SEPHAKU
HOLDINGS LTD

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INTERIM FINANCIAL RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 2019

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1 PERFORMANCE OVERVIEW

2 FINANCIAL PERFORMANCE

3 OUTLOOK

WE ARE WELL - POSITIONED & READY FOR UPSIDE BECAUSE ….

1 *We have fully optimised our Aganang integrated plant*

2 *Our cement prices are firming*

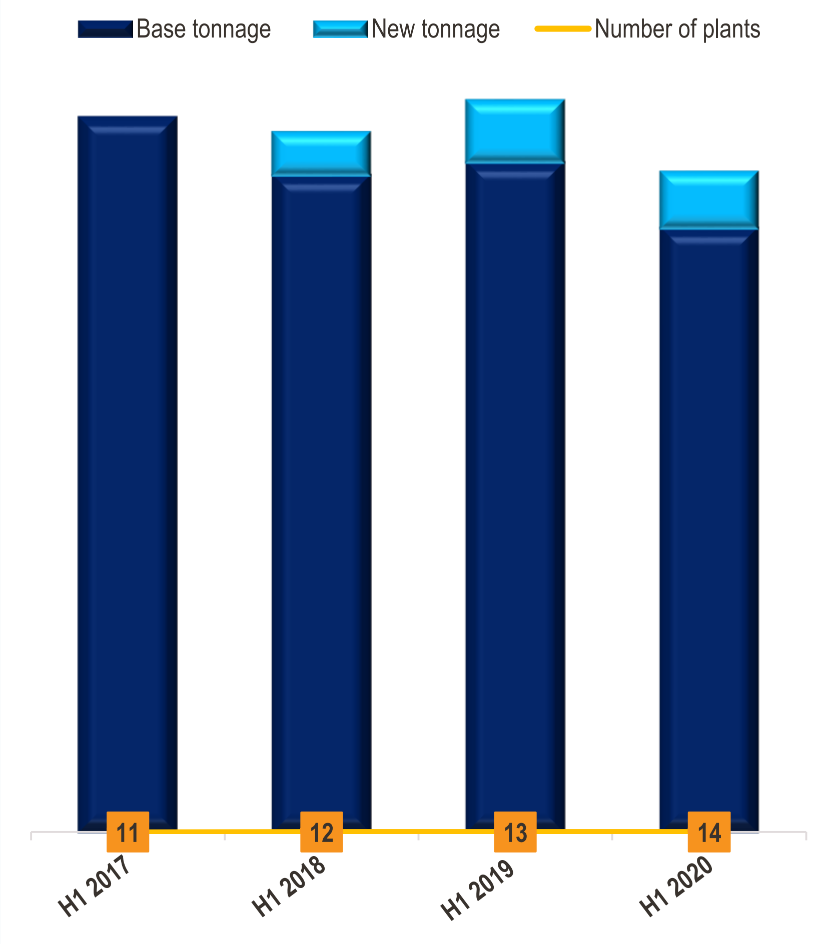
3 *Our margins are improving*

There are 'demand green shoots' through several significant civil construction projects

1 PERFORMANCE OVERVIEW

Métier's strategic footprint expansion supporting sales volume

- Strategy to create a geographically diversified plant footprint to ensure the achievement of optimal volumes
- The subsidiary has adopted a hybrid, cost-effective model for plant expansion encompassing greenfield investments in new plants, brownfield acquisitions, mobile plants for short-term projects and relocation of plants from terminating projects to newly identified nodes
- YoY volume decrease of 9.7% due to low demand
  - 15.7% decrease in KZN volumes exacerbated by the suspension of several significant construction projects
  - Gauteng volumes 1.4% lower supported by the 12th and 13th plants commissioned in April 2017 & August 2018 respectively
    - Like for like : Gauteng volumes would have decreased by 12%
- Métier continues to identify new demand nodes in the two markets
  - Subsidiary commissioned a new (14th) KZN plant in mid-July which contributed 1.1% to total interim volumes
  - 15th plant located in Gauteng commissioned during first week of October



Métier's response to the tough trading environment

Challenge : *Low pricing and inflationary cost increases*

- Continuous cost management initiatives focused on:
  - Regular engagement with suppliers to negotiate for lower price increases
  - Ongoing focus on optimal routing and enhanced efficiency per truck
  - Reduced employee headcount during the interim

Challenge : *Declining volumes*

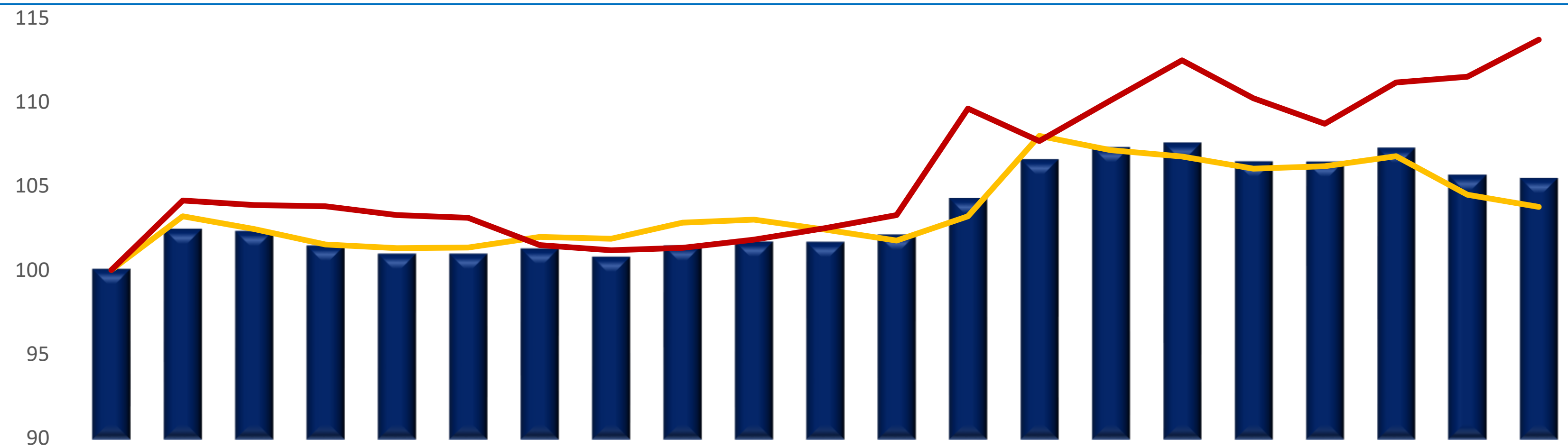
- Identification of new demand nodes in the KZN and Gauteng markets

Challenge : *Customer credit default risk*

- Continued implementation of stricter terms to minimise defaults
- Risk has been significantly decreased and Métier has maximum insurance on its book value

SepCem's bulk pricing increasing in double digits

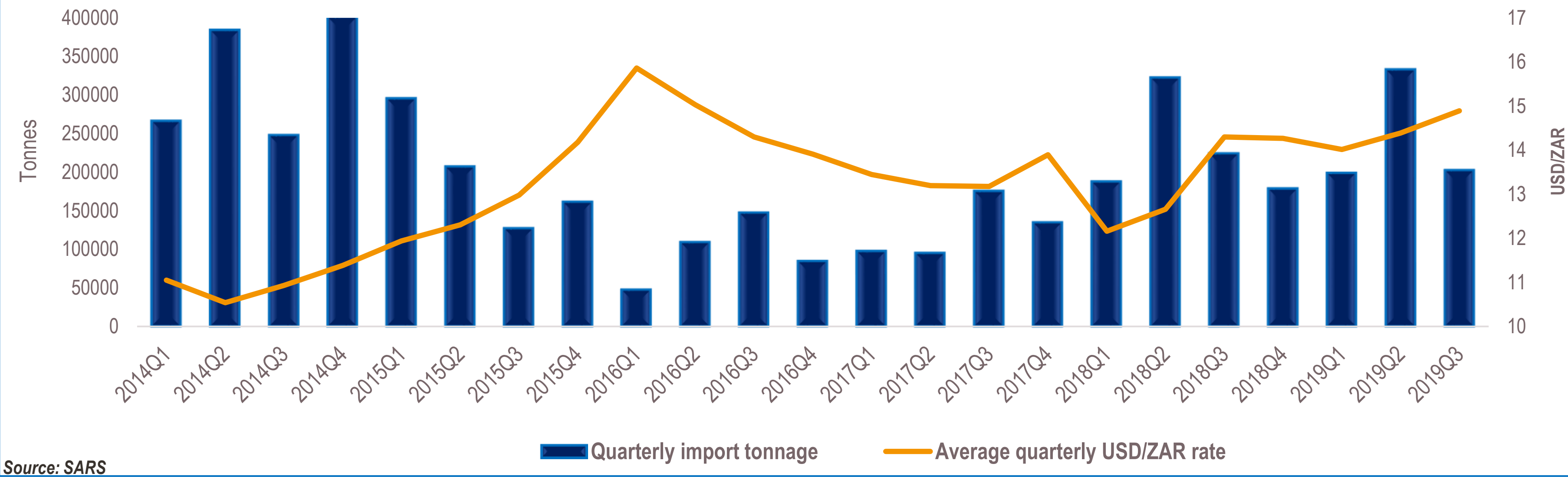
Indexed average pricing per tonne of cement



	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
Average	100	102	102	101	101	101	101	101	101	102	102	102	104	107	107	108	106	106	107	106	105
Bag	100	103	102	102	101	101	102	102	103	103	102	102	103	108	107	107	106	106	107	104	104
Bulk	100	104	104	104	103	103	101	101	101	102	102	103	110	108	110	112	110	109	111	112	114

- Historical bulk pricing erosion since 2015 has enabled the growth of blenders
- SepCem's monthly bulk pricing has improved by double digits since January 2019
  - SepCem increased bulk and bagged cement pricing by 8% - 10% in January and February respectively
  - Second price increase in July of 2.5% - 3.5% include 1.5% - 2.5% for carbon tax recovery based on the cement strength
- Strategic supply of competitively priced Falcon brand in selected markets against blenders and imports has resulted in the declining average price trend for the year

SepCem's Falcon brand launched to combat import volumes



Source: SARS

- Cement imports continue to increase and projected to increase to over 1 million tonnes for the year ending December 2019
- September YTD at 745 Kt with 92% from Vietnam and 71% landed through Durban
- Cement industry has applied for safeguard protection tariffs with ITAC against all imports of cement and clinker
  - Basis for application is the cost of producing cement in South Africa that is approximately 45% higher than importing countries due to regulatory and legislative requirements including carbon tax
  - Tariff to be flat and not country specific
  - Decision on tariffs expected by end of H1 2020
- SepCem best placed to benefit from a decrease of imports in KZN

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SepCem's response to operating challenges

Challenge : *Influx of imported cement*

- SepCem's Falcon brand is competitively priced and expected to recover coastal volumes

Challenge : *Coal high pricing and poor quality*

- SepCem has secured a good quality coal source at competitive prices to improve cost of sales

Challenge : *Downward pressure on profitability margins*

- SepCem well – advanced in concluding negotiations with the project loan consortium for reshaping to better align to the business's operating phase

Challenge : *Liquidation of mining contractor*

- SepCem has appointed a new mining contractor to replace Diesel Power who filed for liquidation in October
  - Diesel Power's contract was due for renewal in November therefore SepCem was well advanced in the tender process for the new mining contract
  - Termination of the mining contract did not have any material impact on SepCem's operations

2 FINANCIAL PERFORMANCE

Negative earnings mainly due to declining sales volumes

GROUP

- Net earnings after tax of (R7,7) million
  - H1 2019 : R26,5 million
- Headline earnings per share at (4.11) cents
  - H1 2019 : 12.59 cents
- SepCem equity accounted earnings of (R7,8) million
  - H1 2019 : R20,8 million
- Head office cost management initiative results in the 26% YoY

MÉTIER

- Sales revenue of R425,8 million
  - H1 2019 : R467,9 million
- EBITDA margin of 7.0%
  - H1 2019 : 8.3%
- EBIT margin of 4.0%
  - H1 2019 : 6.9%
- Net earnings after tax of R7,7 million
  - H1 2019 : R20,3 million

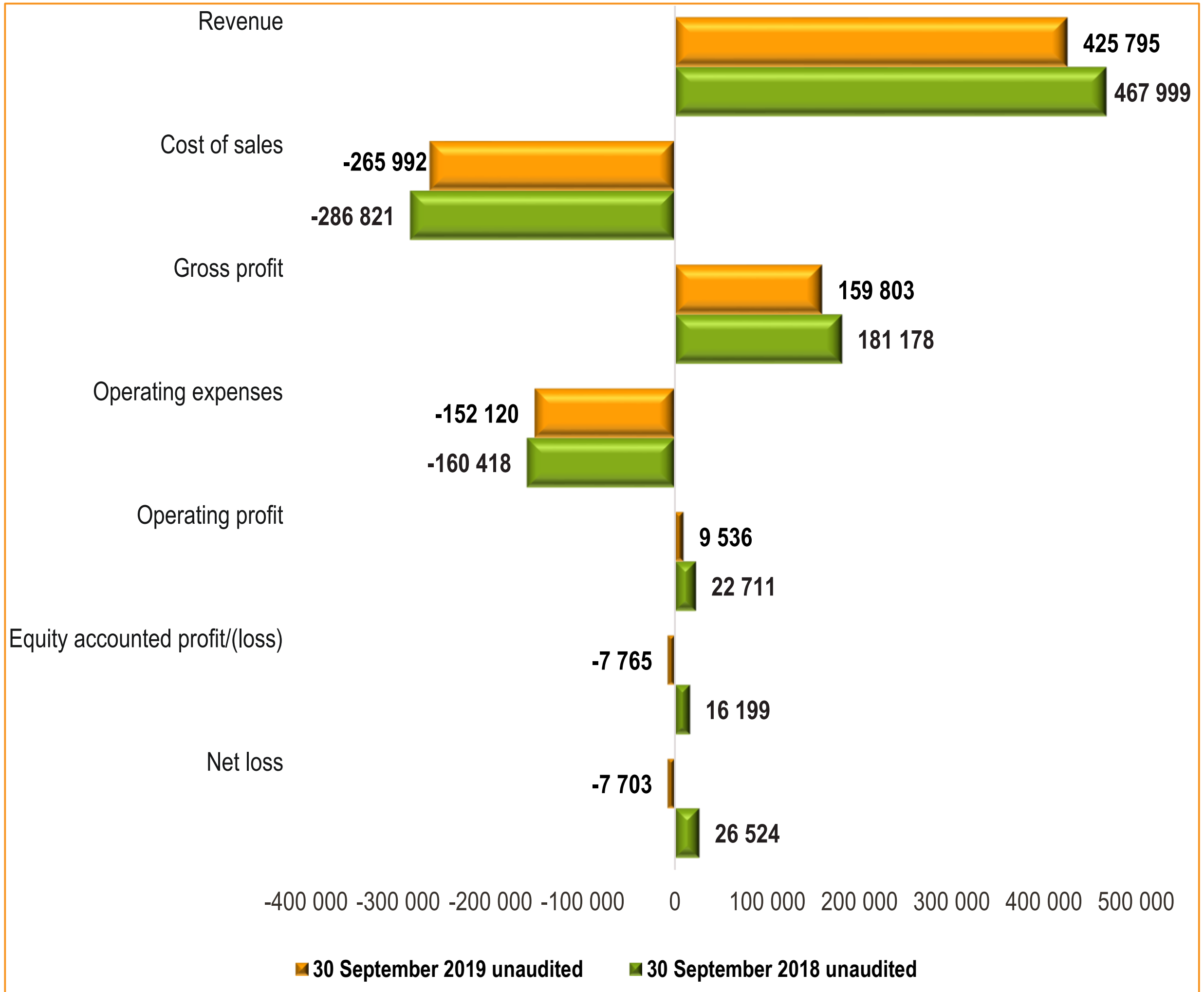
SEPCEM

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

- Sales revenue of R997 million
  - H1 2018 : R1,2 billion
- EBITDA margin of 15.2%
  - H1 2018 : 22.0%
- EBIT margin of 6.2%
  - H1 2018 : 14.6%
- Net earnings after tax of (R21,6) million
  - H1 2018 : R44,9 million

Métier's strategic plant footprint expansion supports volumes

Group statement of comprehensive income (R'000)



- Métier's revenue 9% lower YoY at R425,8 million
  - 9.7% decrease in concrete sales volumes and flat pricing at -0.3% YoY
  - Cost of sales decreased by 6% due to the decline in sales volumes
- Decrease in SepCem equity accounted earnings by R24 million to a R7,8 million loss due to significant decrease in H1 sales volumes resulting from ;
  - Lower national demand
  - Increased cement imports with over 70% landing at Durban port thereby impacting SepCem's KZN volumes
  - Increased competition from blenders in selected inland markets
- Net group loss after tax of R7,7 million compared to R26,5 million profit for the interim ended September 2018

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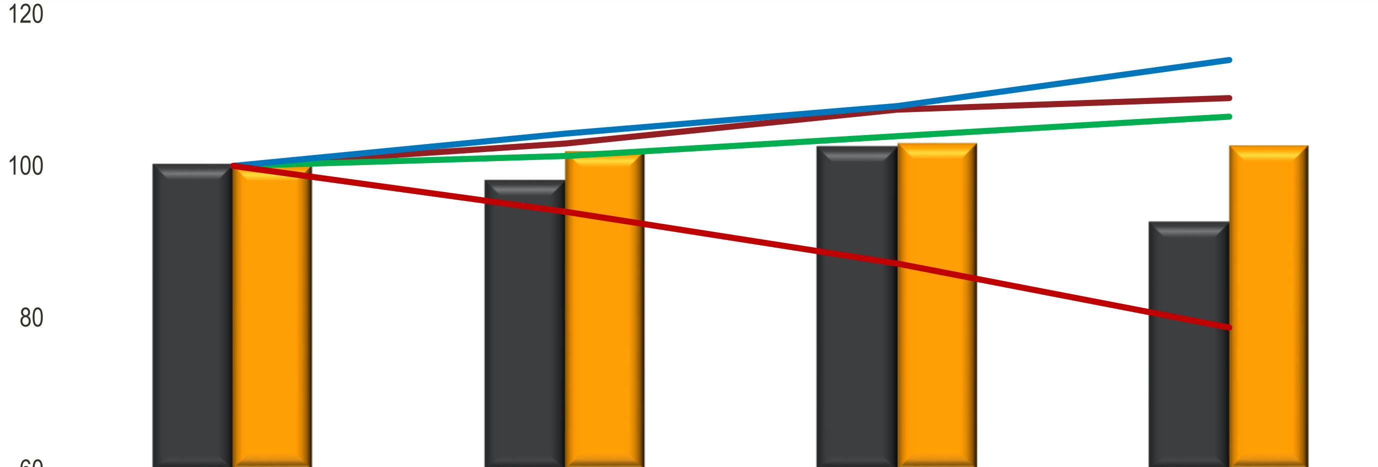
Declining volumes and flat pricing reduces Métier profitability

Indexed average pricing and cost comparison



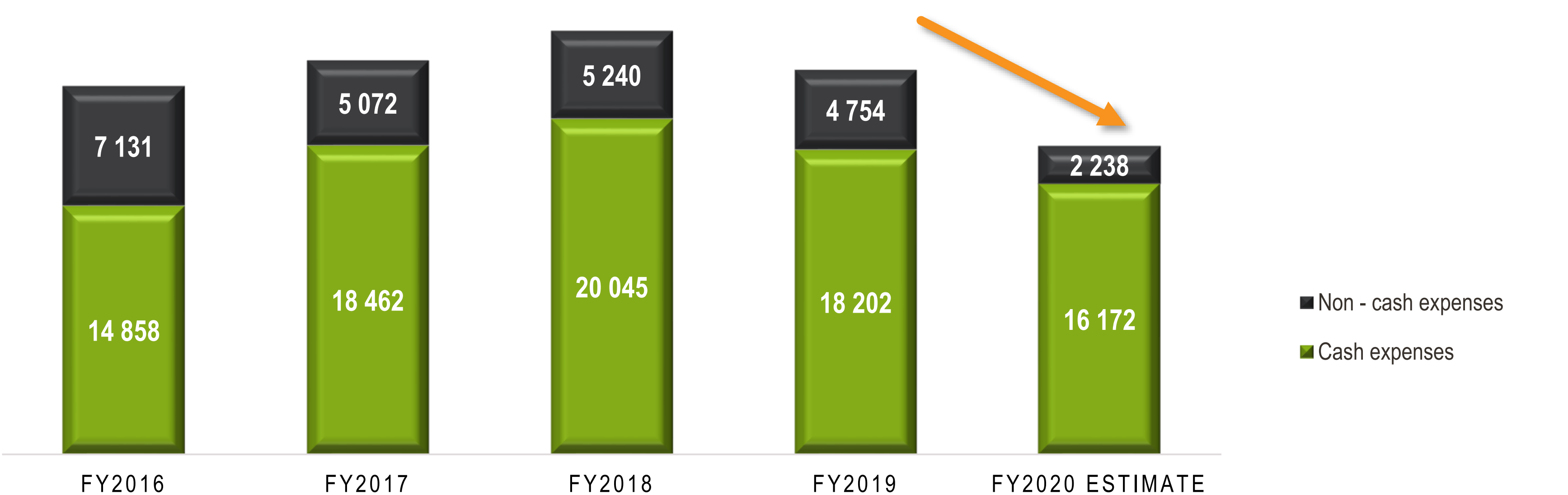
	FY 2017	FY 2018	FY2019	FY2020
Total volumes - m^3	100	98	102	92
Average selling price(ASP) - ZAR /m^3	100	102	103	103
Raw material cost - ZAR /m^3	100	103	107	109
Material & transport cost as % of ASP	100	101	104	106
Transport cost - ZAR / m^3	100	104	108	114
Margin over material & delivery - ZAR/m^3	100	94	87	79

- Profitability negatively impacted by prevailing concrete trading conditions characterised by declining demand
  - Margin over material and delivery 21% lower than interim ended September 2016 against transport cost increase of 14%
    - Transport cost approximately 21% of material and transport cost
- Low profitability has impacted bank debt covenants

SepHold's initiative to reduce head office expenses

- SepHold reduced expenses by 27% YoY to R7,5 million
  - Expenses at R10,2 million for the six months period ended September 2018
- Reduction in expenses due to
  - Decrease in the CEO's salary
  - Decrease in headcount
- Total expenses target of R18,4 million by 31 March 2020

SepHold expenses profile (ZAR million)



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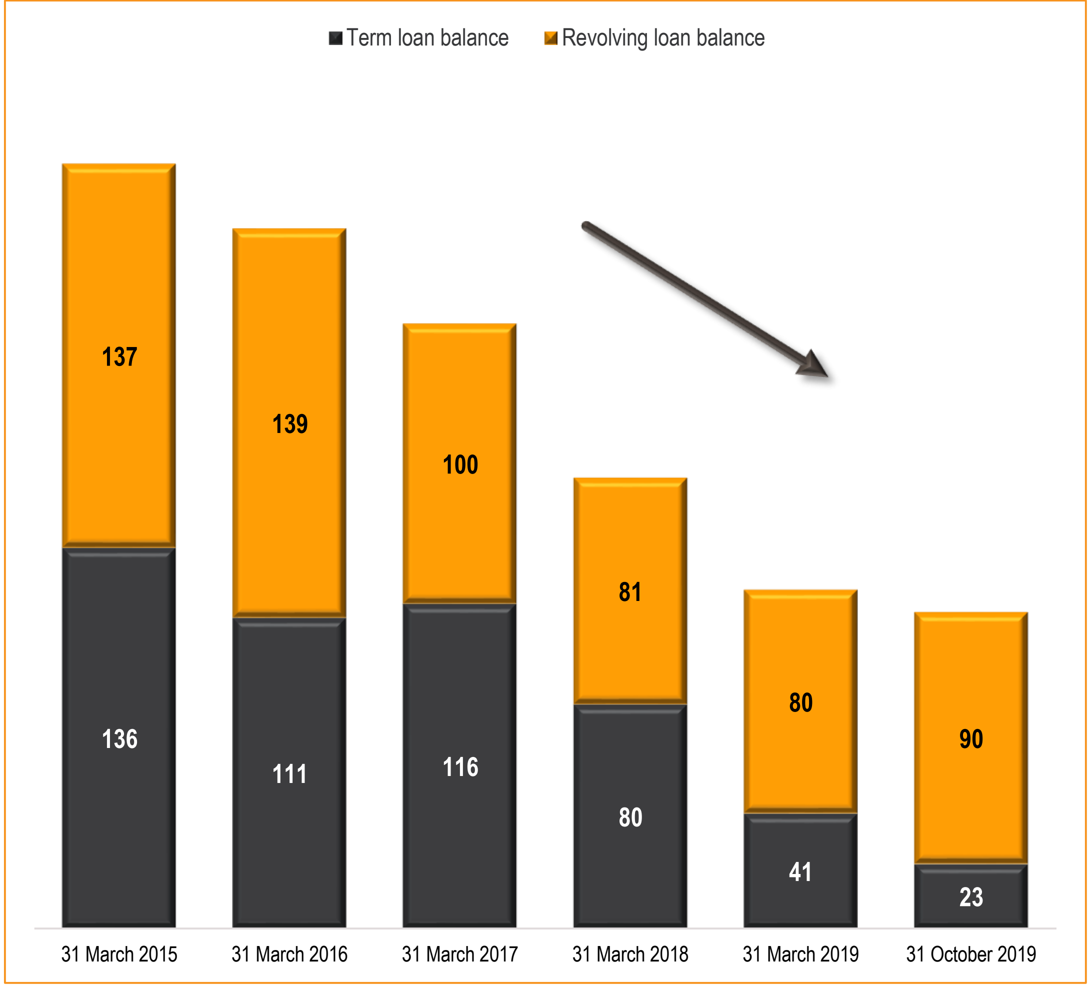
Group focused on reducing gearing

Métier bank debt profile (ZAR million)



- Métier term loan debt at a quarterly interest rate of JIBAR plus 3.49% has been decreasing by 11% annually since FY2015 from R 137 million
  - Outstanding balance of R23 million at 31 October 2019
  - Final instalment to be paid in April 2020.
- R100 million revolving facility (RCF) at a quarterly interest rate of JIBAR plus 4%
  - Repaid R10 million capital debt resulting in a total outstanding balance R90 million balance by 30 October 2019
- Métier's debt service for CY 2019 is R48 million
  - Requisite debt to EBITDA ratio of between 2.0 - 2.5 times cannot be achieved without an equity cure
- SepHold intends to propose a non-renounceable partially underwritten rights issue to raise approximately R50 million before the end of the calendar

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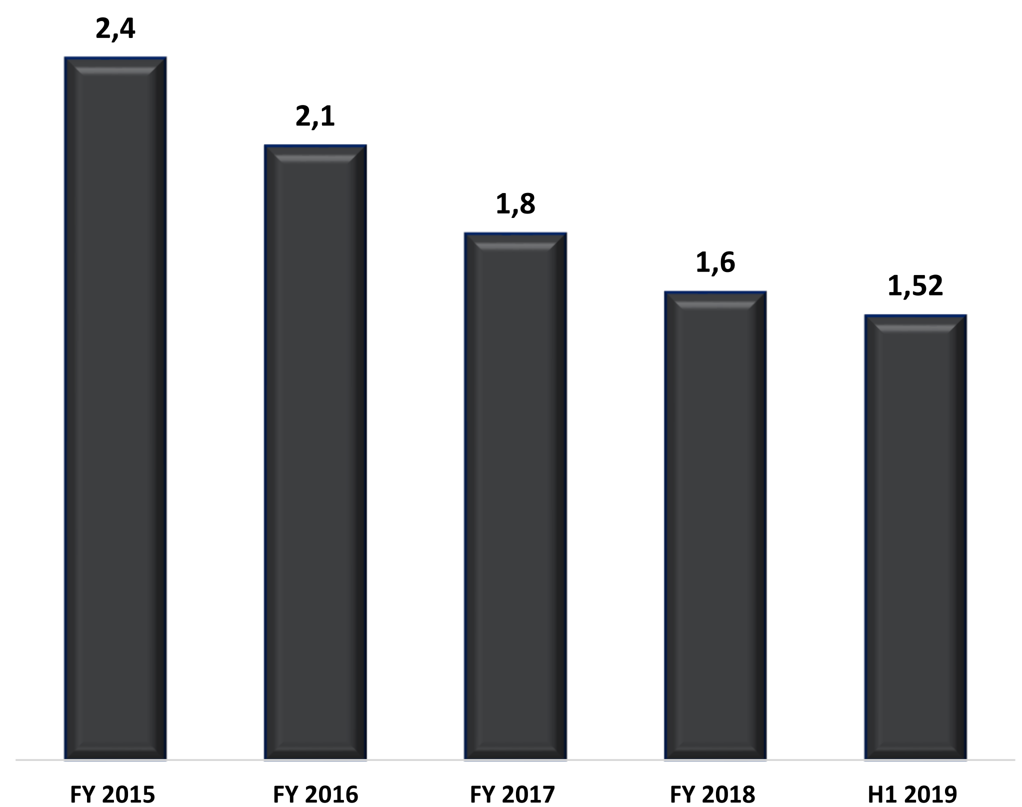
SepCem focus on attaining an appropriate debt structure

SepCem project debt profile (R billion)



- SepCem had reduced debt capital by R94 million resulting in a balance of R1,52 by end of June 2019
- Total debt payments R187 million including R 93 million in interest payment
- Dangote Cement PLC quasi-equity loan balance at R531 million at JIBAR plus 4%
- SepCem's cash generative capacity has enabled management to renegotiate the project loan terms subject to acceptance by the lenders' consortium;
  - SepCem to make a R200 million voluntary prepayment by end of November 2019 without amending the tenor of the facility
  - The R200 million pre-payment will be applied equally by R25 million over the next eight quarterly capital instalments
  - The lenders to amend the debt service cover ratio from 1.3x to a cumulative debt service cover ratio of 1.5x

SepCem Q3 2019 post- period performance

Third quarter performance for the period ended 30 September 2019 indicating improvement in volumes

- SepCem Q3 volumes 16% higher than achieved in Q2 and 8% lower YoY
  - August and September volumes were flat and 6% higher respectively YoY
  - Falcon brand introduced to strategically combat imports and the proliferation of blenders in key inland markets
  - Industry sales volumes estimated to be 10% - 12% lower in Q1 2019
- Revenue decreased to R586 million (Q3 2018:R606 million) due to lower sales volumes
- SepCem second price increase was implemented in July of 2.5% - 3.5% inclusive of 1.5% - 2.5% for carbon tax recovery
  - SepCem increased prices by 8% - 10% per tonne in January for bulk and February for bagged cement
- Market has been depressed but green shoots observed in the past few months;
  - Several large SOE's have recently announced the intention to increase infrastructure tenders, including ACSA, Eskom, Transnet and SANRAL
    - Sanral's rehabilitation of the national roads with a tender issued for the extensive upgrades to the N2/N3 road network in KwaZulu-Natal
    - Lesotho Highland water project has commenced construction
    - Upgrades to O.R Tambo and Cape Town airports

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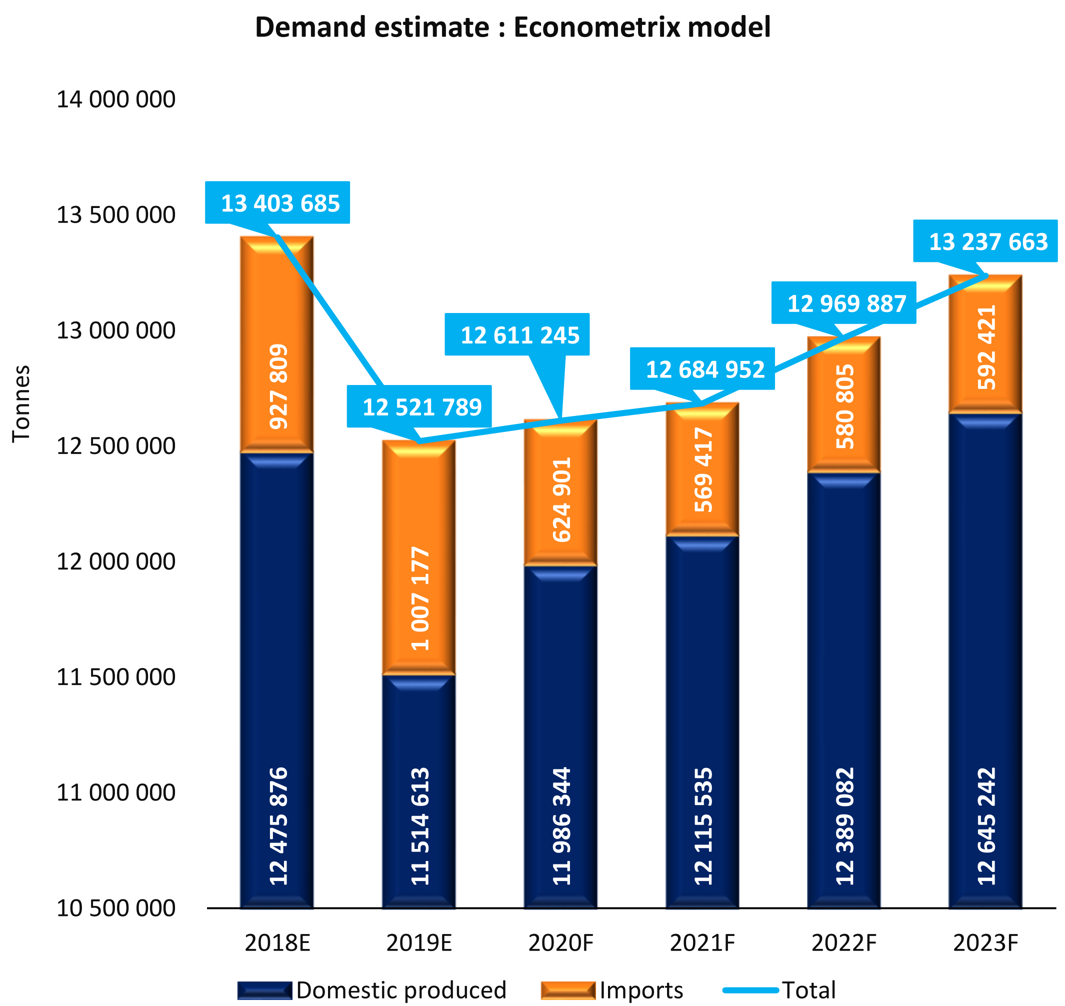
3 OUTLOOK

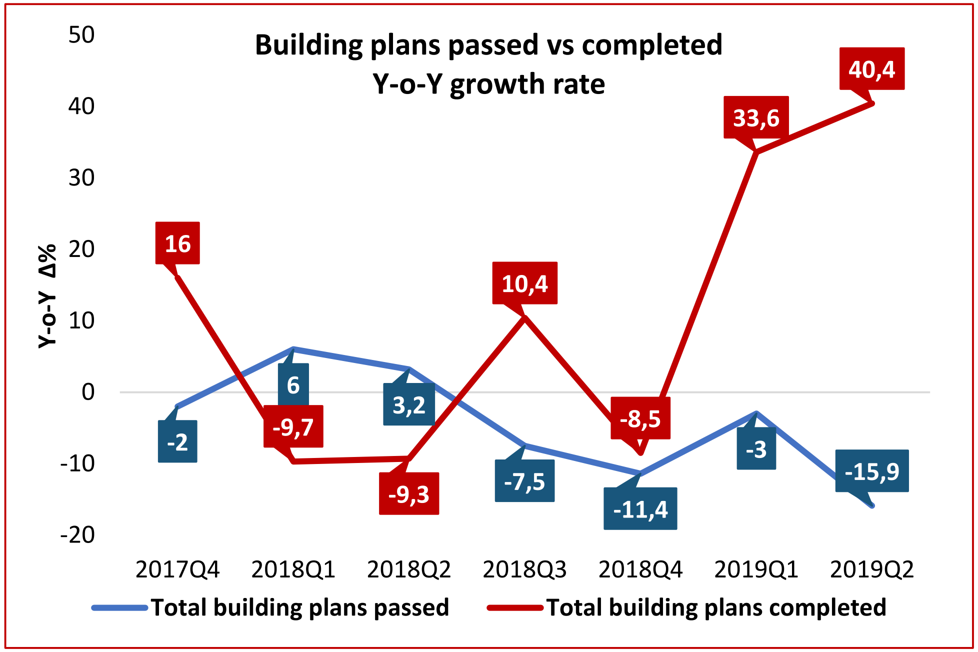
Cement industry demand estimation 2019 – 2023



- Cement sales by the industry are still not available, therefore SepCem utilises the Econometrix model for reference. Industry cement demand estimates Y-o-Y;
  - Q1 was -8.3% and Q2 was -7.2% to approximately 2,73 million tonnes.
  - Domestically produced cement expected to be 7.7% lower and imports to increase by 8.6% resulting in 6.6% decrease in estimated total demand
- Demand growth expected to be approximately 0.7% annually for 2020 and 2021 if government interventions fail to materialise
- Market has been depressed but green shoots observed in the past few months;
  - Sanral's rehabilitation of the national roads with a tender issued for the extensive upgrades to the N2/N3 road network in KwaZulu-Natal
  - Upgrades to O.R Tambo and Cape Town airports

Sources *– Econometrix cement model October 2019 & Quarterly cement outlook Q4*

Private infrastructure investment waning



"Civil postponements edged higher in August, up by 136 percent compared to the same month in 2018, and was higher than the monthly average in the first 7 months of the year. ACSA, Amatola Water, Cape Town Administration, and National Department of Health were responsible for postponing several projects during the month, mostly affecting Western Cape, KwaZulu Natal and the Eastern Cape.

Apart from the increase in August, overall postponements in the civil industry are still lower by 19 percent for the year (January – August) compared to last year, but the trend has turned more negative with the postponement rate (number of projects postponed in relation to the number of tenders issued) rising to an average of 7.9 percent in the 12 months up to August 2019, from 7.2 percent as at July 2019."

Industry Insight, Construction Monitor - September 2019

- Sharp deterioration in building plans passed in Q2 2019 to -15.9% y/y, from -3.0% y/y in Q1 2019
  - Q2 heavily driven by a very weak -22.2% y/y in June, which was mainly as a result of the -40.5% y/y fall in plans passed for the office and banking space: a sector which remains heavily over-supplied
  - Data for the square metres of building plans passed for Q2 decreased 15% y/y, following a decrease of 3% y/y in Q1 2019. This is considered a clear indication of the loss of confidence
- Plans completed increased by 40.4% in Q2 2019, from a high 33.6% in Q1 2019 – probably buoyed by large retail and office space projects being completed
- The lukewarm levels of forecasted domestic economic growth until the end of 2022 indicates an outlook for the construction sector in the private sector that is relatively bleak.
  - There is unlikely to be a real improvement in building activity until such time as general business and consumer confidence improves meaningfully

Sources : Econometrix - Quarterly cement outlook – Q4 2019 ; Stats SA - Preliminary selected building statistics of the private sector as reported by local government institutions ,June 2019 . Industry Insight – Construction Monitor (September 2019)

Constrained trading environment for the next 6 to 12 months

- The group will be focussing on:
  - optimising sales reach from the increased Metier plant footprint
  - concluding the proposed rights issue to relieve Métier debt covenant pressure
  - concluding SepCem's project loan reshaping
  - concluding the head office cost cutting initiative
  - evaluating potential opportunities to enhance shareholder value

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