BEE III TRANSACTION

“PPC PHAKAMA”

“PPC PHAKAMA” - RISE UP
PPC has announced a top-up BEE transaction named “PPC Phakama”, an isiZulu word meaning “Rise Up”

PPC Phakama transaction size was calculated at 25.4% in order to achieve an effective 30% broad-based black economic empowerment ("BEE") shareholding in PPC South Africa Holdings Proprietary Limited ("PPC SA")

The effective 30% shareholding includes residual BEE I and BEE II at Listco and the new PPC Phakama

The transaction will become effective on the later of:

• Execution of all the transaction agreements giving effect to the transaction and
• Approval of PPC Phakama transaction by the Department of Mineral Resources, or
• 1 April 2018

PPC Phakama is a R2.1BN transaction based on an equity value of R10.2BN* for PPC SA

*Prior to taking non-controlling and non-marketable interest into account
2. BEE III TRANSACTION STRUCTURE

Transaction Structure

PPC Phakama Transaction – 25.4%

Residual BEE 1
1.3%

Residual BEE 2
2.5%

PPC SA
74.6%

PPC Cement SA
100%

PPC Lime
100%

PPC Aggregate Quarries
100%

Pronto Holdings
100%

ESOP Trust
9.8%

Community Development Trust
8.0%

BEE SPV
7.6%

Black Entrepreneur

PPC SA

Black Entrepreneur

PPC SA

PPC Phakama Transaction – 25.4%

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PPC SA

Safika Cement Holdings
95%

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### 3. TRANSACTION OVERVIEW

| Transaction size | PPC Phakama transaction of 25.4% at PPC SA level resulting in an effective 30% BEE shareholding in respect of PPC Ltd’s SA operations (after taking into account residual BEE 1 and BEE 2 shareholding at Listco)  
The transaction value is ZAR2.1bn based on an intrinsic equity value of R10.2bn for PPC SA before non-controlling and non-marketable interest. This valuation was performed by an independent valuatur and confirmed by management |
|------------------|--------------------------------------------------------------------------------------------------|
| Participants     | Eligible employee through an ESOP Trust – 9.8% (70% allocated upfront and 30% reserved for future employees’ allocation for a limited period of up to 3 years). All employees of PPC SA to participate equally  
Communities through Community Development Trust – 8.0%, at sites at our relevant operations  
Eligible Black entrepreneurs – 7.6% (participants still to be finalised) |
| General terms    | Subscription price at a nominal value of 0.1 cent per PPC SA share  
Notional Vendor Funding (“NVF”) structure  
Escalation rate is 7.75% which is linked to the SARS official rate  
There will be a 20% trickle dividend  
The trickle dividend will be used to purchase unencumbered PPC listed shares for eligible employees and black entrepreneurs at the prevailing market price  
The balance of 80% of any cash dividend or 100% of any other distribution which would have accrued will be suspended and taken into account in determining the number of PPC SA BEE Shares to be repurchased by PPC SA in terms of the Repurchase Formula (shown on page 7) at the end of the NVF Period |
### 3. TRANSACTION OVERVIEW

<table>
<thead>
<tr>
<th>Exit mechanics</th>
</tr>
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<tbody>
<tr>
<td>• The residual value after the NVF will result in a restricted disposal to qualifying BEE entities, with a fall-back option for PPC SA to repurchase the shares or swap to PPC Ltd, or any other exit mechanism agreed to between the parties at the time of maturity. The same valuation methodology at inception will be used to determine the exit value</td>
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<table>
<thead>
<tr>
<th>Vesting and lock-in period</th>
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<tbody>
<tr>
<td>• Eligible Employees and Black Entrepreneurs – 10 years, Communities – perpetual</td>
</tr>
<tr>
<td>• The eligible Employees and Black Entrepreneurs may not dispose of or encumber their PPC SA BEE Shares during the NVF Period, and PPC SA Community Development Trust, may not dispose of or encumber its PPC SA BEE Shares indefinitely as it is perpetual</td>
</tr>
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<thead>
<tr>
<th>Corporate action</th>
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<tr>
<td>• In the event of any corporate action at PPC SA, PPC and PPC SA will be entitled, at their discretion, to give notice to the PPC SA BEE Shareholders to accelerate the NVF Period. Any such acceleration of the NVF Period will be factored into the Repurchase Formula as provided for in the subscription agreements</td>
</tr>
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</table>
3. TRANSACTION OVERVIEW

<table>
<thead>
<tr>
<th>IFRS 2 and other costs</th>
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<tbody>
<tr>
<td><strong>Share Based Payments (&quot;IFRS 2 Cost&quot;)</strong> is calculated ZAR484m and represents 3.8% of the PPC Ltd market cap on the announcement date and will be recognised as follows:</td>
<td></td>
</tr>
<tr>
<td>Total IFRS 2 charge</td>
<td>R484m</td>
</tr>
<tr>
<td>ESOP</td>
<td>R272m Recognised equally over the duration of the transaction i.e R27m pa</td>
</tr>
<tr>
<td>Black Entrepreneurs</td>
<td>R212m Recognised on the effective date</td>
</tr>
<tr>
<td><strong>The IFRS 2 Cost is in line with market precedents for similar transactions of this nature and size</strong></td>
<td></td>
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<table>
<thead>
<tr>
<th>Fairness opinion</th>
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<tbody>
<tr>
<td><strong>An independent expert was appointed by the board of PPC to provide a Fairness Opinion</strong></td>
<td></td>
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<tr>
<td><strong>The expert is of the opinion that the terms of the PPC Phakama Transaction are fair to PPC shareholders</strong></td>
<td></td>
</tr>
<tr>
<td><strong>The Fairness Opinion is available for inspection at the Company’s Registered Office (PPC Ltd Building, 148 Katherine Street, Sandton, Johannesburg) for a period of 28 days following the publication of the SENS announcement and on the Company’s website</strong></td>
<td></td>
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<thead>
<tr>
<th>Directors opinion</th>
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<tr>
<td><strong>The PPC Board has considered the Fairness Opinion of the independent expert as outlined above, and the PPC Board is of the opinion that the PPC Phakama Transaction is fair and is in the best interests of all PPC shareholders</strong></td>
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<thead>
<tr>
<th>Voting</th>
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<tbody>
<tr>
<td><strong>The subscription shares issued to PPC Phakama will rank pari passu with ordinary shares. They will however be subject to the rights and restrictions and suspensions contained in the subscription agreement</strong></td>
<td></td>
</tr>
</tbody>
</table>
Subscription Price, as determined in accordance with the following formula:

\[
RS = \frac{\{S \times P1 \times [1 + (R \times T1)]\} - \{D\} - \{E\}}{P2}
\]

Where:

RS = The number of Repurchase Shares (if RS is less than zero, then RS shall be deemed to be equal to zero);
S = Subscription Shares;
P1 = An amount determined on the Signature Date;
S*P1 = Opening Balance;
R = Escalation factor of 7.75% applied on a simple escalation basis and not a compound escalation basis (“Escalation Factor”);
R*S*P1 = Escalation Amount Per Annum;
T1 = Number of 12 month periods from the Closing Date to the Repurchase Date with the last period being full;
D = An amount equal to the sum of 80% of each Dividend declared by the Company per Subscription Share and Capitalisation Share multiplied by the number of Subscription Shares and Capitalisation Shares, between the Closing Date and the Repurchase Date;
E = An amount equal to the sum of 100% of each Miscellaneous Distribution declared by the Company per Subscription Share and Capitalisation Share multiplied by the number of Subscription Shares and Capitalisation Shares, between the Closing Date and the Repurchase Date; and
P2 = Fair Value per PPC SA Share determined on the Repurchase Date
4. BENEFITS OF THE TRANSACTION STRUCTURE

1. The transaction is based on intrinsic value rather than the market price of listed shares.

2. The NVF structure does not create any liability, contingent or otherwise, on any participants’ balance sheet. The notional structure provides flexibility in relation to PPC’s capital structure.

3. PPC SA will have BEE credentials for its South African operations for at least 10 years.

4. No restriction on PPC Ltd’s ability to raise equity from its shareholders.

5. The dilution to PPC Ltd shareholders is limited to approximately 5.0% during the tenure of the transaction.
### 5. BEE entries

Illustration assumes 100 shares issued to the BEE participants

<table>
<thead>
<tr>
<th>Day 1 entries</th>
<th>RSA Holdco</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr IFRS 2 charge</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Cr Equity compensation reserve</td>
<td>x</td>
<td>Entry remains</td>
</tr>
</tbody>
</table>

*Being IFRS 2 charges recognised upfront for the BEE SPV*

<table>
<thead>
<tr>
<th>Dr Expense (Donation)</th>
<th>1</th>
<th>Entry reversed, as no impact to the consolidated shares and stated capital. Donation element remains for the entities that are not consolidated and reclassified other reserves in equity for the ESOP.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cr Stated capital</td>
<td>1</td>
<td></td>
</tr>
</tbody>
</table>

*Being the issue of 100 shares to the BEE participants @ nominal R0.01 per share. Transaction funded by RSA Holdco.*

<table>
<thead>
<tr>
<th>Subsequent entries</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Dr IFRS 2 charge</td>
<td>Y</td>
<td>Entry remains</td>
</tr>
<tr>
<td>Cr Equity compensation reserve</td>
<td>Y</td>
<td></td>
</tr>
</tbody>
</table>

*Being IFRS 2 charges recognised during the NVF term (10 years) for the ESOP*

Assuming PPC SA Holdco declares a dividend of 10cents per share, the BEE participants will only be entitled to 20% of the dividend declared, 2c trickle dividend.

| Dr Dividend paid(IS/SOCIE) | 2 | Entry remains |
| Cr Bank                     | 2 | |

*Being the trickle dividend paid to the BEE participants. The dividend relating to the community trust will be reflected in the IS (noting that shares won't vest and no IFRS 2 charge was recognised upfront – not recognised as equity participants per IFRS), all other dividend will be reflected in the Statement of changes in equity.*
<table>
<thead>
<tr>
<th>End of the NVF</th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Dr Stated capital</td>
<td>0.75</td>
<td>Entry reversed, as no impact to the group shares and stated capital. Intercompany reversed for consolidated entities.</td>
</tr>
<tr>
<td>Cr Bank</td>
<td>0.75</td>
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*PPC SA Holdco purchasing back the shares @ nominal value at the end of the NVF term (to the extent that the shares have not vested, assuming 25% of the shares vested, PPC will buy back the 75%)*

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<tbody>
<tr>
<td>Dr Securities transfer tax</td>
<td>0.001875</td>
<td>Entry remains</td>
</tr>
<tr>
<td>Cr Bank</td>
<td>0.001875</td>
<td></td>
</tr>
</tbody>
</table>

*Being STT paid on the transfer of shares*

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<tbody>
<tr>
<td>Dr Equity compensation reserve</td>
<td>50</td>
<td>Entry remains</td>
</tr>
<tr>
<td>Cr Non controlling interest</td>
<td>50</td>
<td></td>
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*Being the allocation of shares to the BEE participants at the end of the NVF, and the recognition of non controlling interest. The allocation will happen if the scheme is in the money. This is determined by taking the initial value of the notional loan, adding the interest @7.75% charged over the NVF period and deducting the 80% forfeited dividend over the NVF period. Assuming the notional loan balance at the end of the NVF is R150 (from an initial value of R100), and the value of the shares is R200, means only R50 (worth of shares) will vest to the beneficiaries.*

*If the NVF balance at the end of the scheme is greater than the fair value of the shares (R200), then the scheme is under water and no shares will be allocated. PPC will have to buy back all the shares. The share buy back entry will be R1 (nominal value of the shares and the related STT)*
INVESTOR CONTACTS

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Investor Relations

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🌐 www.ppc.co.za
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