

Company Update

COMPANY: CHEMCO HOLDINGS LIMITED

SECTOR : INDUSTRIAL

INTERIM SREULST TO 30 APRIL 2006

Historic financial highlights

6 months to 30 April	2006	2005	% Change
Turnover (\$m)	311,621	37,004	742
Profit from operations (\$m)	226,650	12,744	1678
Interest paid (\$m)	(1,632)	-	-
Profit before tax (\$m)	225,018	12,744	1666
Net profit from ordinary activities (\$m)	155,486	8,814	1664
Profit for the year (\$m)	139,879	7,158	1854
Earnings per share (\$)	10,170.66	640.88	1487
Dividend per share (\$)	3,345.00	213.60	1466

Comment on results

Chemco earning grew ahead of inflation with turnover up 742% on the same period last year to \$311,621 million. There were a net interest paid amounting to \$1,632 million and pretax profit increased 1666% to \$225,018 million, which resulted in profit for the year amounting to \$139,879 million. Earnings per share amounted to \$10,170.66, an increase of 1487% on last year.

Agricura volumes declined due to fall in demand driven by inability to access sufficient forex for the purchase of stock. The company has increased prices in line with the depreciation of the local currency and that has protected margins.

Agpy had limited volumes of seed sold in November and December and sales of opened pollinated seed varieties and sorghum were significantly higher than the same period last year.

Chemco operates a financing scheme to provide inputs to contracted growers. Agpy on the other hand is waiting for the announcement of seed prices, as this will enable the company to determine its funding requirements.

Operating prospects

Going into the future, Agricura volumes growth depends largely on the availability of forex for the importation of the necessary inputs.

Contract farmers for Agpy's success hinges on the timely release of seed prices by the relevant authorities. Any revival in the agricultural sector should benefit Chemco as it

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relies on the agricultural sector's performance. Regional initiatives are being pursued in order to generate the much needed forex for the company.

There are negotiations that are ongoing, the outcome of which will be communicated after their conclusion.

Agricura is well positioned to take advantage of any upturn in consumption by the agricultural sector given its strength in small packaging.

Recommendation

The performance of Chemco hinges mainly on the recovery of the agricultural sector. The counter is currently trading at bid price of \$305000 at a historic P/E of 12x when compared to the industrial average PE ratio of 16.8x. We therefore recommend a **HOLD**.

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