



PPC DE HOEK INVESTOR SITE VISIT

05 February 2016

Darryll Castle – CEO

Johan Claassen – MD Cement RSA

Rob Rein – Executive Sales and Marketing

Johan Vorster – GM: De Hoek

PPC



Agenda



About the Western Cape

New PPC Strategy

Profit Improvement Programme

Innovation

About the De Hoek factory

BULK CEMENT SOLUTIONS

COST EFFECTIVE EFFICIENT DELIVERIES
LOCALLY PRODUCED



NOW THAT IS STRENGTH BEYOND THE BAG



TEL: 0800 CEMENT / 0800 236 368



About the
WESTERN CAPE

PPC



About the Western Cape



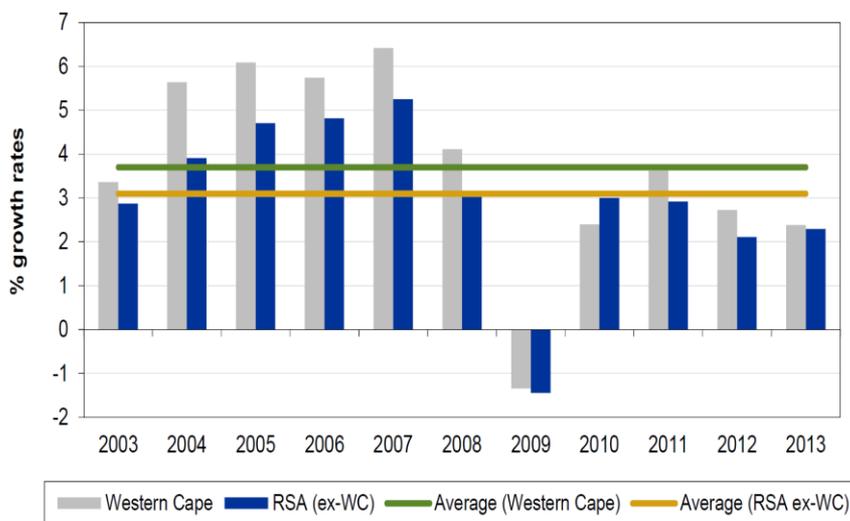
- The Western Cape (WC) is one of South Africa's (SA) most beautiful provinces, attracting the lion's share of foreign tourists
- It is a region of majestic mountains, colourful patchworks of farmland set in lovely valleys, long beaches and, further inland, the wide-open landscape of the semi desert Karoo
- Two oceans meet on the coast of the Western Cape: the cold Atlantic Ocean is in the west, while the warmer Indian Ocean lies on the southern coast
- The plankton-rich cold Benguela current flows along the west coast and is considered to be one of the world's richest fishing grounds
- Centuries of trade and immigration have created a population with genetic and linguistic links to different parts of Europe, southeast Asia, India and Africa
- The Western Cape is topographically and climatically varied:
 - It has a temperate southern coastline fringed with mountains; here the typical vegetation is the famed fynbos
 - The Mediterranean climate of the peninsula and the mountainous region beyond it is ideal for grape cultivation
 - The southern coastal area is also fertile, while fishing is the most important industry along the west coast
 - Sheep farming is the mainstay of the Karoo, and other forms of husbandry take place in the better watered parts of the province
- Saldanha, north of Cape Town, is South Africa's only natural harbour, and notable harbour for iron exports and the fishing industry



About the Western Cape economy



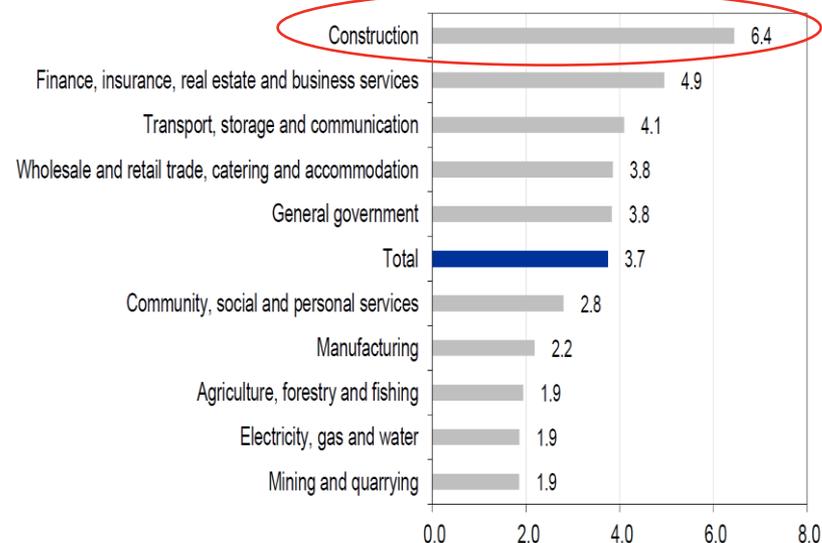
Figure 2.9 Western Cape growth vs rest of South Africa (2003 - 2013)



Source: Statistics South Africa (2014)

- Economic growth in the WC province generally tends to outperform the growth performance of the South African economy
- Over the period 2003 – 2013, SA's growth rate averaged 3.1% while that of the WC and Gauteng registered the joint fastest growth rates at 3,7%

Figure 2.10 Fastest growing sectors in the Western Cape (2003 - 2013)



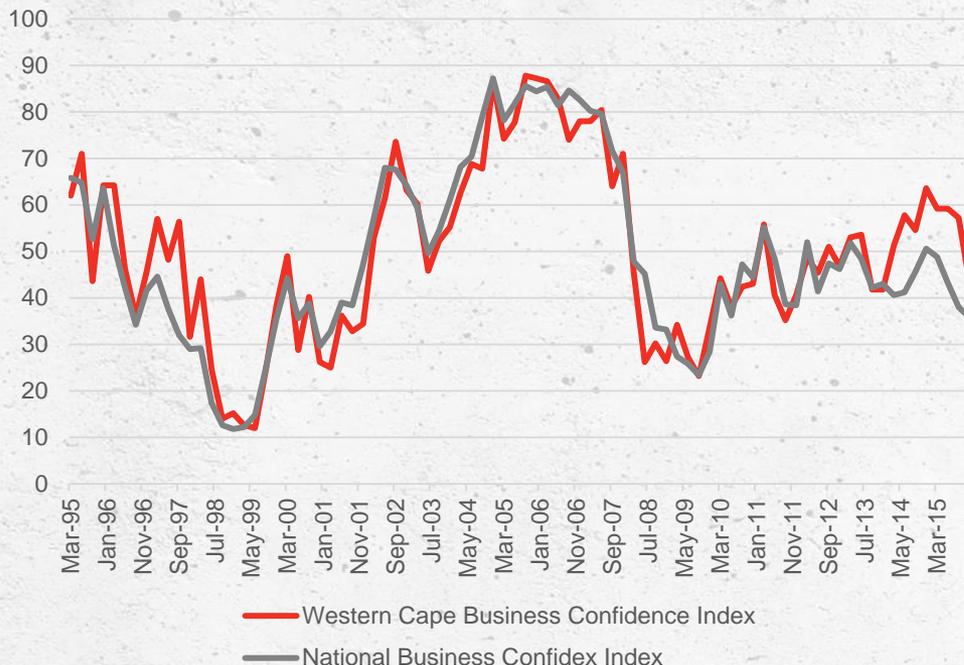
Source: Statistics South Africa (2014)

- Over the period 2003 – 2013, the construction sector was the top contributor to the WC economy
- The construction sector grew at a robust 6,4% over the same period

About the Western Cape economy



RMB BER Business Confidence Index



- In recent times, business confidence in SA has been on a downward trajectory
- Business confidence in the WC has however exceeded the national index since March 2013

Table 2.4 Western Cape economic outlook¹⁶, 2015 to 2016 (%)

Description	2013	2014e	2015f	2016f	Forecast average (2015 - 2020)
Agriculture, forestry and fishing	0.9	4.8	1.8	2.0	2.3
Mining and quarrying	2.8	-1.0	2.1	1.8	2.0
Manufacturing	0.6	0.4	0.9	2.0	2.2
Electricity, gas and water	0.0	-1.8	-0.7	1.9	1.8
Construction	3.0	4.1	2.8	2.2	3.7
Wholesale and retail trade, catering and accommodation	2.5	1.7	1.5	2.0	2.7
Transport, storage and communication	1.7	0.9	2.2	2.1	3.2
Finance, insurance, real estate and business services	3.3	2.3	3.1	2.6	3.4
Community, social and personal services	1.9	1.3	0.9	1.2	1.7
General government	4.3	2.8	1.0	0.8	1.3
Regional Gross Domestic Product	2.4	1.8	1.9	2.0	2.7

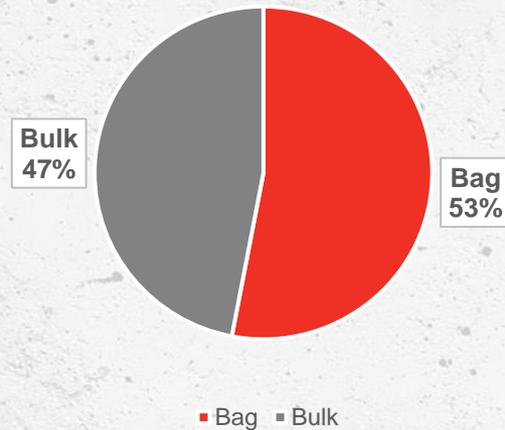
Source: Bureau of Economic Research/Quantec Research. (e denotes estimate, f denotes forecast) (2015)

- The construction sector is expected to be the top performing sector during the period 2015 – 2020
- The residential building market coupled with capital expenditure by the public sector is expected to support this sector

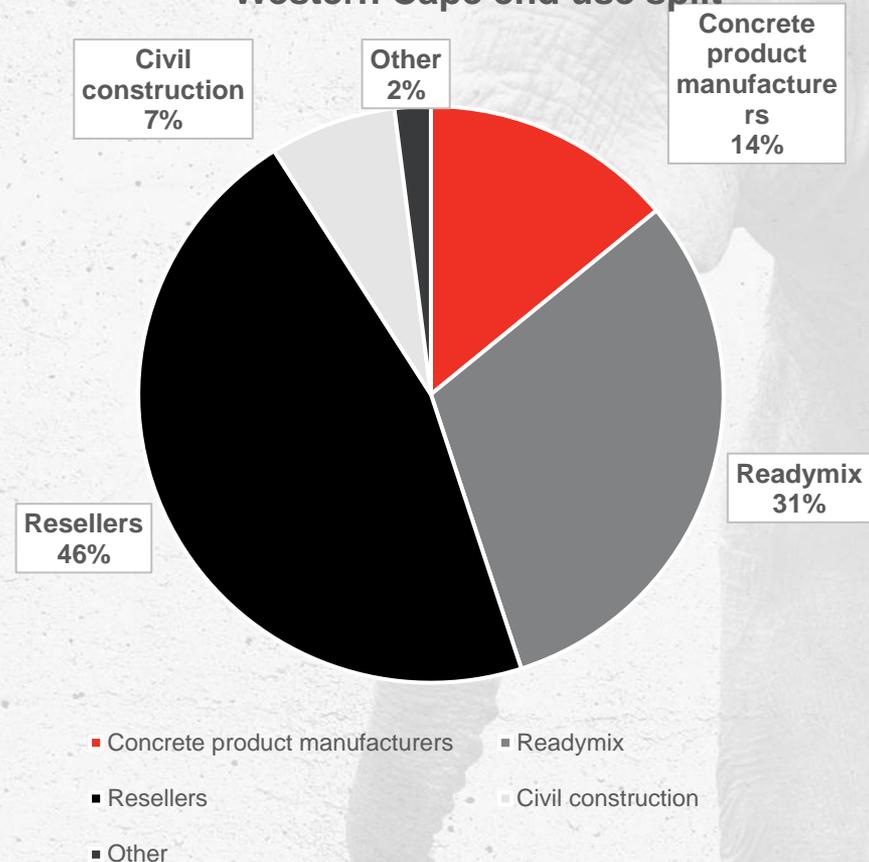
PPC's market dynamics



Western Cape bag/bulk split



Western Cape end use split

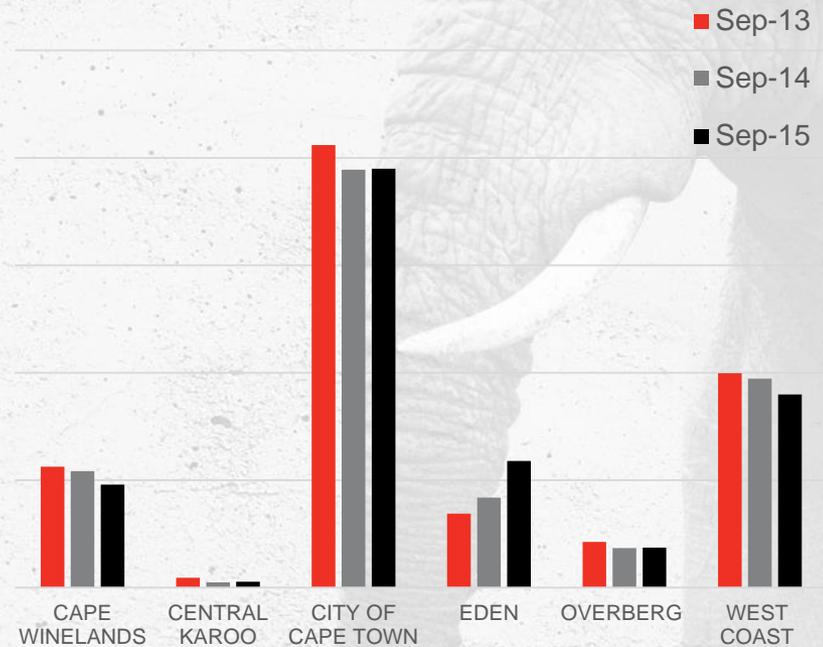


- Bag:bulk split fairly in line with PPC's national averages
- End use split divergent with national averages
 - Much higher proportional exposure to concrete product manufacturers and ready mix in the WC relative to SA
 - Evidence of a more mature cement market in the WC

PPC's market dynamics

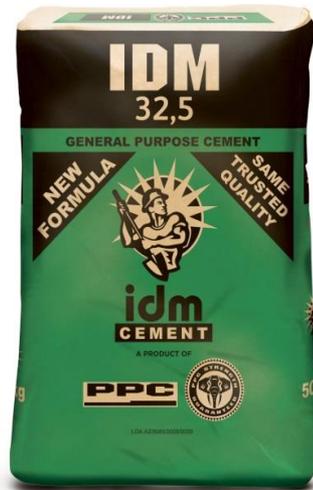
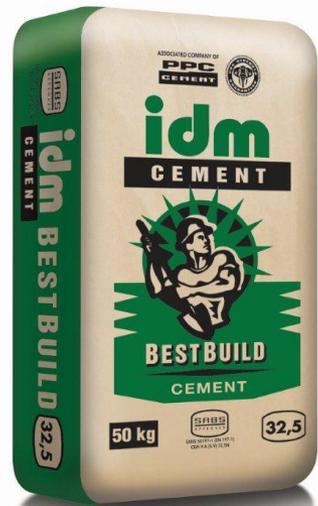


Tons by District Municipality

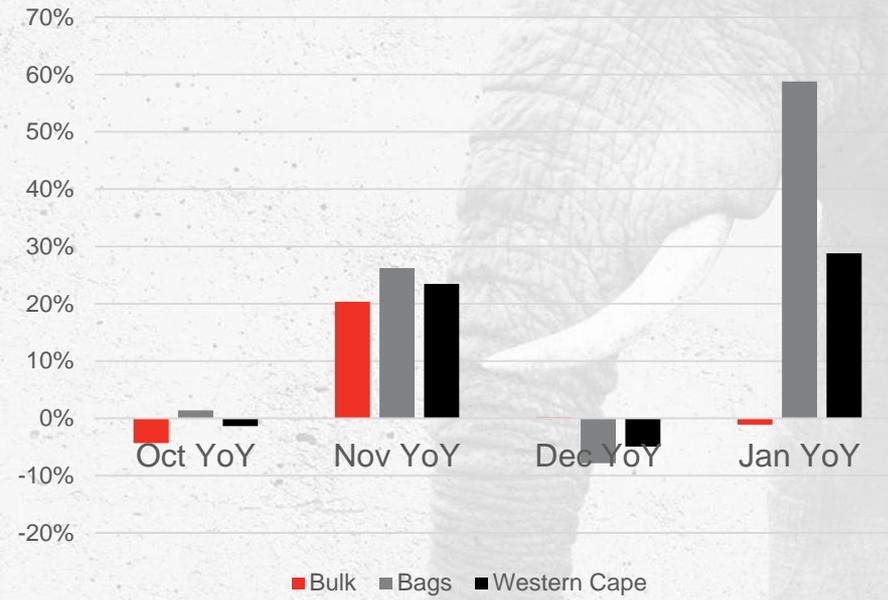


- Large exposure to the cement market in the City of Cape Town (CCT)
 - In line with general population statistics, where CCT has ~4 million inhabitants
 - The West Coast has about a tenth of the CCT population yet exhibits strong cement demand
- Improvements in cement demand have been experienced since the end of Sept 2015

Product portfolio to compliment strategy



Western Cape sales volume performance Oct – Jan 2016

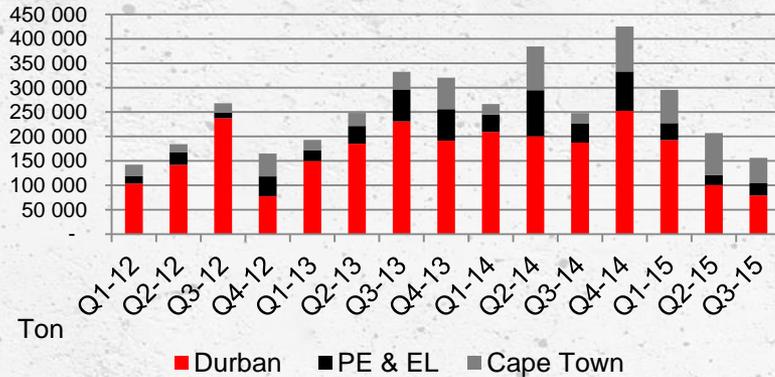


- Bulk and bag strategy
- New product strategy and deeper use of analytics starting to bear fruit
- Successfully activating PPC's inherent brand equity

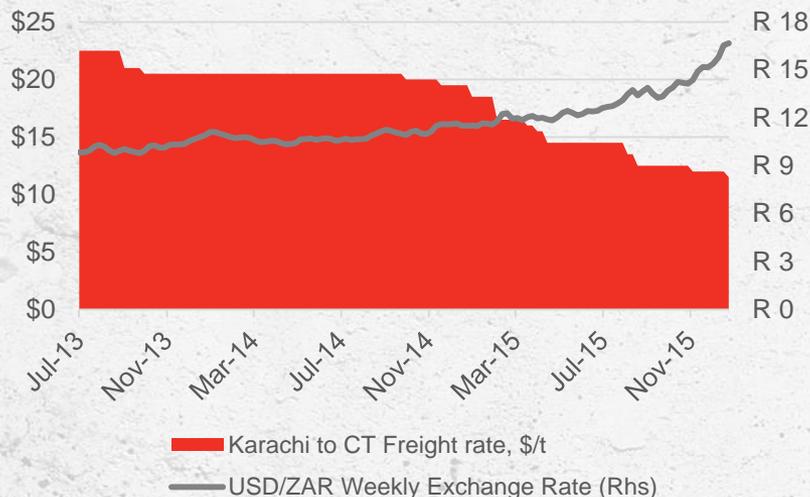
PPC's market dynamics



Imported cement volumes by port entry



Freight rates and exchange rates

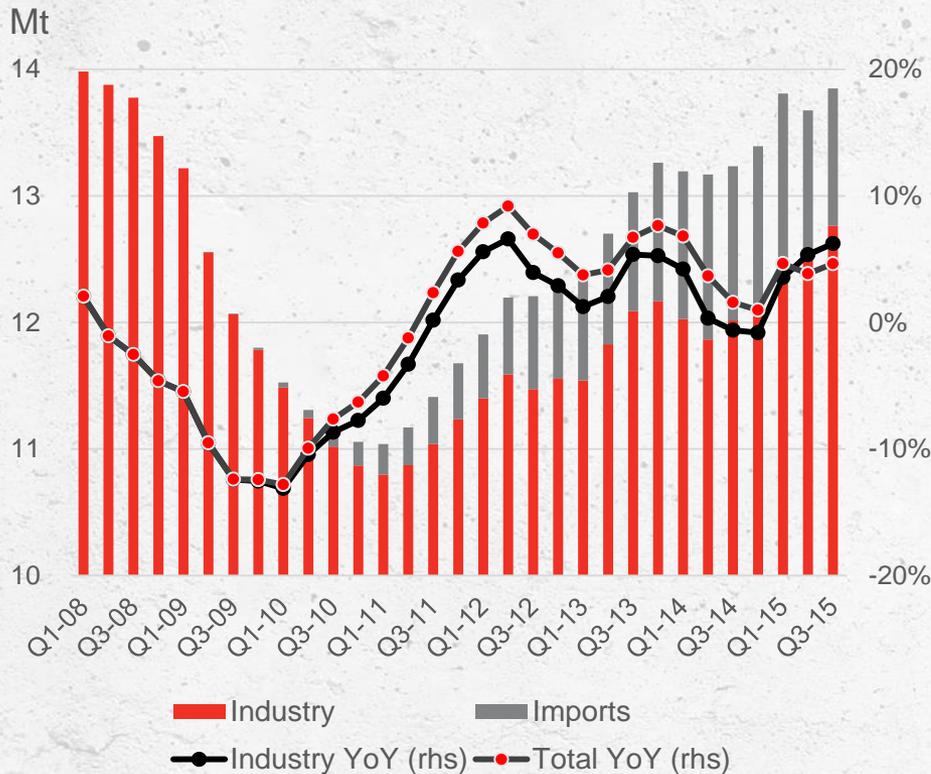


- Following the imposition of interim dumping duties in May 2015, cement imports have declined
- Significant declines particularly in the KZN region with only quarter on quarter declines experienced in the WC
- Freight rates from Karachi (Pakistan) to Cape Town have halved in the recent past however the weakening exchange rate has countered this
- Two ships with imported cement reached South Africa during the period Oct – Dec 2015
- Since the final imposition of dumping duties in December 2015, no further ships with cement imports have landed in SA

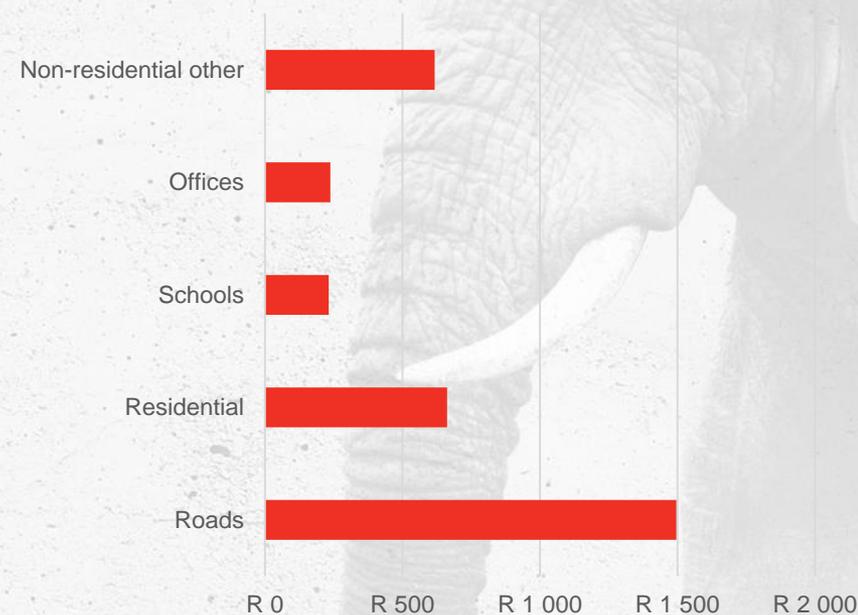
Cement market dynamics



Cementitious Demand SA - MAT



Top 20 projects awarded in the Western Cape, Rm



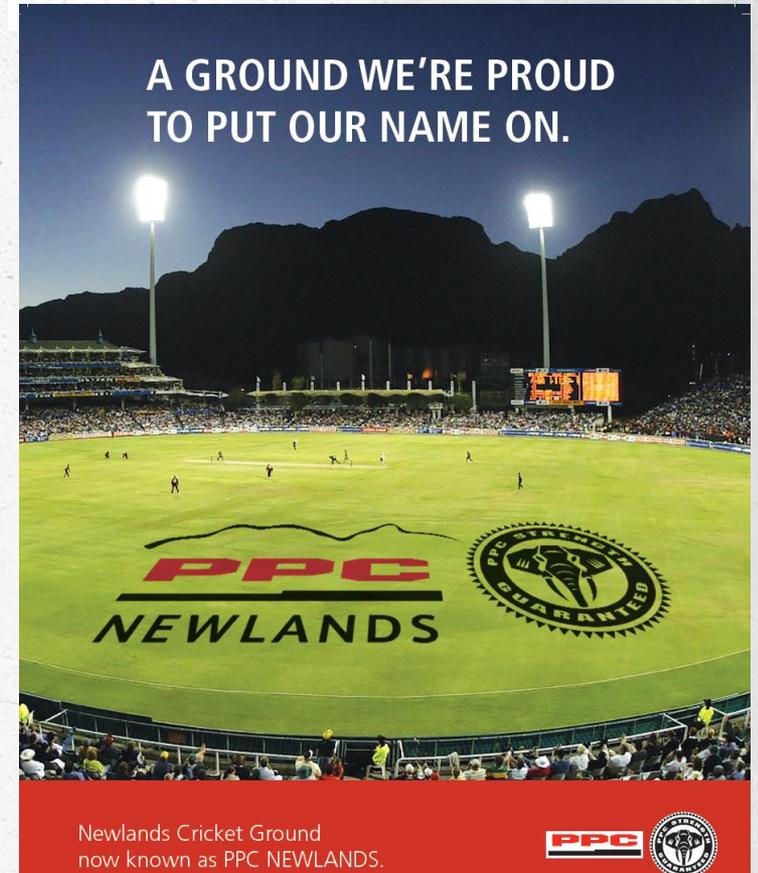
- For the first time in over five years, the cement industry (producers') performance has outpaced that of imports on a moving average basis

- Over R3 billion worth of projects have been awarded in the WC since October 2015
- Projects related to road work as well as residential building activities dominate

Introducing PPC Newlands



- Maintaining our premium cement brand status in an increasingly competitive environment requires innovative and cost effective brand promotion efforts
- Cricket is the second most followed sport in Africa, while PPC Newlands is one of the top 3 cricket stadiums in the world
- Combining two iconic brands:
Newlands stadium (125 years) + PPC (123 years)
= A perfect match
- Cricket games played at PPC Newlands are aired to over 50 million viewers p.a. across Sub - Saharan Africa and numerous other international countries via DSTV
- This gives PPC increased visibility not only in the Western Cape and South Africa, but the rest of the African continent as well
- 2015 / 2016 is a bumper season with New Zealand, Australia and England touring SA



Activating PPC Newlands



- In October 2015, PPC announced its strategic partnership with JP Duminy and his non-profit organisation, the JP21 Project
- The partnership will see PPC work with the JP21 Project over the next six months to build concrete cricket pitches and practice nets at under-resourced primary schools in Strandfontein and Mitchells Plain
- JP Duminy will host a sod-turning event on Thursday 18 February, at the first school to receive a concrete cricket pitch in partnership with PPC
- PPC together with the JP21 Project hosted 100 aspiring cricketers representing 25 schools from Strandfontein and Mitchell's Plain at the season's first cricket match at PPC Newlands in October





About our new
STRATEGY

PPC



Our new vision



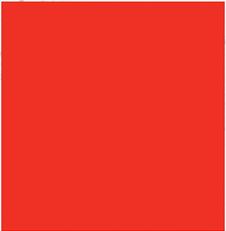
VISION

“To be a world class provider of materials and solutions into the basic services sector, taking a strategic approach to more than doubling our business every 10 years”

Our new strategic aspiration



HIGHER PURPOSE



Why we exist

OUR STRATEGIC ASPIRATION

Exceeding the expectations of all our stakeholders on a sustainable basis

Achieving this strategic aspiration requires fundamentally changing our corporate culture



Our new strategy



THE FIVE PILLARS OF OUR STRATEGY



- 1 WORLD CLASS EXCELLENCE IN ALL THAT WE DO**
- 2 PROVIDER OF MATERIALS AND SOLUTIONS**
- 3 INNOVATION CULTURE**
- 4 TAKING A STRATEGIC APPROACH**
- 5 DOUBLING OUR BUSINESS EVERY 10 YEARS**

OUR APPROACH

WORLD CLASS EXCELLENCE IN ALL THAT WE DO

- We will ensure a sustainable competitive advantage by committing to world class standards in all that we do
- We strive for technical excellence that will manifest itself in a cost leadership philosophy
- Constantly monitoring global best practices and solutions
- Constantly measuring and monitoring our business

PROVIDER OF MATERIALS AND SOLUTIONS

- In manufacturing cement we have the ingredients and IP to provide products and solutions to a wider clientele without taking the focus off our core cement making business
- Cement is an intermediate physical product. We have IP and expertise relevant to our customers that differentiate us and enable us to offer solutions
- Adjacent and transformational businesses related to our inputs, processes and products are important growth vectors to insure against changes in our industry

INNOVATION CULTURE

- We recognise that innovation is more than just ideas
- In order to harness the benefits of innovative ideas we will create an innovation process
- We will create an innovation culture as the core driver of the business

TAKING A STRATEGIC APPROACH

- We will understand the drivers, risks and trends in each of our regions and businesses, especially in the longer term and act accordingly
- Defensive strategies are as important as offensive strategies

MORE THAN DOUBLING OUR BUSINESS EVERY 10 YEARS

- Recognising that Africa presents a unique growth opportunity in our time we will ensure that we at least maintain our Africa market share
- We will have a deep understanding of the locations, owners and influencers of all relevant inputs, businesses and markets, and will leverage our position in order to maintain and extend our influence
- Ultimately we will utilise our strength to become a major global cement player growing out of Africa

Our new strategy



**OUR
AMBITION**

BECOMING A MAJOR PLAYER

In Africa then Globally



ENTER



DEFEND



GROW



CONTROL



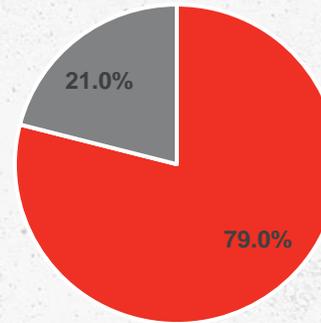
MONITOR

Cement industry business models

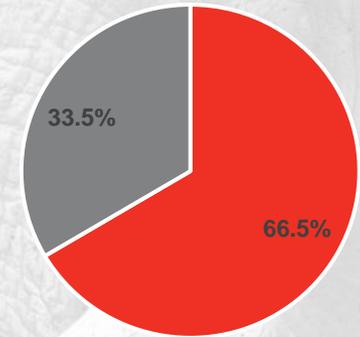


- PPC has a very high exposure to cement revenue relative to other global cement players
- The contribution of cement revenue to other global players ranges from as low as ~35% to 67%
- Other cement revenue typically includes aggregates, ready-mix, asphalt etc

PPC, 2015



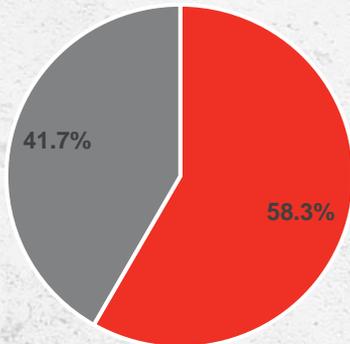
Lafarge, 2014



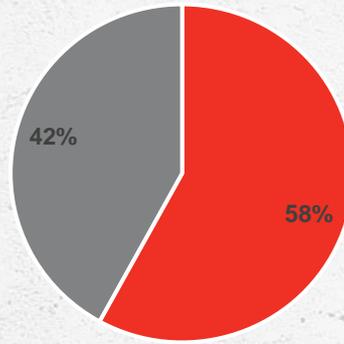
■ Cement revenue ■ Other revenue ■ Cement revenue ■ Other revenue

Source: PPC research and estimates

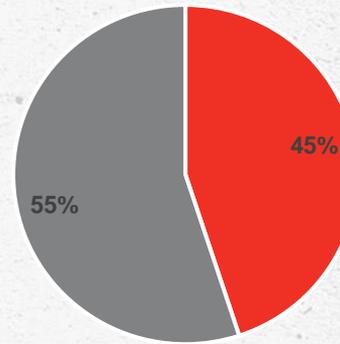
Holcim, 2014



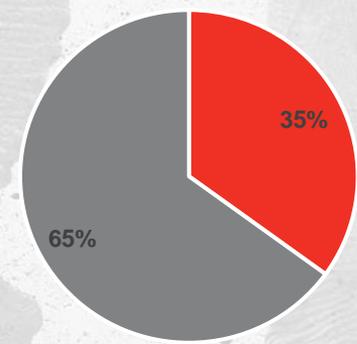
Cementir, 2014



Heidelberg, 2014

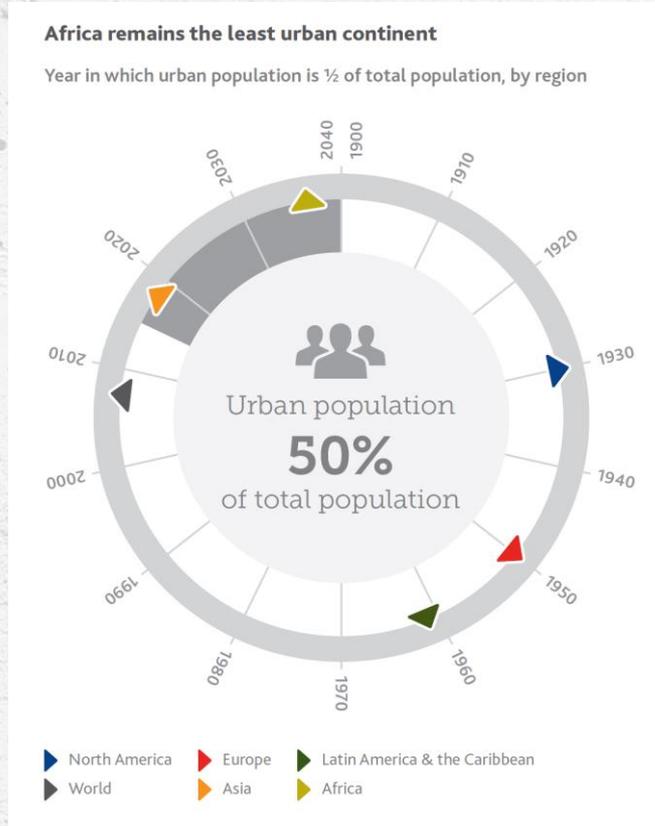


CRH, 2014

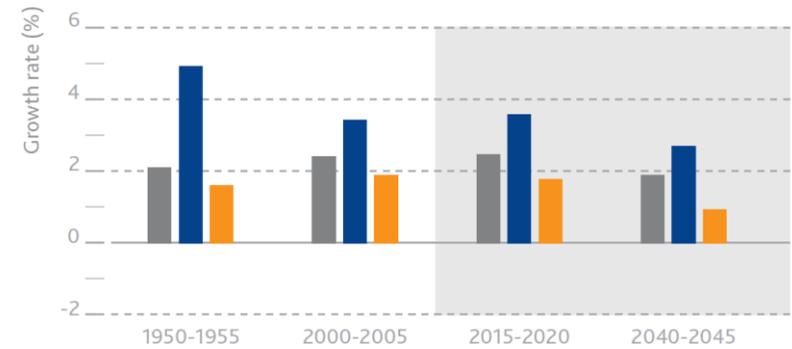


■ Cement revenue ■ Other revenue 21

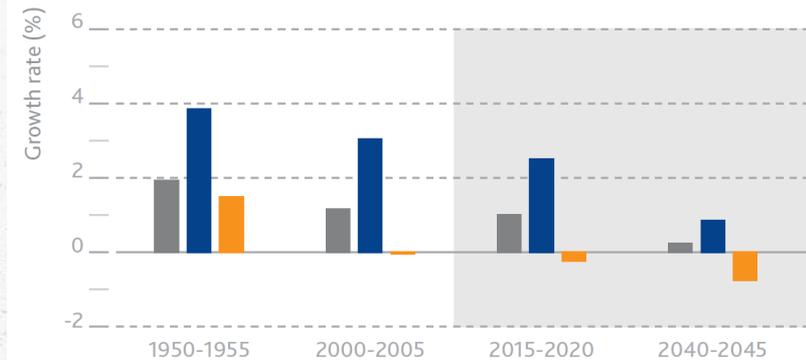
Focus on Africa



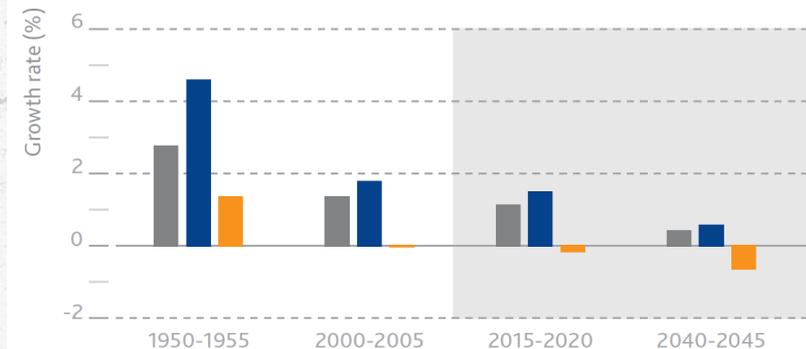
Africa: population growth rates (%)



Asia: population growth rates (%)



Latin America & the Caribbean: population growth rates (%)



■ Total growth ■ Urban growth ■ Rural growth

- In the next 35 years, Africa will have to accommodate another ~900 million new urban dwellers
- This is equivalent to what USA, Europe and Japan combined have done in the last 265 years
- In 2050, Africa is expected to host nearly a quarter of the global urban population

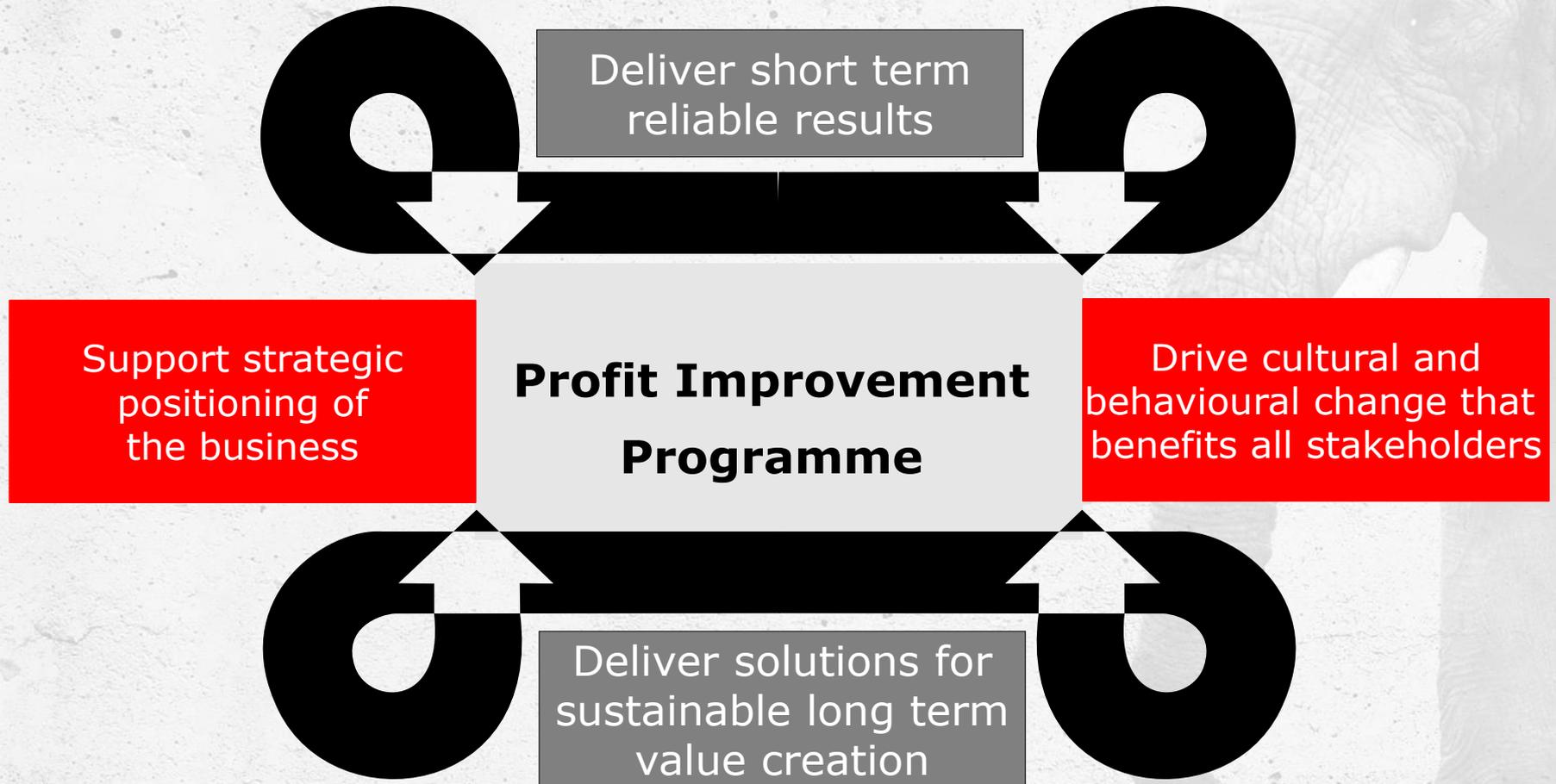


About the
**PROFIT IMPROVEMENT
PROGRAMME**

PPC



PIP value proposition



What we have already achieved



Profit improvement programme

1) Revenue optimisation

Up to R130 million in 3 years

F2015 Achieved R11 million

Achieved through improved channel management initiatives

2) Cost efficiencies

Up to R150 million in 3 years

F2015 Achieved R150 million

Achieved through manufacturing and logistics efficiencies

3) Strategic cost reduction

Up to R120 million in 3 years

F2015 Achieved R51 million

Benefits achieved from head office savings and head count management

PIP

Up to R400m improvement in 3 years

F2015 Achieved R212 million

Over half of the three year target has been achieved

PIP journey map



PIP

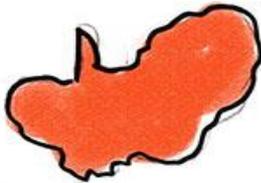
2015 → PHASE 1

Focus on head office:



&

SA. cement operations



212 MILLION



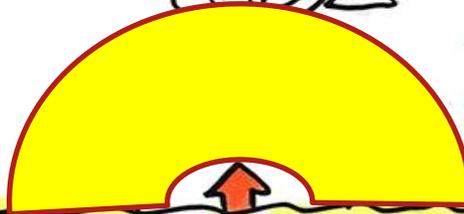
2016 → PHASE 2

• Expand to all business operations

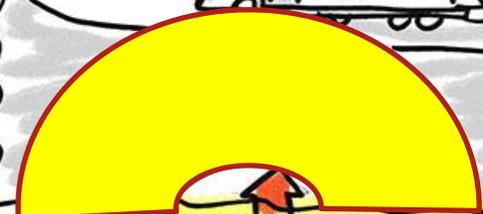


• PIP awards

THANKS MOM!



2017 → PHASE 3



THESE NUMBERS WILL BE ACHIEVED BY:

* REVENUE ENHANCEMENT

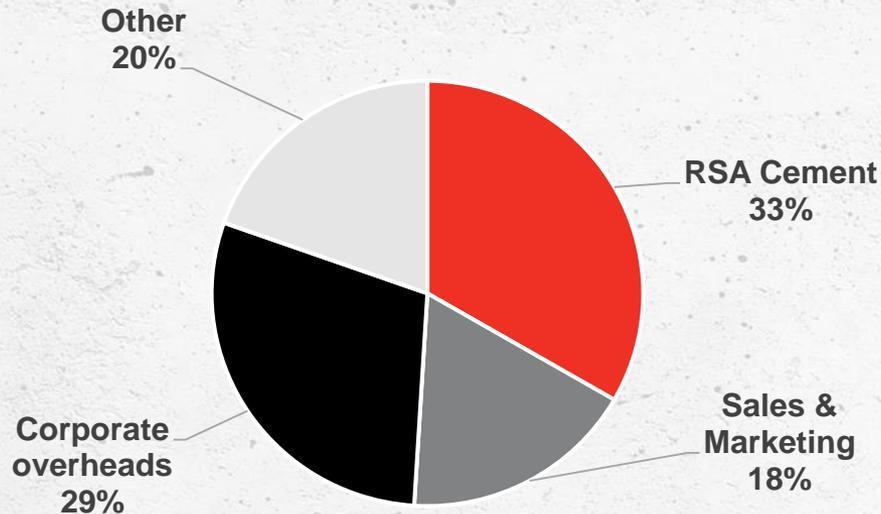
* COST REDUCTIONS

* EFFICIENCIES

Case study - overheads



PIP contribution to overheads saving 2015



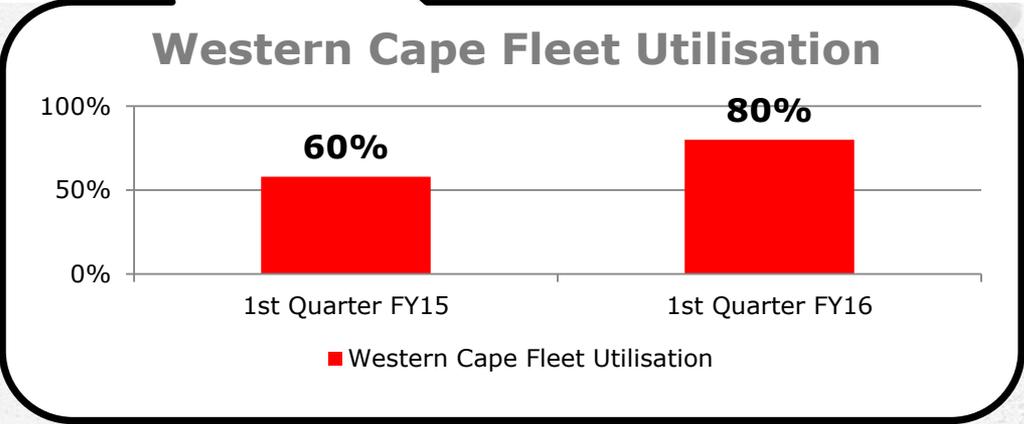
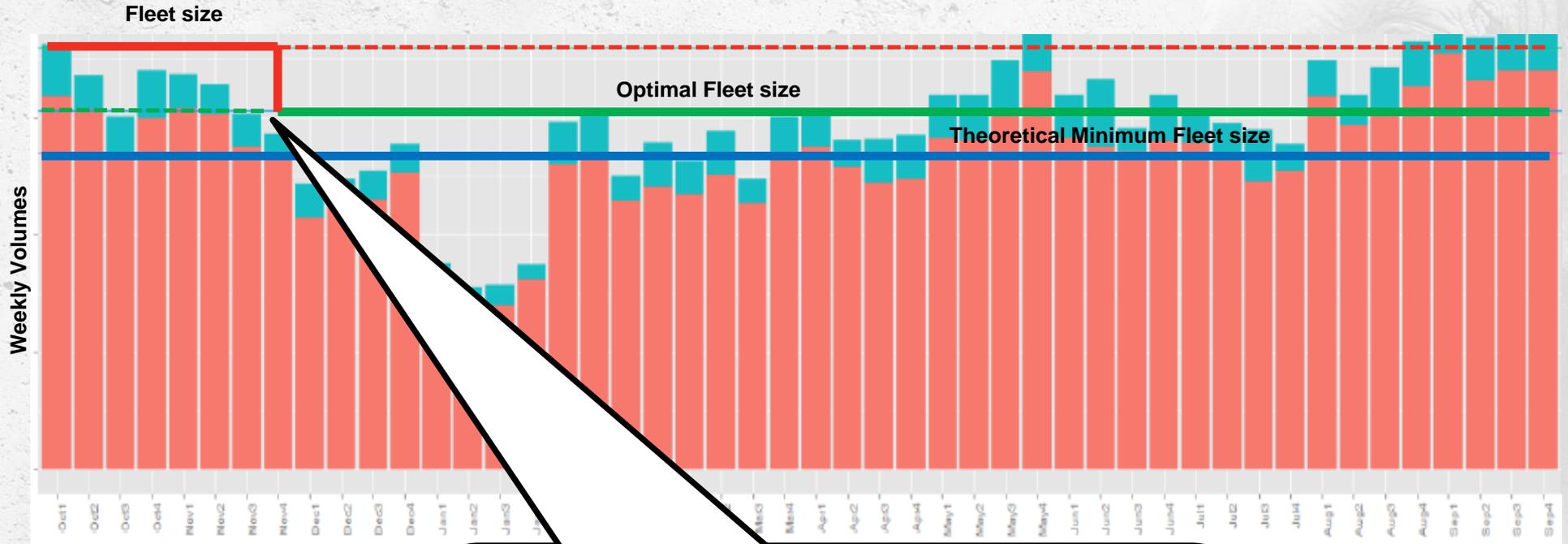
■ RSA Cement ■ Sales & Marketing ■ Corporate overheads ■ Other

- RSA cement and corporate overheads were the major contributors to the R51m saving achieved in FY 2015
- RSA cement and Sales & Marketing
 - Natural attrition and reduction in consultants
 - Optimising marketing budgets
- Corporate overheads
 - Reduction in consultants and temporary positions
 - Improved budgeting and monitoring
 - Optimised internal processes (e.g. SAP travel mgmt. system)
 - Reduction in general discretionary spend (e.g. entertainment)
 - Legal spend streamlined accordingly

Case study - logistics



Western Cape Logistics YOY Spend Improvement





About
INNOVATION

PPC



#IGNITE...the spark of innovation



Objectives

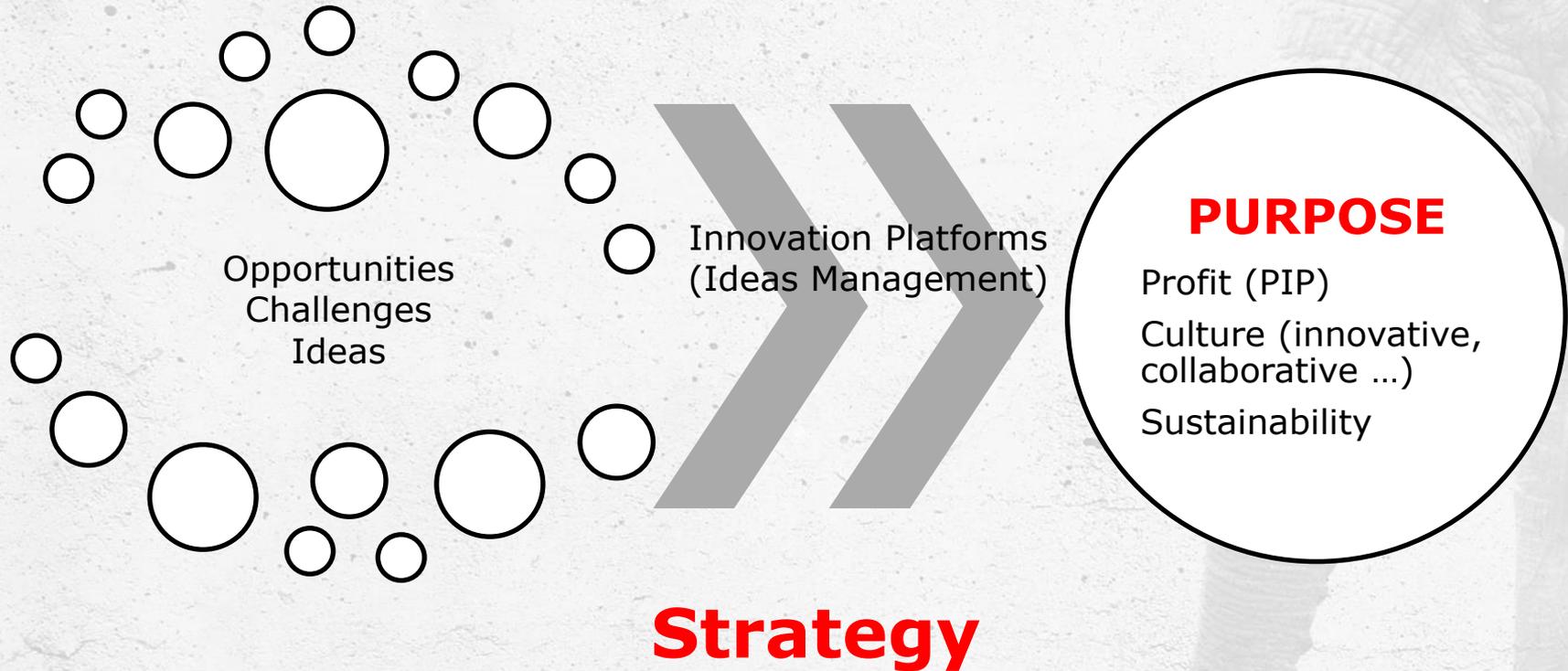
Support an innovation culture by

- Implementing a system that supports idea management (Innov8)
- Democratising the process (remove barriers to idea implementation)
- Drive growth with real return on investment (ROI)
- Focused challenges to stimulate creative problem solving
- Improve collaboration and inclusiveness
- Find disruptive/breakthrough innovation ideas

KPIs

Measurement instrument	Metric
Financial	ROI
Growth	50% of new business from innovation
Innovation culture	Innovation success factor (value add through innovation)
Innovation capability	Leadership participation index – metrics from Inno8 Collaboration index – metrics from Innov8 Implementation success rate (% of implemented ideas)

Innovation as an improvement journey



Innovation



Improving our Current Business
(Today)

Selectively Abandon the Past
(Near future)

Creating our Future Business
(Far future)

PROFIT

GROWTH



Doing things Better

Starting to see the same thing in a different way

Doing things Differently

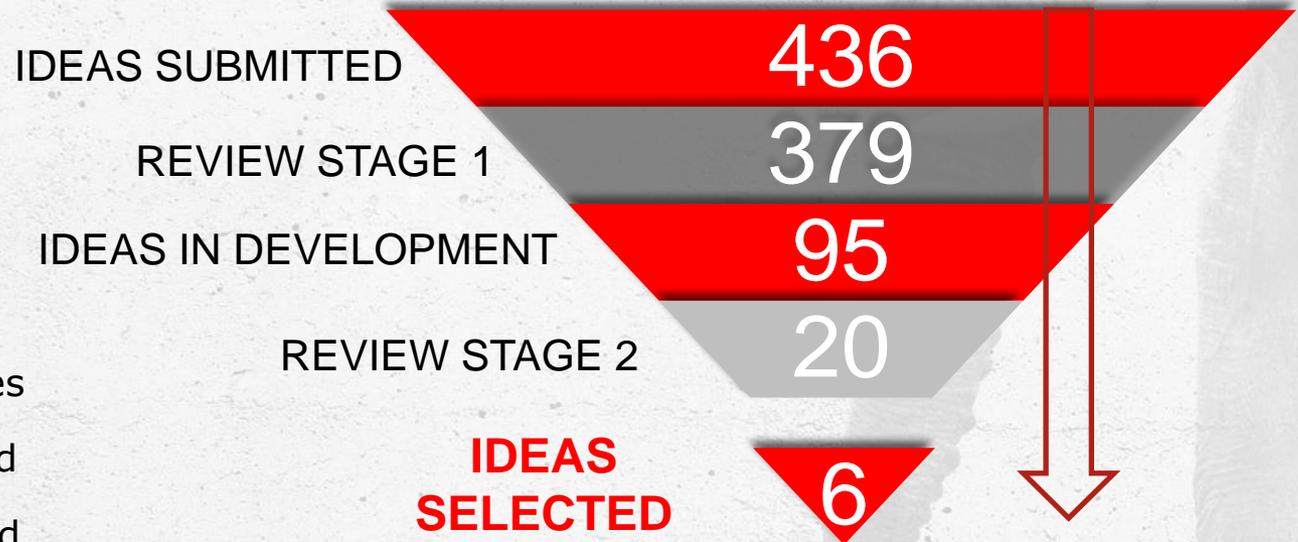
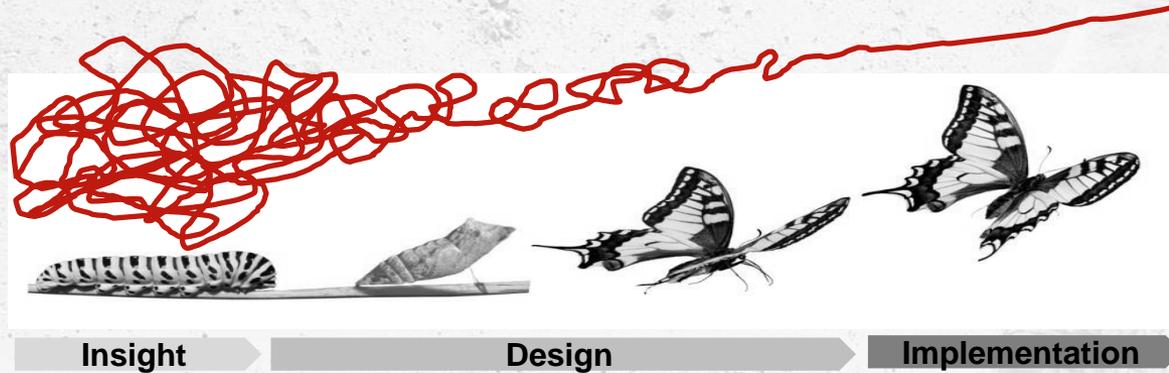
- **Enhance Business Operations**
- **Performance Management**
- **Leverage current competencies**
- **Today's customers, technologies and competitors**



- **Grow brand and markets**
- **New systems and processes**
- **Develop new competencies**
- **Harness existing technology in novel ways**
- **Tomorrow's customers, technologies and competitors**

From incremental improvement to disruptive innovation

Innov8 idea management



- 9 focused challenges
- 438 ideas submitted
- 35% users activated
- Improved collaboration
- 6 ideas selected for implementation

Innovation case studies



Logistics Optimisation

- Regulatory requirements and product portfolio resulted in >60 different paper bag types
- A simple redesign idea was approved by the regulator with the potential to reduce the bag numbers by >50%
- Second stage development could reduce this further
- Benefits:
 - Financial
 - Reduction in management time
 - Reduction in inventory value
 - Redundancy improvement



- The trailers historically used for outbound delivery of bagged cement, were redesigned to allow the backhaul transport of bulk raw materials to Slurry
- This innovative idea enabled further logistics optimization for our Slurry factory and led to the development of an emerging transport company
- The raw material transport saving for Slurry has added up to a significant cost reduction of between **30 and 50%** for **magnetite, gypsum and boiler ash**
- The sustainable saving is **>R8 million p.a.** and we did not have to invest any capital





About the factory

DE HOEK

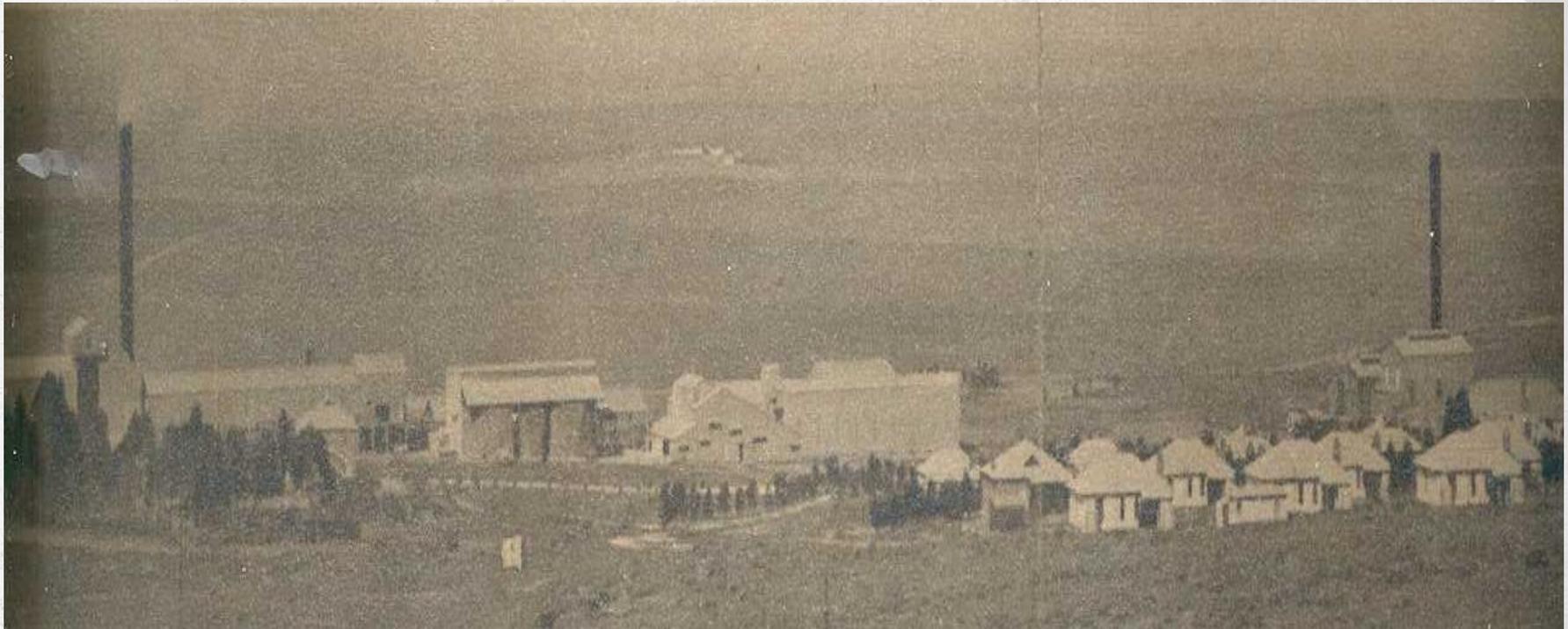
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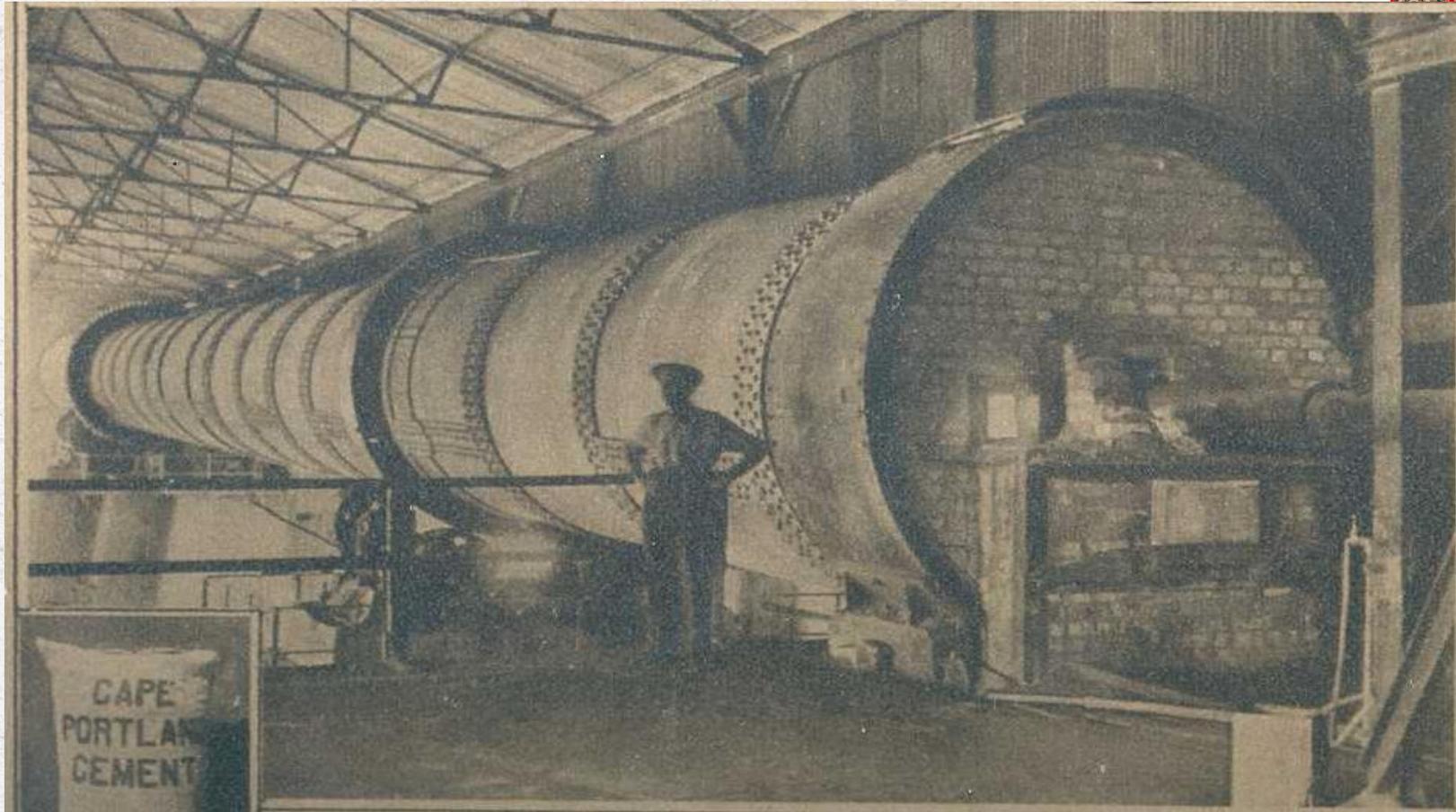
History



- During 1919 Hermon Piquetberg Lime Company discovered limestone at De Hoek
- In 1923 Cape Portland Cement took over and began production with one kiln
- The company continued to trade under this name until 1983 when the name changed to Pretoria Portland Cement



The rotary kiln



160 Feet long (49 m)

Diameter of 9 feet (2.7m)

Material transport



Limestone transported with trolleys to the factory

PPC De Hoek management

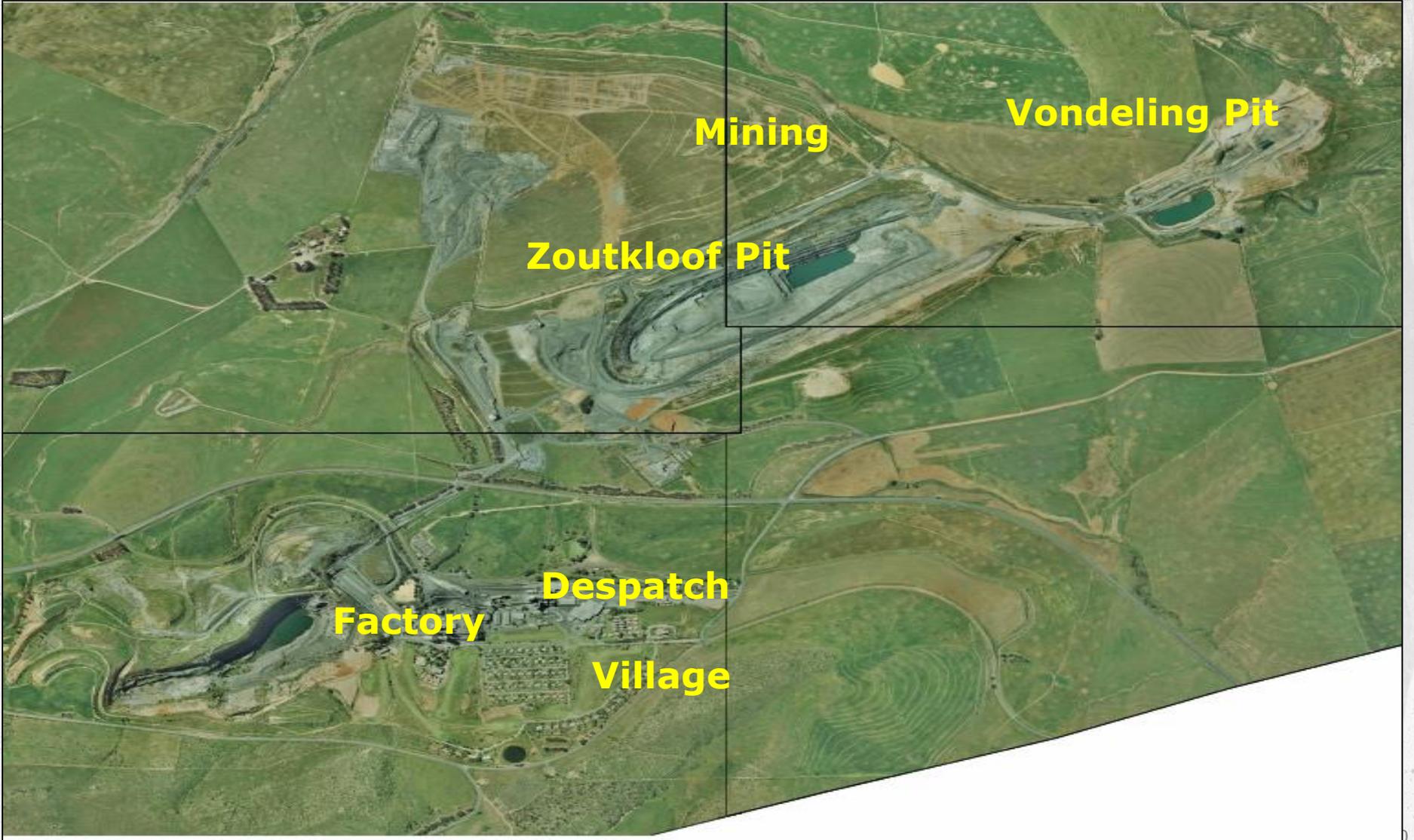


GENERAL MANAGER
ENGINEERING MANAGER
PRODUCTION MANAGER
MINING MANAGER
DESPATCH MANAGER
QUALITY ASSURANCE MANAGER
ADMINISTRATION MANAGER
HUMAN RESOURCES MANAGER
ENVIRONMENTAL & SUSTAINABILITY MANAGER
RISK MANAGER

Johan Vorster
Steven Strauss
Michael Daniels
Vincent Diergaardt
Rodney Campher
Adéle Stone
Johan Steyn
Jan Vorster
Jaco Joubert
Annetjie Minnaar

We currently employ 220 people

PPC De Hoek activities



Mining – materials mined



MATERIAL

ANNUAL TONNAGES

Limestone	1 000 000 – 2 000 000
Over burden	2 500 000 – 4 500 000
Shale	24 000 – 48 000

* Annual tonnages are related to demand

Mining – old De Hoek quarry



- No longer in operation since 1980



Mining – Zoutkloof pit



- Commenced during 1979/80
- Planned mining until 2016
- Current depth is 180m
- Final depth will be 188m

Mining – Vondeling pit



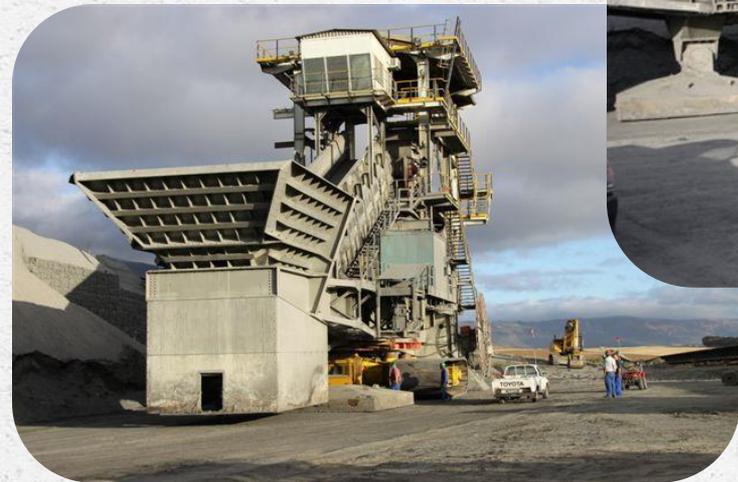
- Commenced during 2007
- Planned mining until 2042
- Current depth is 60m
- Final depth will be 200m



Mining – primary crusher



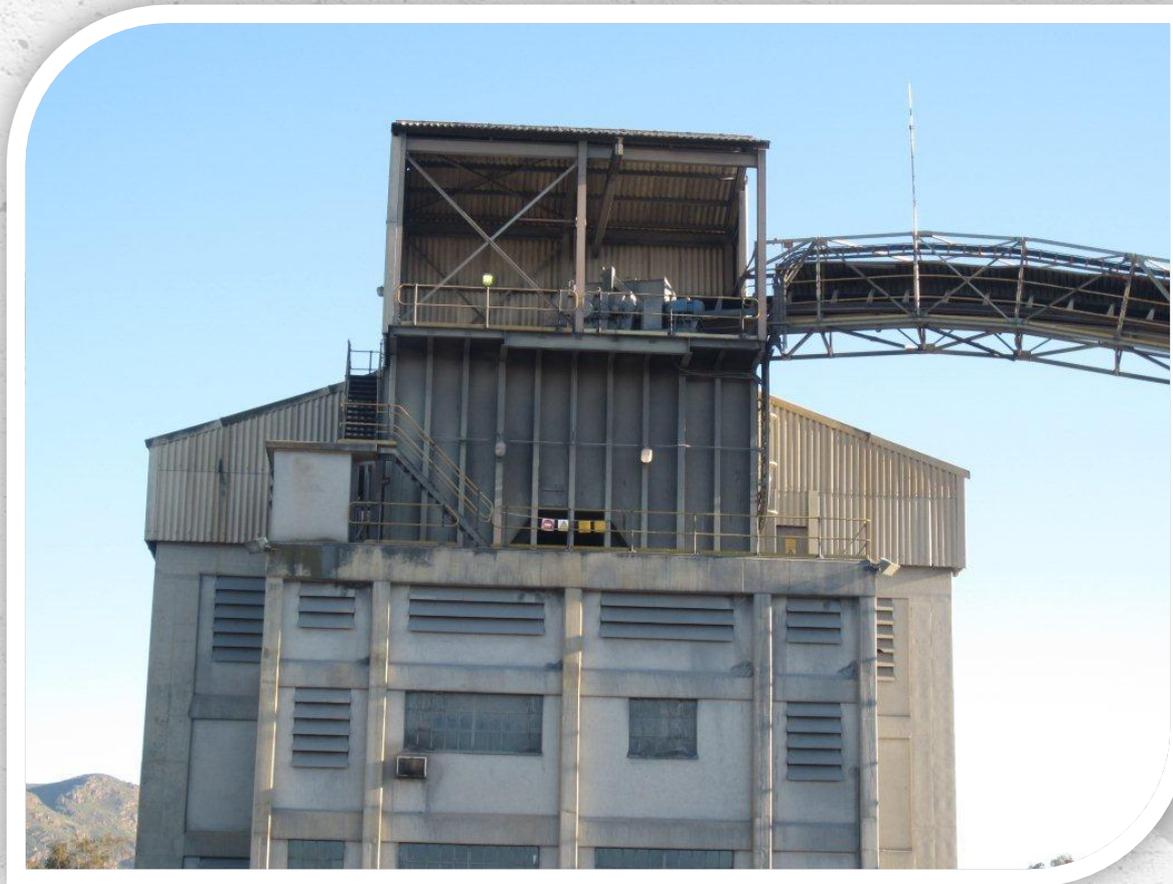
- Semi-mobile Primary Crusher (Cone)
- Move once in 3-4 years for maintenance
- Takes 1 day to travel to the service area



Mining – screening and stockpiling



- 2 x Secondary crushers (Impact)
- Transportation via a 4 km belt conveyor underneath the N7 to the plant



Mining - rehabilitation



- Backfilling Zoutkloof pit
- End use for mining area is agricultural activities



Mining equipment



Equipment	Type	Quantity
Haul truck	Cat 773 (50t)	7
Loader	Cat 990	2
Excavator	Cat 385	1
Dozer	Cat D9T & D9N	2
Grader	Cat 14G	1
Drill	Atlas Copco	1
Water Truck	Astra (32 000 liter)	1



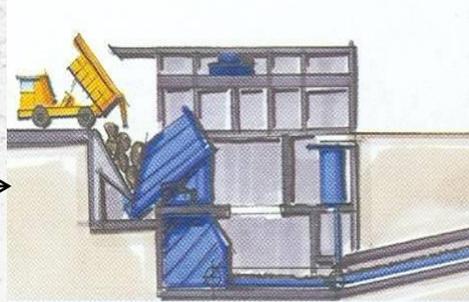
Production process



Limestone mining



Crushing plant



Kiln feed preparation and blending



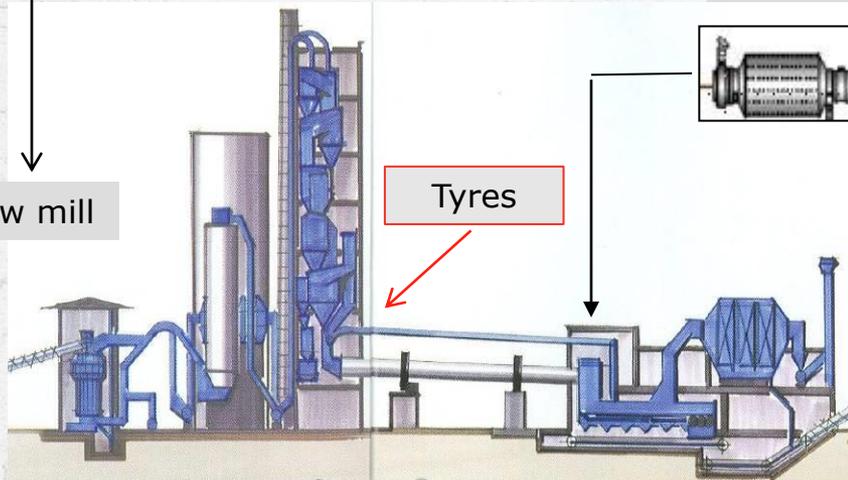
coal stockpile



coal mill



raw mill



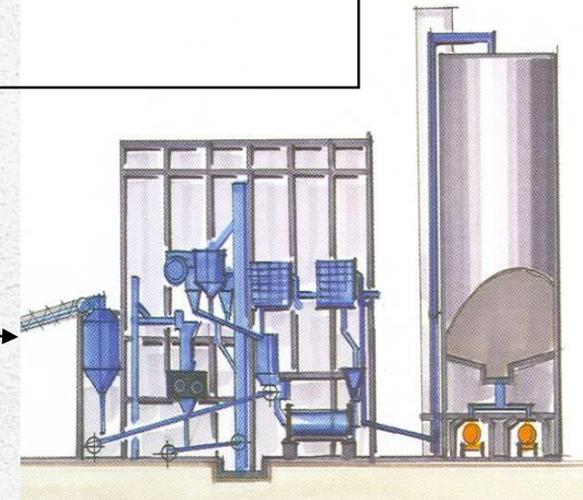
Tyres

pre-heater, kiln line & cooler



clinker storage

finish milling & dispatch



Production – reclaiming of materials



Raw materials

Mined on site

- 90% Limestone
- 3,5% Shale

External Supply

- 4% Sand
- 6-10t/hr Coal
- 2.5% FDG (Fe)

Product extender

- 9 - 37% Slag
- 3% Gypsum



Production – raw milling



Raw mill 5

Ball mill

Capacity of 95 t/h

Raw mill 6

Ball mill

Capacity of 117 t/h



KILNS

DK6 (OLD)

- 1450 t/d
- 4 stage preheater

DK5

- 1150 t/d
- 4 stage preheater

Clinker storage capacity is 55000 tons

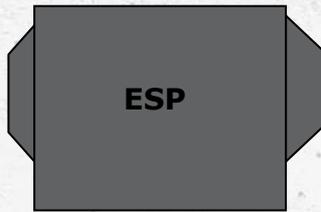
DK6 upgrade: 2011 - 2012



Coal plant upgrade:

Indirect firing system

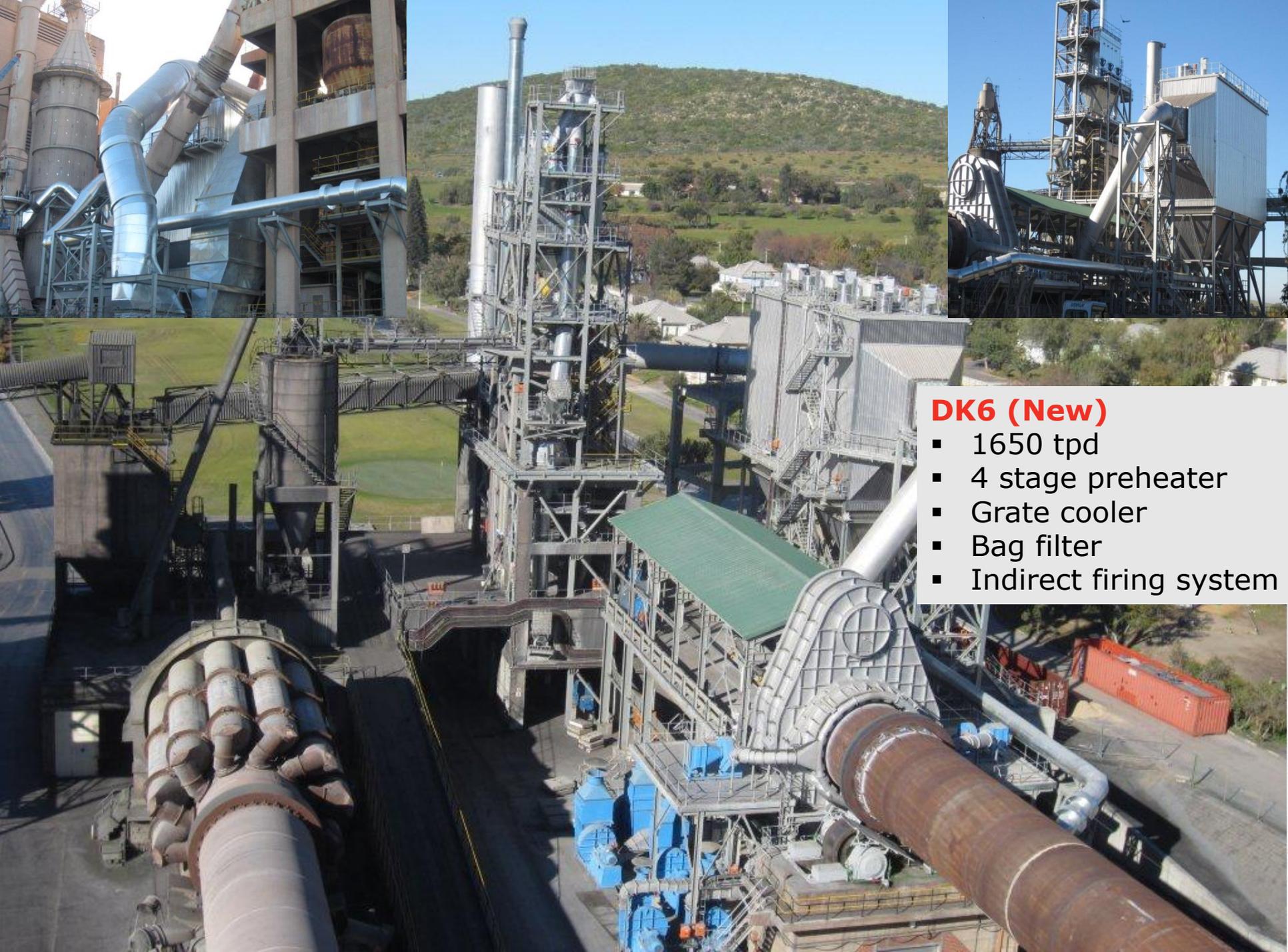
Coal mill
Bag filter



R280 Million Upgrade Project!!







DK6 (New)

- 1650 tpd
- 4 stage preheater
- Grate cooler
- Bag filter
- Indirect firing system

Environmental compliance upgrade



2014

- Kiln 6 Filter replacement R55m

2015

- Tyre feed R10m

2016

- Maag Gearbox replacement: R19m
- System Filter replacement: R 9m
- Separator Filter replacement: R 4m
- Replacement of dust collectors at transfer points R 3m

De Hoek tyre feed project



- Manual feed system operational mid August 2015
 - Initial 1 tyre per minute feed = 5% coal replacement
 - Personnel required: 26 tyre feeders, 4 Bell truck operators to feed 24/7



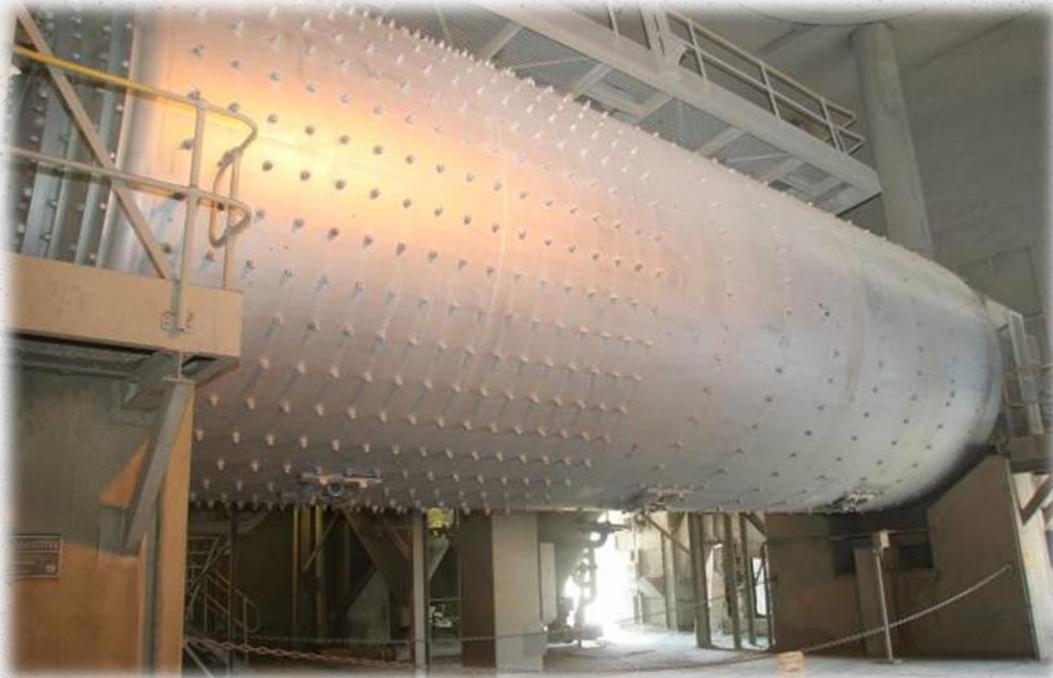
Bell truck operators offloading tyres for feeding

Production – finishing mills



FM 5 & FM 6

- Horizontal ball mills
- Output from 45 to 85 t/h depending on product
- Over 1.1 million tons of cement can be produced per annum



Packaging and logistics



Packaging and logistics



- Two packing machines 2 900 bags p/h each
- Bulk loading facilities by road and rail
- Cement storage capacity = 20 000 tons
- We can pack in excess of 1.4 million bags of cement per month
- De Hoek can sell approximately 26 000 tons of cement per week



Product Despatch

- Surebuild bags – road and rail
- Surebuild bulk – road and rail
- OPC bulk and bag – road only
- Sureroad bags
- 32.5MPa house brand bags

Quality assurance



DE HOEK CEMENT PRODUCTS

Brand Name	Strength Class	SABS Permit	NRCS
Surebuild	CEM III/A 42,5N	Yes	LOA
OPC	CEM II/A-L 52.5N	Yes	LOA
Sureroad House brand	CEM II/B-M(L-S) 32.5N	Yes	LOA Not PPC

The final products have to conform to the EN 197-1 specification

NRCS National Regulator for Compulsory Specifications

LOA Letter of Authority



Facilities



Village

- 75 houses
- First house built in 1921

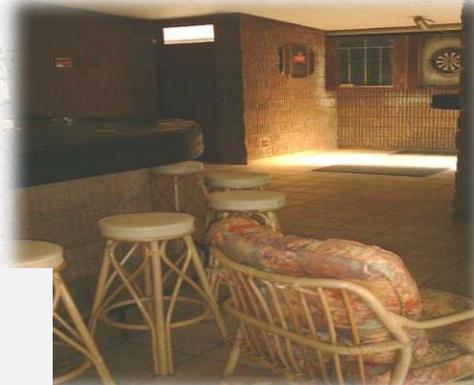


Golf club

Established in 1922



Recreational club



SHEQ management



Integrated SHEQ management system

- Quality Management System
- Environmental Management System
- Health & Safety Management System
- Bag mass e-mark
- Energy Management System
- HIV/AIDS Management system

We are certified in the following standards

- ISO 9001
- ISO 14001
- OHSAS 18001
- SANS 1841



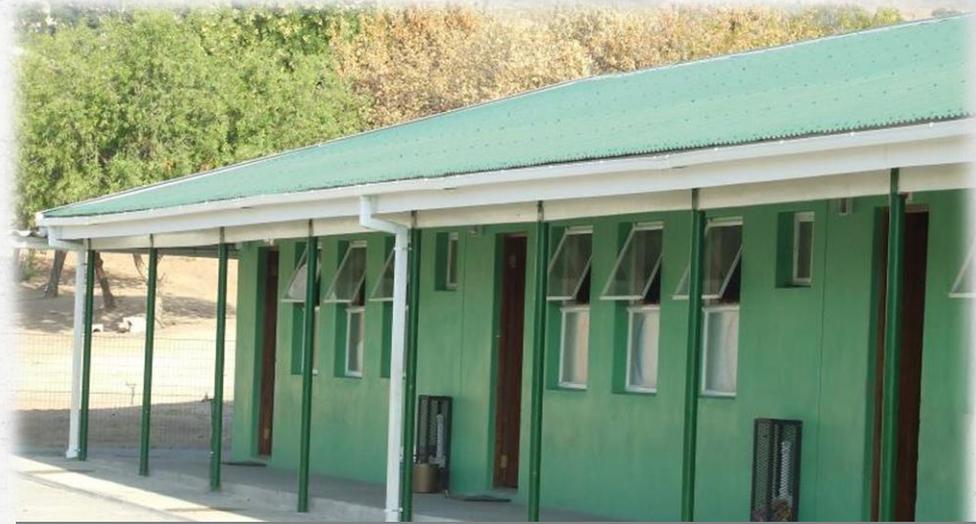
PPC De Hoek CSI & SLP activities



Witwaters Water project - phase 1 & 2



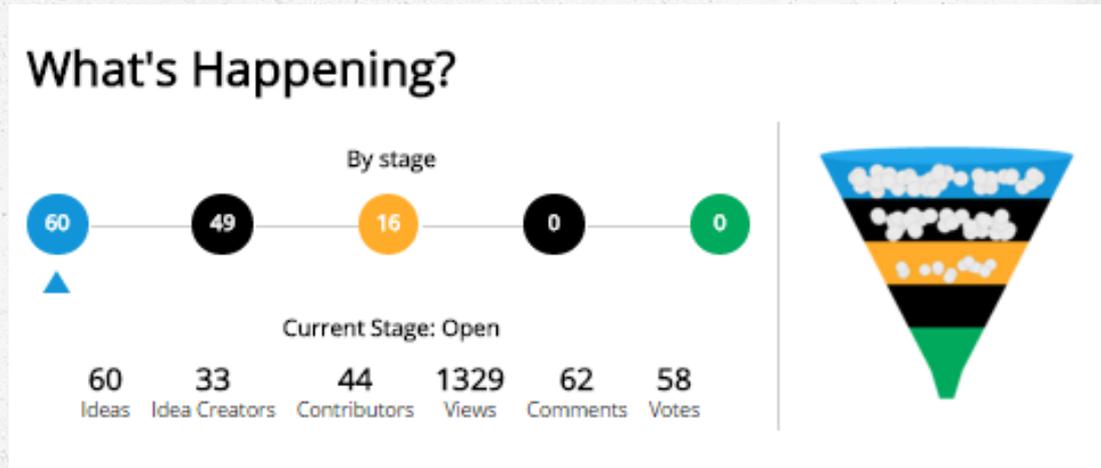
Charl Schreve – Ablution facilities



Steynville Primary Grade R Classrooms (5)



De Hoek Innovation Challenge



Case study:

- FM5 and FM6 optimisation and productivity improvement 1st phase complete
- Installation of conveying systems from the FM5 mill to the FM6 separator
- De-risks plant operations, improves capacity and allows for better power planning to reduce electricity costs

Questions?



Disclaimer



This document including, without limitation, those statements concerning the demand outlook, PPC's expansion projects and its capital resources and expenditure, contain certain forward-looking statements and views. By their nature, forward-looking statements involve risk and uncertainty and although PPC believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to be correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, success of business and operating initiatives, changes in the regulatory environment, other government action and business and operational risk management.

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Investor contacts



Azola Lowan
Vuyo Nombila
Tel. +27 11 386 9000
www.ppc.co.za

Investor Relations
Investor Relations

