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# “Still building the Nation after 113 years”

Analysts & Media Presentation: 30 August 2005



## Presentation outline

- Brief overview of PPC
- The economic outlook to 2010
  - Factors likely to influence cement volumes
- PPC's view on cement demand
- How PPC will meet future demand
  - Details of the "Batsweledi Project"
- What the new plant will look like
- Summary



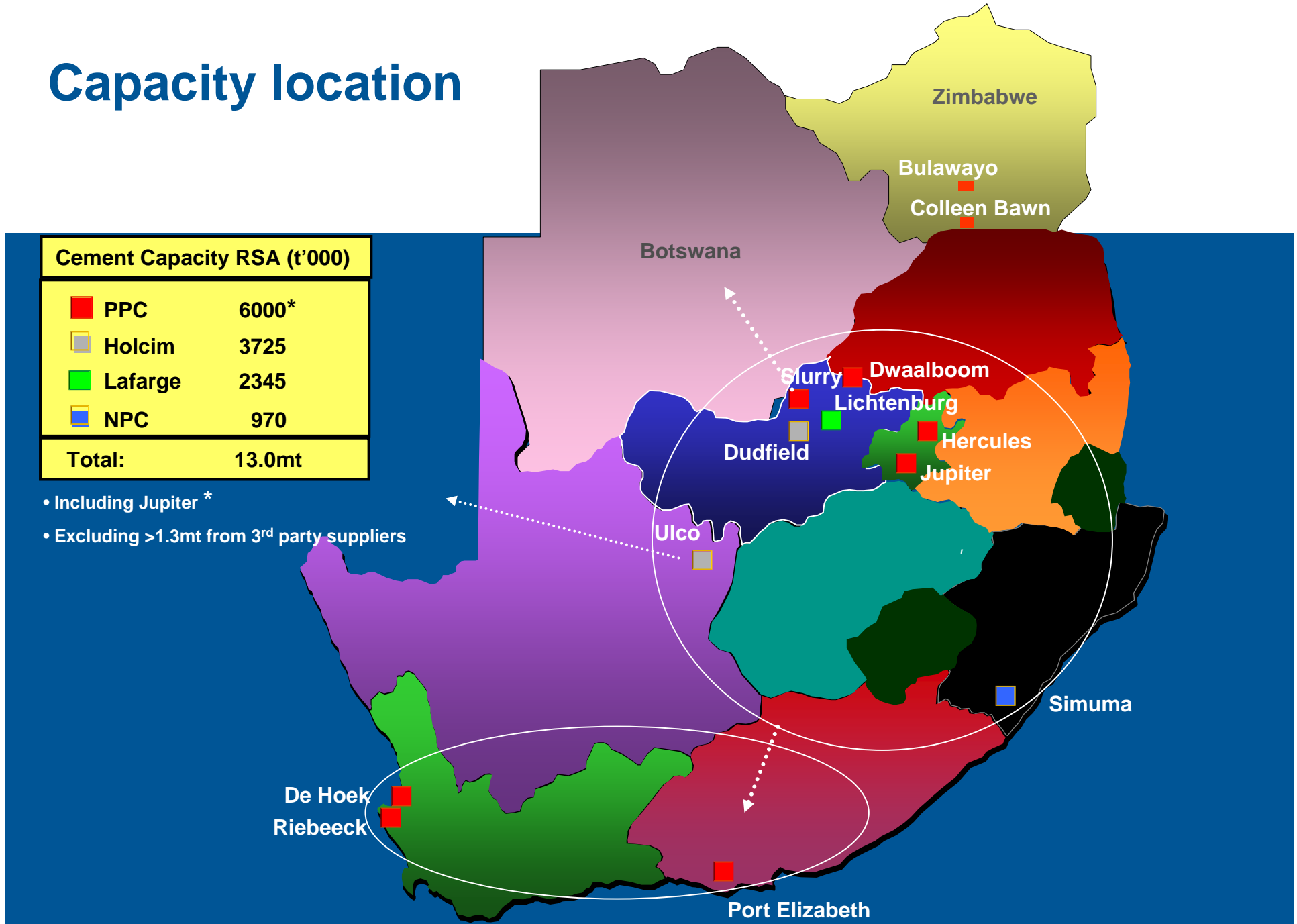
## PPC Cement overview

- Founded in 1892
- Largest cement company in southern Africa
- Cement capacity around 6.8mt
  - Includes 800kt at Porthold
- Market leader in South Africa, Botswana & Zimbabwe
  - Built Botswana depot 1996
  - Acquired Portland Holdings 2001
- Aggregates & Readymix business
  - Mooiplaas largest quarry in SA

### Group Results 2004

Revenue	R3 440m
Operating Profit	R1 171m
Operating Margin	34%
Market Capitalisation	R9.3bn (Currently R13.8bn)
Number of Employees	2 980

# Capacity location





# Economic Outlook to 2010



## Country fundamentals are positive

- Low interest rate & inflation environment
- Business confidence levels high
  - Growth in building materials retailers (Massmart, Cashbuild)
  - CPM's & Readymix operators investing in plant
  - Increased levels of foreign investment 
- Country credit rating upgraded by Fitch and S&P
  - Positive spin-offs for corporate debt
- Stronger economic growth projected
  - Government targets 6% GDP growth per year
  - Growth is infrastructural-spend driven (R180bn)
- GFCF increasing as % of GDP (target >25%; currently 17%) 
- Goldman Sachs Global Economics Paper: (#123 March 2005)
  - Sub-Saharan Africa experiencing its best economic performance in years
  - Share of world GDP could increase from 1.3% to 2% by 2015
  - Could lead to an 80% increase in per capita GDP by 2015
  - Optimistic GDP growth rate of 5.6% per annum between 2005-2015

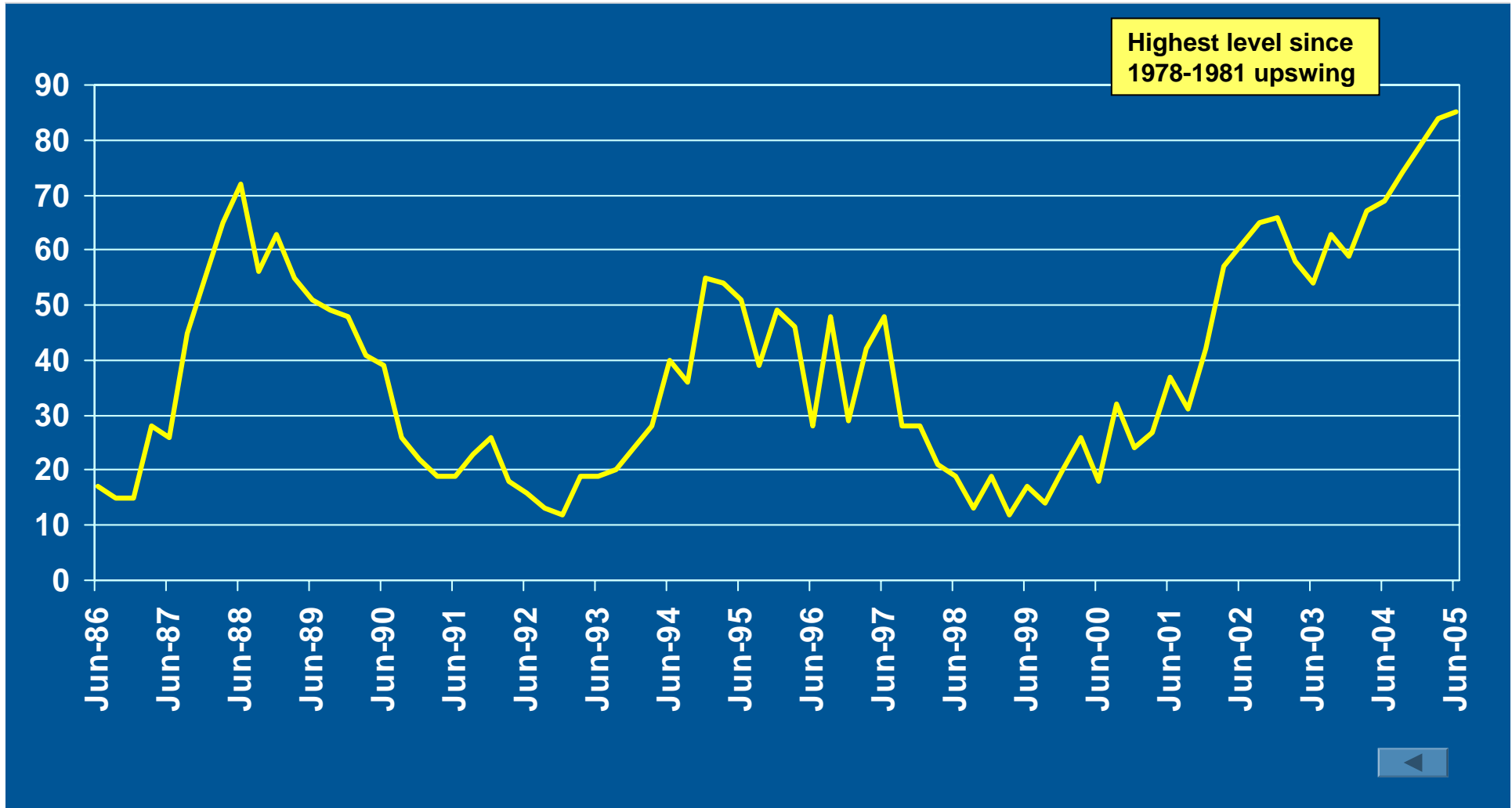


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# BER Composite Confidence Index: Building & Construction



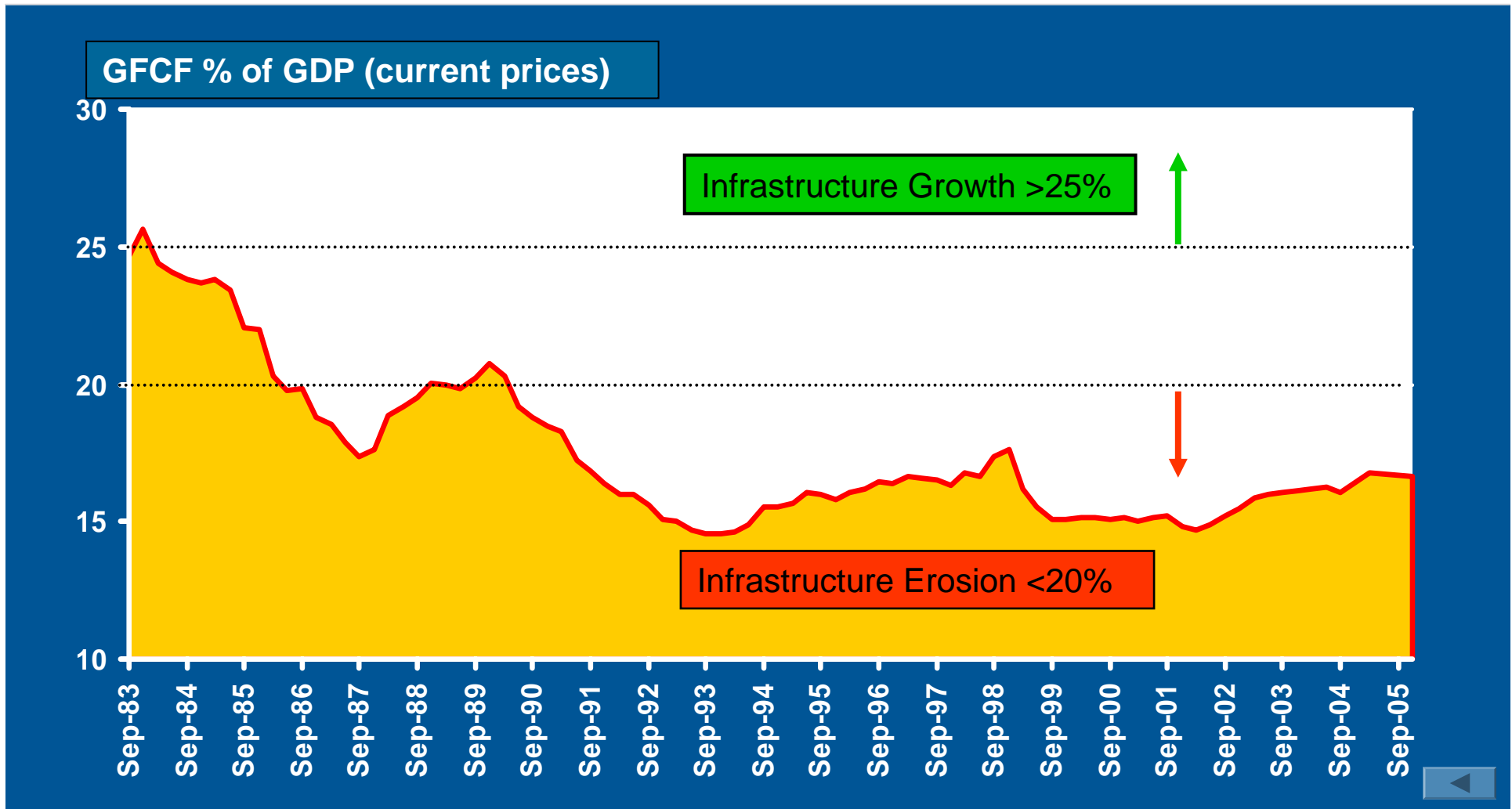


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# Government is aiming to increase infrastructure spend



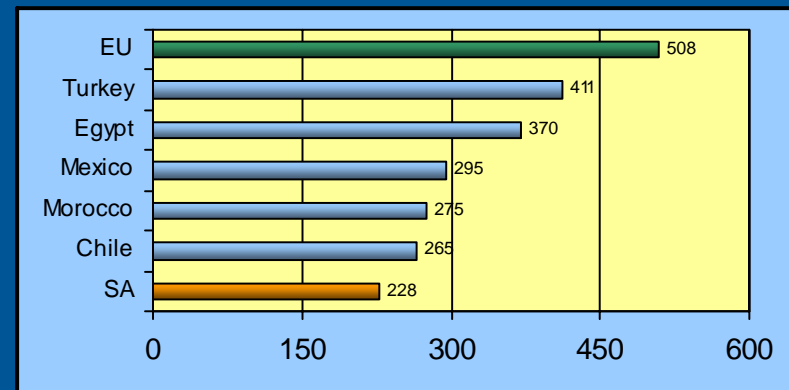
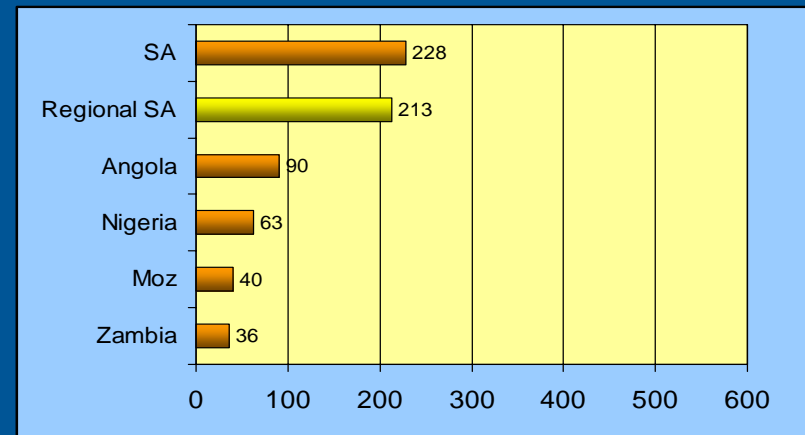


## Country fundamentals are positive (continued)

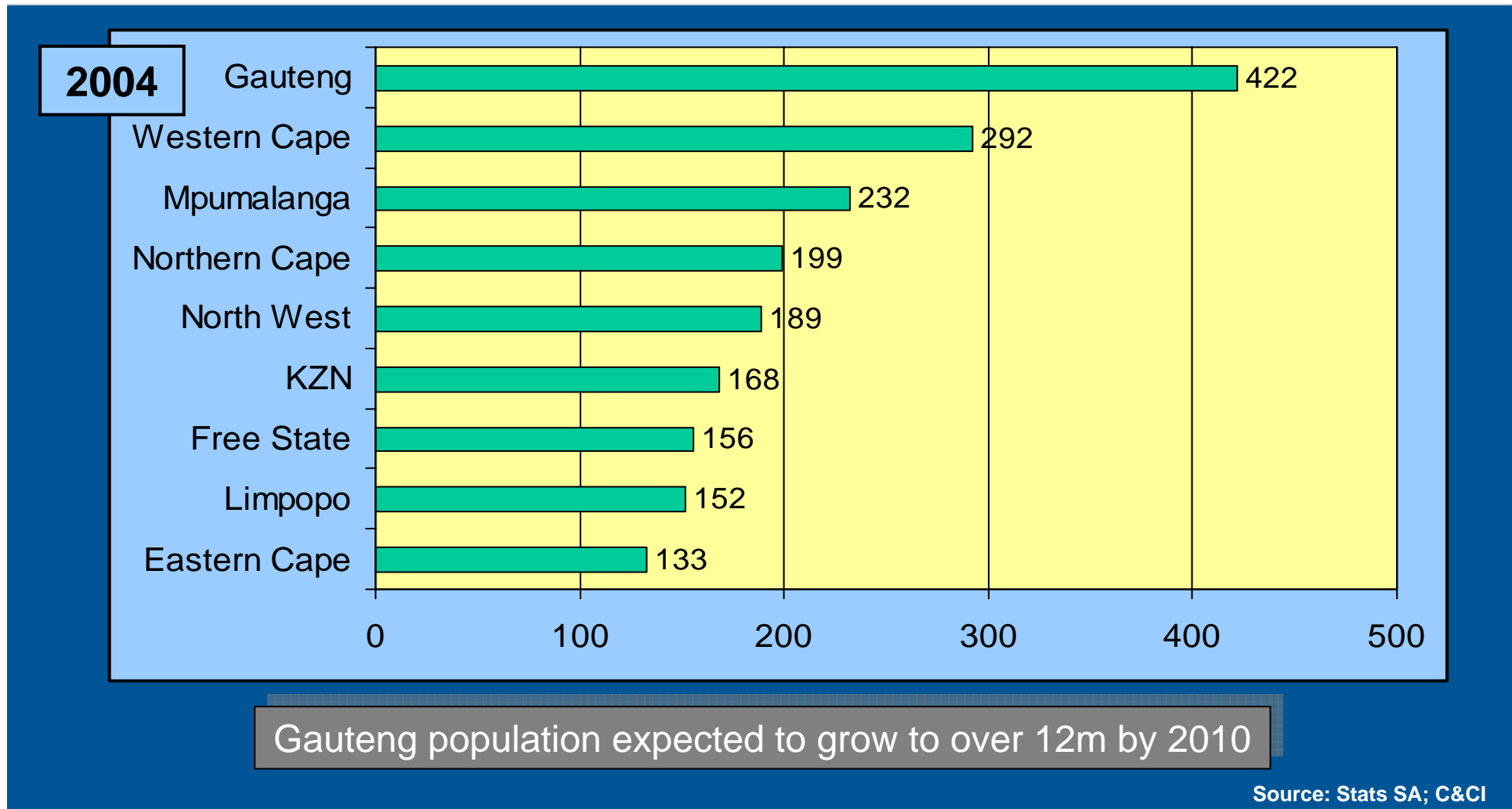
- 2010 World Cup will have a positive effect
  - Previous holders have benefited
- Tourism on the increase
  - 1500 rooms (around 15 hotels) required per annum
  - City Lodge plan to open 4 hotels per year
- May 2005 house renovation plans at 4.8m square metres
  - Residential housing market still has some growth potential
- Renewed pressure to address low cost housing backlog
  - N2 Gateway & Cosmo City projects underway
  - Minister of Housing passionate about delivery
- Growth expected from commercial & industrial segments
- Potential for increased cement consumption (Orrie Fenn) ----->

## SA cement consumption per capita is low (2003)

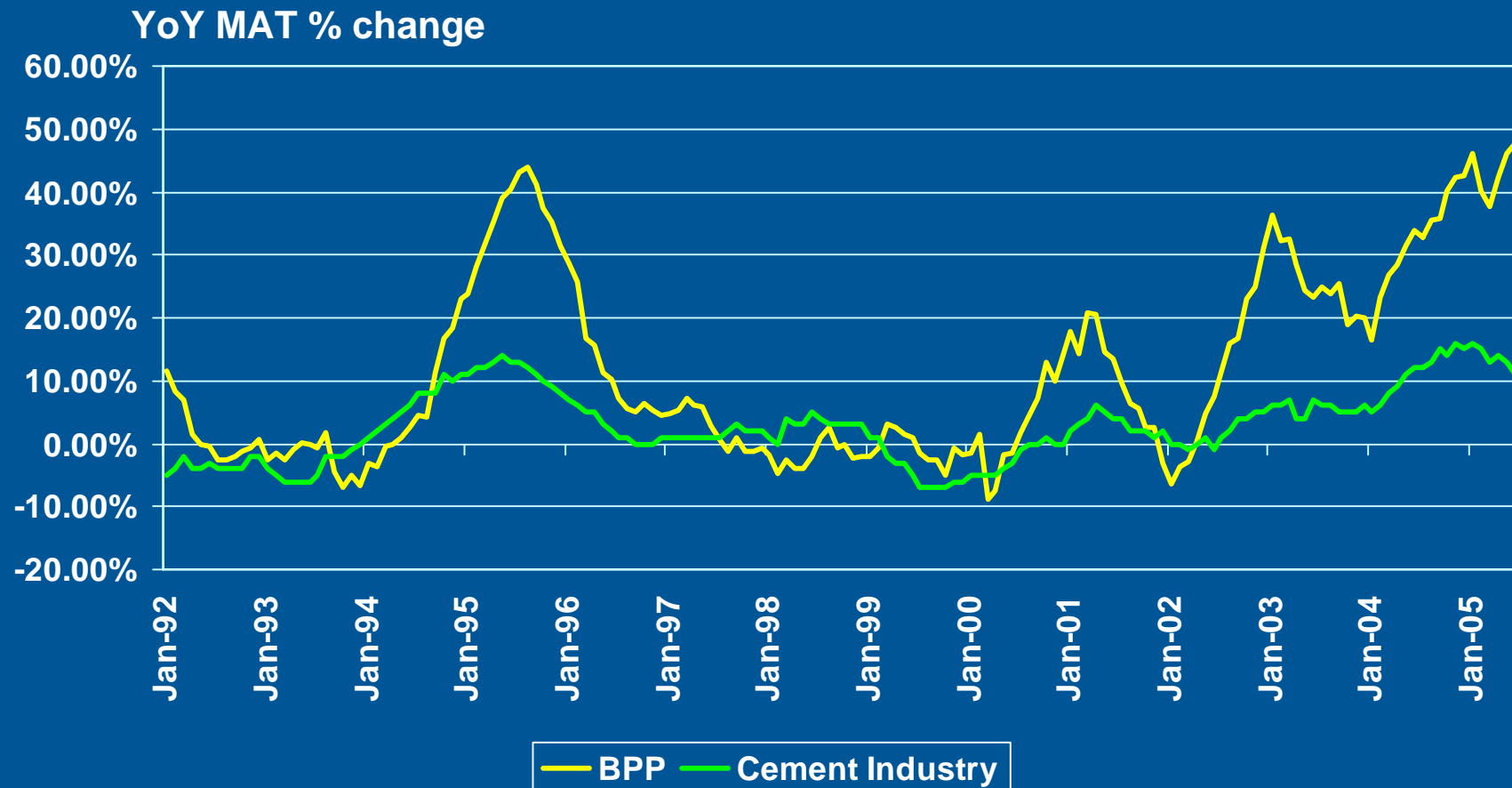
- SA cement consumption highest in Sub-Saharan Africa
  - Above 250kg/capita in 2005
  - Around 150kg/capita for Botswana, Namibia, Lesotho, Swaziland in 2004
- Low compared to countries with similar GDP growth over the last ten years
- Very low compared to developed countries e.g. EU countries
  - Spain, Portugal & Greece (>1000kg/capita)
- Opportunity to increase consumption in line with other developing countries
- Southern African population growth expected to continue at 1.5% per year



## Consumption per capita varies greatly by province



## Building plans passed have increased sharply





## Major projects planned or in the pipeline

- Expanded Government Works Programme
  - Low cost housing, schools, clinics, sewerage works
- Gautrain rail transport system
- 2010 World Cup
  - New stadiums/upgrades & associated infrastructure
- Toll roads
- Port & Airport upgrades
- New Government dams agency formed
  - 20 dams in 20 years (Berg River dam under construction)
- Eskom capacity upgrade programme
- Coega IDZ development
- Platinum mines activity
- Port Shepstone beachfront development R2bn

## PPC's outlook is positive leading up to 2010

- Fundamental shift in the economy
- Sound macroeconomic management
  - Creditable inflation-targeting policy
  - Gained financial markets' confidence
- Modern business infrastructure
  - Strong banking sector
- Basic transport infrastructure sound
  - Government focus area - investment
- SA is the strongest regional player



Growth will depend on the ability of State & corporations to spend effectively



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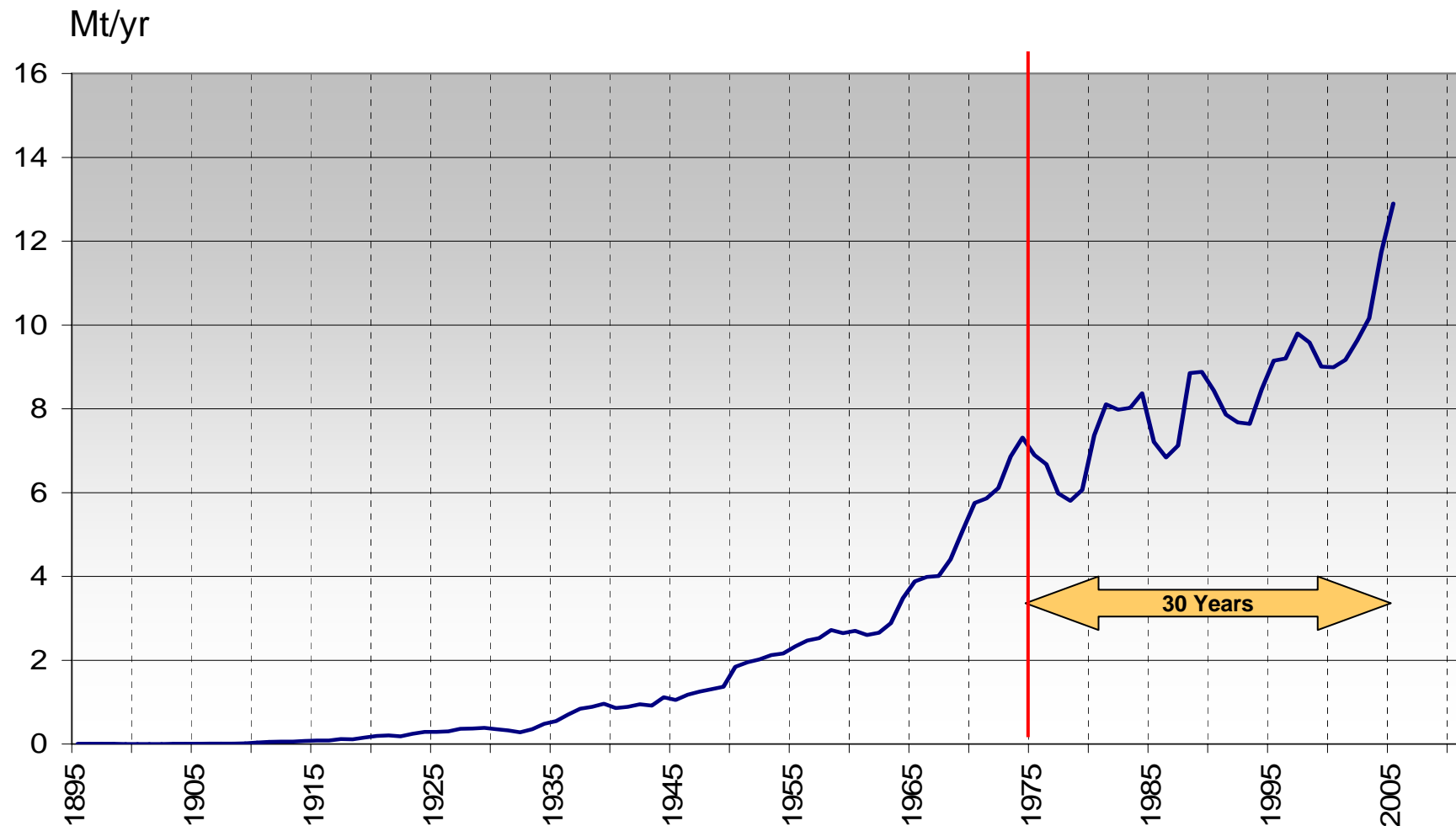
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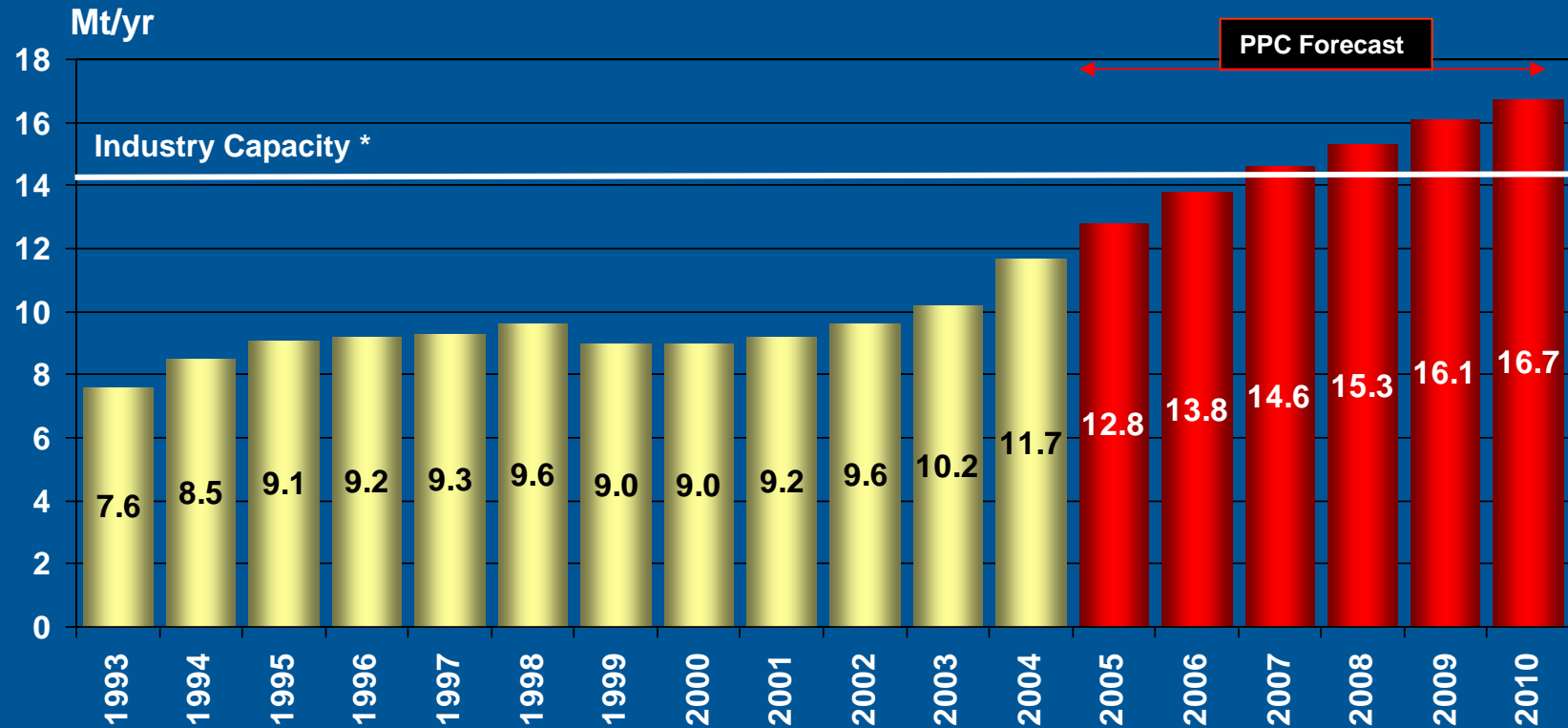
# Cement Demand Forecast

2006-2010

## Cement demand has benefited from the improvement in the country's fundamentals



## Demand projected to exceed 16mt by 2010

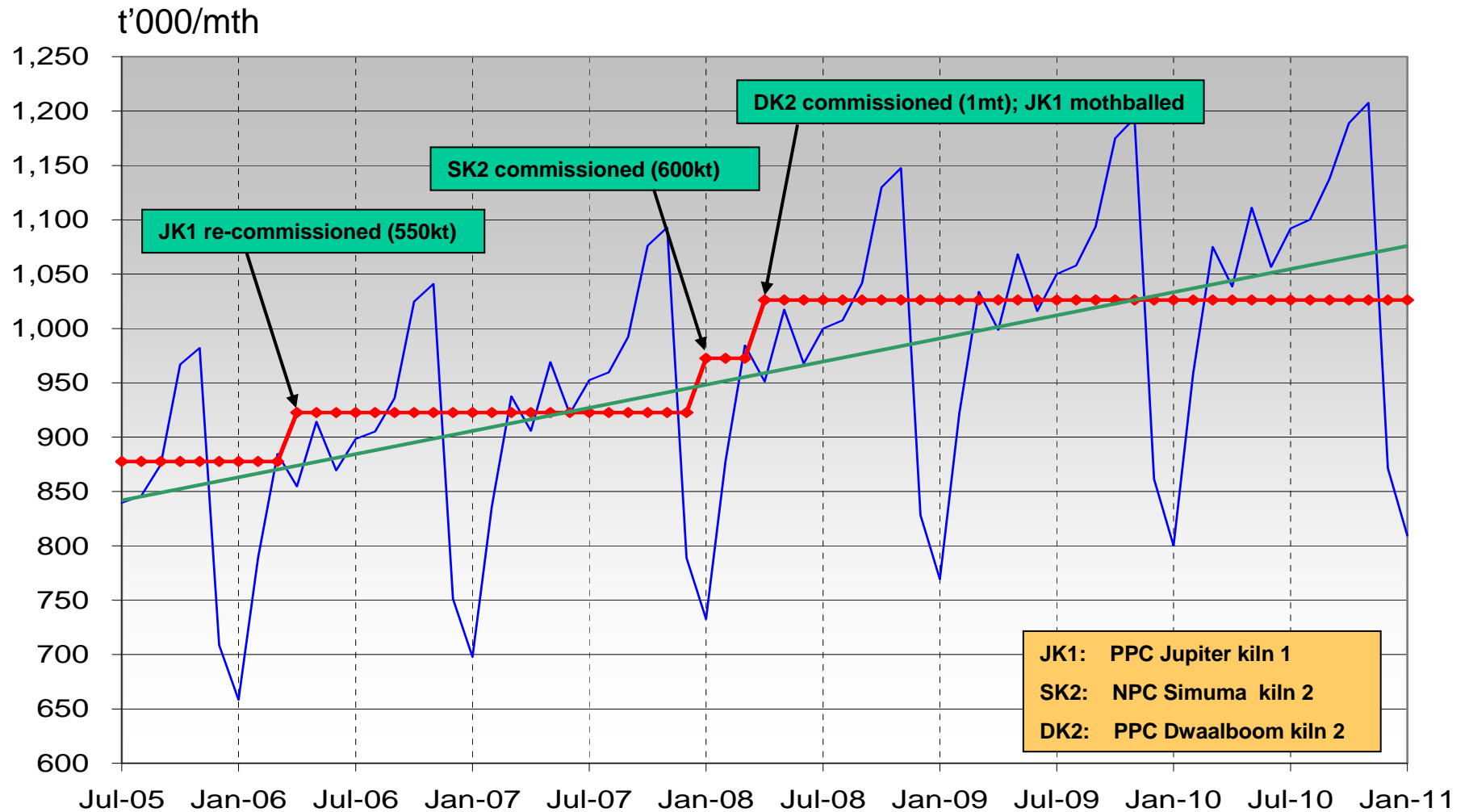


Year	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
% Growth	12%	7%	1%	1%	3%	-6%	0%	2%	5%	6%	15%	9%	8%	6%	5%	5%	4%

\* Including 3<sup>rd</sup> party slag/fly ash suppliers

Note: Figures exclude exports

# Extra capacity required to meet inland demand





# Batsweledi Project Overview



## PPC will meet forecast inland demand by.....

- Short term:
  - All mothballed kilns have been re-commissioned
  - Jupiter kiln is being re-commissioned at a cost of R48m
- Long term:
  - Inland capacity to be increased by about 1mt/yr
  - Dwaalboom confirmed as preferred location
- Total project cost R1.36bn
  - New kiln line at Dwaalboom (DK2)
  - Jupiter cement milling & despatch facilities re-commissioned
- Reputable suppliers & contractors participated in tender process
  - Local & international (contracts not yet finalised)
- Plant operational by April 2008
- No expansion plans announced by other industry players
  - Considered likely in future

The timing of PPC's expansion should ensure continuity of supply



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## Scope changes result in higher investment

- Significant scope change:
  - Chose new kiln as opposed to upgrade option
  - 3300tpd (new kiln) v 2650tpd (upgrade)
    - new pre-heater tower required
  - Latest emission control technology
  - Six stage pre-heater with in-line calciner
  - Improved raw material handling facilities
  - Jupiter cement mills utilised
- Revised estimate includes:
  - Finance, contingency, project management, site establishment, commissioning costs & escalation

Ended up with a superior plant & lower risk project



## Dwaalboom expansion utilises latest technology

- Based on latest & proven technology
  - Vertical roller raw & coal mills
  - Electric drive kiln (two support stations)
- Concrete pre-heater tower
- High levels of automation
  - Neural network kiln control system
- Ability to burn low grade coal & secondary fuels
- Meet best practice environmental standards
  - Dust emissions <math><30\text{mg}/\text{m}^3</math>; NOx & SOx emissions <math><50\text{mg}/\text{m}</math>
  - Low water consumption
- Creates 28 (Dwaalboom) & 70 (Jupiter) permanent jobs
  - Operators will be trained on an in-house simulator
- Construction workforce peaks at around 800
- Necessary approvals obtained from the relevant authorities

First new kiln line in SA for 15 years; employs many firsts

## Dwaalboom investment comparison

		1984 (Rm)	2005 (Rm)
<b>Capex (DK1)</b>	<b>Original clinker plant (600k tpa) Cement despatch Total greenfield cost:</b>	<b>200 42 242</b>	
<b>Capex (DK2)</b>	<b>Clinker plant (1m tpa)</b>		<b>1357</b>
<b>Financial Factor</b>	<b>Capex / Operating cash flow</b>	<b>&gt;3 years</b>	<b>Approx. 1 year</b>
<b>Interest Rate</b>		<b>21%</b>	<b>8%</b>
<b>Capacity Factor</b>	<b>DK2 v DK1</b>		<b>1.7</b>

Pending kiln retirements must also be taken into account



**What will the new Dwaalboom look like?**

(Existing capacity +/- 0.9m tpa)



Existing Dwaalboom



Post-Batsweledi

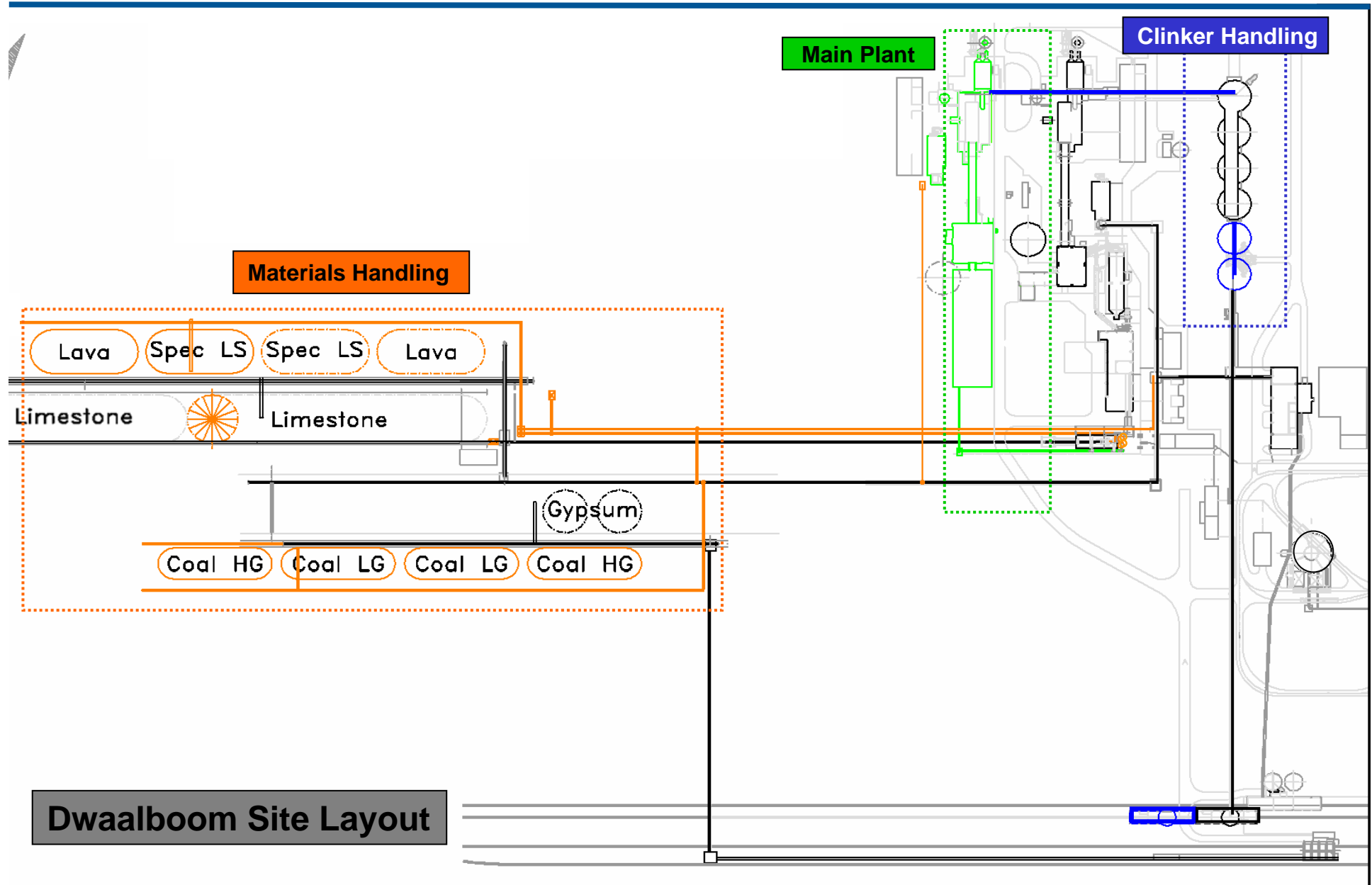


Existing Dwaalboom



Post-Batsweledi

# Plant sectionalised to facilitate tender process





In conclusion:

→ Back to John Gomersall



## In Summary:

- Foresee strong period of growth to 2010
  - Country fundamentals strong
- Positive outlook on cement demand
- Timing of the expansions (Batsweledi project) is right
  - Jupiter kiln will alleviate any short-term deficit
- Financial risk “relatively low”
  - Strong cash flows going forward
  - Will be funded by a combination of borrowings & cash generated
- State of the art plant to be constructed
  - Operational efficiencies
  - New kiln line v upgrade will reduce project risk
  - Jupiter milling option will enable product and logistics optimisation
- Look forward to commissioning in April 2008



**Thank You**