high – tailing off in 2012

Condensed Income Statement

Results to June 2011

INCOME STATEMENT R'000	Actual YTD Jun 11	Prior YTD Jun 10	Prior YTD Dec 10
Sales	2 141 708	1 502 344	3 410 691
Cost of Sales	(1 644 956)	(1 177 975)	(2 684 220)
Gross Profit	496 752	324 369	726 471
GP %	23.2%	21.6%	21.3%
Other Income	63 787	63 496	132 180
Total Income	560 539	387 865	858 651
Total expenses	400 507	350 773	734 014
Depreciation	26 527	25 623	51 255
Net foreign currency losses (gains)	4 907	(8 102)	18 349
Salaries and wages	395 329	268 574	561 287
(Decrease) increase in warranty provision	(3 006)	(1 695)	5 178
Warranty	35 307	39 344	80 781
Manufacturing and services labour and overhead recovered	(244 454)	(130 229)	(318 077)
General	185 897	157 258	335 241
Profit before interest and tax	160 032	37 092	124 637
Net interest paid	(8 902)	(36 013)	(58 404)
Profit before tax	151 130	1 079	66 233
Taxation	(35 928)	9 669	(29 509)
Profit after tax	115 202	10 748	36 724
Net profit attributable to:			
Equity holders of Bell Equipment Ltd	103 329	8 323	25 576
Non-controlling interest	11 873	2 425	11 148

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Condensed Balance Sheet (Assets)

STATEMENT OF FINANCIAL POSITION	Actual	Prior	Prior
R'000	Jun 11	Jun 10	Dec 10
ASSETS			
Non-current assets	**734 757**	**733 242**	**733 472**
Property, plant and equipment	499 998	453 898	481 023
Intangible assets	80 724	51 124	70 775
Interest-bearing investments and long-term receivables	20 199	57 632	34 378
Deferred taxation	133 836	170 588	147 296
Current assets	**2 448 546**	**1 972 427**	**1 911 808**
Inventory	1 635 284	1 396 041	1 355 613
Trade and other receivables and prepayments	695 621	496 570	457 890
Current portion of interest-bearing long-term receivables	36 139	27 256	40 359
Other financial assets	461	2 054	-
Taxation	4 045	8 031	4 285
Cash resources	76 996	42 475	53 661
TOTAL ASSETS	**3 183 303**	**2 705 669**	**2 645 280**

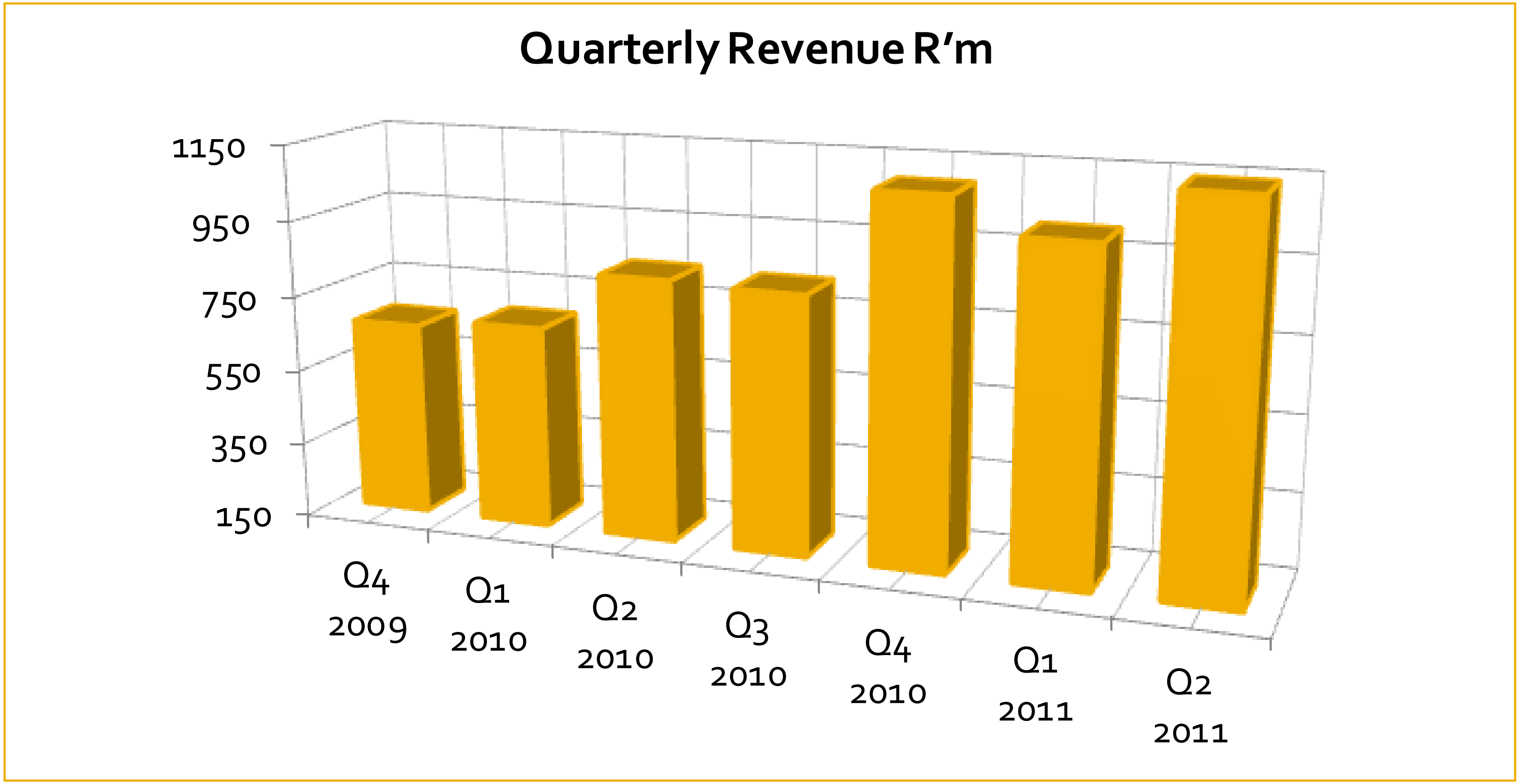
Condensed Balance Sheet

STATEMENT OF FINANCIAL POSITION	Actual	Prior	Prior
R'000	Jun 11	Jun 10	Dec 10
EQUITY AND LIABILITIES			
Capital and reserves	**1 561 282**	**1 408 147**	**1 418 709**
Stated capital	228 605	228 605	228 605
Non-distributable reserves	110 529	99 852	90 488
Retained earnings	1 197 821	1 075 959	1 087 162
Attributable to equity holders of Bell Equipment Limited	1 536 955	1 404 416	1 406 255
Non-controlling interest	24 327	3 731	12 454
Non-current liabilities	**267 677**	**365 210**	**255 540**
Interest-bearing liabilities	83 041	218 410	84 175
Repurchase obligations and deferred leasing income	89 994	54 614	79 902
Deferred warranty income	70 888	73 072	66 735
Long-term provisions and lease escalation	23 754	19 114	24 728
Current liabilities	**1 354 344**	**932 312**	**971 031**
Trade and other payables	944 588	511 343	699 158
Current portion of interest-bearing liabilities	3 373	34 985	4 974
Current portion of repurchase obligations and deferred leasing income	62 390	26 620	61 926
Current portion of deferred warranty income	22 785	18 733	23 852
Current portion of provisions and lease escalation	42 796	36 815	41 783
Other financial liabilities	278	303	4 271
Taxation	23 599	11 744	23 138
Short-term interest-bearing debt	254 535	291 769	111 929
TOTAL EQUITY AND LIABILITIES	**3 183 303**	**2 705 669**	**2 645 280**

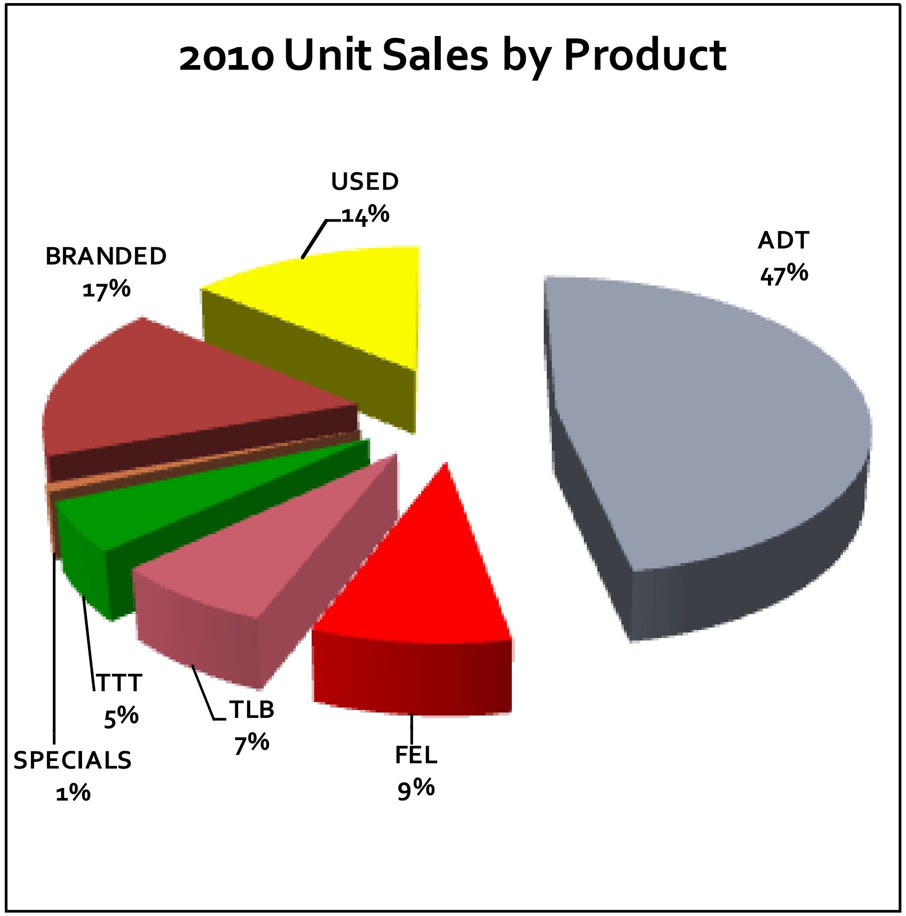
Condensed Cash Flow

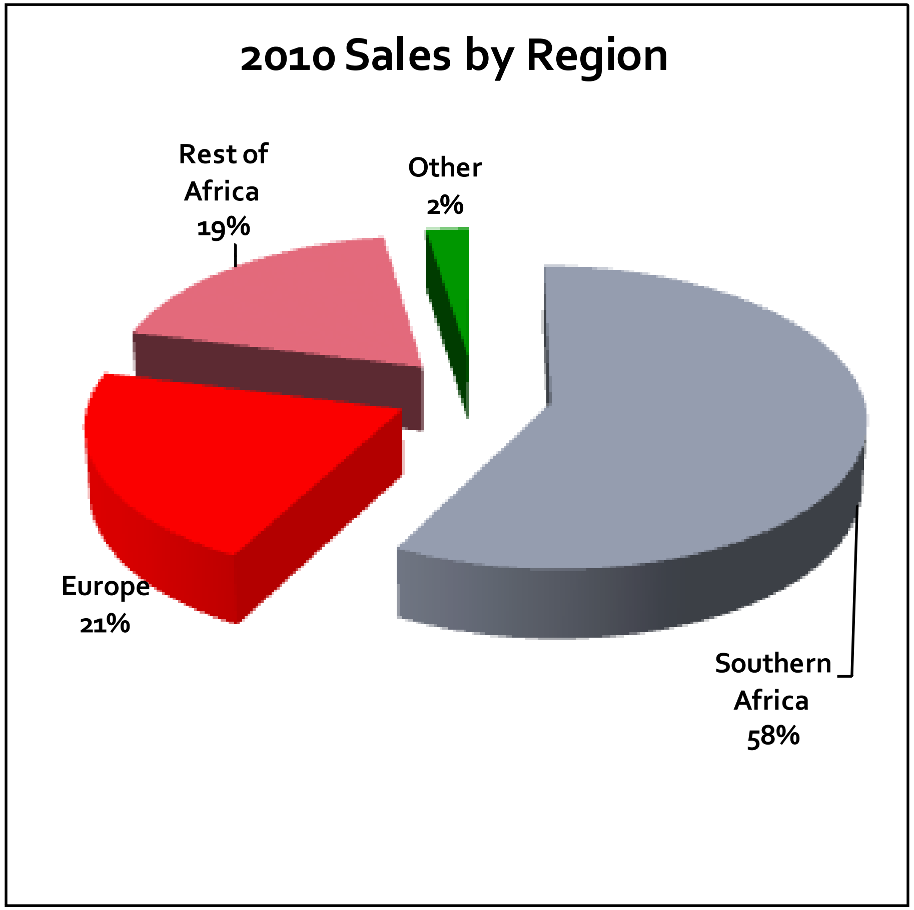
STATEMENT OF CASH FLOWS R'000	Actual Jun 11	Prior Jun 10	Prior Dec 10
Cash operating profit before working capital changes	232 335	67 313	202 325
Cash (utilised in) generated from working capital	(264 778)	133 617	418 724
Cash (utilised in) generated from operations	(32 443)	200 930	621 049
Net interest paid	(8 902)	(36 013)	(58 404)
Taxation (paid) refunded	(22 552)	1 183	1 624
Net cash (utilised in) generated from operating activities	(63 897)	166 100	564 269
Net cash flow utilised in investing activities	(63 160)	(773)	(90 381)
Net cash flow generated from (utilised in) financing activities	7 786	(18 674)	(136 209)
Net cash (outflow) inflow	(119 271)	146 653	337 679
Net short-term interest-bearing debt at beginning of the period	(58 268)	(395 947)	(395 947)
Net short-term interest-bearing debt at end of the period	(177 539)	(249 294)	(58 268)

BELL Group Sales

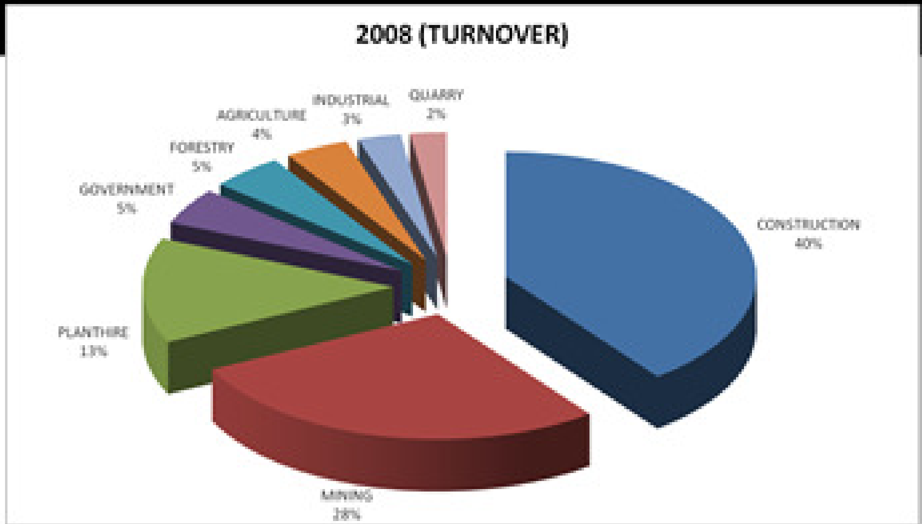


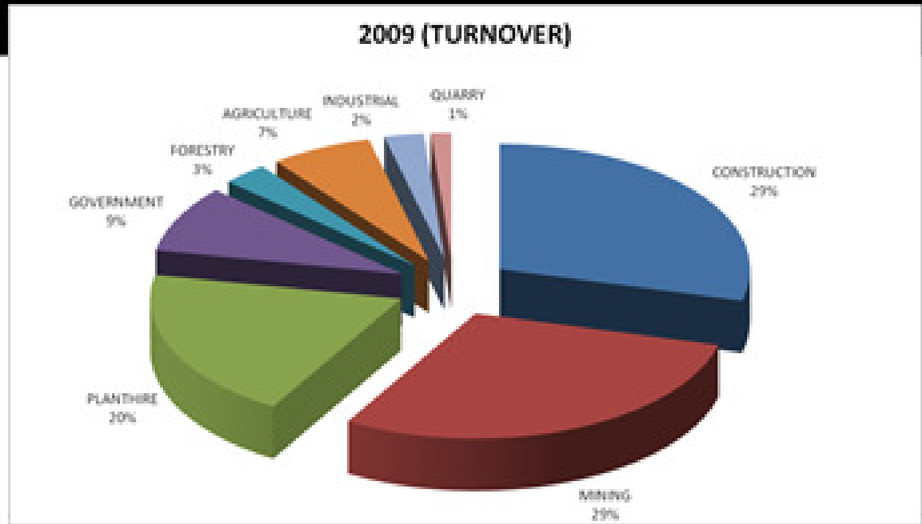
Diversified Products and Regions

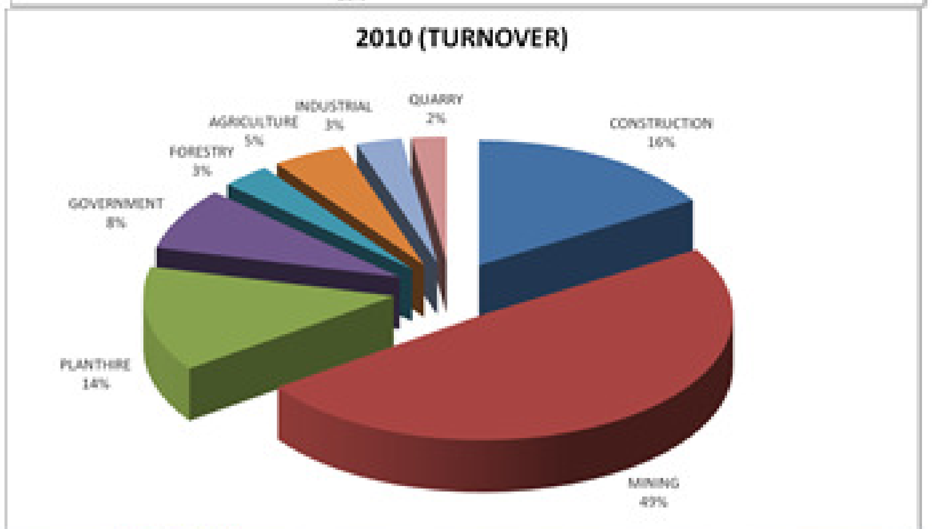


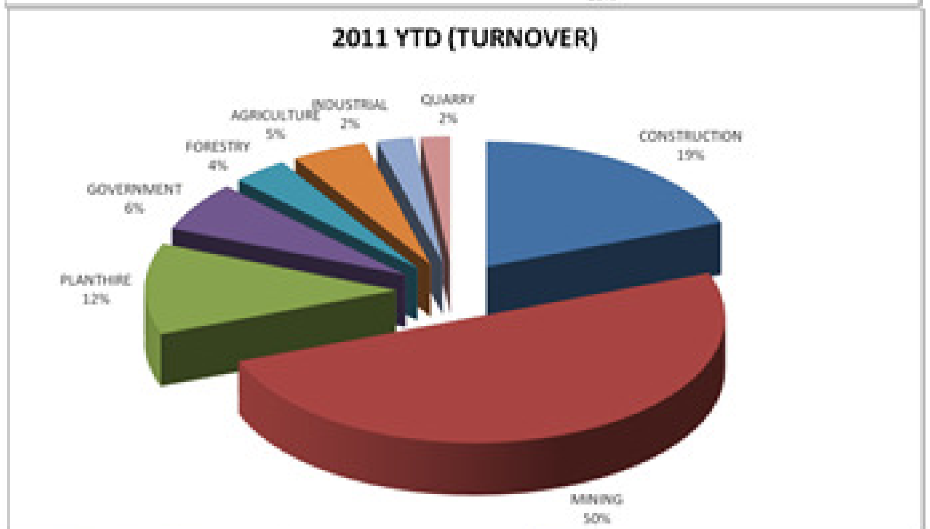


Diversified Markets









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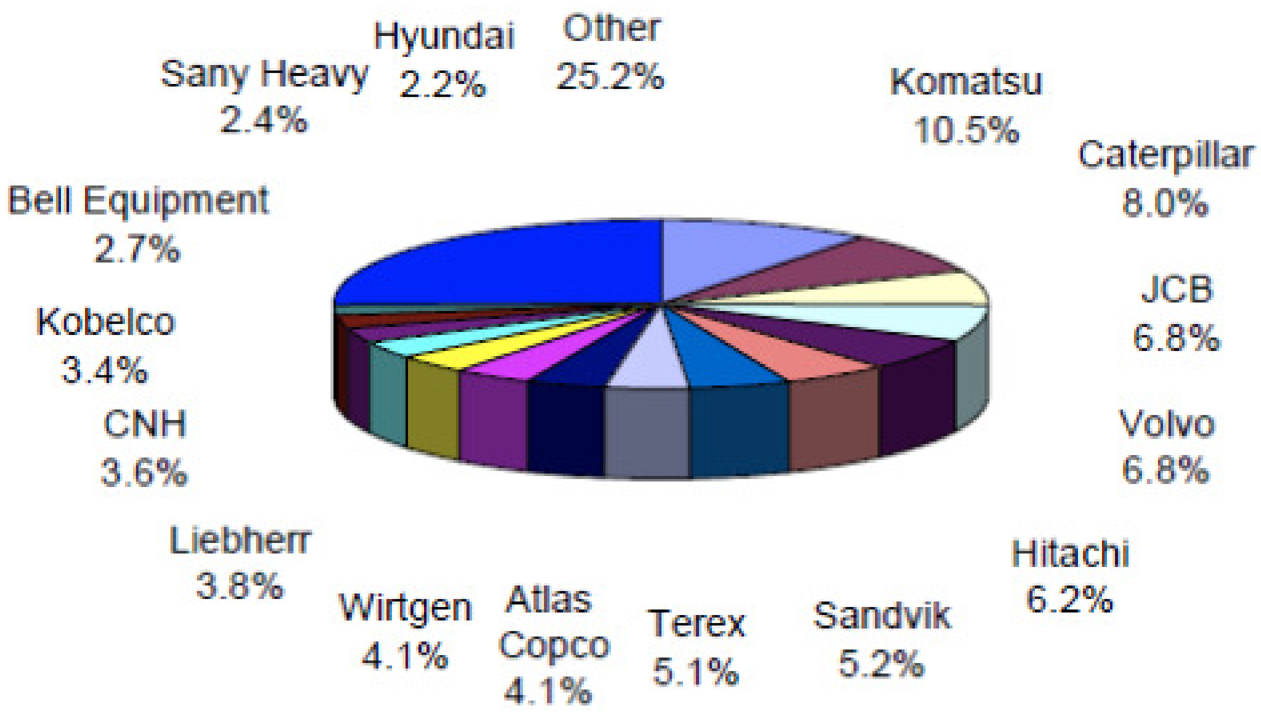
Market Share – Africa & ME

Africa/Middle East Construction OEM Share ($US)



Source: ISI

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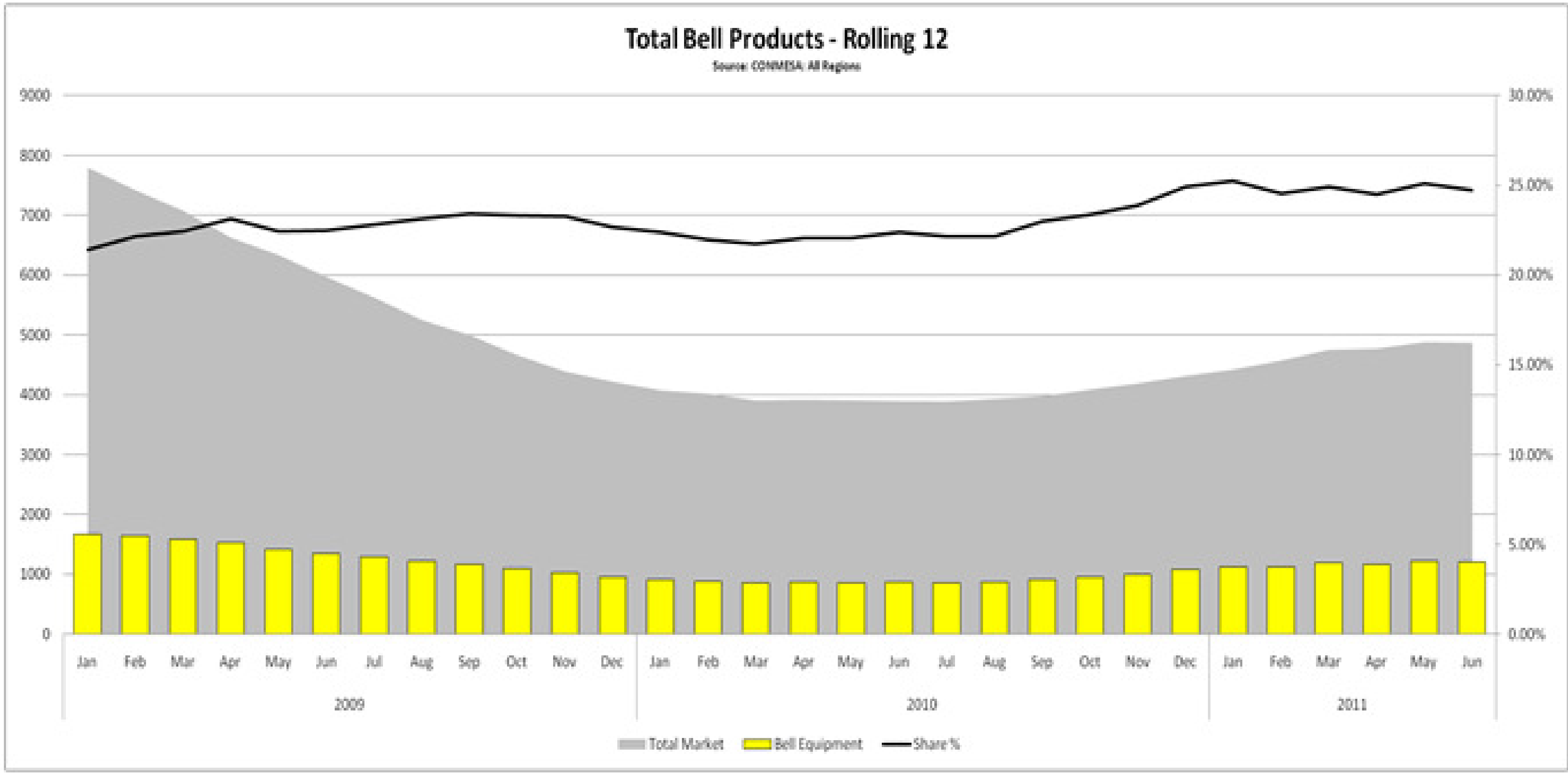
Market Share – Southern Africa



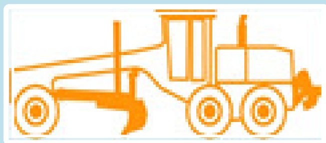
Sales Analysis

- **New Unit Sales**

- **2010 – R1.67bil**
- **2011 F/Cast – R2.69bil**

- **Branded Sales**

- **2010 – R401 mil**
- **2011 F/Cast – R718 mil**

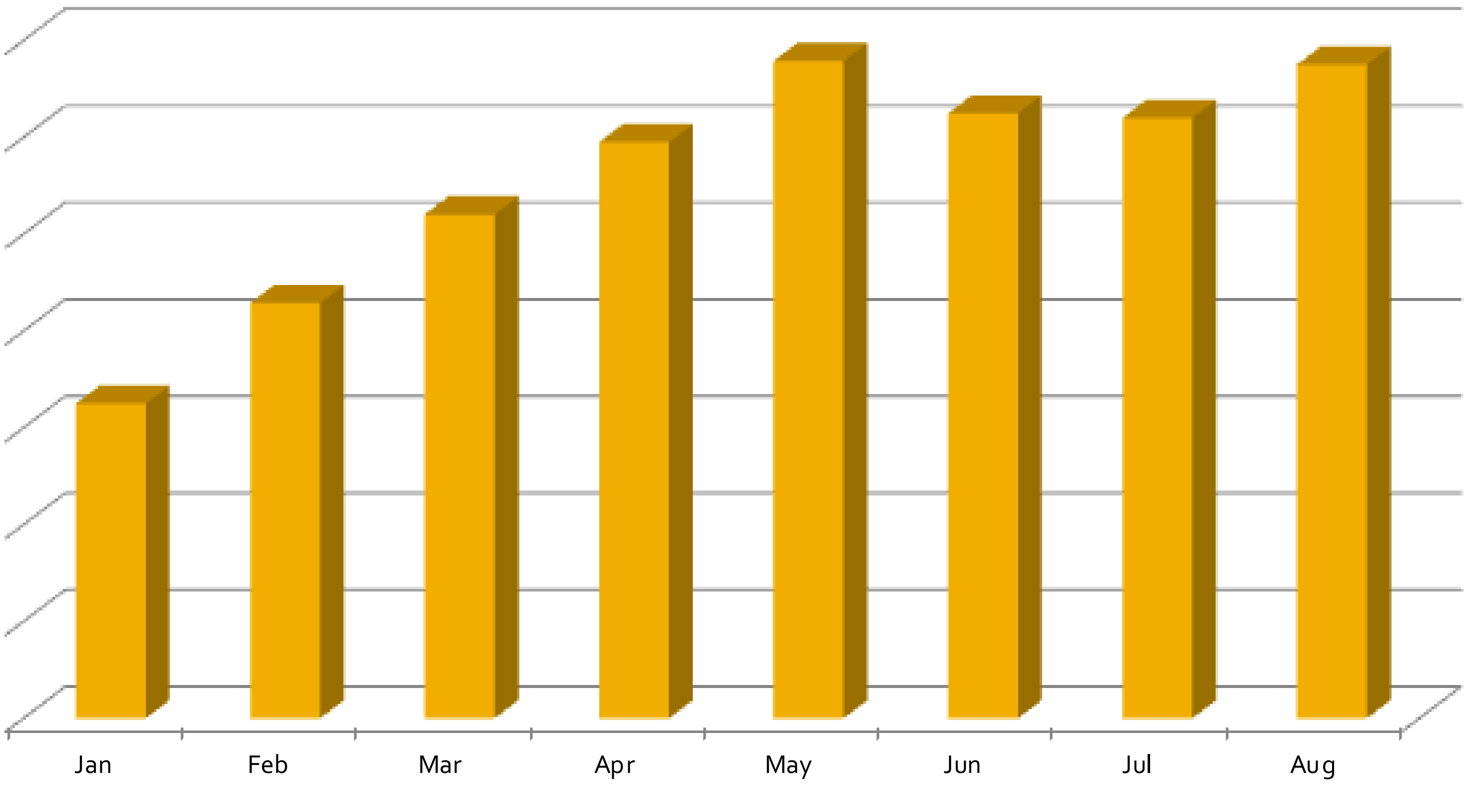


- **LTRS Sales**

- **2010 – R1,33bil**
- **2011 F/Cast R1,61bil**

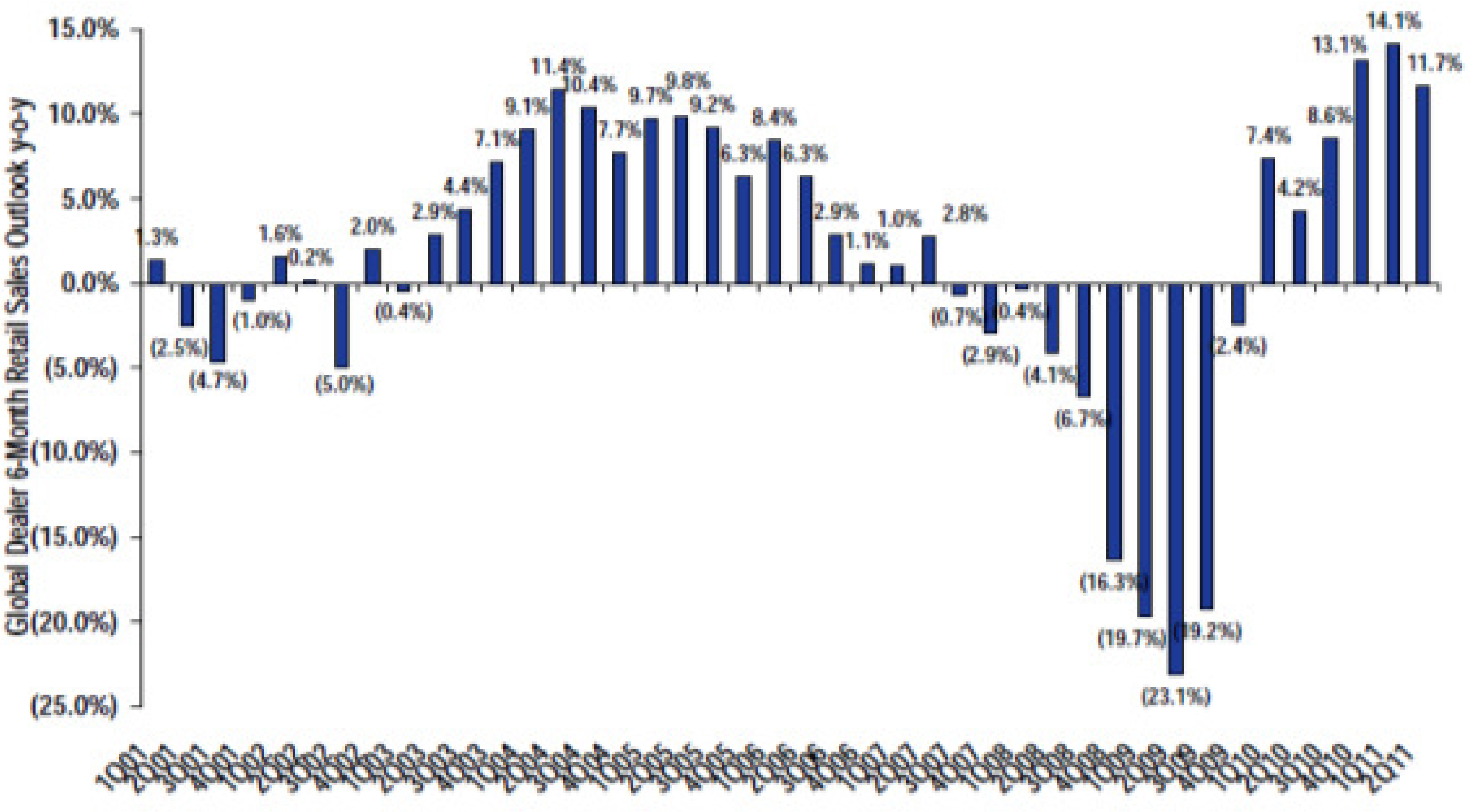
Order Book - Machines

Lead times now extended up to 6 months on certain machines



Global Outlook – 2Q2011

Global Construction Equipment Dealers' 6-Month Sales Outlook



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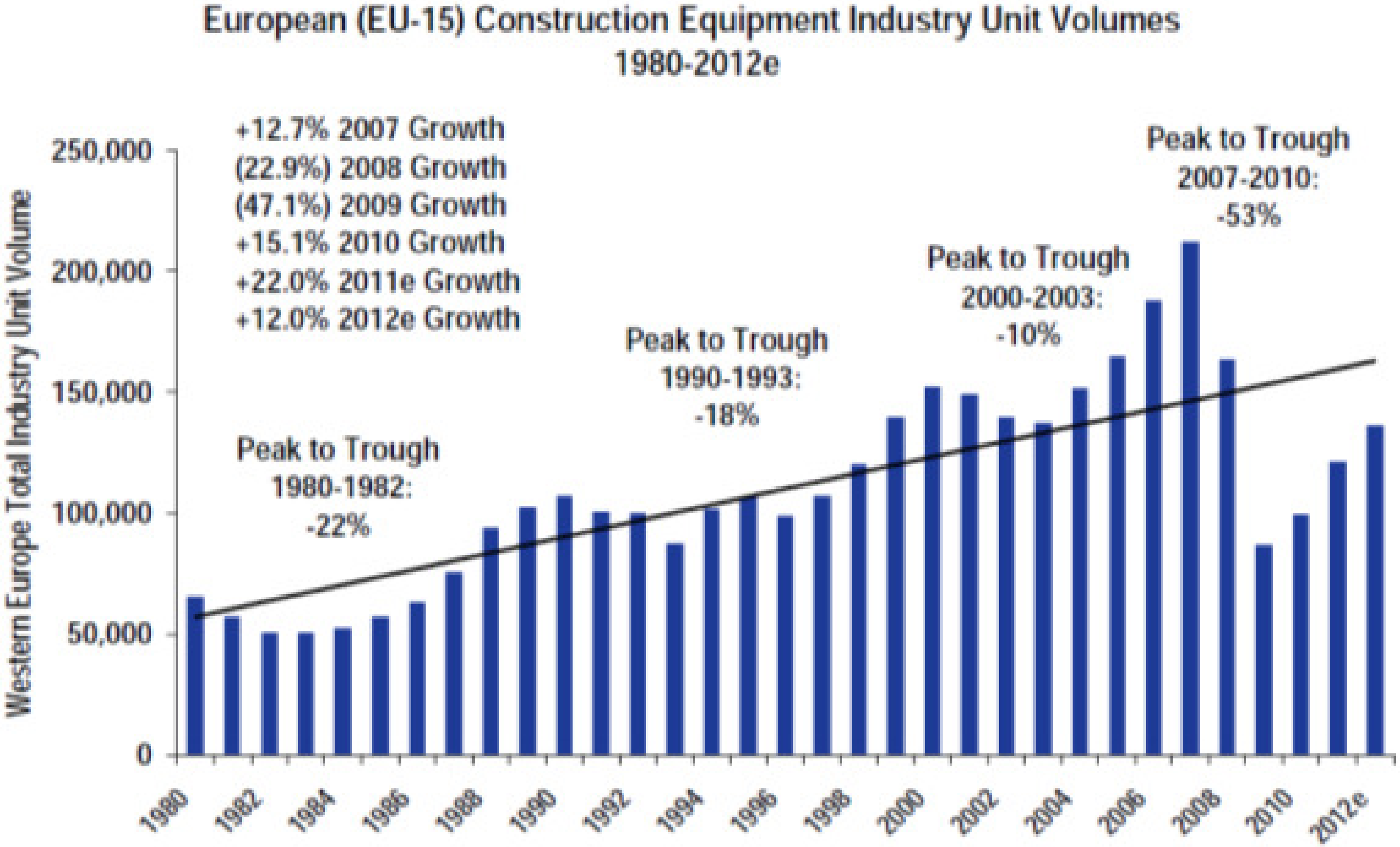
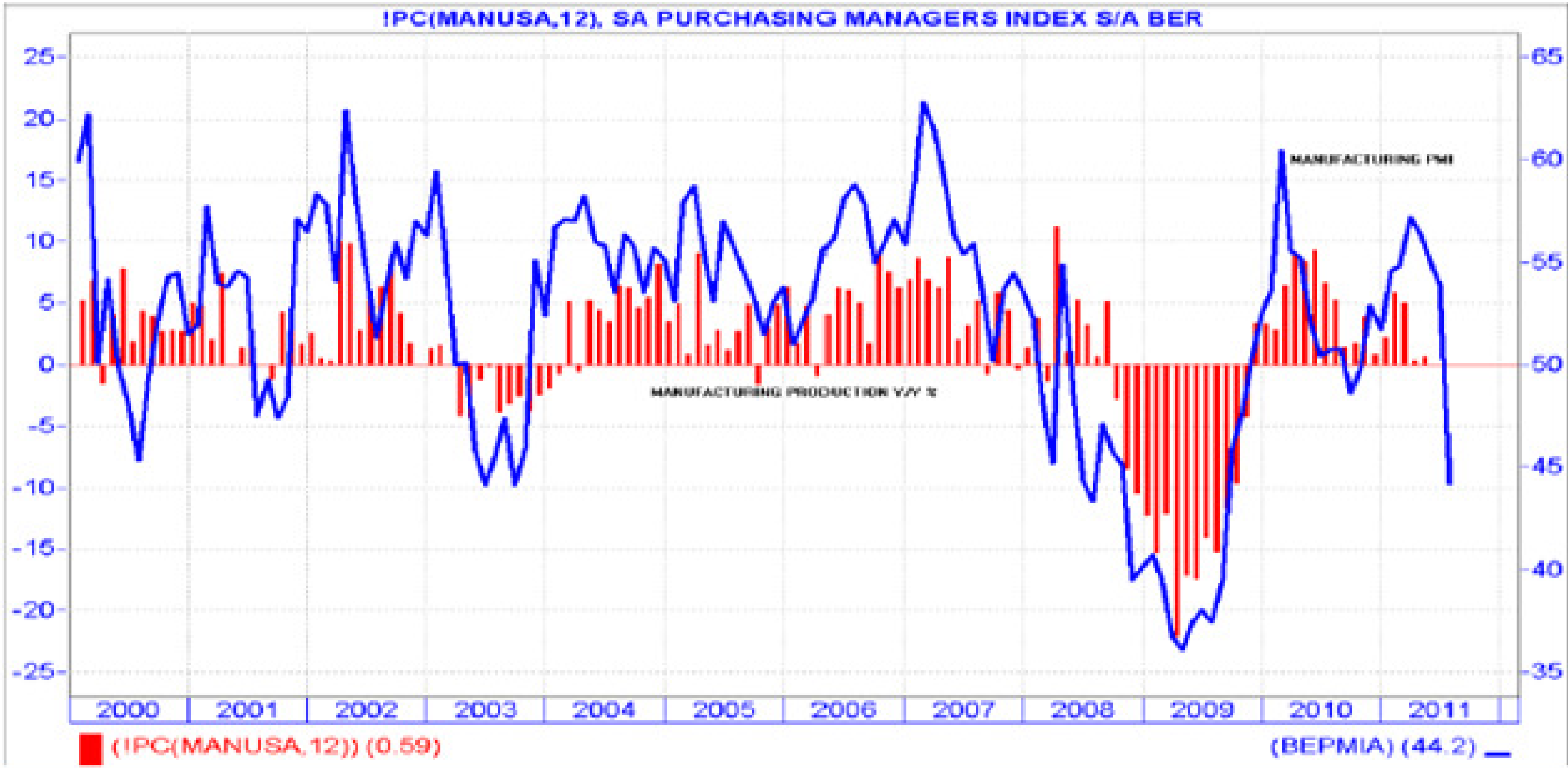
European Equipment Forecast



Source: Off-Highway Research, ISI estimates

RSA Confidence slips – Caution !

SA PMI dips to 2-year low, dulling manufacturing sector prospects

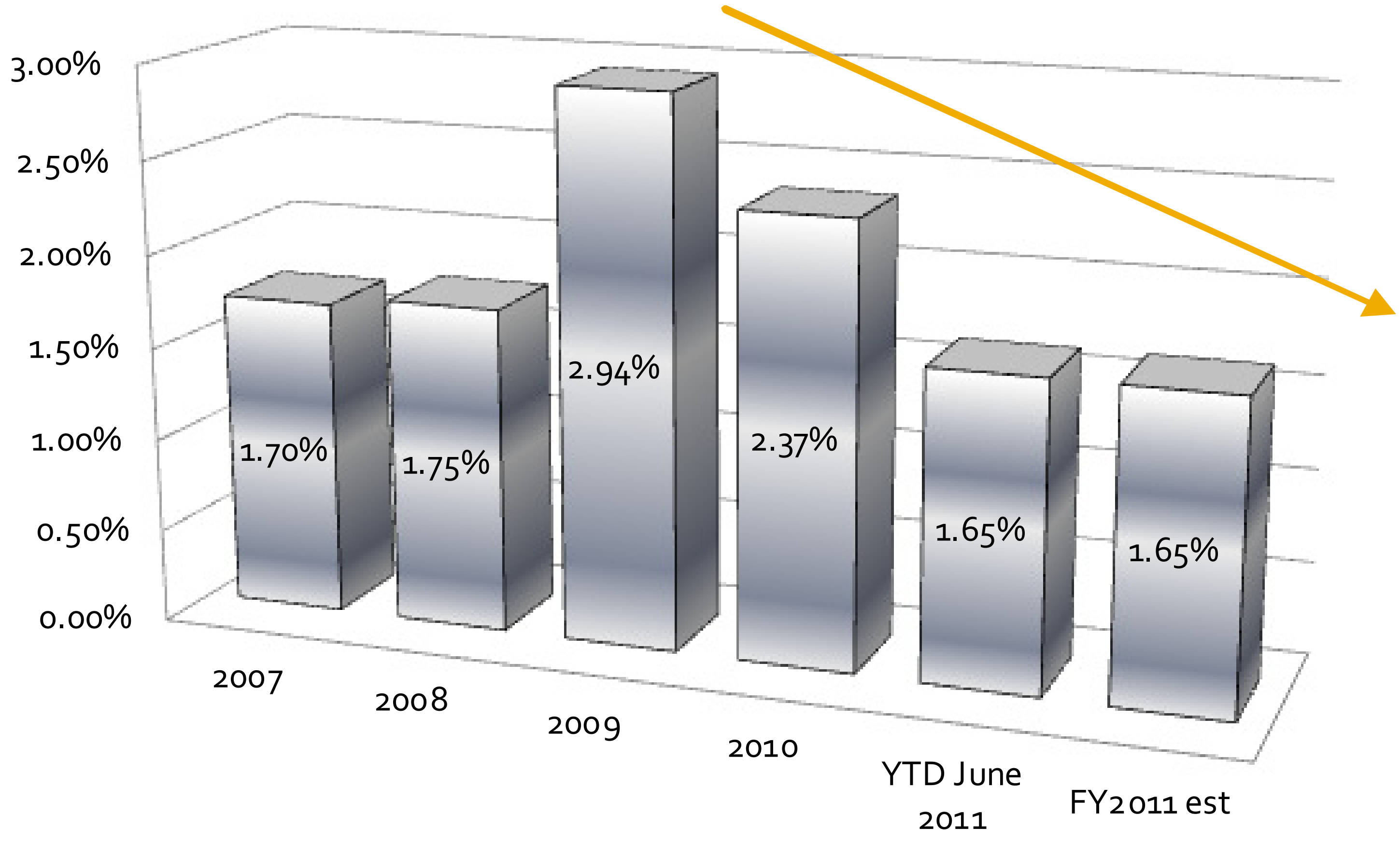


Source: I-Net, Nedbank

Production Richards Bay

- Industrial Action July – 2 weeks stoppage
  - One week reschedule
  - Recovery plan with rate increase
- Accelerated investment in Plant approved
- Supply Constraints
  - Castings
  - Tyres
  - Hydraulics

Warranty Cost as % of Sales



New Products Released 2011

B20 Mark 7

Afritractor
– 6 models 2wd and 4wd

B40 & B45 Mark 7

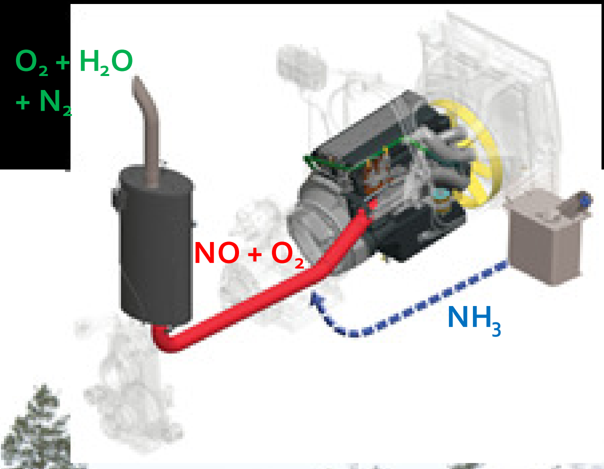
Excavator range 8 models

Recycler Bomag
– Larger size and Foam Bitumen

Paver Bomag
– Size to match recyclers

Small contractor, Farmer or local municipality package

Blu@dvantage™



Meets European Stage 3b limits

Standard technology for Stage 4

Optimally tuned engines

Demonstrated fuel advantage of 15% over current Tier 3

Potential 20% fuel advantage over competitor EGR Stage 3b system

Torque increased between 4 and 20% for different models

Power up between 2 and 7% for different models

Potential to market DEF through Bell operations

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Strategic Focus

MISSION 2014

SUSTAINABILITY

GROWTH

1. Project 2014 (PROJECT 2014)
2. Model Business TMP
3. Continuous Innovation and Development
4. Empowerment and Transformation
5. Superior Customer Satisfaction
6. Our Family (Our People)
7. Full Product and Service Line
8. Strategic Alliances

Quality in all forms

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The BELL Way

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Project 2014

7 x Business Improvement Projects

Projects all fully underway – confidence High

- COS Reduction
- Real LTRS Growth pa
- Inventory Model
- Price Realisation
- Maintain Market Share
- Days Receivables
- Expense Reduction

+ Interest Rates
+ New Products
+ New Markets

PROJECT 2014

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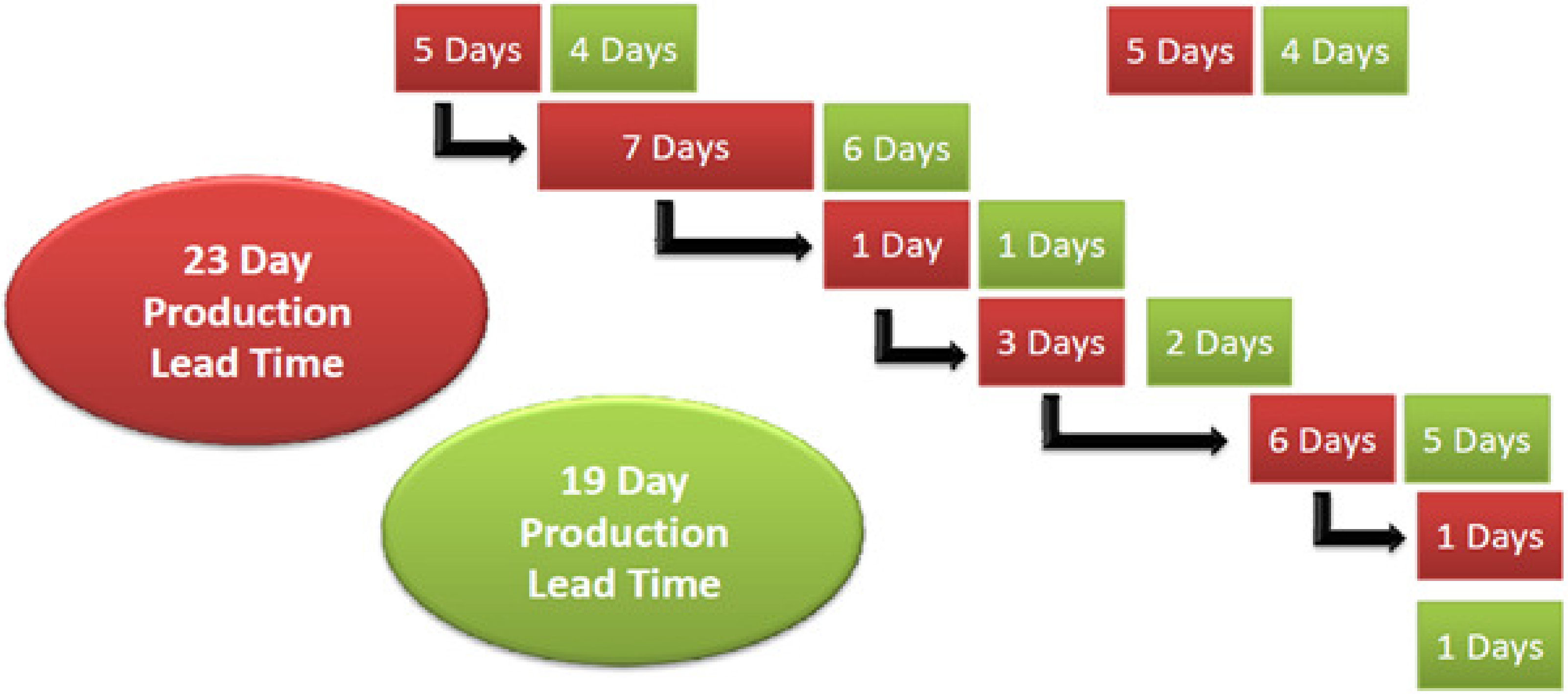
EXAMPLE:

Inventory Days – 19 Day Plan

Current Large ADT Production Lead Time

Serial Number	Machine	Matprep	Axle fab	Chassis	Pre Paint 4	Paint 4	Tanks	Bay 1	Fas Due Date
AEBA850DH06103580	20861 B50D		Wed-8-Jun-11	Thu-9-Jun-11	Fri-10-Jun-11	Wed-15-Jun-11	Tue-14-Jun-11	Wed-15-Jun-11	22-Jun-11



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Increased Agility

- Lead time Reduction
- Robust SOP process in place
- Credit Committee function effective
- Product range (Liebherr, Bomag, Deere) – less dependent on Factory investment
- LTRS contribution growing
- Distribution Model – less reliance on own network

Summary

- Order Book at all time High
- Outlook changing – Global uncertainty !
- Government planned job creation Benefits
- Emerging markets expected to outperform
- Critical economic throughput attained
- Project 2014 on Track to deliver gains
- Executing Mission 2014 Strategy
- Revising forecasts Monthly