



Earnings Announcement

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Bamburi Cement Unaudited Statements For The Six Months Ended 30th June, 2009

Highlights

- ✓ Revenue up 42% to Kshs 16.2 bn
- ✓ Profit before tax up 55% to Kshs 4.5 bn
- ✓ Profit margin up 2.4% to 27.6%
- ✓ Asset turnover up from 1.0 in December 2008 to 1.1
- ✓ Local cement consumption lifts revenues
- ✓ Cost cutting initiatives raises operating margins
- ✓ Capex spend may be funded by high cash reserve
- ✓ EPS up 55% to Kshs 8.19
- ✓ Proposed interim dividend of Kshs 1.50 yielding 1%. Books closure date is 29th September, 2009
- ✓ Current Share Price is down 7.3% to Kshs 153.00 since Dec 2008 against a 9.5% drop in the NSE 20 Index (Jan to Sept)

Report Summary

1::	General Review
2::	Conclusions

07 SEPTEMBER 2009

1:: GENERAL REVIEW OF BAMBURI CEMENT RESULTS

Income Statement (KSh mn)			
	H1 Jun '08	H1 Jun '09	
Turnover	11,447	16,199	42%
Cost of Sales	-	-	
Gross Profit	-	-	
Operating Costs	-	-	
Operating Profit	2,873	4,268	49%
Profit Before Tax	2,885	4,474	55%
Profit After Tax	1,917	2,975	55%
Interim Dividend	1,162	545	-53%
Earnings Per Share	5.28	8.19	
Dividend Per Share	3.20	1.50	
Dividend Payout Ratio	60%	18%	
Profit Margins			
Operating Margin	25.1%	26.3%	
Profit Margin	25.2%	27.6%	
Net Margin	16.7%	18.4%	
Balance Sheet (KSh mn)			
	FY Dec '08	H1 Jun '09	
Shareholders' Funds	16,602	18,444	11%
Non Current Liabilities	6,170	5,824	-6%
	22,772	24,268	
Non Current Assets	18,179	19,602	8%
Current Assets	9,976	10,466	5%
<i>Debtors</i>	-	-	
<i>Stocks</i>	-	-	
Current Liabilities	5,383	5,800	8%
<i>Creditors</i>	-	-	
Net Current Assets	4,593	4,666	2%
	22,772	24,268	
Ratios			
Current Ratio	1.9	1.8	
Leverage (asset/equity)	1.4	1.4	
Asset Turnover	1.0	1.1	
Interest Coverage	38.3	177.8	
Cash Ratio	6.2%	13.9%	
Cash Flow Statement (KSh mn)			
	H1 Jun '08	H1 Jun '09	
Cash Generated	(517)	6,462	
Net Cash Generated	(1,536)	5,658	
Cash used in Investing	(1,213)	(2,137)	
Cash used in financing	3,061	(1,099)	
(De)/Increase in Cash	312	2,422	
Cashflow to Sales	-4.5%	39.9%	

Source: Bamburi Cement Published Interim Results

Strong domestic consumption drives revenue growth

Turnover soared quickly by 42% driven by domestic market demand and improved export sales to regional markets. Bamburi earns about 68% of turnover from the Kenyan market and despite the economic downturn the construction sector remained the beckon of hope growing by 30% during the first quarter of 2009. As a result of this phenomenal growth Kenyan cement production and consumption grew 29% and 24% respectively during the first four months of 2009 (the highest growth for that respective period since 2006). However, gains from high revenue growth were offset by the major cost pressure that saw production costs rise by 53%. Bamburi made savings on operating costs to raise operating margins higher by 1.2% to 26.3%.

Cost pressures narrow margins

Over the past few years the gross profit margin has been eroded from 50% in 2006 to 46% in 2008 due to higher costs of production in relation to turnover growth. During the period inflationary pressures continued to raise the costs of raw materials such as clinker as well as fuel, coal and power costs throughout East Africa. Profit from operations was maintained thanks to a re-modeled distribution strategy and a reduction in the use of purchased clinker in its Ugandan operation. Bamburi is at the forefront in the scramble to mine potential limestone deposits in Kenya. Although reducing power costs remains out of reach of most manufacturers due to the prevailing drought, the exploitation of these limestone deposits may raise productivity by cutting costs.

Gearing profile less aggressive as cash piles up

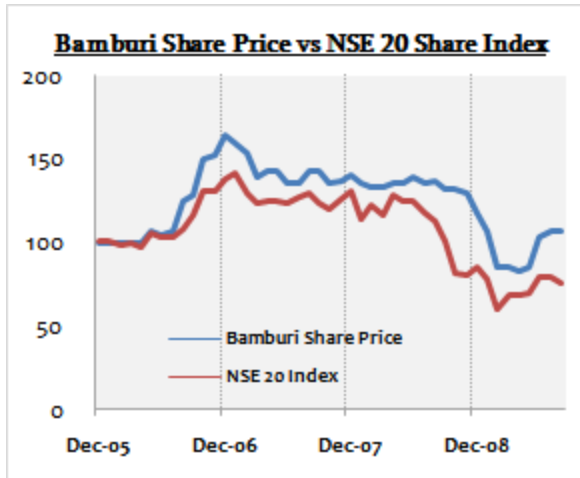
A reduction in financing costs resulting from a lower short term borrowings as well as cash settlements from insurers lifted pre-tax profits. The cash ratio rose rapidly to 14% at a time when operating performance improved and several initiatives were implemented to maintain effective working capital management. Increases in capex spend and a reduction in borrowings propped up cash balances (expected to fund expansionary capex).

2:: CONCLUSIONS

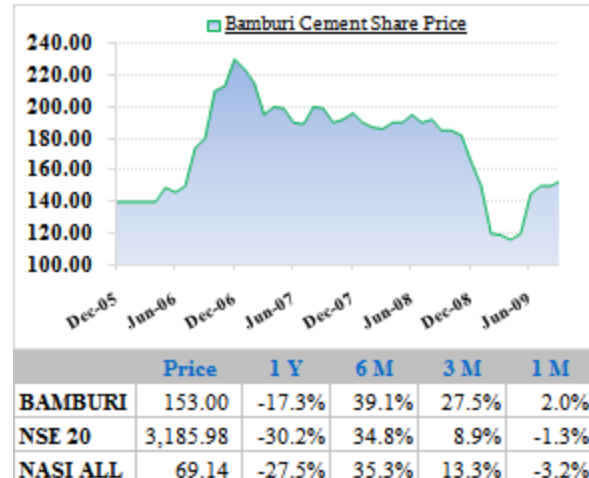
Positive Outlook

The company is banking on sustained cement consumption in the region to support EA volume sales in the future largely due to the residential housing and road construction sectors; however, competition from imported cement by foreign players in the market will begin to squeeze its market share. Production costs are expected to remain high given that power thermal plants will continue to bridge the power supply deficit; however, the onset of expected El-Nino rains augurs well as short term relief from electricity cost hikes as low-cost hydrogenation picks up. Bamburi's Uganda plant is expected to become operational in 2010 and will add an estimated 480,000 tonnes in production capacity to meet the growing EA cement consumption (estimated at 5.1 million tonnes against Kenyan production of 2.4 million tonnes). The management focus in the remainder of the year will be on cost containment as they struggle to find an effective method of mitigating operating cost increases. Exploitation of coal deposits in Eastern Province of Kenya will go a long way in reducing its coal import bill and thus reduce pressure on gross margins. In addition to mining coal, if Bamburi can control limestone mines in Mutomo they can make crucial improvements in clinker production. Bamburi's dividend policy has continued to suffer from expansion projects, although according to its 2008 annual report 71% of the already committed funds (amounting to Kshs4.68 bn) had already been disbursed for the Ugandan plant. The top four shareholders (comprising the Lafarge holding firms & NSSF) own about 86% of the issued shares and trading has witnessed relatively thin volumes in the recent past.

Market Performance



Source: NSE



Source: NSE

GLOSSARY OF TERMS USED IN DOCUMENT

Gross Margin – Refers to gross profits as a percentage of sales

Profit Margin – Refers to profit before tax as a percentage of sales

Net Margin – Refers to net profits as a percentage of sales

Acid Test – Refers to the ratio of highly liquid current assets to current liabilities

Current Ratio – Refers to the ratio of current assets to current liabilities

Asset Turnover – Refers to the ratio of sales to total assets

Debt Equity Ratio – Refers to the ratio of borrowings to total equity

Non Current Assets – Also known as fixed assets

Interest Coverage – Measures the ability of earnings to cover finance costs (a.k.a Times Interest Covered)

Stock Data Sheet
***Pricing as at September 04, 2009**
****Fiscal Year End: December**
Brief Profile

Bamburi Cement is one of the largest cement producers in sub-saharan Africa and the biggest in East Africa. It was founded in 1951 by Cementia Holdings but is now currently owned by Lafarge

Large Shareholders as at Year End

	2006	2007	2008
Fincem Holding Limited	29.30	29.30	29.30
Kencom Holding Limited	29.30	29.30	29.30
Board of Trustees (NSSF)	16.68	16.68	14.98

East Africa Peer Comparison (based on 12 month earnings) - USD mn

	Mkt Cap	Turnover	Profit	ROA	RoCE	PBV	PE (Trl)	P/Sales
Bamburi Cement	\$731	\$353	\$41	13.0	15.8	3.3	17.4	2.0
East African Portland Cement	\$83	\$111	\$8	6.1	7.0	1.6	11.7	0.9
Twiga Cement (Tanzania)	\$218	\$116	\$27	25.7	34.4	2.7	8.2	1.9

Performance History	2002	2003	2004	2005	2006	2007	2008	YTD
Inflation Adj. Return %	176.4	165.3	-27.5	37.7	36.9	-14.3	-30.7	-
Share Price %	162.0	188.0	-24.6	47.4	53.6	-8.8	-15.8	-7.3
NSE 20 Index %	0.6	100.9	7.6	41.2	37.4	-4.7	-35.3	-9.5
Dividend Yield %	19.8	3.3	5.5	4.5	3.1	2.9	3.3	0.9
Market Cap - Sh m	15879	45733	34481	50814	78036	71140	59888	55533
Valuation (x)	2002	2003	2004	2005	2006	2007	2008	2009
Price to Earnings (P/E)	12.9	42.9	20.1	25.4	29.9	19.8	18.8	17.4
NSE-20 Index (P/E)	11.4	20.0	15.3	15.3	16.8	16.1	11.5	13.6
Price to Book (Bamburi)	1.5	4.0	3.3	4.5	5.7	4.7	3.6	3.3
Profit Margins	2002	2003	2004	2005	2006	2007	2008	Jun-09
Operating Margin %	21.4	17.6	22.1	23.2	24.0	24.9	22.0	26.3
Net Margin %	12.2	10.2	14.0	13.9	15.9	16.3	11.6	18.4
Income Statement - Sh m	2006	2007	2008	H1 '07	H2 '07	H1 '08	H2 '08	H1 '09
Turnover	16488	22111	27467	10516	11595	11447	16020	16199
Profit Before Tax	3838	5443	4889	2240	3203	2885	2004	4474
Profit After Tax	2614	3596	3187	1486	2110	1917	1270	2975
EPS Sh	7.20	9.91	8.78	4.09	5.81	5.28	3.50	8.20
DPS Sh	5.50	6.00	6.00	5.50	0.50	3.20	2.80	1.50
Issued Shares Mn	363	363	363	363	363	363	363	363
Bk Value per Share	37.84	41.53	45.74	38.98	41.53	46.76	45.74	50.82
Return on Assets	15.4	18.3	13.0	-	-	-	-	-
Turnover %	14.6	34.1	24.2	23.0	10.3	-1.3	39.9	1.1
Earnings %	30.4	37.6	-11.4	11.6	42.0	-9.1	-33.8	134.3
Balance Sheet - Sh m	2006	2007	2008	H1 '07	H2 '07	H1 '08	H2 '08	H1 '09
Total Assets	18513	20720	28215	18401	20720	24242	28215	25888
Total Equity	13736	15075	16602	14148	15075	16971	16602	18444
Current Ratio	2.3	2.2	1.8	2.8	2.2	1.9	1.8	1.8
Leverage (assets:equity)	1.3	1.4	1.7	1.3	1.4	1.4	1.7	1.4
Cashflow to Turnover	29.7	16.1	21.4	24.7	16.1	-4.5	21.4	39.9
Times Interest Covered (x)	208.4	787.6	81.8	-	787.6	38.3	81.8	177.8

Source: Bamburi Cement Published Results

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