The Cement Majors of the Future

Exane BNP Paribas Conference

London
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<td>South Africa</td>
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<td>Botswana</td>
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<td>Zimbabwe</td>
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<td>Mozambique</td>
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**Overview of PPC**
Overview of PPC

- During 2013, PPC celebrated its 121st birthday and 103 years as a listed company on the JSE Limited.

- Concrete structures endure and given PPC’s history, 40-50% of all structures in southern Africa would have been built with PPC cement.

- PPC is today the leading supplier of cement in Southern Africa through nine cement manufacturing facilities and three milling depots in South Africa, Botswana, Zimbabwe and Rwanda.

- These facilities can produce approximately eight million tons of cement products per year.
Overview of PPC (cont.)

- PPC operates through three key product segments
  - Cement
  - Lime
  - Aggregates
- In addition to serving the southern African domestic markets, cement is exported to other African countries
- For the year ended 30 September 2012:
  - ZAR 7.3 billion in revenue;
  - ZAR 2.3 billion in EBITDA and;
  - ZAR1.9 billion in operating profit
  - Net debt to EBITDA of 1.6x
- In 2012, PPC acquired:
  - Pronto Building Materials – RMC and fly ash supplier
  - 27% of Habesha Cement Company in Ethiopia,
  - 51% of Cimerwa Limited in Rwanda
Overview of PPC (cont.)

- Listed on the Johannesburg Stock Exchange (JSE) and the Zimbabwe Stock Exchange (ZSE)
- 605 million shares in issue with 76% free float
- Market capitalisation ~ZAR18bn
- 6 Month daily average volume traded 1,186,643
- Institutional investors are split 50% SA and 50% international
- Financial year is October to September
- PPC assigned SA national scale long-term and short-term credit ratings of zaA+ and zaA-2, respectively, by Standard & Poor’s
- Successfully established a R6 billion domestic medium term note programme to optimise and diversify sources of funding
Overview of PPC (cont.)

- **Cement**
  - **South Africa**
    - PPC’s product range includes Ordinary Portland Cement (OPC) for specialised application in the infrastructural market (52.5⁰), market-leading Surebuild (42.5⁰) for general-purpose application, and the new SureRoad brand for exclusive use in road construction.
  - **Botswana**
    - Surebuild, OPC, PMC and the Botcem (32.5⁰) product is a popular ash-blended cement for the retail market.
  - **Zimbabwe**
    - Surebuild, Unicem, an established 32.5⁰ multipurpose cement and PMC (22.5¹) are distributed from the Bulawayo factory.
  - **Mozambique**
    - PPC’s Surebuild (42.5¹) is distributed as the Força brand and Obras (32.5¹) a product introduced during 2012.

- **Lime**
  - PPC’s products include unslaked lime, hydrated lime and limestone and burnt dolomite.

- **Aggregate**
  - Concrete stone, road stone, crusher sand, river sand, building sand, plaster sand, Magalies silica, natural base, sub-base, fill material, dolomite and agricultural lime.

- **Readymix concrete (‘RMC’)**
  - Pronto supplies concrete as well as plaster and mortar to the Gauteng area. This includes standard concrete mixes from 10 MPa – 50 MPa, pumpable mixes from 10 MPa – 50 MPa as well as dual purpose dry mortar and superflat speciality plaster.

¹Indication of strength categories for cement
Overview of Southern African cement industry

Existing Producers
- PPC
- AfriSam
- Lafarge
- NPC
- Cinpor
- Sino Cement
- Ohorongo Cement

New Entrants
- Sephaku Cement
- Continental Cement

Estimated 2013 Annual Cement Demand
- South Africa: 12 million tons
- Botswana: 600,000 tons
- Zimbabwe: 1.2 million tons
- Mozambique: 1.6 million tons
- Namibia: 350,000 tons

* Grinding plant only
Strategic focus

South Africa
Botswana
Zimbabwe
Mozambique
Strategic focus

The Enablers

Our People
- Reducing the income gap
- Ensuring acceptable minimum wage
- Ensuring all employees have decent housing
- Recruitment of globally competitive skills
- Implemented an innovation reward system

Company Structure
- To meet the future needs of PPC as a multinational we are:
  - implementing a new management structure and;
  - a new statutory structure

The Deliverables

Enhancing our industry-leadership position in southern Africa
- Defending and growing in our traditional markets against current over capacity, imports and future new entrants

Expanding our operational footprint into other parts of Africa
- First step is to get revenue earned outside of SA to 40% of group revenue by end 2016
- Second step will be to build on this by further expanding revenue earned outside of SA
Enhancing our industry-leadership position in southern Africa

- **Strategic focus required due to current operating environment in this region**

- **South Africa**
  - During PPC’s H1 ending March 2013, industry cement sales volumes grew 1.2% and PPC 6%
    - PPC is continuing to experience similar growth in 2013 H2
  - Muted GDP growth will constrain cement demand growth in SA unless government infrastructure delivery improves – hence the call for an “infrastructure CODESA”
  - Overcapacity in the industry and imports are maintaining pressure on selling prices
    - PPC has achieved ~5% increase in selling prices this year
    - Imports are approximately 6-7% of national demand
  - Input costs from electricity increases and diesel remain in double digits being partially offset by coal and manpower and other production savings.

- **Zimbabwe**
  - Sales environment in Zimbabwe remains robust - volume growth ~15%
  - PPC is only producer with further capacity to support growth

- **Botswana:** sales environment under pressure with weak demand and intense price competition

- **Mozambique (south):** sales environment also under pressure due to intense pricing activity by cement importers into the Maputo area.
Enhancing our industry-leadership position in southern Africa (cont.)

- **Optimising our production network by focussing on:**
  - 3 key clinker producing facilities
    - Achieve thermal energy efficiencies within 5 to 10% of a new plant (~10% of costs)
  - **Continue to exploit our broad footprint to continually reduce logistics costs (~30% of costs)**
    - With the completion of Slurry mill project, all major mills have high efficiency separators, increasing sourcing options

- **Investing in businesses with good strategic fit:**
  - **Pronto Building Materials**
    - Largest independent RMC supplier in Gauteng – key RMC market in SA
    - Ulula Ash which gives PPC access to ash for cement manufacture and sale to blenders and construction industry
  - **Safika Cement**
    - Independent blender* with strong brand and established national client base
    - Subject to approval by competition authorities

* Cement blenders in SA buy pure cement (CEM I) and extend this by adding slag or fly ash to produce CEM V products.
Expanding our operational footprint into other parts of Africa

- Projects/ feasibility studies:
  - Ethiopia
  - Rwanda
  - Zimbabwe/Mozambique
  - DRC

- Additional potential opportunities under consideration
Expanding our operational footprint into other parts of Africa (cont.)

**DRC**
- 1mtpa plant near Kinshasa
- MOU with local partner
- Feasibility in progress
- 3mtpa consumed, 0.5mtpa locally produced

**Cimerwa**
- 1mtpa plant north east of Harare
- Feasibility in advance stage
- Clinker plant will be well located to supply mills located in the growing markets of Harare (Zimbabwe) and Tete (Mozambique).

**Habesha Cement**
- PPC acquired 27% for $12m
- Project cost: ~$130m for construction of 1.4mtpa
- 30% equity, 70% debt
- Construction: start Oct'13
- Commissioning: end 2015
- Plant well located, 35 km north west of Addis Ababa

**Cimerwa**
- PPC acquired 51% equity stake in Cimerwa for $69.4m
- ~$100m debt finance secured
- Only local cement producer with current 100 ktpa capacity
- New 600 ktpa plant under construction
- Commissioning in 2015
- Plant well located to meet growing demand in eastern DRC and Burundi
Cimerwa Limited, Rwanda

Progress on the new 600 000tpa plant
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