INTERIM FINANCIAL RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2017

9 NOVEMBER 2017

SEPHAKU
HOLDINGS LTD

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Agenda

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GROUP OPERATIONAL PERFORMANCE

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GROUP FINANCIAL PERFORMANCE

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OUTLOOK

PRESENTED BY:
Dr. Lelau Mohuba : Chief Executive Officer
Neil Crafford – Lazarus : Financial Director

1 GROUP OPERATIONAL PERFORMANCE

Salient points – Challenging trading environment

GROUP

- Net profit decreased from R25,3 million to R14,8 million
- Basic earnings per share decreased from 12,5 cents to 7,3 cents
- Net asset value per share increased from 463,0 cents to 488,5 cents

MÉTIER[1]

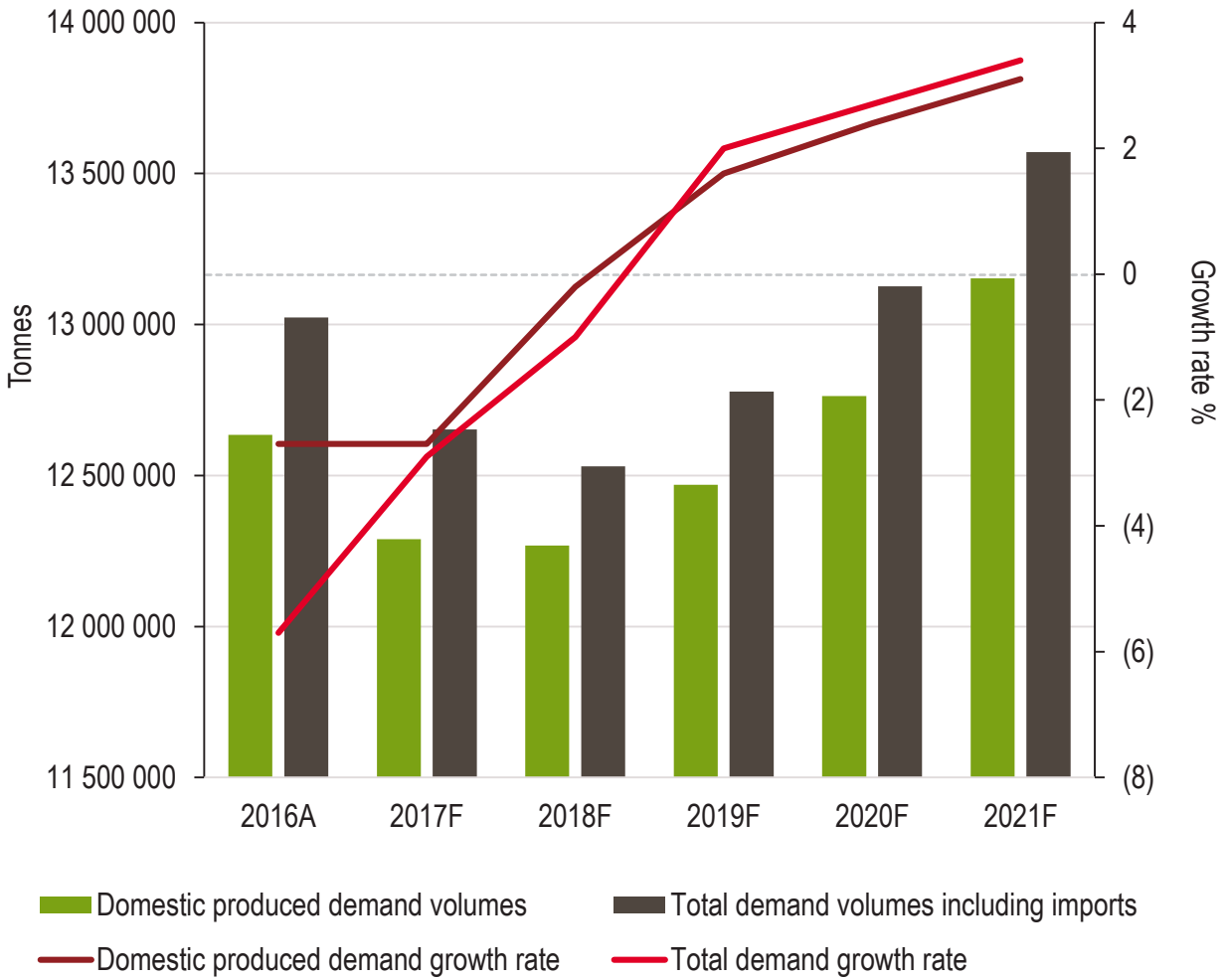
- Revenue flat at R447,8 million due to pressure on volumes
- Increased price per unit of concrete by 1.9% year-on-year
- Métier net profit decreased from R37,6 million to R31,7 million
- 12th plant marginally increased overhead costs however has provided access to new markets in Gauteng and growth opportunity

CEMENT[2]

- Revenue decreased by 3.6% from R1,145 billion to R1,104 billion
- Sales volumes decreased by 4.9%
- Average price increase of 1.4% year-on-year
- Improved post-period performance
  - Q3 volumes increased by 9.6% year-on-year
  - Q3 revenue increased by 14.2% to R656,6 million

[1] 100% owned subsidiary, Métier Mixed Concrete; [2] 36% owned associate Dangote Cement South Africa who manufacture the Sephaku Cement brand

National cement demand overview

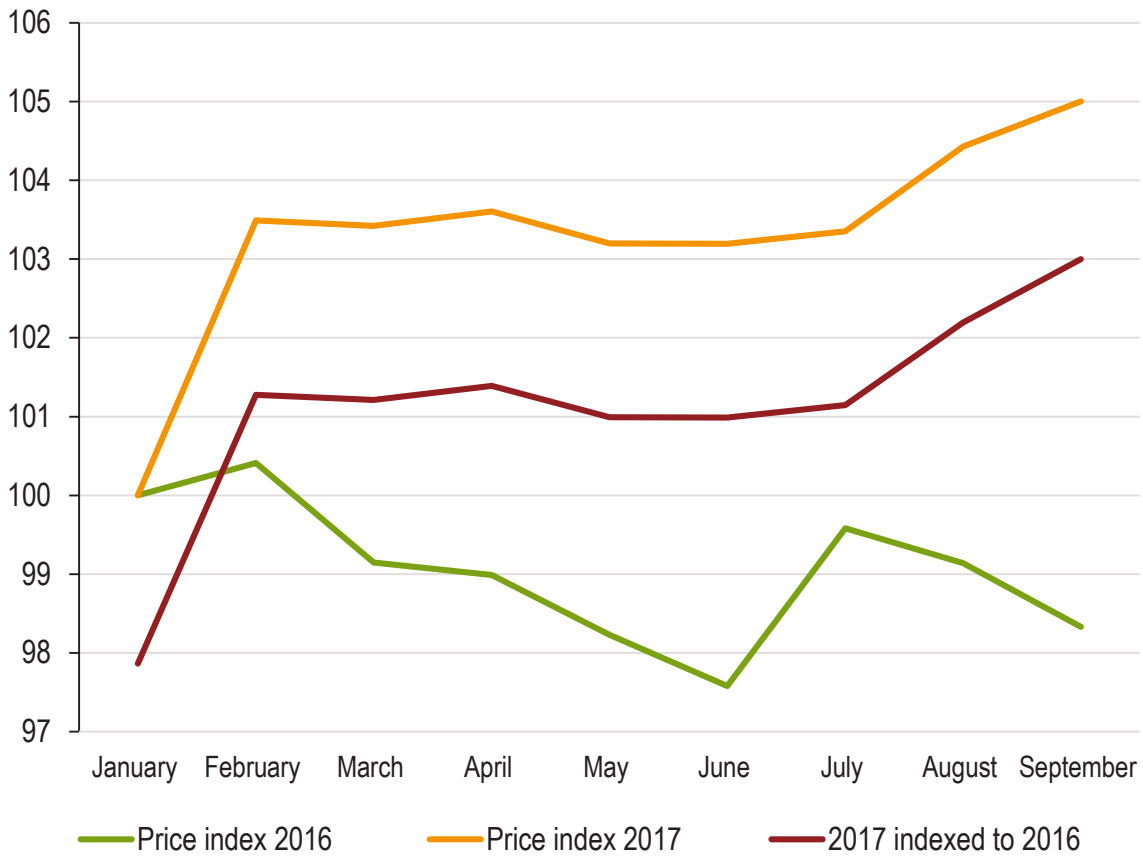


- Econometrix cement demand estimated to have decreased by 2.4% for the six months to June 2017*
- Year-on-year quarterly cement demand growth rate
  - Q1 : (3.1%)
  - Q2 : (4.4%)
  - Q3 : (2.9%)
- CEMENT sales volumes decreased by 4.9%
- Total demand forecast at 12,7 million for CY 2017
- Positive growth expected from 2019 at 2%

Source: Econometrix (Pty) Ltd Quarterly Cement Outlook Q3 2017 report; * Econometrix utilise the Stats SA non-metallic production index as proxy for cement demand

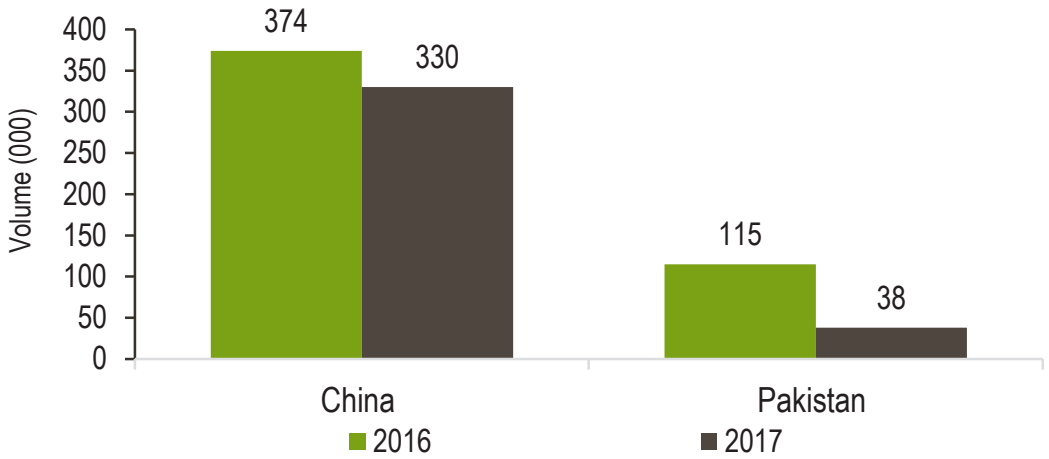
CEMENT's average pricing profile per tonne

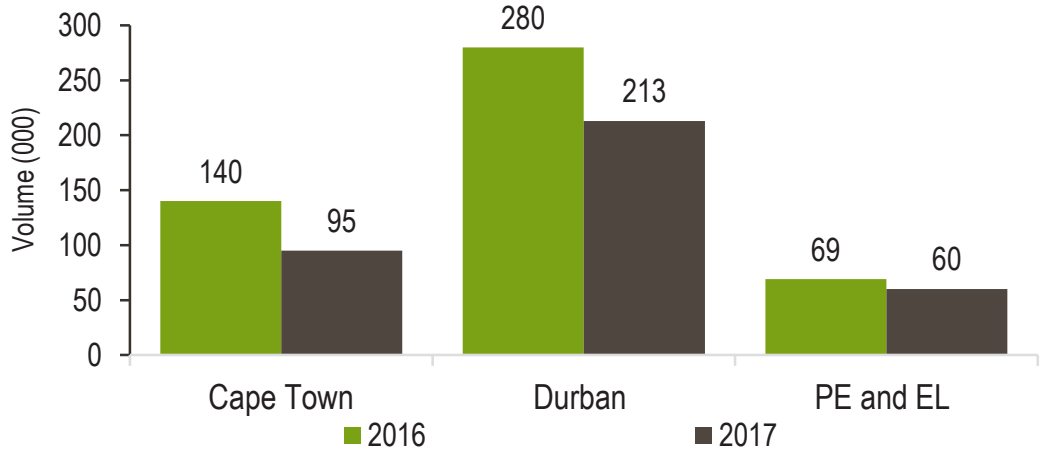
Indexed average cement price per tonne



- CEMENT has achieved an effective 5% price increase to date
  - 2% to 3% price increase implemented in August that has sustained in most markets
- Improved trend on pricing in 2017 compared to CY 2016
  - Average increase of 3% by end of September indexed to January 2016

Import volumes continue to decline year-on-year





- Year-on-year volume decline of 25% to 368kt in cement imports by the end of September 2017
  - Imported cement from China decreased by 12% to 330kt
  - Imports through Durban have decreased by 24% to 213kt
- Exports decreased by 18% year-on-year from 730kt to 596kt for the nine month period ended September 2017

Source: SARS

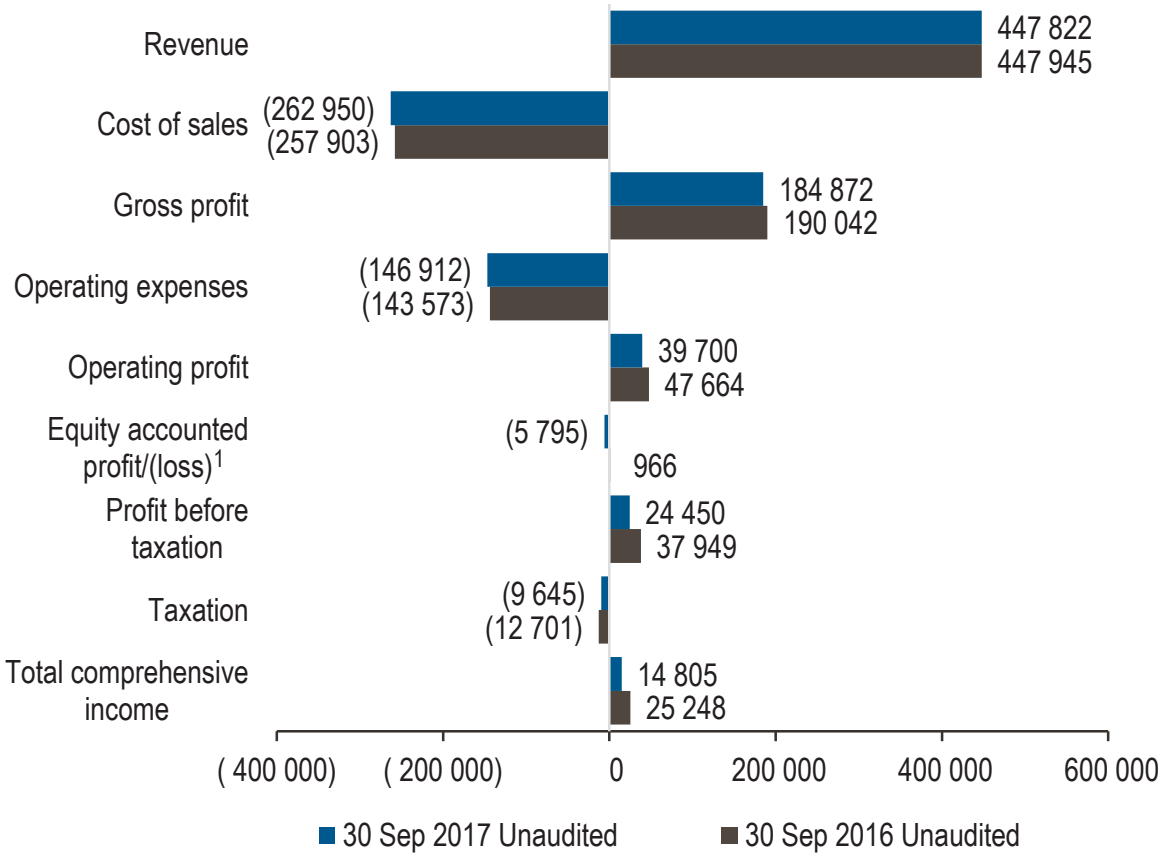
Competition continues in the mixed concrete sector

- Intense price competition for supply contracts
  - Limited capacity to increase prices
- Métier 12th plant operating fully in a future growth node in Gauteng
- Geographical diversification has reduced the impact of downward pressure on pricing

2 GROUP FINANCIAL PERFORMANCE

Statement of comprehensive income (R'000)

Group – Condensed and consolidated

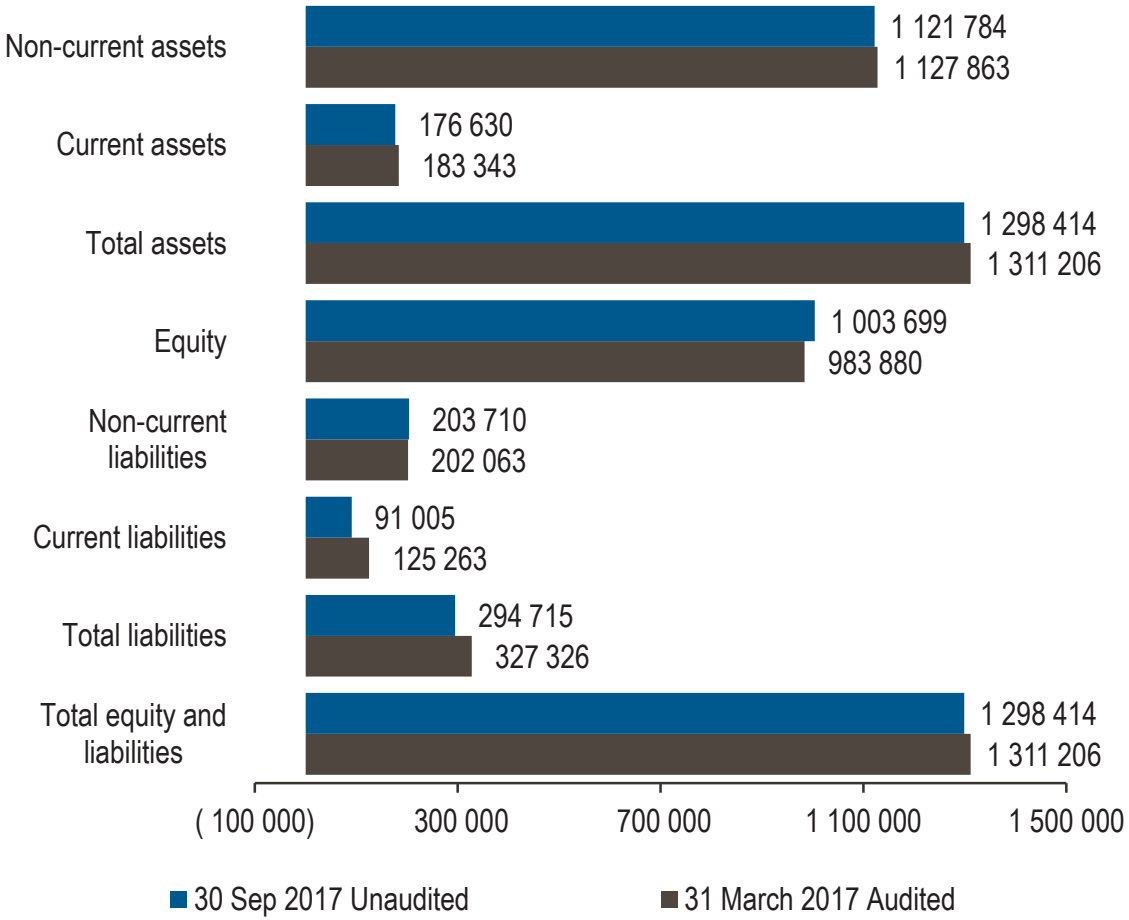


- Métier revenue flat at R447,8 million
  - Price increase of 1.9% per unit of concrete but volumes lower
  - Operating profit margin decreased from 13.6% to 11.3%
  - Net profit of the subsidiary decreased from R37,6 million to R31,7 million
- Equity-accounted loss to SepHold from CEMENT of R5,8 million compared to profit of R0,97 million due to a decrease in sales volumes

[1] CEMENT has a December year-end as a subsidiary of Dangote Cement Plc.

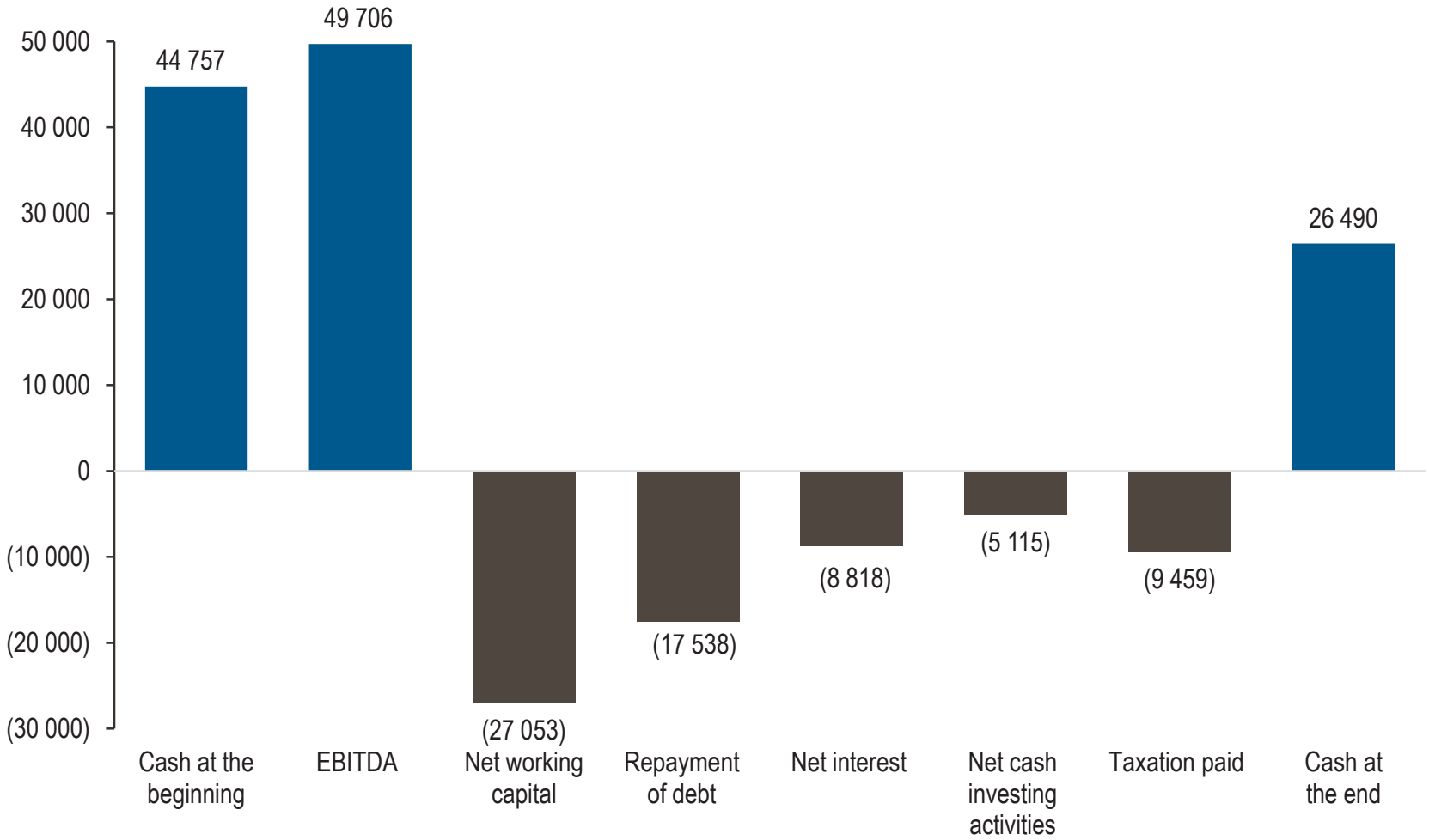
Statement of financial position (R'000)

Group – Condensed and consolidated



- Net asset value per share increased to 488,49 cents from 463,04 cents for the six months ended September 2016
- Net working capital movement from March 2017 to end of September 2017 of (R27,1 million)
  - Decrease in inventories of R0,7 million
  - Decrease of R16,4 million in creditors
  - Increase of R11,4 million in debtors

Statement of cash flows (R'000)



CEMENT robust post-period performance*

- Robust recovery in sales volumes of 9.6% resulting to flat growth for the nine months to end of September 2017
- CEMENT increased prices by 2% to 3% per tonne in August 2017
  - Effective price increase for the nine months to the end of September 2017 at 5%
- Third quarter revenue increased by 14.2% to R656,6 million from R574,9 million
  - Quarterly EBITDA of 22.7% at R149 million
- Cumulative revenue flat at R1,72 billion year-on-year with profit at R16 million
  - Monthly EBITDA margin between 21% - 27% for the three months to the end of September 2017

* Quarterly results will be accounted for in the SepHold audited financial results for the twelve months ending March 2018.

CEMENT project loan review

- Lenders agreed to review the project loan in principle in September 2017 subject to CEMENT receiving equity of R95 million from the shareholders of SepHold and Dangote Cement PLC (DCP)
- Debt covenants and tenure were maintained but interest increased by 50 basis points to JIBAR plus 450
- DCP paid in the equity on 2 October 2017 as per the shareholder agreement
  - SepHold has the option to pay its 36% contribution to DCP at a future date to be confirmed
- Balance of R1,8 billion capital of the project loan to be paid in increasing annual instalments as follows:
  - 2018 – 10%
  - 2019 – 15%
  - 2020 to 2022 – 75%

3 OUTLOOK

Outlook

The group expects the trading environment for building materials to remain challenging in the short to medium term. Although the competitive landscape has stabilised with price recovery expected to continue for cement, demand is anticipated to remain flat in the medium term due to political uncertainty. CEMENT will focus on achieving sustainable increase in pricing and operational efficiencies to ensure robust results in this uncertain environment. Métier will continue to evaluate ring-fenced opportunities on specific projects in which value can be created and focus on optimizing current plant and equipment.

Following the reshaping of the CEMENT project loan and Métier's drive to reduce debt , the companies will pay particular attention to working capital management and on improving balance sheet strength to remain compliant to their debt covenants .

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