



Sephaku Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number: 2005/003306/06)
Share code: SEP
ISIN: ZAE000138459
("SepHold" or "the Company")

CEMENT operational update

CEMENT reports an improvement of R90m in second-half profit to R73,9m compared to a first-half loss of R16,1m resulting in an annual profit of R57,8m.

SepHold is pleased to advise its shareholders that Dangote Cement South Africa Proprietary Limited ("CEMENT" or "the associate") achieved an increase of 3,7% in revenue and an effective price increase of 5% for the 12 months ended December 2017¹. The associate's performance was reported by Dangote Cement PLC on 20 March 2018 as part of their consolidated financial results for the year ended 31 December 2017.

Commentary

The South African economy was largely subdued in 2017 estimated to have achieved a better than expected GDP growth rate of 1,3% with the fourth quarter recording the strongest annualised growth of 3,1% for the year. The cement industry similarly demonstrated modest improvement in pricing and customer mix stability for the manufacturers. The estimated industry sales volumes including imports for 2017 were 12,9 million tonnes² representing a decline of 0,8% from the 13,0 million tonnes in the previous year.

CEMENT's first half year performance was weak, recording a loss of R16,1 million due to excessive rainfall in the first quarter and low demand for the interim period. In the second half of the year, the associate's recovery, due to increased demand and improvements in operational efficiencies, resulted in an EBITDA margin of 23% in Q3 and 25% in Q4. The profit for the second half was R73,9 million an increase of R90 million compared to the first six months. CEMENT achieved a 3,7% increase in revenue to R2,366 million (2016: R2,281 million) for the 12 months ended 31 December 2017. The price increases implemented in February and August 2017 were sustained in most markets resulting in an effective annual increase of 5%.

The annual EBITDA margin at 21,3% (R504,2 million) and net profit of R57,8 million were lower than the figures recorded in 2016 of 23,1% (R527,0 million) and R68,9 million, respectively. This was mainly due to the fact that the previous year's EBITDA and net profit included once – off income from the closure agreement with Sinoma on the final handover of the plants of R138 million. The equity accounted income to be translated to the SepHold income statement is R20,8 million (2016: R24,8 million).

¹ CEMENT has a December year-end as a subsidiary of Dangote Cement PLC. ² Econometrix cement model February 2018

Outlook

In February 2018, CEMENT implemented a 5% price increase across all its markets for the bagged cement and most of the competitors increased pricing between February and March 2018. The price stability is expected to continue with the associate focussing on profitability whilst maintaining sales volumes.

The enhanced business sentiment due to perceived political stability is broadly expected to increase investment into all major industries. Nonetheless, the economy is likely to remain under pressure for the next 12 – 18 months as the anticipated pro-business monetary and fiscal policies are implemented. The South African reserve bank increased its GDP growth forecast from 1,2% to 1,4% and the World Bank published a forecast of 1,1% for 2018. These forecasts have provided an improved macro-economic landscape for the cyclical building materials industry.

Centurion

22 March 2018

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Sponsor to Sephaku Holdings: Questco (Pty) Ltd

About Sephaku Holdings Limited

Sephaku Holdings Limited ("SepHold") is a building and construction materials company with a portfolio of investments in the cement sector in South Africa. The strategy of SepHold is to generate growth and realise value for shareholders through the production of cement and ready mixed concrete in Southern Africa. The company's core investments are a 36% stake in Dangote Cement South Africa (Pty) Ltd [formerly Sephaku Cement Pty Ltd] and 100% in Métier Mixed Concrete (Pty) Ltd.

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