

Company Update

COMPANY: PRETORIA PORTLAND CEMENT
SECTOR : CONSTRUCTION

Interim results to 31 March 2006

Historic financial highlights

6 months to 31 March	2006	2005	% Change
Revenue (Rm)	2,182.9	1,813.1	20
Gross profit (Rm)	997.3	776.7	28
Operating Profit (Rm)	855.6	645.4	33
Finance costs (Rm)	(24.3)	(31.3)	-22
Income from investments (Rm)	32.1	43.3	-
Profit before taxation (Rm)	862.9	664.5	30
Attributable profit (Rm)	496.6	336.1	48
Basic earnings per share (cents)	922	607	52
Dividend per share (cents)	330	260	27

Comment on results *(in Rands)*

PPC released a very good set of results in the period being reported. Revenues increased 20% to R2, 182.9 million and finance costs amounted to R24.3 million, a decrease of 22% on the prior year whilst income from investment amounted to R32.1 million. Attributable income increased 48% to R496.6 million and the company has a very good cash flow position.

Group Operations

Cement and aggregates

South African cement market remains firm with volumes up by more than 13% on last year. Cement demand in Botswana was low driven by a depressed construction sector. In order to meet demand in the period, all kilns were fully operational. The older kilns cannot be run cost effectively for a sustained period and replacement will be necessary if cement demand continues to grow. Recommissioning of Jupiter kiln was successfully completed in March and in the full year it will provide an additional 550,000 tons of cement capacity.

Lime

Revenue in the period was negatively affected by the downturn in world stainless steel markets. However there were improved margins due to long term line supply contracts.

Packaging

Afripack had a strong demand for cement sacks but revenue was down due to the company exiting certain markets. Profitability and margins were affected due to tight costs control and gains in production efficiencies and improved working capital management.

Zimbabwe

KINGDOM STOCKBROKERS (PVT) LIMITED

Postal Address : PO Box CY 3205, Causeway, Harare, Zimbabwe

Registered Office : 10th Floor Karigamombe Centre, 53 Samora Machel Avenue, Harare Zimbabwe

Telephone : 749948/49/50 749400/2 758226

E-Mail : ksb@kingdom.co.zw

Porthold experienced difficult operating and trading conditions due to shortages of transport and production inputs, which led to plant stoppages. This affected supply to customers. This division's results were not consolidated though it remained cash positive.

Operating prospects

The slowing down in the residential sector is likely to be offset by the increased investment in infrastructural projects. This is a positive development for the cement industry, which is expected to grow by 12% in the current financial year.

The residential construction sector is constrained by shortages of skills and delivery of infrastructural services.

For the past five years, capacity utilization increased significantly and has resulted in a very high growth in earnings. However, the rate of earnings growth may slow as full capacity utilization is approached until increased output from Batswaneledi projects becomes available in 2008.

The South African government has an intention of increasing infrastructure developments in the country and together with positive economic forecasts and business confidence, this will influence demand for cement and other by products. This Growth in demand of cement is expected to continue.

Given the positive output for demand the company is to expand and modernize the capacity in the Western Cape and a state of the art cement milling facility in the inland region is in the process. These projects area likely to lead to increased output.

Recommendation

The outlook for the company and the industry is quite positive as demand for cement remains high and the company is expected to report increased operating results and cash flows. The company's balance sheet is sound positioning the company well to take advantage of any opportunities that may arise. The renewed optimism in the construction industry means that PPC will benefit from the increased construction activity. PPC remains a very good currency hedge stock for strong portfolios. **BUY.**

Patrick Saziwa
patrick@kingdom.co.zw
(0263) 04 7498811-4
(0263) 091232747

This report has been prepared by Kingdom Stockbrokers (Private) Limited for dissemination to private clients, and is for general information purposes only. The report and its content do not constitute an offer to buy or sell any securities of any companies mentioned herein. Every effort has been made to ensure that the content is accurate, however, no responsibility or liability of any kind can be accepted by Kingdom Stockbrokers (Private) Limited, any of its directors, employees or associates for any loss or damage whatsoever that may directly or indirectly result from any advice, opinion, information, representation or omission, whether negligent or otherwise, contained in this report. Recipients of this report shall be solely responsible for making their own independent investigation into the business, financial condition and future prospects of any companies referred to in this report.

