SEPHAKU
HOLDINGS LTD

2018

YEAR-END FINANCIAL RESULTS FOR THE PERIOD ENDED 31 MARCH 2018

28 JUNE 2018




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This presentation includes certain forward-looking information. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements, including, without limitation, those concerning: Sephaku Holdings' strategy; the economic outlook for the industry; production; cash costs and other operating results; growth prospects and outlook for Sephaku Holdings' operations, individually or in the aggregate; liquidity and capital resources and expenditure; and the outcome and consequences of any pending litigation proceedings. These forward-looking statements are not based on historical facts, but rather reflect Sephaku Holdings' current expectations concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "target", "aim", "expect", "anticipate", "intend", "foresee", "forecast", "likely", "should", "planned", "may", "estimated", "potential" or similar words and phrases. Similarly, statements concerning Sephaku Holdings' objectives, plans or goals are or may be forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may affect Sephaku Holdings' actual results, performance or achievements expressed or implied by these forward-looking statements. Although Sephaku Holdings believes that the expectations reflected in these forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct.

Agenda

1 PERFORMANCE OVERVIEW

2 FINANCIAL PERFORMANCE

3 OUTLOOK

4 APPENDICES

1 PERFORMANCE OVERVIEW

Main accomplishments

1. **Strengthened the balance sheets through repayment of debt**
   - Métier repaid R90 million towards loan facilities in the past two years while:
     - Constructing the 12th plant and commissioning a mobile plant in Gauteng
     - Distributing a R50 million dividend to SepHold
   - CEMENT repaid R600 million (25%) of the R2,4 billion project loan by end of December 2017
     - The R1,8 billion balance reshaped by the lenders in September 2017
2. **Improvement of recurring EBITDA at CEMENT**
   - Price increases and cost savings through the optimisation programme supported margins
3. **Sales volumes maintained in a highly contested trading environment**
   - CEMENT sales volumes were flat year-on-year
   - First half sales impacted by the unusually high rainfall and muted demand

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Main accomplishments continued

4. **Achieved targeted overall plant effectiveness at Aganang**
   - Overall equipment effectiveness is a reliable standard for measuring manufacturing productivity
   - Attaining targeted equipment effectiveness in cement manufacturing is essential in the initial years of production
5. **Seamless unionisation of labour at Aganang and Delmas operations**
   - Statutory organisational rights concluded with AMCU at both operations
   - Constructive engagement framework established - continual interaction with the union is guided by a relationship charter
6. **Management of community expectations in areas CEMENT operates**
   - Establishment of a memorandum of agreement to provide engagement framework between the communities provincial government representatives and CEMENT

Improving cement pricing prevails

- Improved cement trading environment with price increases sticking during CY2017
  - Pricing traction continuing in the 2018 CY
- High pricing competition in the ready-mix sector resulting in a marginal increase in pricing
  - Suppliers of aggregates utilising mixed concrete as a conduit for their product offering
  - Influx of independents into relatively higher activity areas such as Gauteng
- Imports increased by 30% to 503kt with c425kt originating from China

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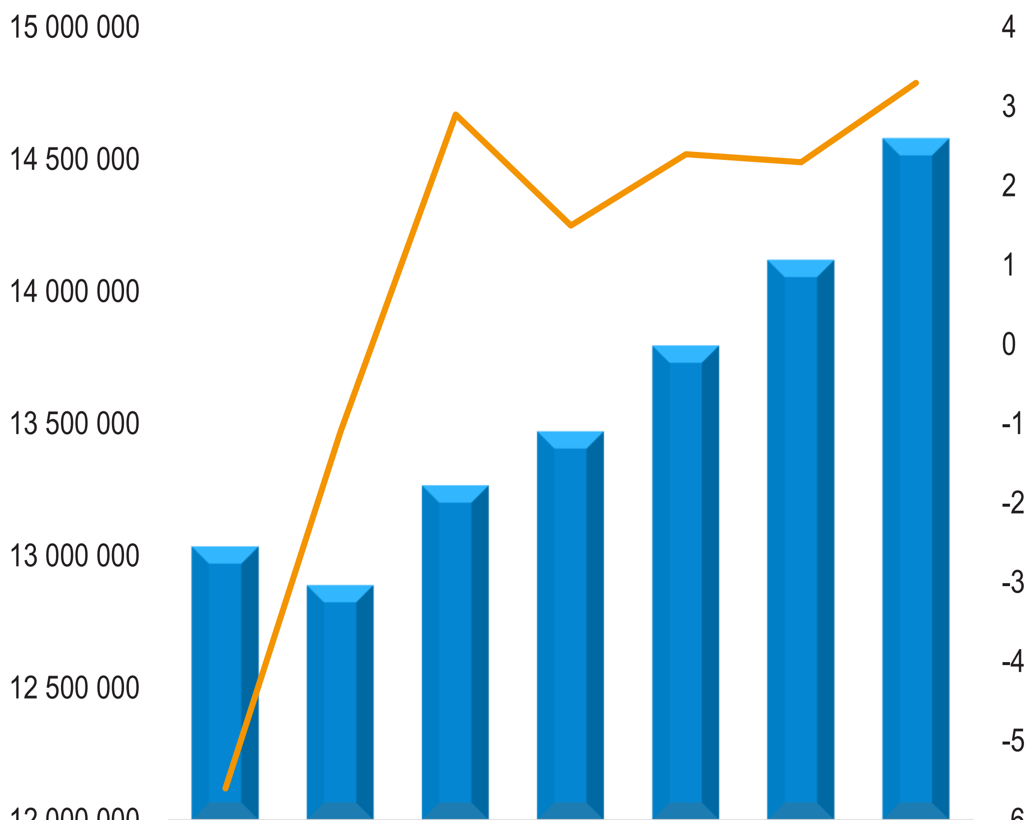
South African cement demand overview



	2016E	2017E	2018F	2019F	2020F	2021F	2022F
Total demand volumes	13 035 362	12 888 362	13 266 801	13 471 571	13 795 947	14 119 662	14 580 174
Total demand growth rate	-5,6	-1,1	2,9	1,5	2,4	2,3	3,3

Source: Econometrix (Pty) Ltd. Cement Model May 2018. Reference model uses non-metallic mineral production index from StatsSA as a proxy for the cement demand.

Total cement demand estimated at 12,89 million tonnes in CY2017

- 1.1% year-on-year demand contraction
- 2018 Q1 industry sales volumes estimated at 2,73 million tonnes
  - 5.2% quarterly increase year-on-year
- Demand expected to improve due to:
  - Improved prospects for economic growth under the new government
  - Infrastructural projects such as the expansion of the Durban port funded through the New Development Bank
- Introduction of environmental legislation likely to result in the reduction of industry plant capacity when implemented
- Effective national production capacity estimated at c17 million tonnes per annum

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Métier mixed concrete

- **Volumes decreased by 3% year on year due to increased competition and a decrease in demand**
  - The 12th plant located in Gauteng that commenced production in March 2017 contributed 7% to sales volumes
  - Commissioned a mobile plant in March 2018 to supplement existing plant capacity in specific nodes with growing demand
    - Due to the nature of concrete, proximity to demand nodes is essential to access supply contracts
  - Emphasis was placed on technical and after-sales support during the year to distinguish the Métier offering from competitors
- **Cost increase due to the 12th plant and general cost inflation resulted in the decline of profitability margins**
- **Restructuring at the operations to enhance Métier's ability to respond effectively to future opportunities**

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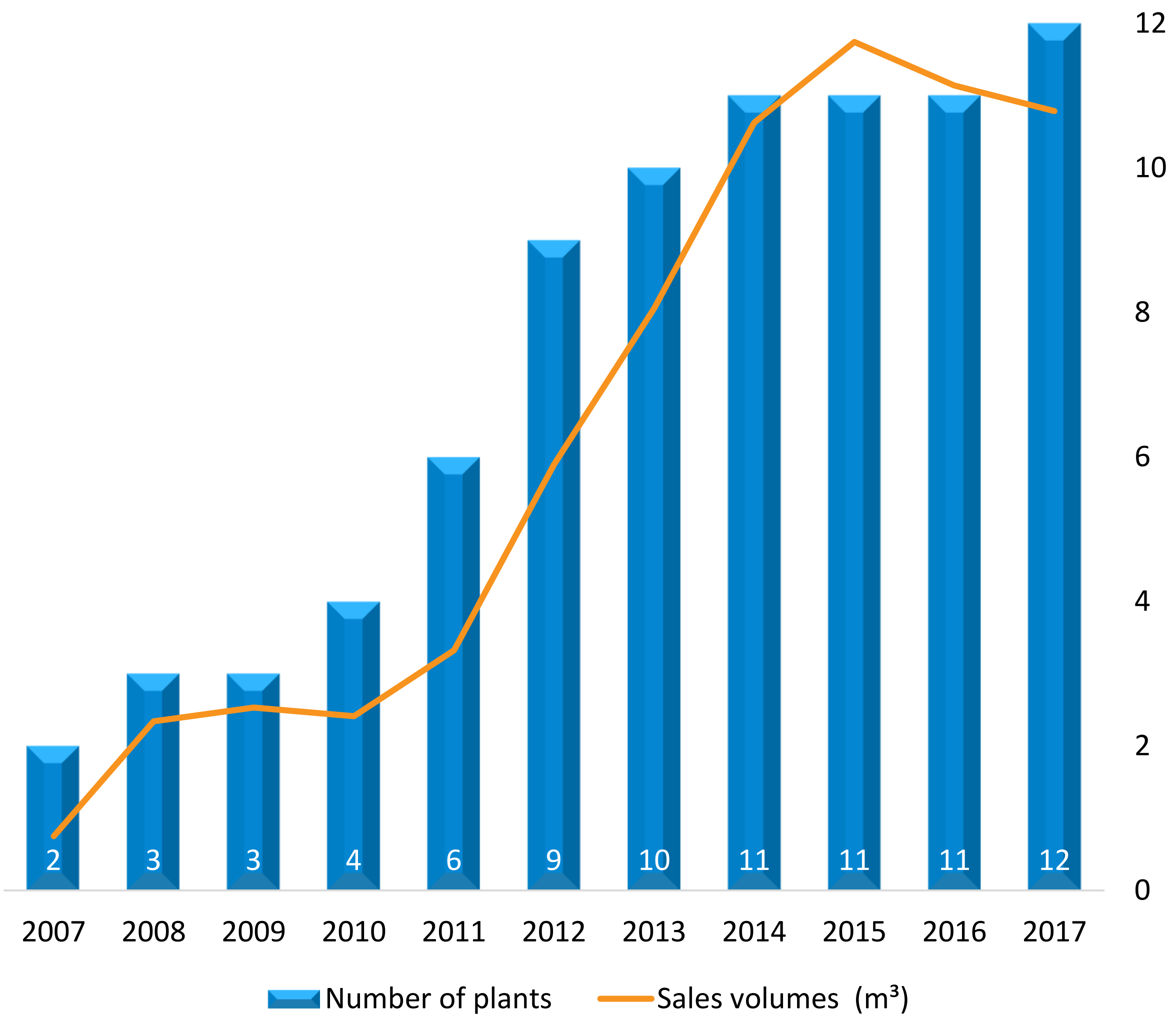
Strategic plant expansion essential to support sales volumes

Sales volumes growth relative to plant footprint January 2007 – December 2017



- The strategic increase in production footprint has enabled Métier to support sales volumes
- Planned introduction of a 13th plant is expected to provide access to demand nodes in the Centurion / Pretoria markets
    - The mobile plant provides flexibility in competing for viable supply deals
- To continue to evaluate ring-fenced value accretive project opportunities

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CEMENT (Sephaku Cement)

- **Volumes were largely flat at an effective price increase of 5%**
  - Focus was on *'quality tonnes'* characterised by a targeted margin and or sales volume
  - Two price increases were implemented in February and August 2017 resulting in an effective price increase per tonne of cement of 5%
  - Approximately 80% of the sales volumes were in bagged cement
  - The Sephaku Cement brand well established in the market with a sustainable market share
- **Enhanced focus on energy saving processes with a broader emphasis on sustainability**
  - Target to substitute 5% and 10% of total coal consumption with waste tyres and oil sludge respectively in the kiln combustion process
  - Ongoing drive to mitigate the environmental impacts from the mining and manufacturing activities. The 2017 achievements in environmental management were:
    - Clean water consumption decreased by 33% to 56 litres per tonne of clinker produced
    - Dust emissions were 3mg/Nm³ - 16mg/Nm³ against the permit standard of 30mg/Nm³
    - Less than 1,000mg / Nm³ for nitrogen dioxide emissions
    - Carbon dioxide emissions of between 800 – 900 tCO_2 per tonne of clinker produced in 2017

2 FINANCIAL PERFORMANCE

Salient Points

GROUP

- CEMENT equity accounted earnings of R20,8 million
  – 2017: R24,8 million
- Operating earnings of R54,3 million at a margin of 6.5%
  – 2017: R84,7 million
- Net profit of R44,2 million
  – 2017: R68,1 million
- Headline earnings per share of 20,9 cents
  – 2017: 33.4 cents

MÉTIER

- Sales revenue of R830,7 million
  – 2017: 839,9 million
- EBITDA margin of 10.9% - R91,2 million
  – 2017:15.0%
- EBIT margin of 9.6% - R79,6 million
  – 2017:12.9%
- Net earnings of R48,0 million
  – 2017: R68,1 million

CEMENT

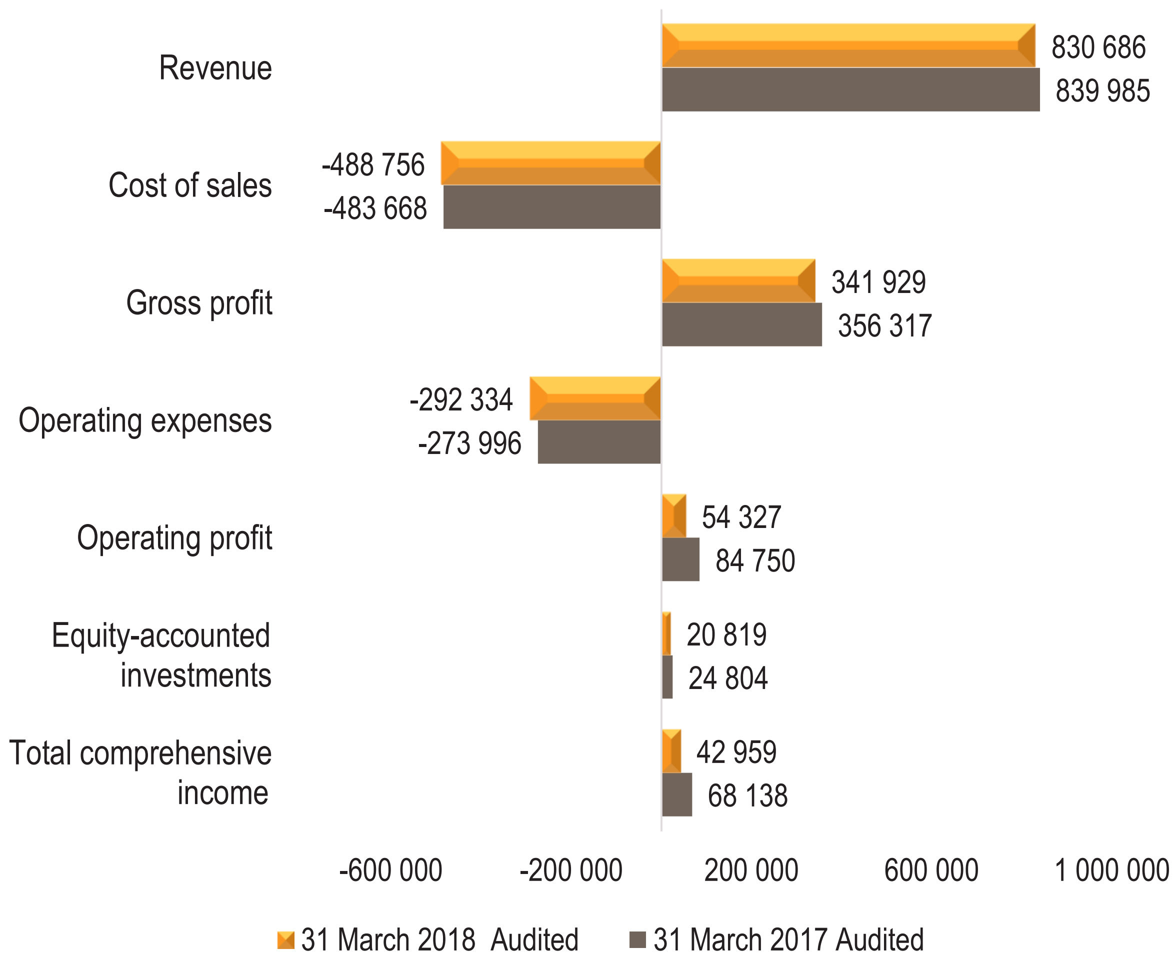
- Sales revenue of R2,4 billion
  – 2016: R2,3 billion
- EBITDA margin of 21.3% - R504,2 million
  – 2016: 23.1%
- EBIT margin of 14.1% - R333,3 million
  – 2016: 16.0%
- Net earnings of R57,8 million
  – 2016: R69,8 million

CEMENT has a December year-end as a subsidiary of Dangote Cement PLC.

30% increase in recurring CEMENT EBITDA year-on-year

Statement of comprehensive income (R'000)

Group – Condensed and consolidated



- CEMENT equity accounted earnings at R20,82 million
- CEMENT EBITDA margin at 21.3% mainly due to Sinoma once – off income of R138 million
  - Increase of interim EBITDA by 52% to R299 million in the second half of the year
- Average concrete price increase of 1.8%
  - 3% decrease in volumes and higher cost increases leading to lower margins
  - 12th plant in Gauteng increased costs by 8.5%
- Provision for bad debts of R5 million due to a long term Métier customer undergoing liquidation
  - Customer impacted by the unexpected termination of a major construction project

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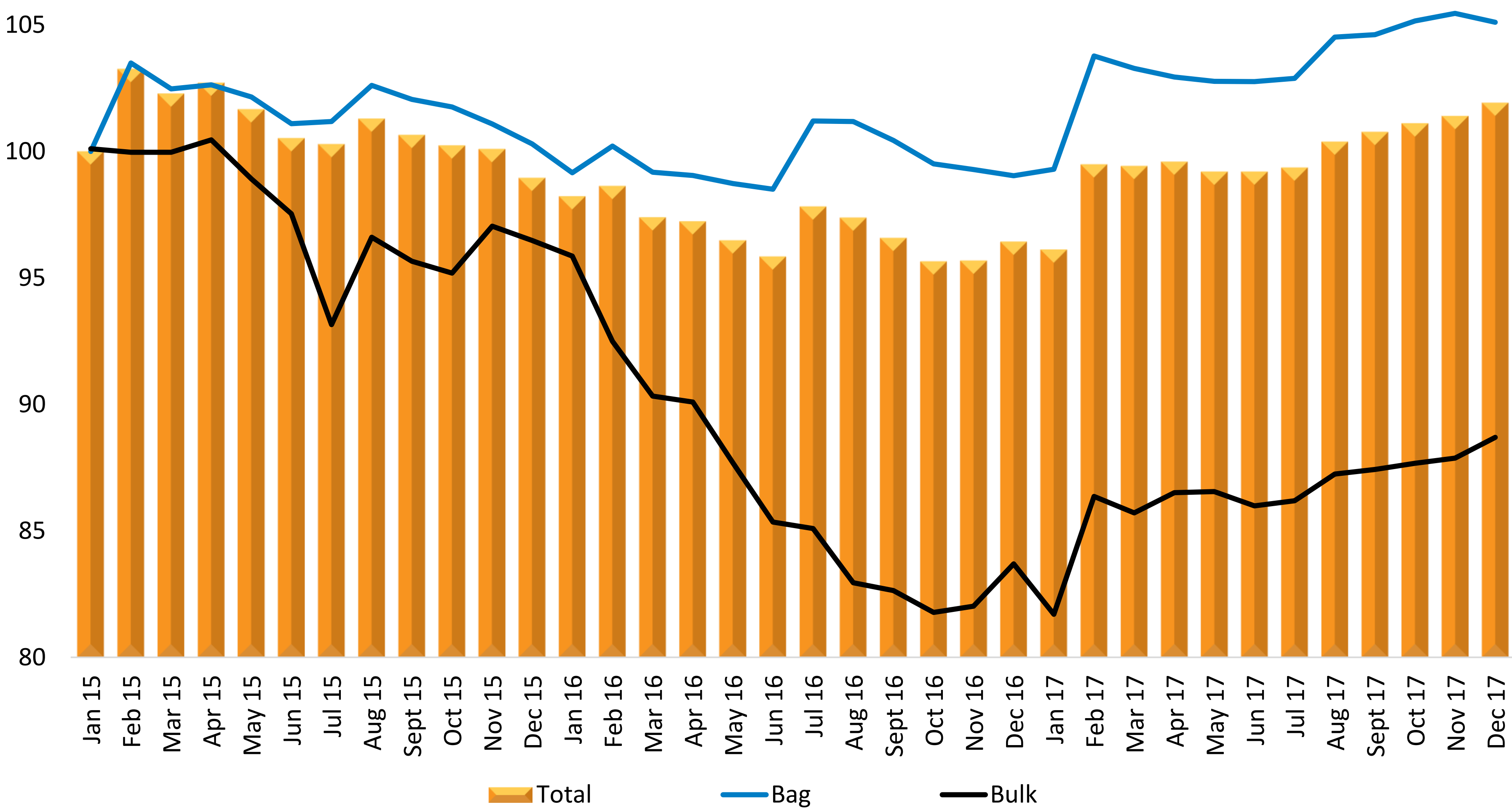
Cement price increases sticking for the first year since 2015

Indexed average pricing per tonne of cement



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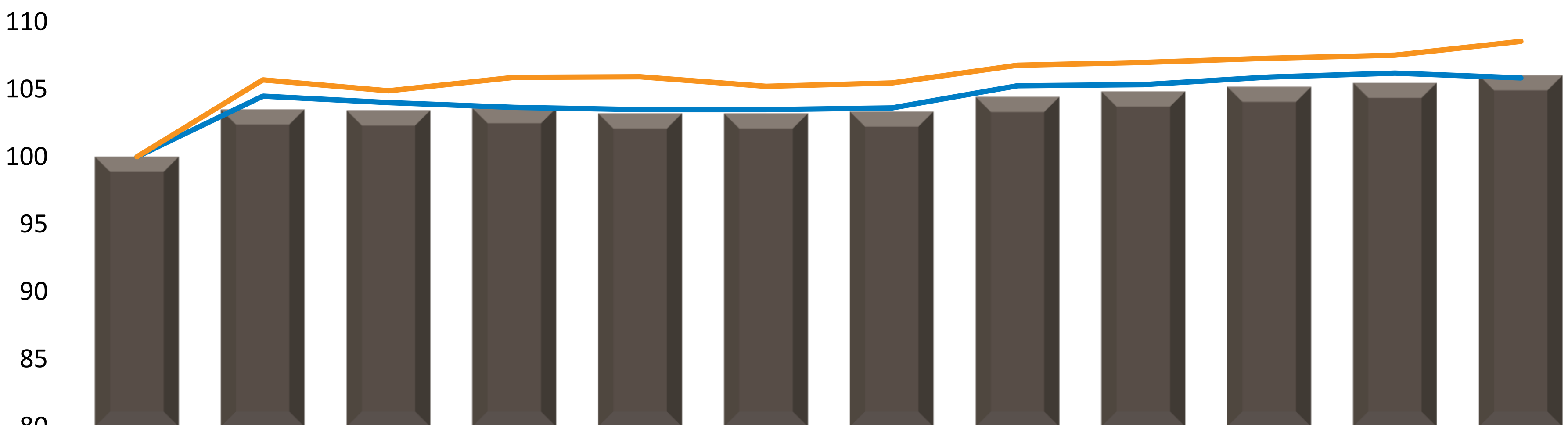
CEMENT achieved an effective 5% annual price increase per tonne

Indexed average cement pricing per tonne



	Jan 17	Feb 17	Mar 17	Apr 17	May 17	Jun 17	Jul 17	Aug 17	Sept 17	Oct 17	Nov 17	Dec 17
Total	100	103	103	104	103	103	103	104	105	105	105	106
Bag	100	105	104	104	104	103	104	105	105	106	106	106
Bulk	100	106	105	106	106	105	105	107	107	107	108	109

Total Bag Bulk

- Initial 12-month period during which the average bulk pricing per tonne surpassed that of bagged cement
- Price increases sustained in most markets for both the bagged and bulk cement
- Trend of price appreciation is largely expected to continue until December 2018

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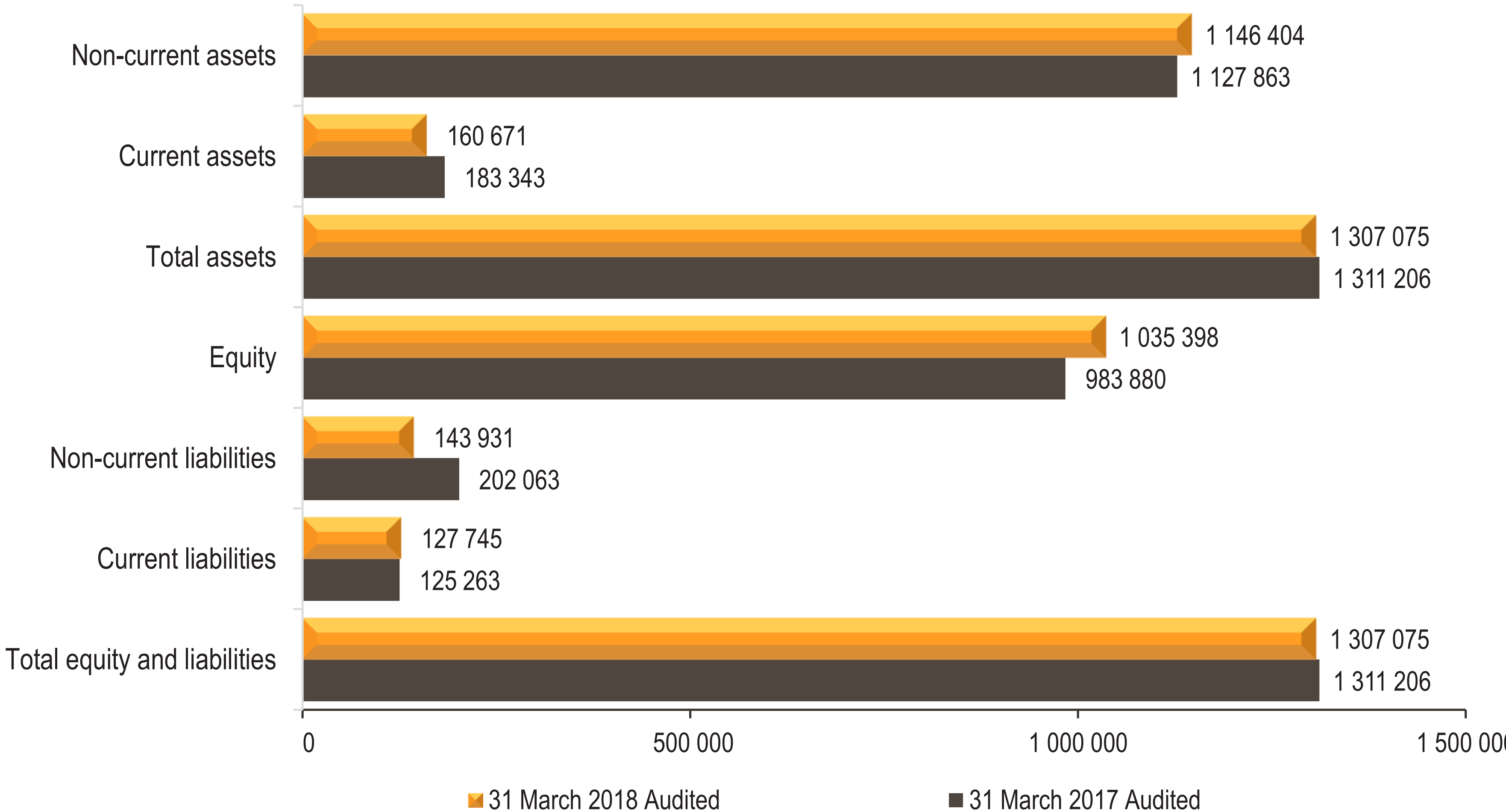
25% decrease in Métier bank debt during the financial year

Statement of financial position (R'000)

Group – Condensed and consolidated



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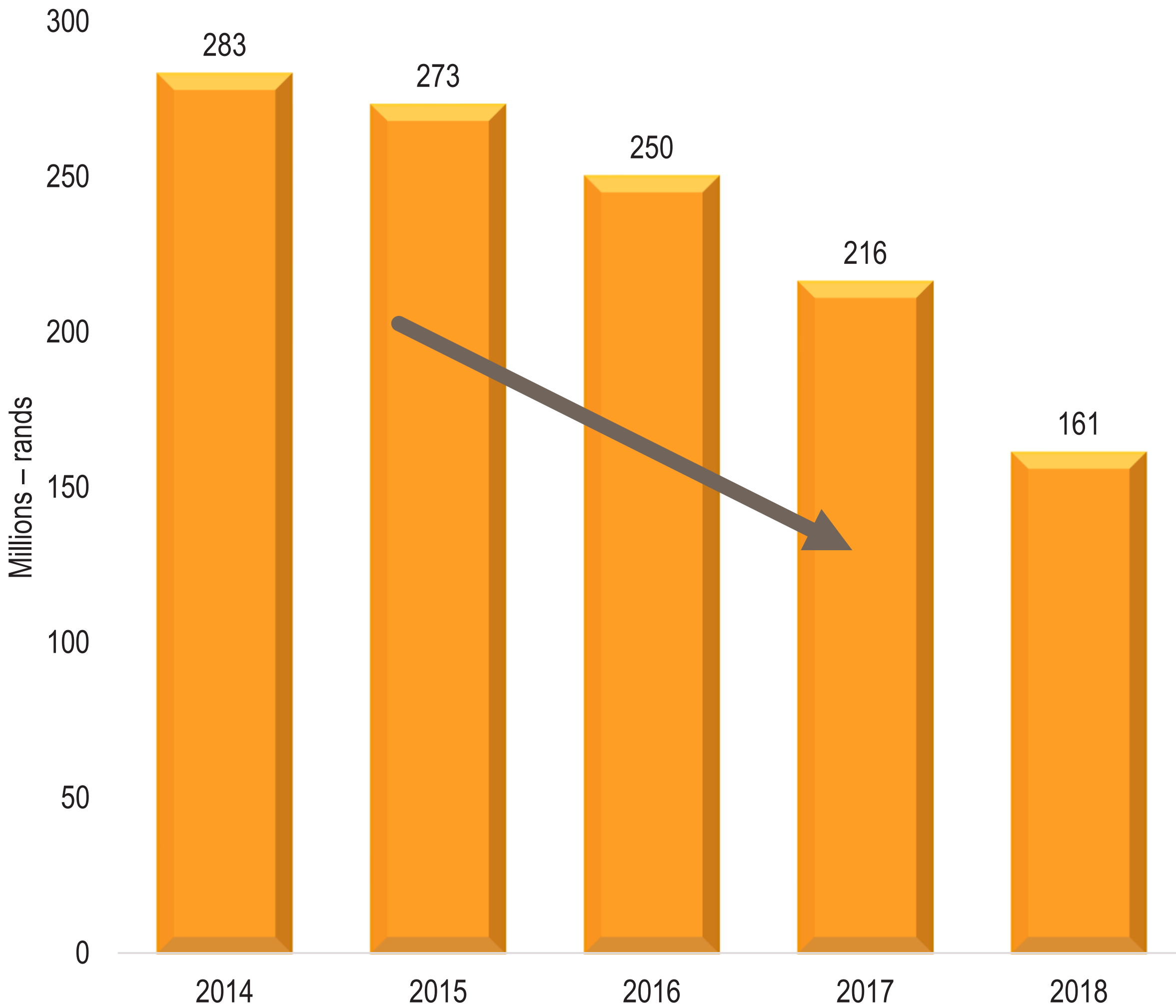
43% decrease in bank debt over 5 years at Métier

Métier bank debt profile



- Métier has simultaneously increased footprint in Gauteng by constructing two plants
  - Commissioned a mobile plant to access demand growth nodes
  - Distributed R50 million dividend to SepHold during the 2017 FY
- R112 million of the debt in FY 2014 was a vendor loan for the acquisition of Métier

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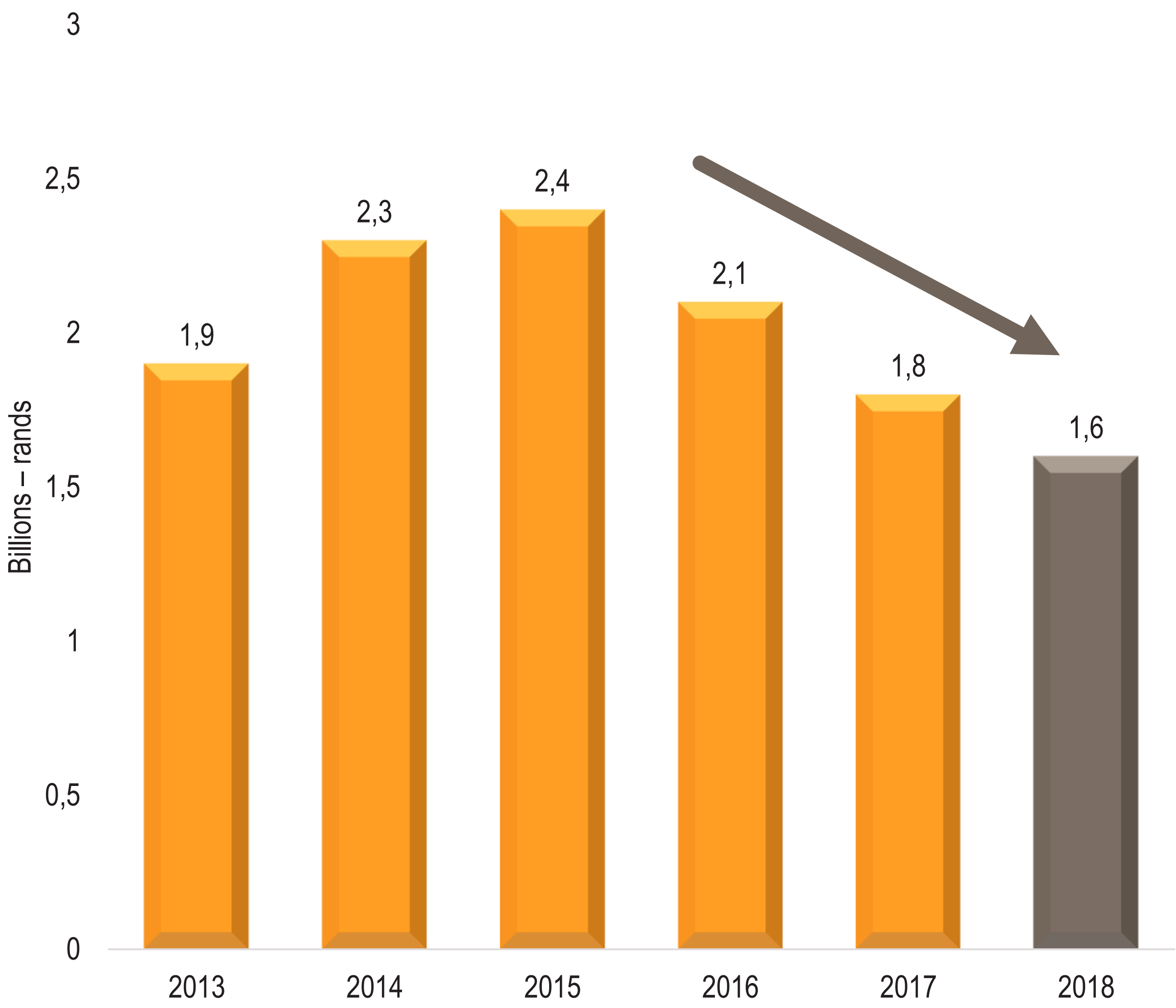
Targeting debt to EBITDA ratio of x2.5 at CEMENT

CEMENT project debt profile



- CEMENT had reduced debt by R600 million (25%) by end of December 2017
- Repaid R474 million in FY 2017
  - R217 million interest
  - R257 million capital
- Scheduled to reduce the debt to R1.56 billion by December 2018
- Targeting debt to EBITDA of x2.5 in the next 12 – 18 months

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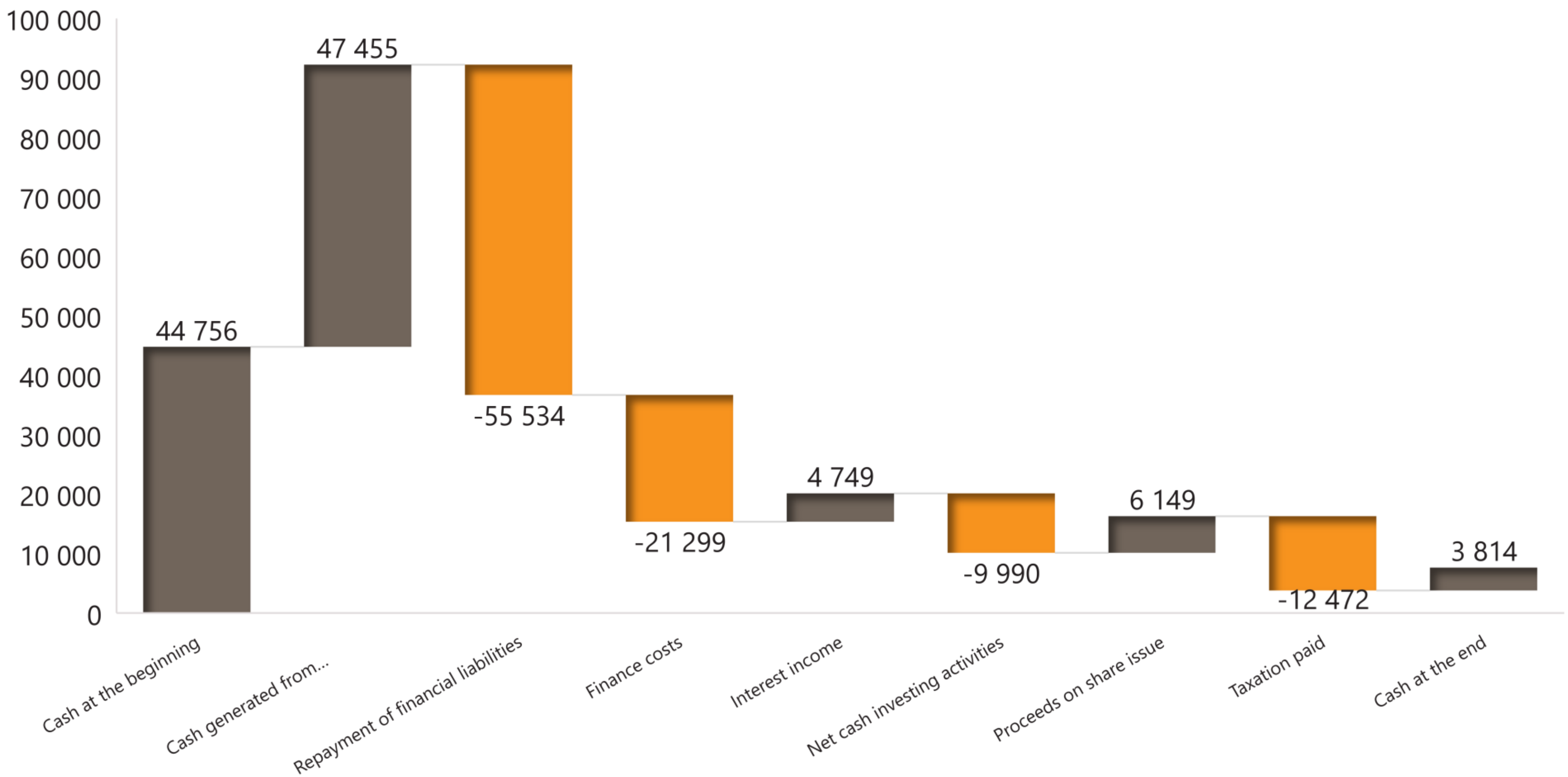
Prioritisation in reducing debt

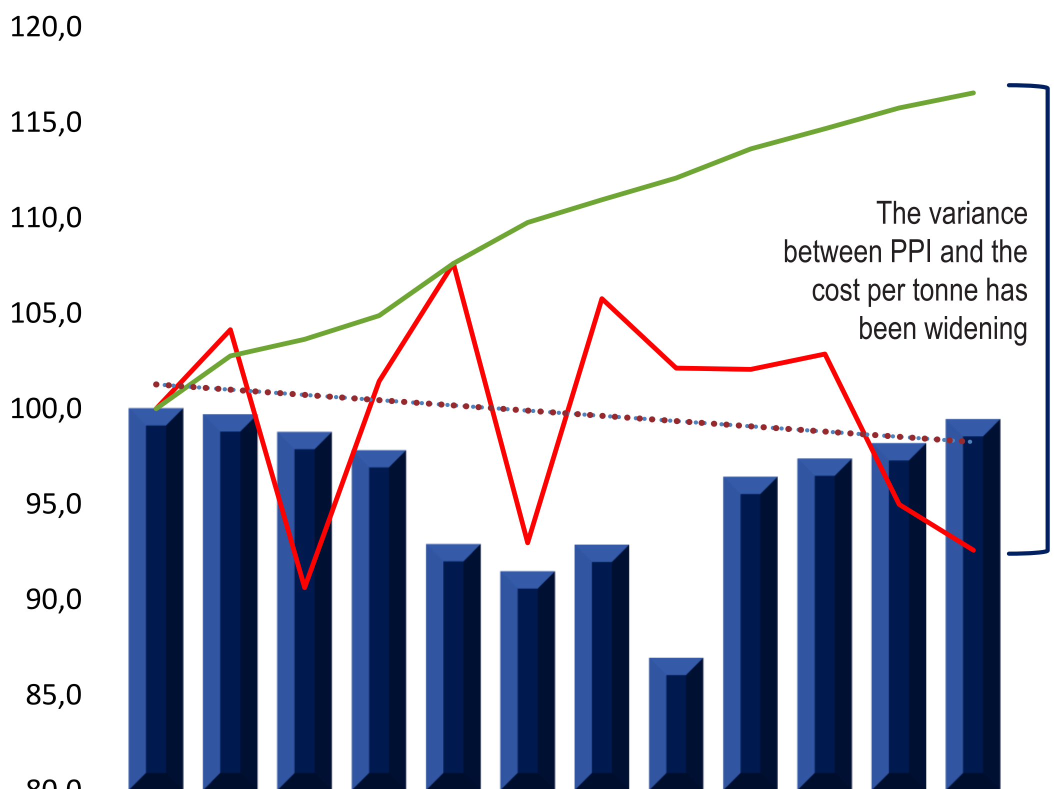
Statement of cash flows (R'000)

Group – Condensed and consolidated



Successful conclusion of the optimisation programme at CEMENT

Optimisation cost efficiencies impact on average cost



	Q1 15	Q2 15	Q3 15	Q4 15	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	Q2 17	Q3 17	Q4 17
Average Sales Price	100,0	99,7	98,8	97,8	92,9	91,5	92,9	86,9	96,4	97,4	98,2	99,4
Average Cost/t	100,0	104,2	90,6	101,4	107,6	93,0	105,8	102,1	102,1	102,9	95,0	92,6
PPI	100,0	102,8	103,6	104,9	107,6	109,8	111,0	112,1	113,6	114,7	115,8	116,6

Optimisation programme concluded in December 2017

- Total cost savings of R152 million
  - R57 million achieved by end of December 2016
  - R95 million in FY 2017
- The savings constituted:
  - 60% logistics
  - 20% raw materials
  - 20% sales optimisation
- Programme implemented to improve EBITDA margin by 5 – 7% long term

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CEMENT post-period stellar performance in Q1 2018

- Quarterly sales volumes increase by 7% year-on-year
- CEMENT increased prices by 5% - 6% per tonne in February 2018
    - Prices continue to sustain in most markets
- Gauteng continues to be a highly contested market
- Additional price increases planned for during 2018

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3 OUTLOOK

Preparing ourselves to effectively respond to the potential industry recovery

Métier's objectives for the next 12 – 18 months:

- **To continue to enhance the credit management process;** for all new customers while monitoring the existing payment record to ensure compliance with credit terms
- **To support margins by;** implementing cost efficiency measures that will reduce the impact of the low prices by:
  - Optimally and sustainably utilising plant and mixer truck capacity
- **To expand plant footprint** to extend supply into the Pretoria market
- **To implement technical knowledge and skills transfer** to enhance the company's ability to respond timeously to increased demand in high margin specialised concrete when it occurs

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Preparing ourselves to effectively respond to the potential industry recovery continued

CEMENT's objectives for the next 12 – 18 months:

- **To implement a profitability growth drive** by achieving the targeted EBITDA margin of between 27% and 30% and a CAGR in net earnings of 4% to enhance shareholders value
- **To enhance sustainability through environmental stewardship;**
  - To implement the substitution of 5% of total coal consumption with waste tyres and 10% of coal consumption in the kiln combustion with oil sludge
- **To improve cost efficiencies by;** Focusing on continuous improvement in operational performance and benchmarking against global industry standards
- **To maintain sustainable sales volumes by;** Increasing the understanding of all customer expectations to enhance the sales offering
- **To develop and implement a high performance culture at all levels**

4 APPENDICES

Drivers for success

Deep technical, project management and marketing **skills**	**Leading technologies** that facilitate the production of high-quality cement and mixed concrete	**Customer focus** through service excellence	**Strategic relationships**
Experienced key management with comprehensive industry knowledge and experience in cement and concrete manufacturing	Modern, efficient cement plants with state-of-the-art equipment and infrastructure Compact mixed concrete production plants	Métier has built brand equity through its innovative specialised concretes and superior service offering	The group has developed robust relationships with the key stakeholders including the retail distribution channel, communities, funders and suppliers

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The Sephaku Holdings structure

100%

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Métier MIXED CONCRETE

36%

Sephaku CEMENT Powered By DANGOTE CEMENT

64%

DANGOTE CEMENT

Aganang integrated plant

Delmas grinding plant

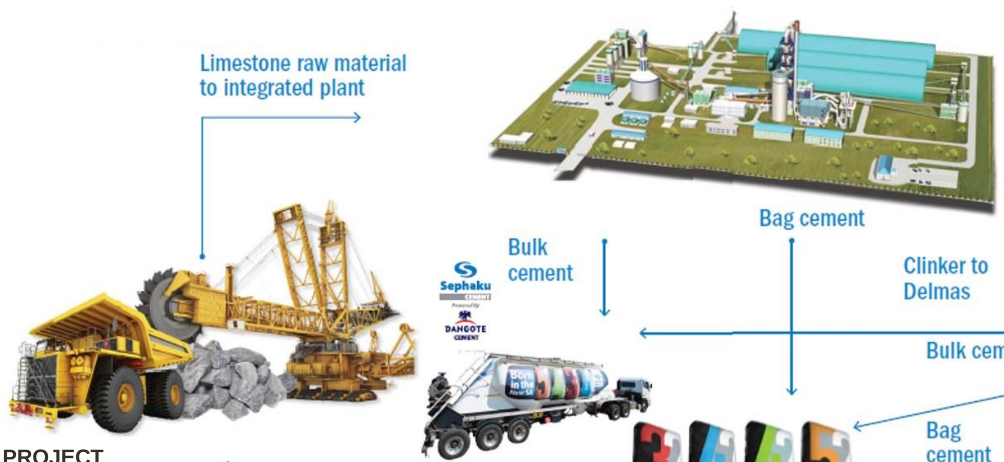
Sephaku Ash plant

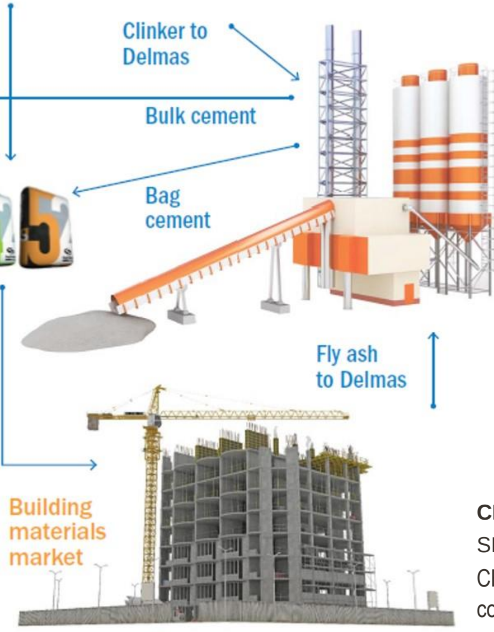
Limestone assets

Sephaku Holdings investments

CEMENT
AGANANG INTEGRATED PLANT
LIMESTONE QUARRY AND CEMENT PRODUCTION

The Aganang plant consists of a limestone open cast quarry, a clinker and cement production plant. The operation mines the limestone raw material, processing it to clinker, grinding approximately 45% of the clinker and blending it with other components to produce the finished cement product in bag and bulk form. Aganang has the capacity to produce 1,5 million tonnes per annum of clinker and 1,4 million tonnes per annum of cement when fully commissioned.



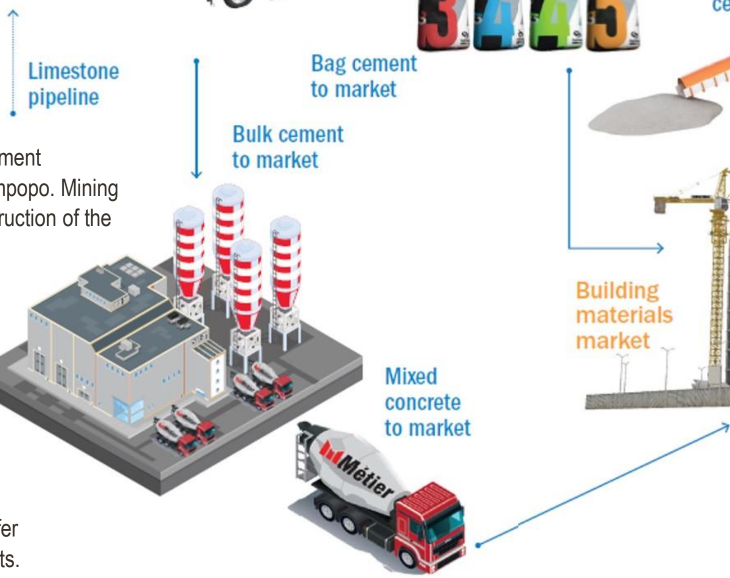


CEMENT
DELMAS GRINDING PLANT
CEMENT PRODUCTION

Approximately 55% of the clinker produced at Aganang is transferred to the Delmas cement-grinding facility for further processing.

CEMENT
DWAALBOOM PROJECT
LIMESTONE PROJECT

This project is the most advanced limestone exploration asset and has the potential of being the second major 3 000-tonne-per-day clinker and cement production facility near Dwaalboom, in Limpopo. Mining rights application is in progress and construction of the plant still to be determined.



MÉTIER MIXED CONCRETE

The core business of Métier is the manufacture and supply of quality ready-mixed concrete products for the residential, commercial and industrial markets in South Africa.

Métier has achieved significant growth by positioning its business in markets that offer strong and growing demand for its products.

CEMENT

SEPHAKU ASH PLANT

CEMENT has a fly ash processing plant contract with Eskom to acquire and remove waste ash from the coal-burning process at Kendal Power Station. The ash produced from this plant is used as a cement extender at the Delmas grinding plant to produce blended cement.

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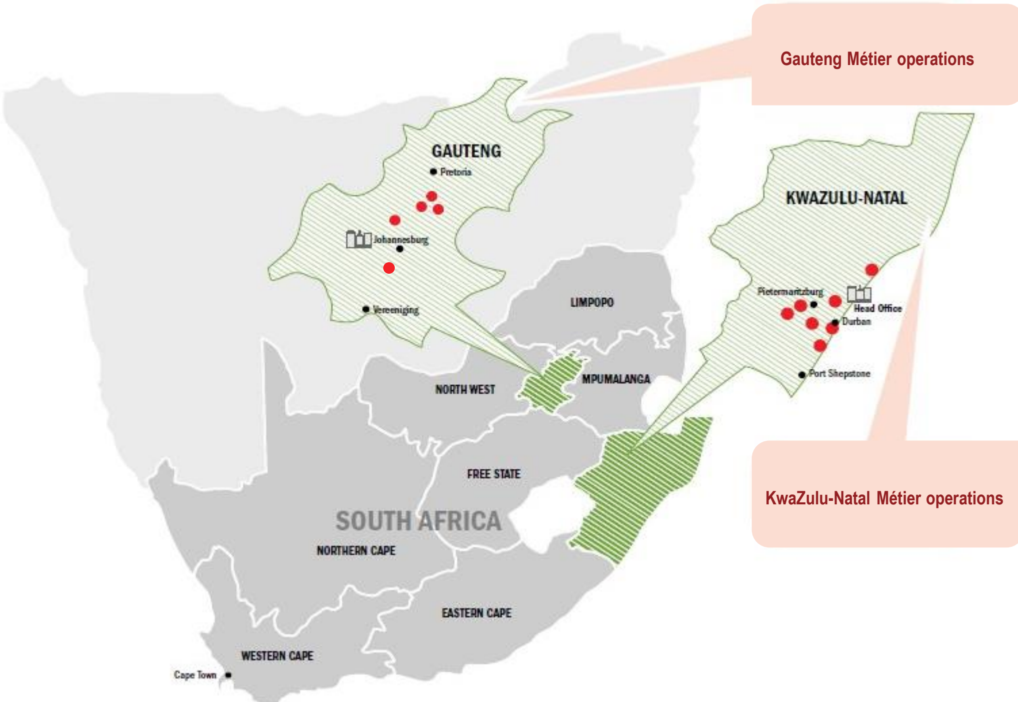
Métier Mixed Concrete

Location of Métier assets



- Operations located in the KwaZulu-Natal and Gauteng provinces. Métier offers full service to its customers
- 12 concrete batch plants
- 1 mobile plant
- Own central laboratory in Gauteng and KwaZulu-Natal

MÉTIER MIXED CONCRETE OPERATIONS

GAUTENG

Johannesburg Office

- OR Tambo plant
- Sandton plant
- Chloorkop plant
- Midrand plant
- Denver plant

KWAZULU-NATAL

Head Office

- Phoenix plant
- Canelands plant
- Mkondeni plant
- Umhlali plant
- Taylors Halt plant
- Mobeni plant
- Cato Ridge plant

Note: Location of assets not actual but indicative for illustrative purposes

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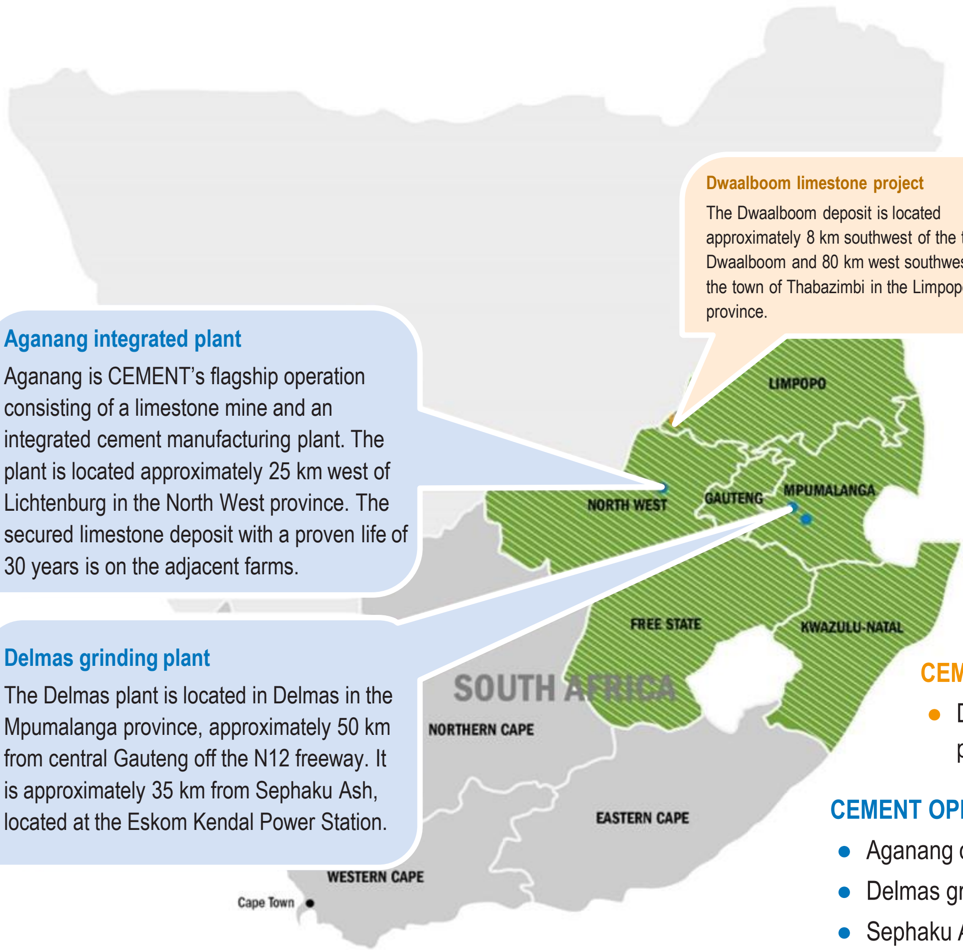
Dangote Cement SA (CEMENT)

Location of CEMENT assets



Dwaalboom limestone project
The Dwaalboom deposit is located approximately 8 km southwest of the town Dwaalboom and 80 km west southwest of the town of Thabazimbi in the Limpopo province.

Aganang integrated plant
Aganang is CEMENT's flagship operation consisting of a limestone mine and an integrated cement manufacturing plant. The plant is located approximately 25 km west of Lichtenburg in the North West province. The secured limestone deposit with a proven life of 30 years is on the adjacent farms.

Delmas grinding plant
The Delmas plant is located in Delmas in the Mpumalanga province, approximately 50 km from central Gauteng off the N12 freeway. It is approximately 35 km from Sephaku Ash, located at the Eskom Kendal Power Station.

CEMENT PROJECTS
- Dwaalboom limestone project

CEMENT OPERATIONS
- Aganang cement plant
- Delmas grinding plant
- Sephaku Ash plant

Note: Location of assets not actual but indicative for illustrative purposes

- Our operations are located in the Mpumalanga and North West provinces in South Africa
- Our target markets are the Free State, Gauteng, KwaZulu-Natal, Limpopo, Mpumalanga and North West

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CEMENT's key enablers

New quarry, easier mining

- Quarry approximately 1 km from the Aganang plant
- Single bench quarry with reserves at shallow depths
- Cost saving due to low stripping ratio

Efficient plants

- Latest production technology with an average of 0,3 man hours per tonne
- Modern rotary kiln equipped with a 5-stage pre-heater that reduces production costs and minimises carbon emissions

Efficient grinding, better cement

- Latest vertical roller million technology enabling production of consistent quality in all strength classes
- Vertical mills generally 20% - 35% more efficient
- Three vertical mills; raw, coal and cement

Strong focus on quality

- Equipped with latest quality control systems
- Quality control commences at limestone drilling
- Product samples automatically collected at different production points and analysed at on-site robot-controlled laboratories

Good emissions control

- Plants designed to have higher standards that Europe on dust , noise and other forms of pollution
- Aganang and Delmas emissions of between 3mg/Nm^3 and 16mg/Nm^3 compared to guaranteed 30mg/Nm^3

Careful selection of markets

- Company has achieved 75% - 80% sales volume in bagged cement – well aligned to the estimated national demand mix
- Astute segmentation of markets to maximise margins

Enablers anchored by **skilled** operational management team with **over 250 years** combined experience

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2018

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