

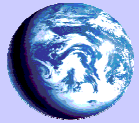
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Overview of the South African Cement Market

Barloworld Analysts Presentation – Dwaalboom

25 August 2006

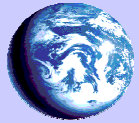




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Presentation Outline

- **Industry overview**
- **Demand**
 - Historical & forecast
- **Outlook to 2010**
 - Key demand influencers & drivers
- **The Skills challenge**
- **Plans to meet projected cement demand**
- **Update on Batsweledi Project & Other Project Studies**
- **Summary**

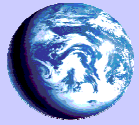


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Industry Overview

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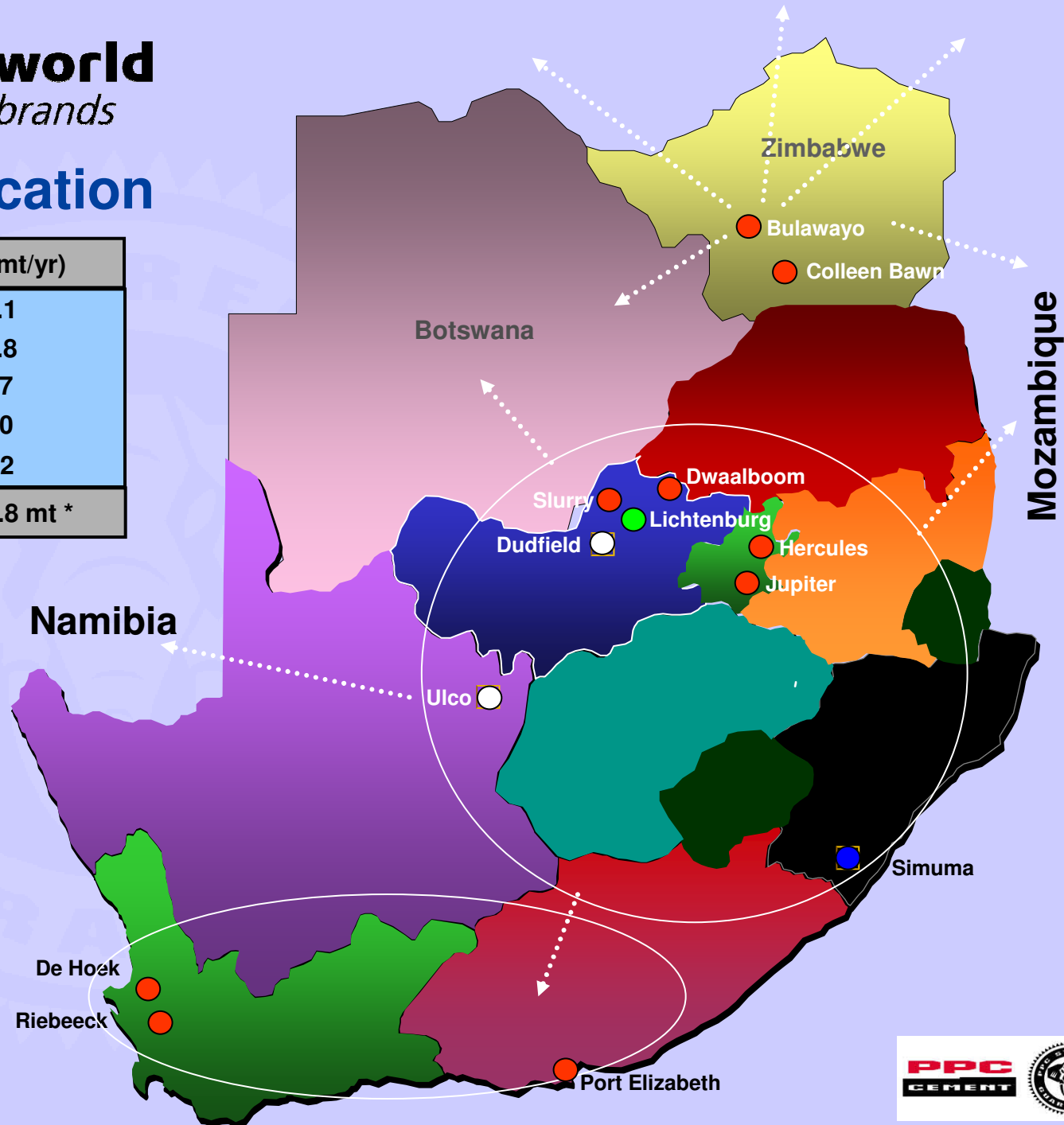




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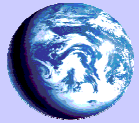
Factory Location

Cement Capacity SA (mt/yr)	
PPC	6.1
Holcim	3.8
Lafarge	2.7
NPC (Cimpor)	1.0
3 rd Party Extenders	1.2
Total:	14.8 mt *



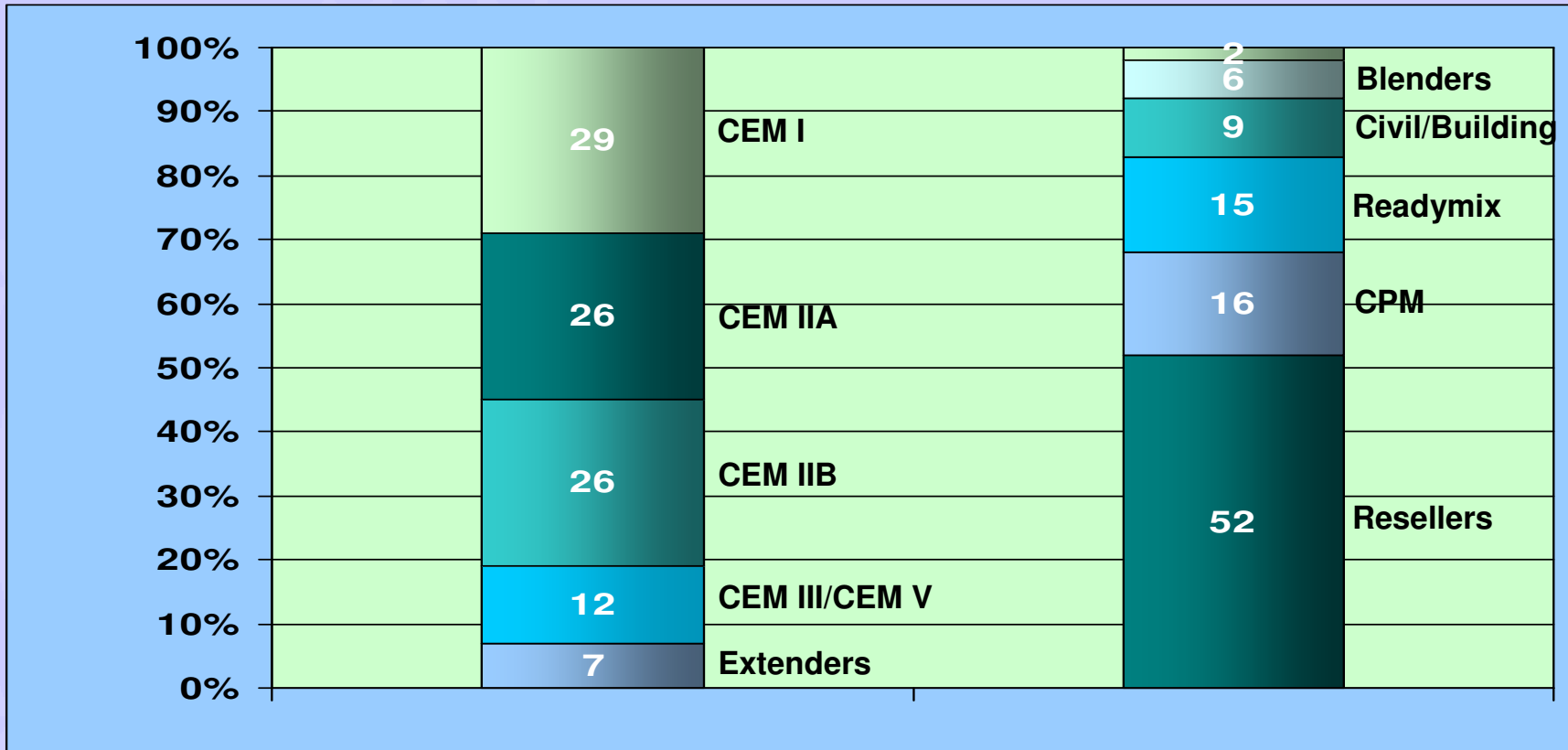
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2005 – Industry Products & Market Segments Spilt

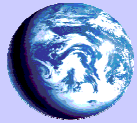


- Noticeable shift from CEM IIA to CEM IIB cements (EN 197 standard)
 - Concomitant reduction in greenhouse gas emissions, & capacity extension
- Bulk of the products distributed via the retail trade
 - Small-to-medium builders, contractors, DIY users
- Extenders sold to readymix & contractors for concrete production

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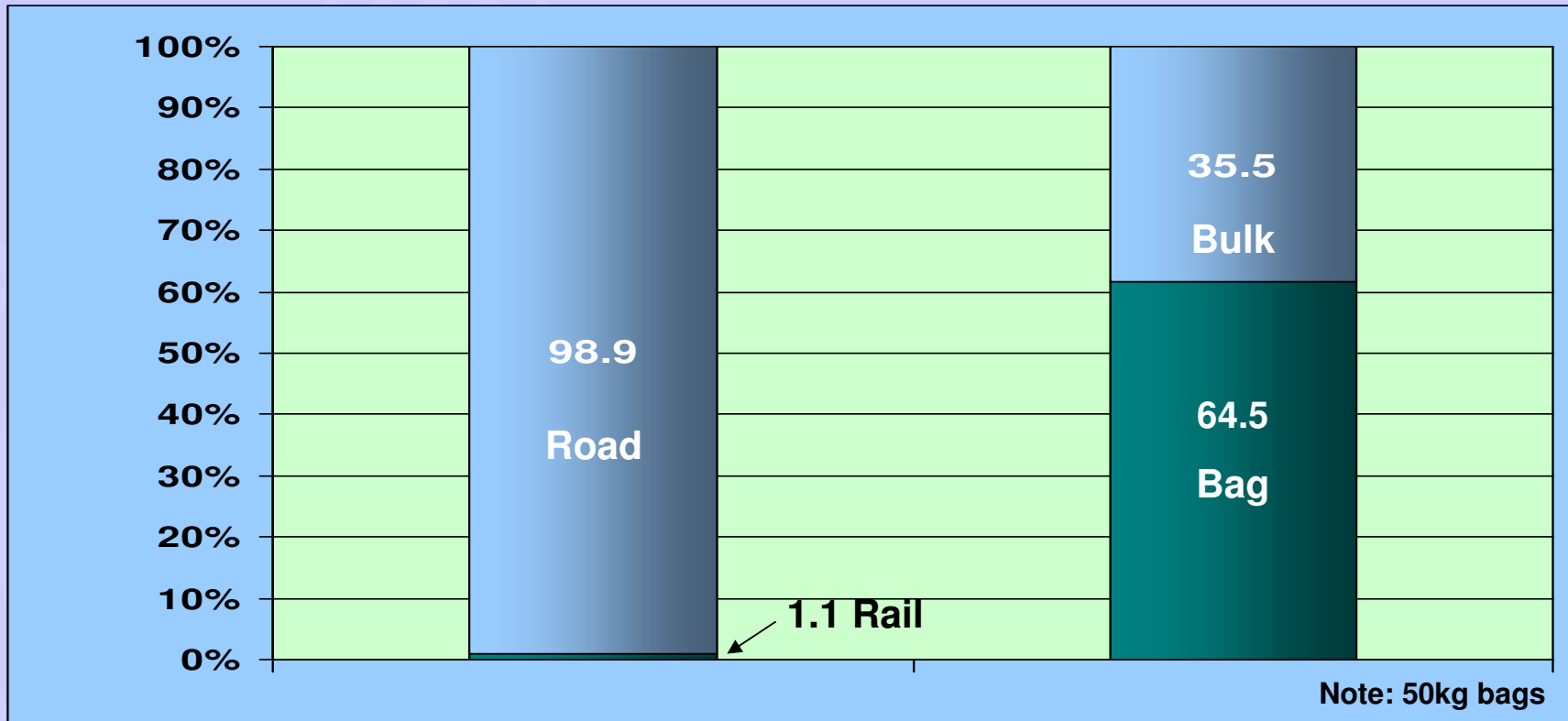
Source: C&I





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2005 Industry Packaging & Distribution Split

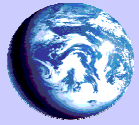


- **Outbound logistics road-based driven by rail system deficiencies**
 - Logistics costs 15-18% of GDP
 - 2002-2006: heavy trucks increased 17%; locomotives & wagons decreased 33% & 28%
- **35% of 750 000km road network in a poor condition (benchmark 5-10%)**
- **Average delivery distance over 180km; 800km not unusual**

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Source: C&I

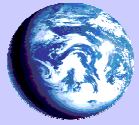




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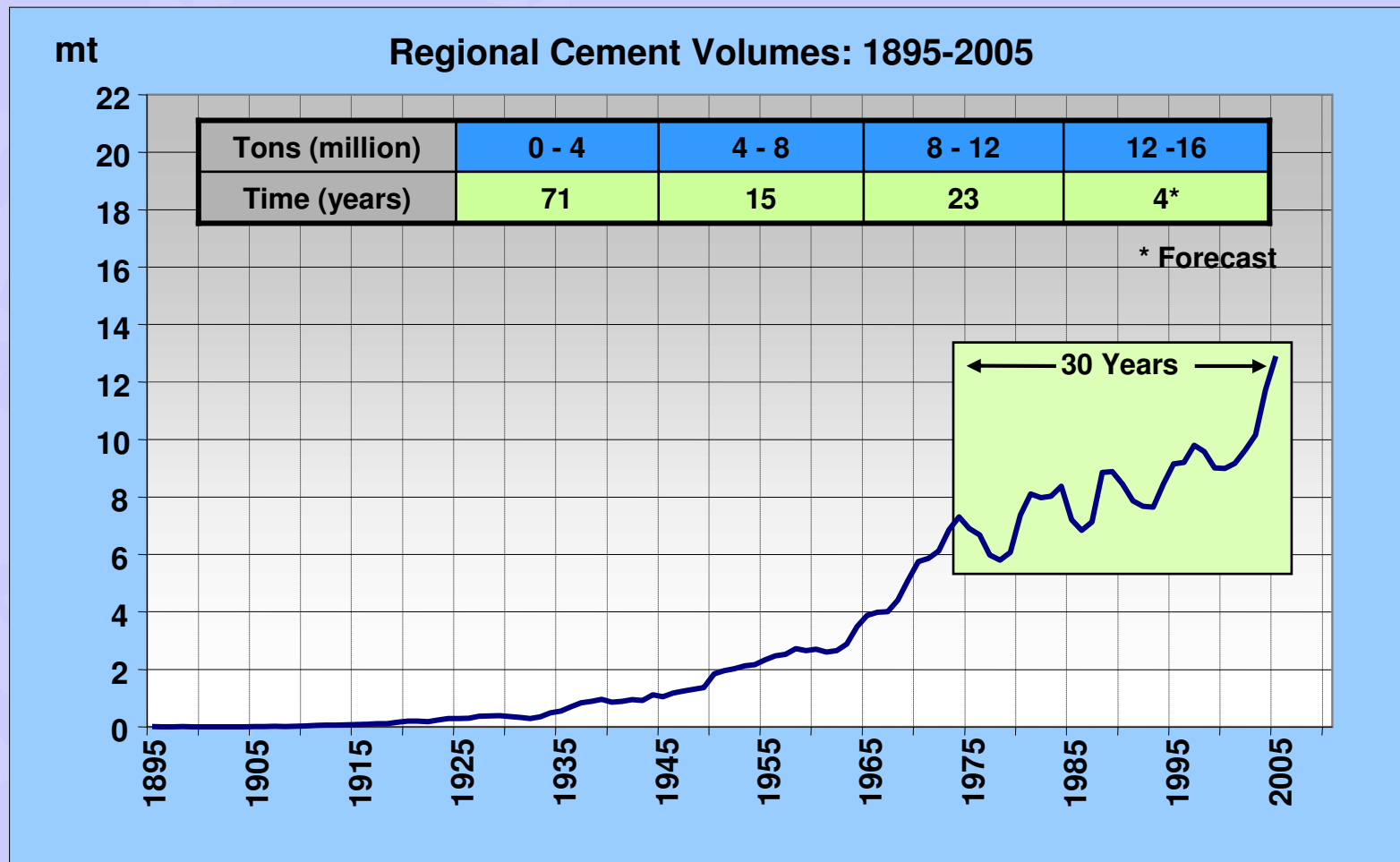
Demand: Historical & Forecast





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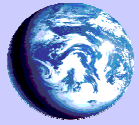
Average Cement Growth 2% p.a. over 30 years – incl. sanctions era!



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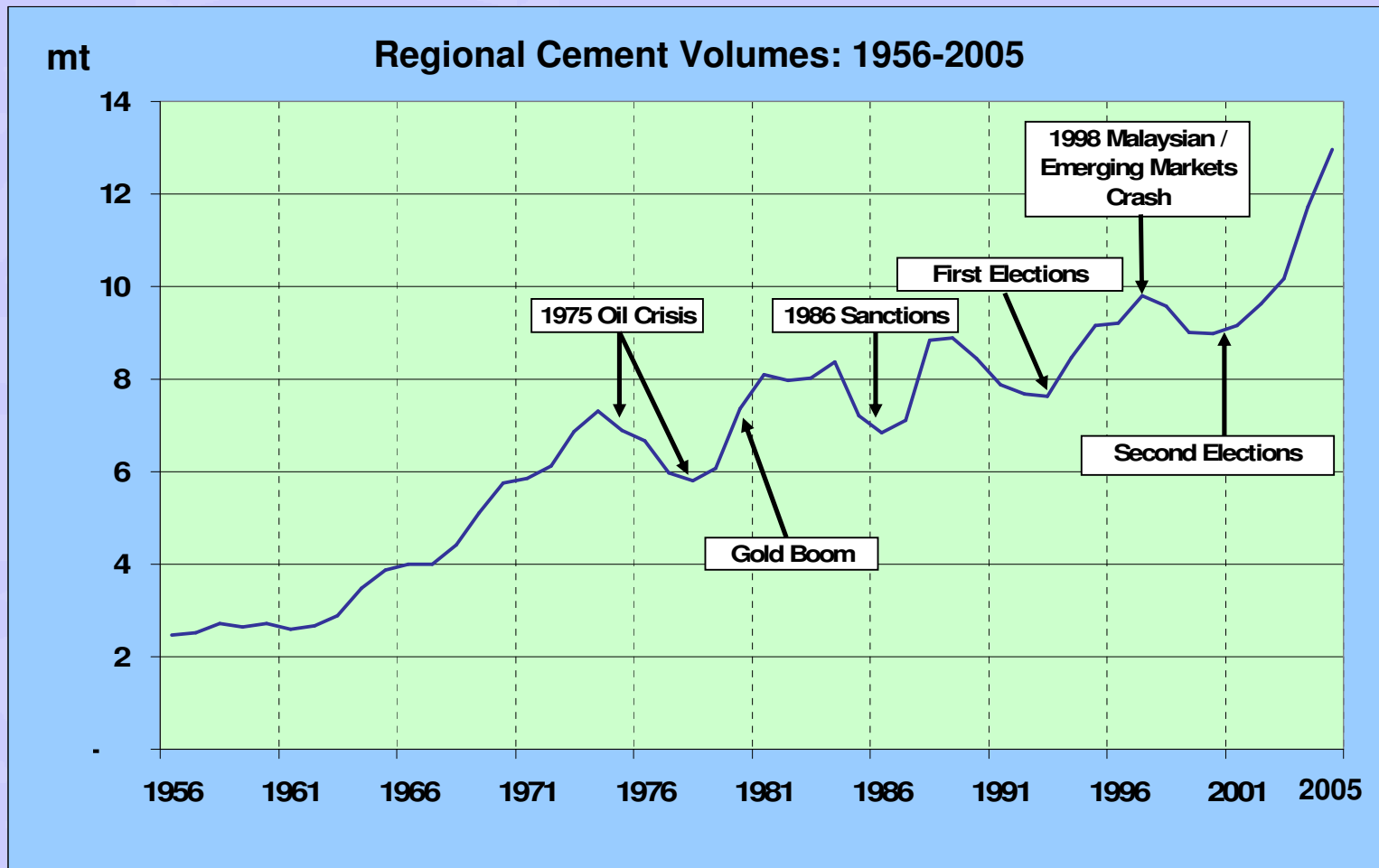
Last 30 years characterised by large swings in demand





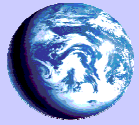
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Cycles Influenced by Local & International Events



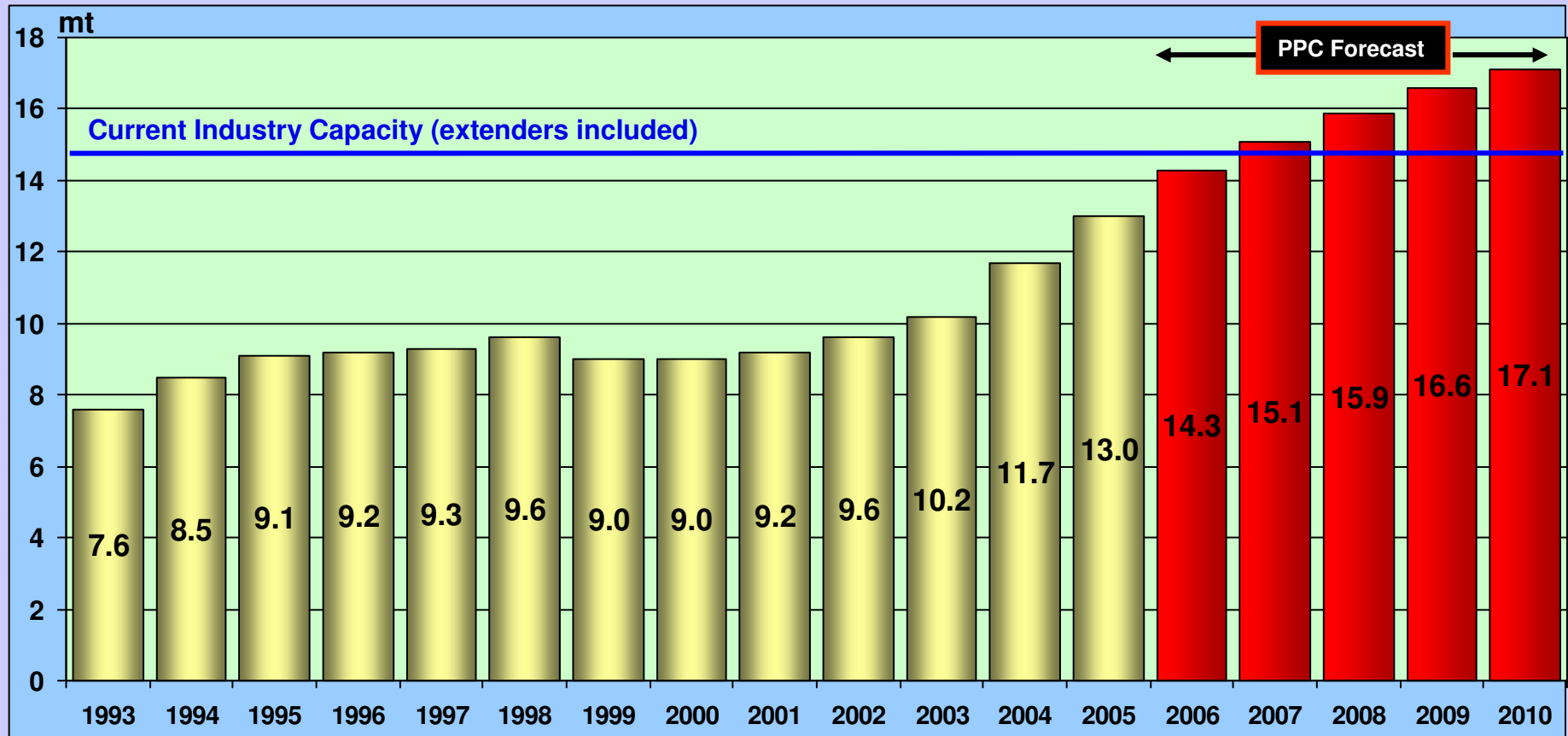
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Regional Volumes Increased 50% in last 5 years (SA in 4 years)



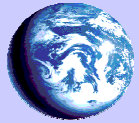
Regional Growth	'94	'95	'96	'97	'98	'99	2000	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10
%	12	7	1	1	3	-6	0	2	5	6	15	9	10	6	5	4	3

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Note: Figures exclude exports

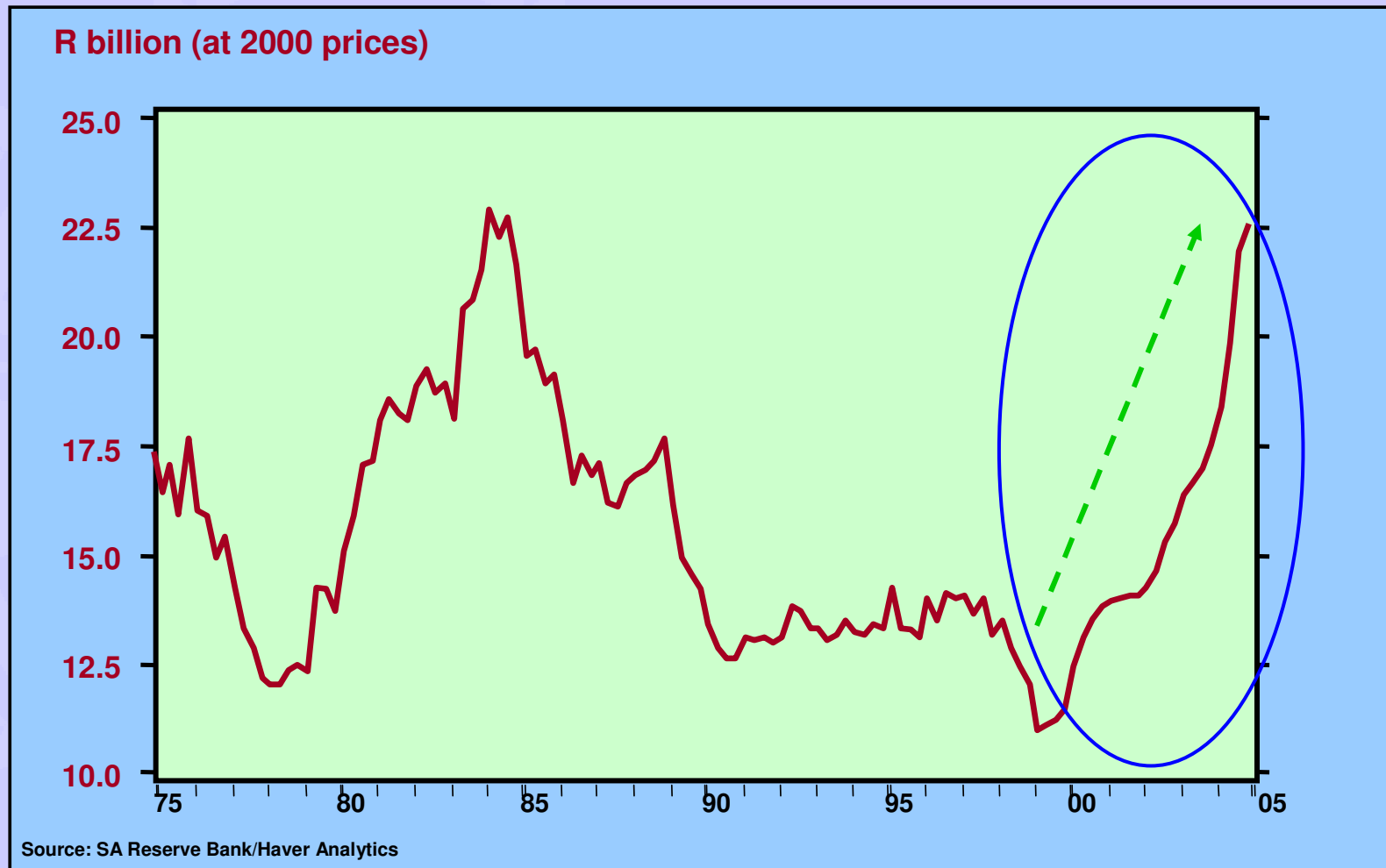
Source: C&I





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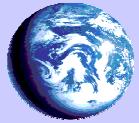
Fixed Investment: **55%** Residential Buildings



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Residential development key demand driver last 5 years





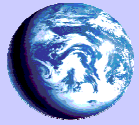
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Fixed Investment: **32%** Non-residential Buildings



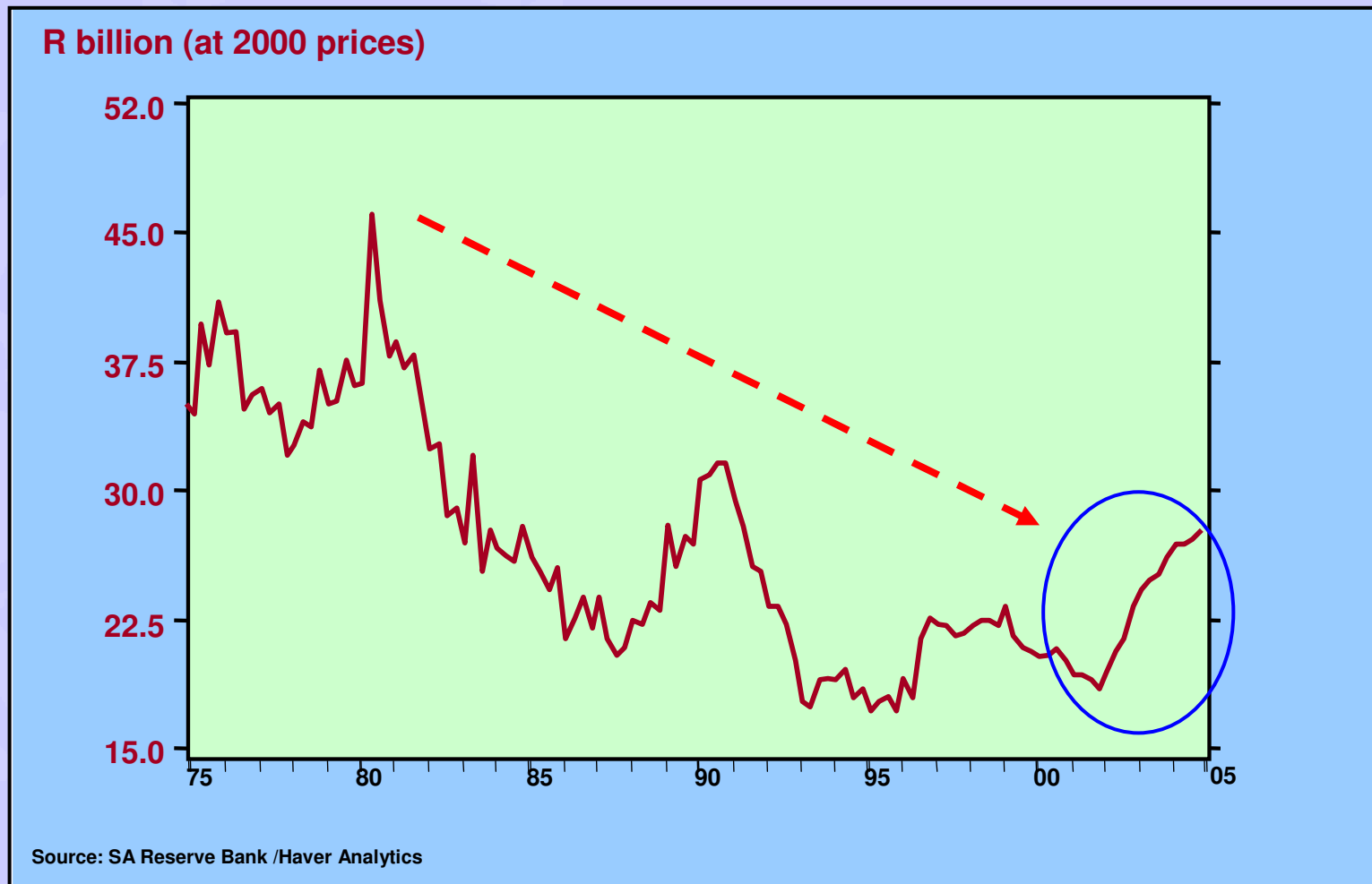
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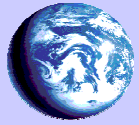
Fixed Investment: **13%** Constructions Works



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Lack of infrastructure spending over past 25 years evident

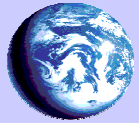




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Outlook to 2010



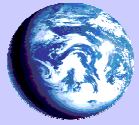


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Country Fundamentals are Looking Positive

- **Sound fiscal policy**
- **Low, stable interest rate & inflation environment**
- **SA Fitch credit rating retained in 2006 (BBB+)**
- **Business confidence levels high (consumers & investors)**
- **Commodity boom impacting favourably**

Currently longest recorded business cycle upswing in SA's history



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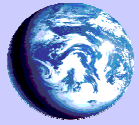
Infrastructure Development will be the Key Growth Driver

- **Political-will to develop infrastructure & create jobs**
- **Stronger economic growth projected**
 - Government targeting 6% GDP growth per annum
 - Growth infrastructure-led: Gov. R372 billion over 5 years
- **Gross Fixed Capital Formation GFCF% of GDP**
 - Gov. targeting 25% by 2014 (currently 17.8%)
 - Requires GFCF growth of 9-10% per year over next 8 years
 - Construction industry would almost double in size (if achieved)
- **2010 Football World Cup will have a positive effect**
 - Previous holders have benefited
- **Tourism on the increase (+10% in 2005)**
- **Potential for increased cement consumption (kg/capita)**
- **Spain experienced 12 years of intensive fixed capital formation**
 - Example of government commitment to infrastructure development

Can South Africa match Spain's outstanding performance?

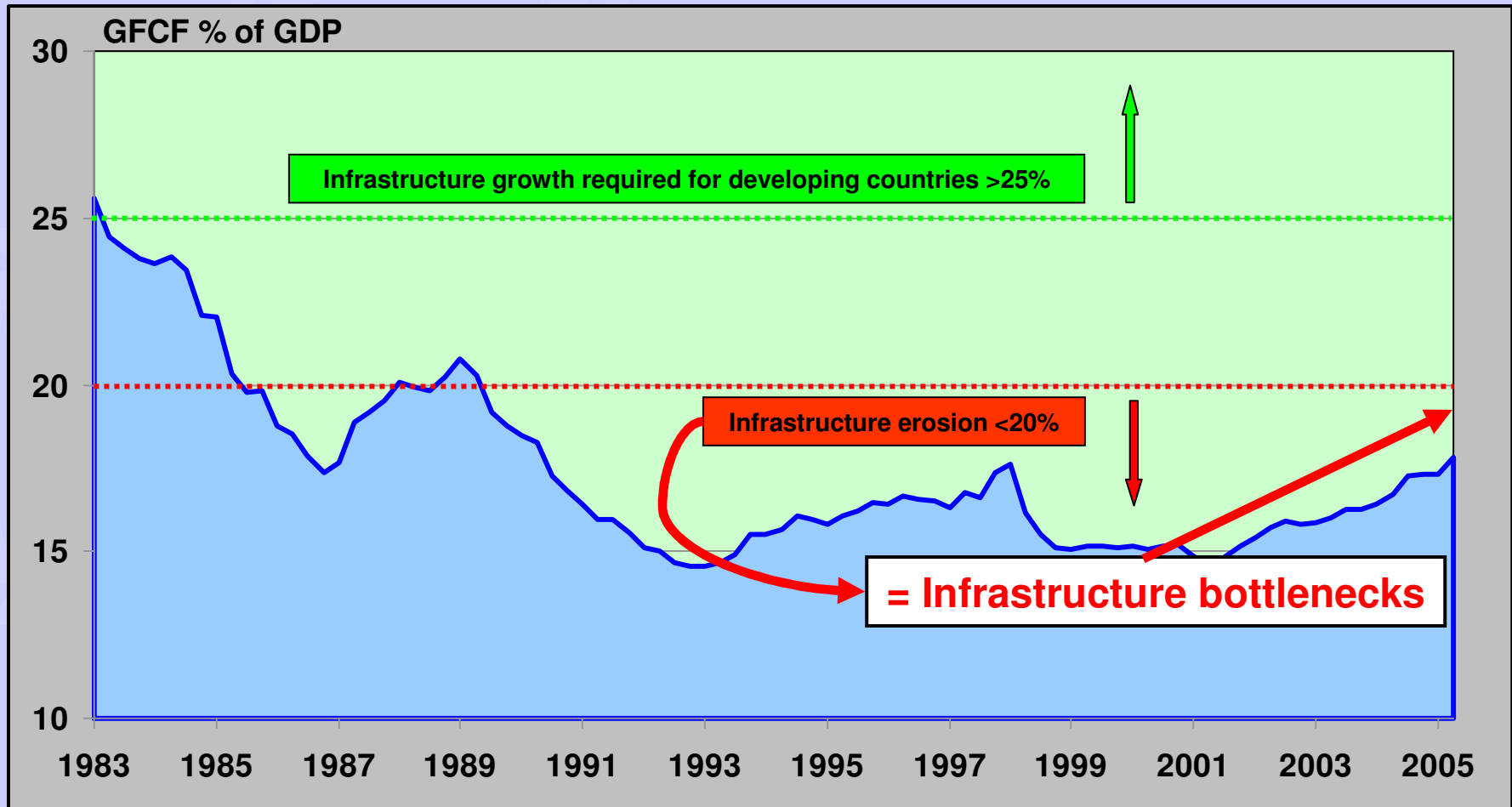
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Infrastructure Development Neglected for over 20 Years

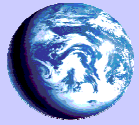


Excess capacity that characterised many industries has all but disappeared

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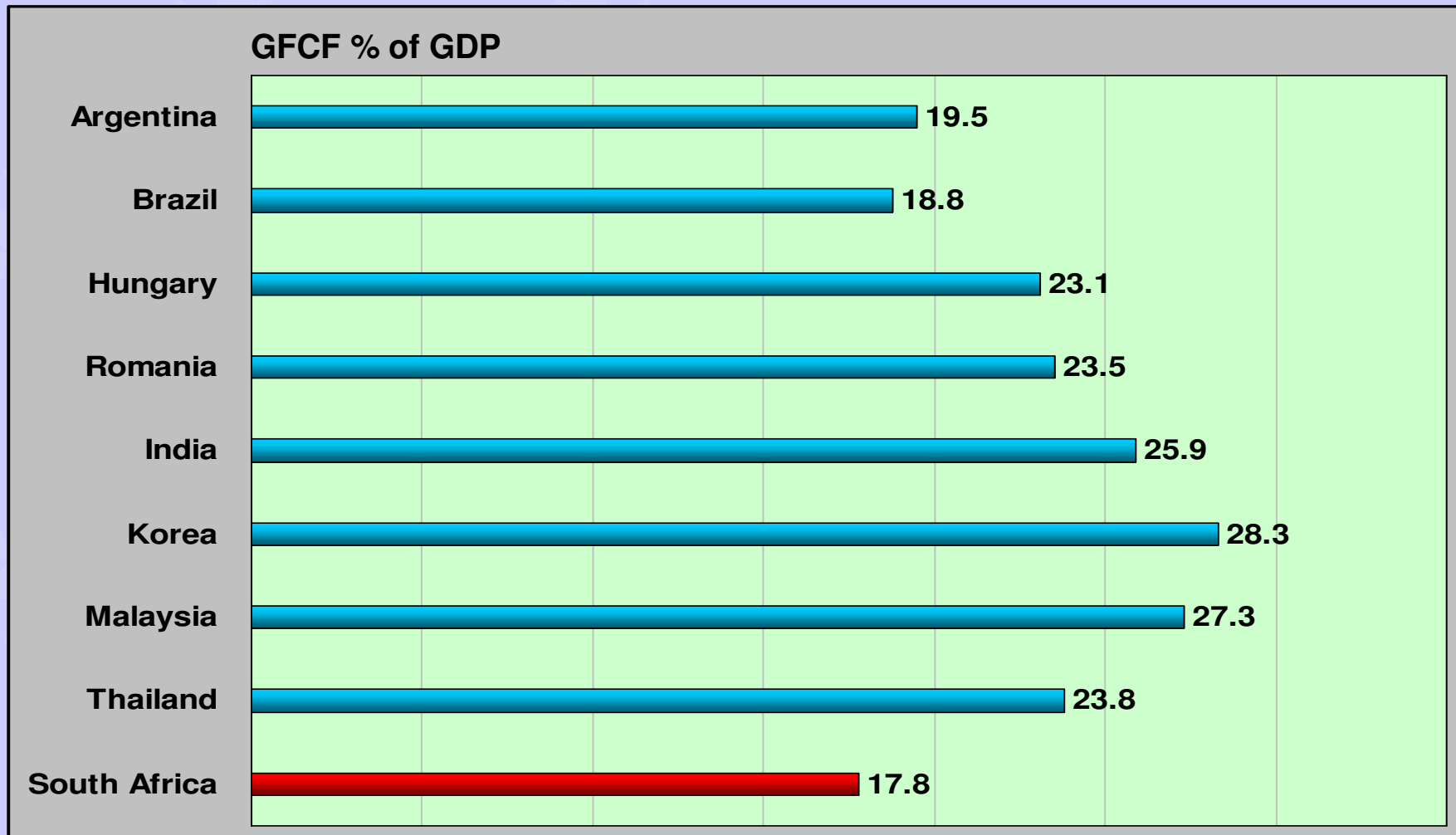
Source: SA Reserve Bank (based on current prices)





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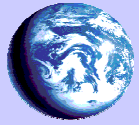
South Africa Lags Behind Other Developing Countries



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Source: SAFCEC

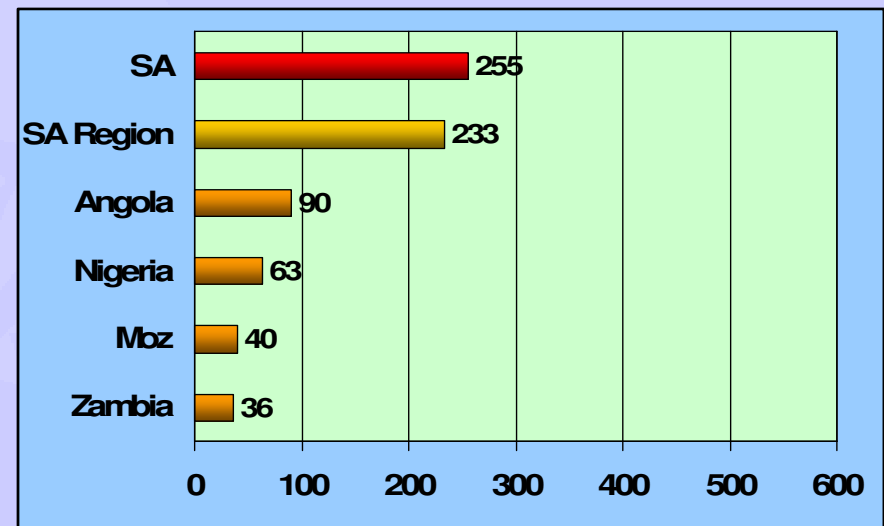
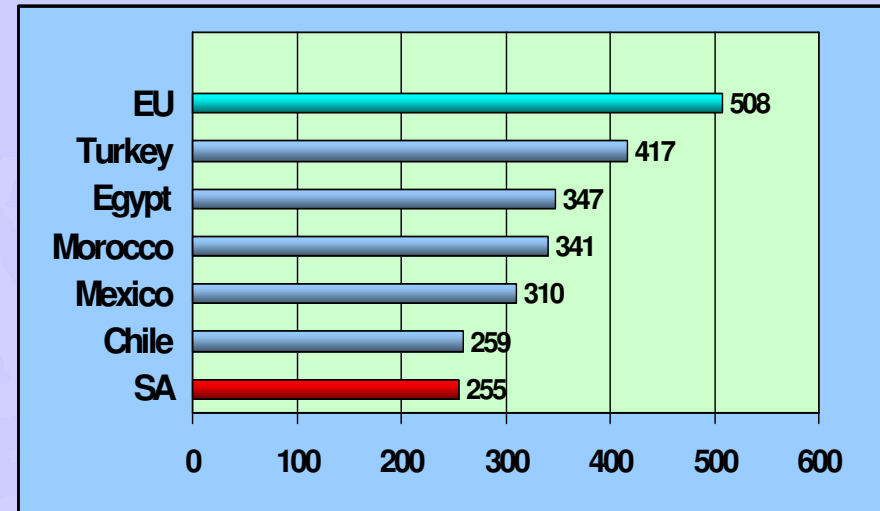




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Cement Consumption Per Capita is Low (2005)

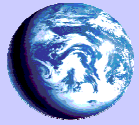
- **Very low compared to EU countries**
 - Spain, Portugal & Greece
 - >1000kg/capita
 - Driven by infrastructure growth
- **Opportunity to increase consumption in line with other developing countries**
- **Expected Southern African population growth estimated at 1.5% per annum**
- **SA consumption highest in Sub-Saharan Africa**
 - 255kg/capita in 2005
 - About 150kg/capita for Botswana, Namibia, Lesotho, Swaziland
- **Low compared to countries with similar GDP growth over the last ten years**



Source: Stats SA; Cembureau 2003/2005; C&I

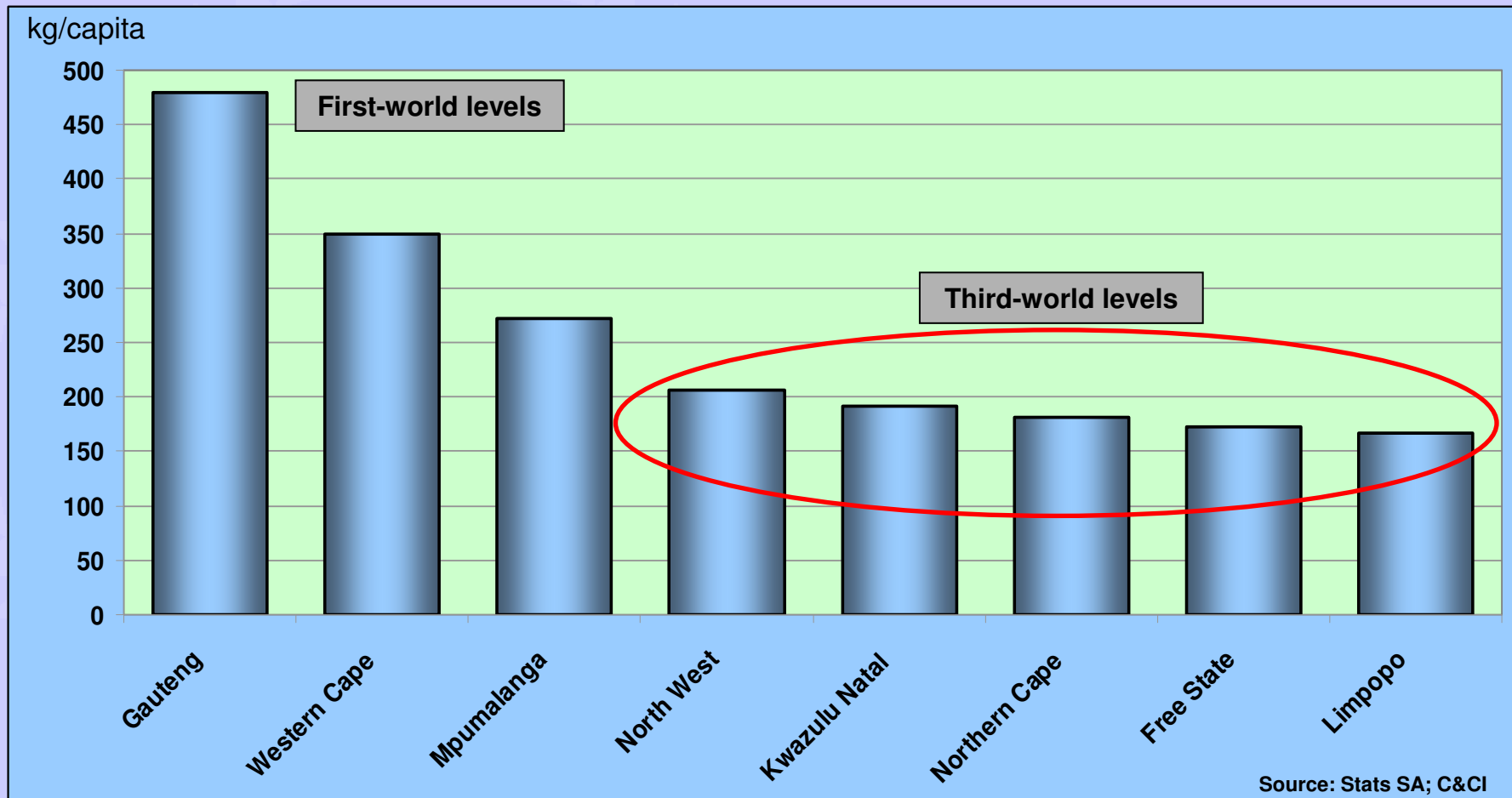
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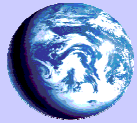
Consumption per Capita Varies by Province (2005)



Gauteng province the major driver of consumption

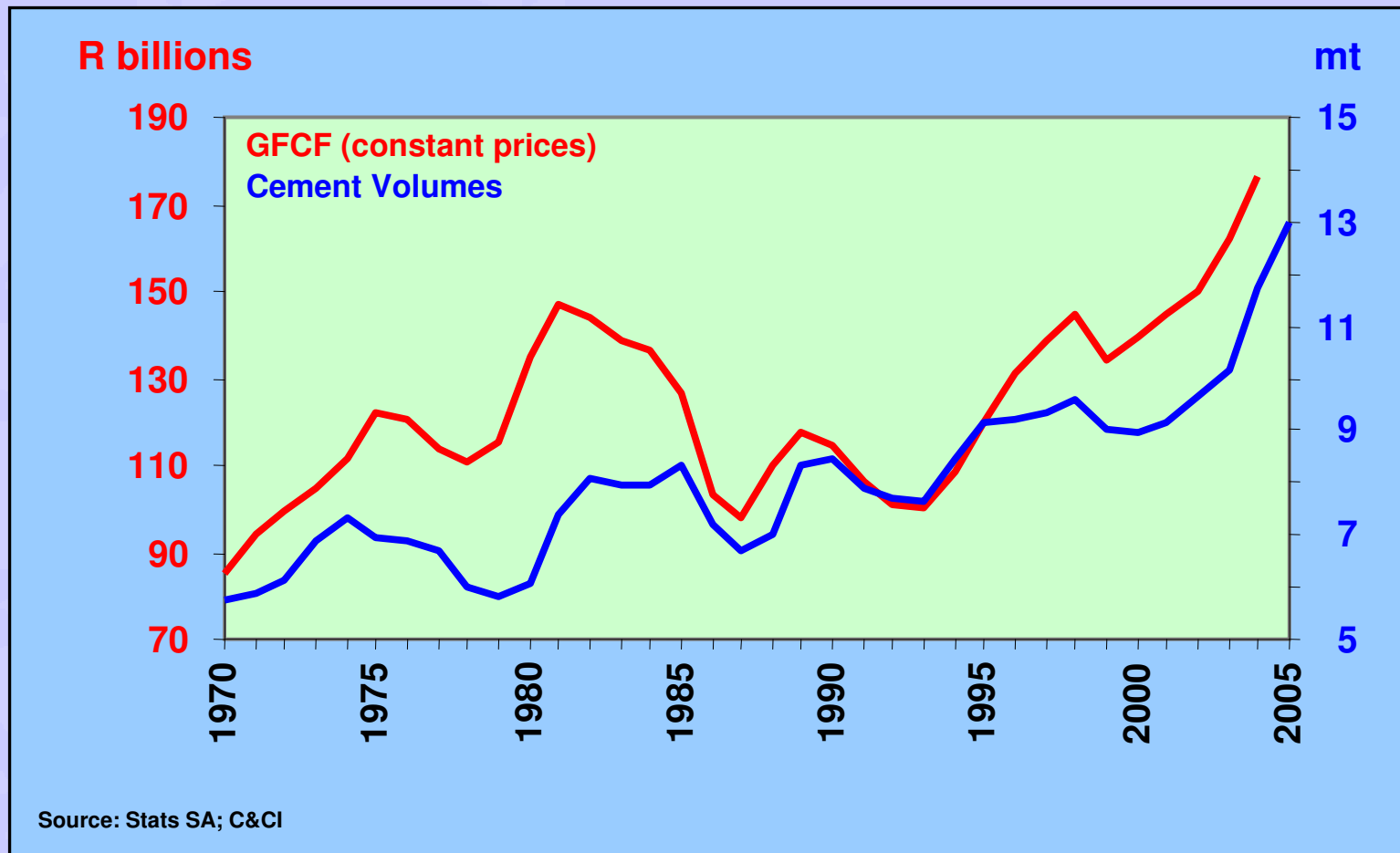
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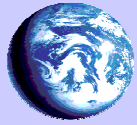
Cement Demand Tracks Gross Fixed Capital Formation



Conventional wisdom suggested the industry had sufficient capacity to last well into the decade

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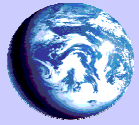




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Major Projects Under Construction or Planned over Next 5 – 10 Years

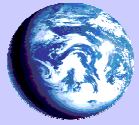
- **Transnet to invest R68 billion**
 - Ports, rail network, pipelines
- **Eskom to invest R65 billion**
 - New power stations, transmission network upgrade
 - Require additional 2000MW/year for next 20 years
- **New government dams agency formed: 18 dams R20 billion**
- **Affordable housing (backlog 1.4m units): R48 billion**
- **Toll roads & existing road network repairs: R62 billion**
- **Gautrain rapid-rail transport system: R20 billion**
- **2010 World Cup (stadiums & infrastructure): R9 billion**
- **Private sector also investing heavily**
 - Airports, steel, oil & chemical: R51 billion
 - Platinum, coal, gold mines: R20 billion
 - Cement industry R10 billion



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The Skills Challenge???





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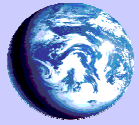
Dramatic Drop in SA Artisan Registrations



Cement industry facing stiff competition for artisans

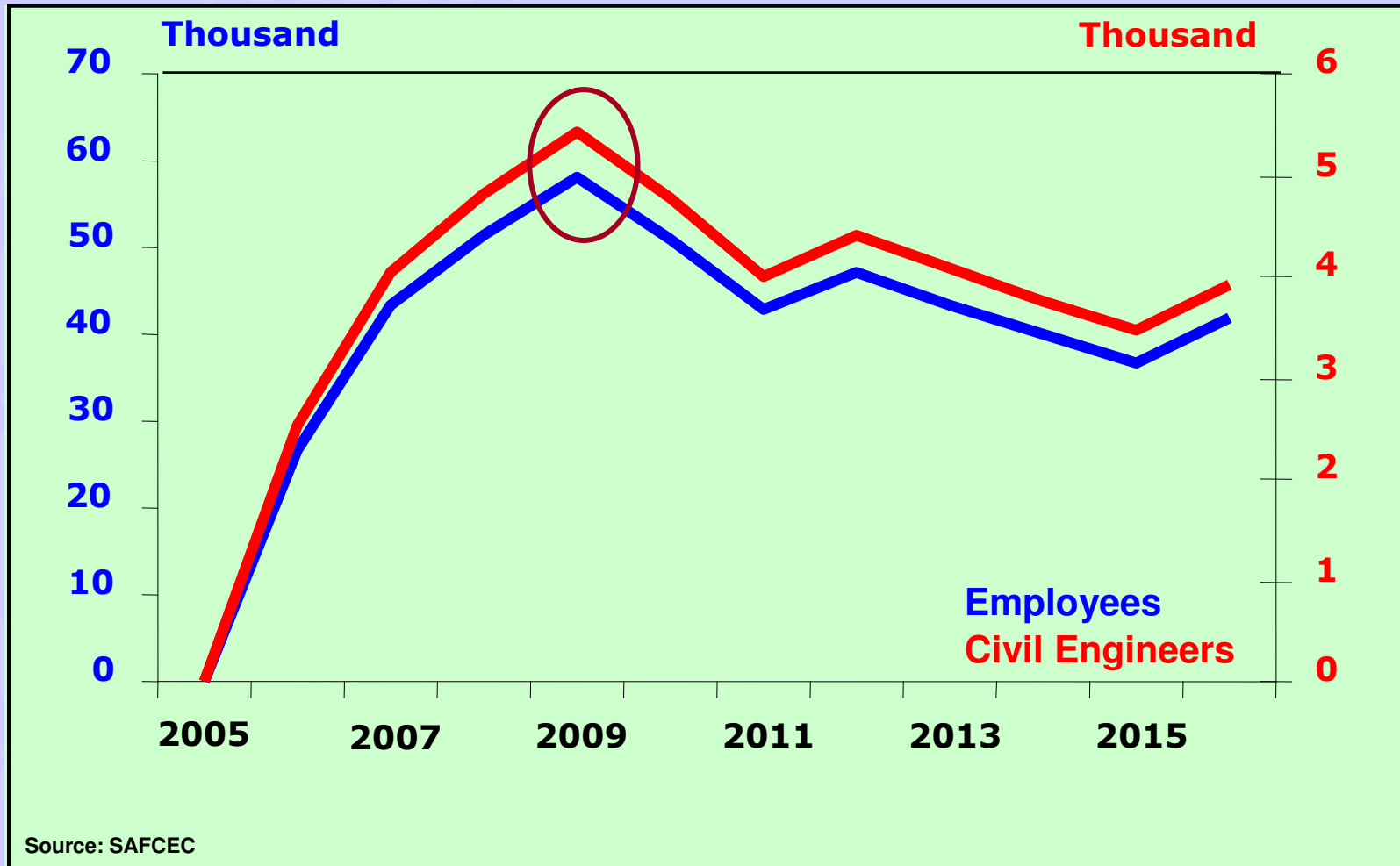
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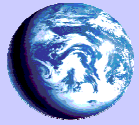
Additional Construction Personnel Required



Only 170 civil engineering graduates per year over past 20 years

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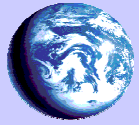




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Plans to Meet Cement Demand

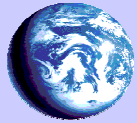




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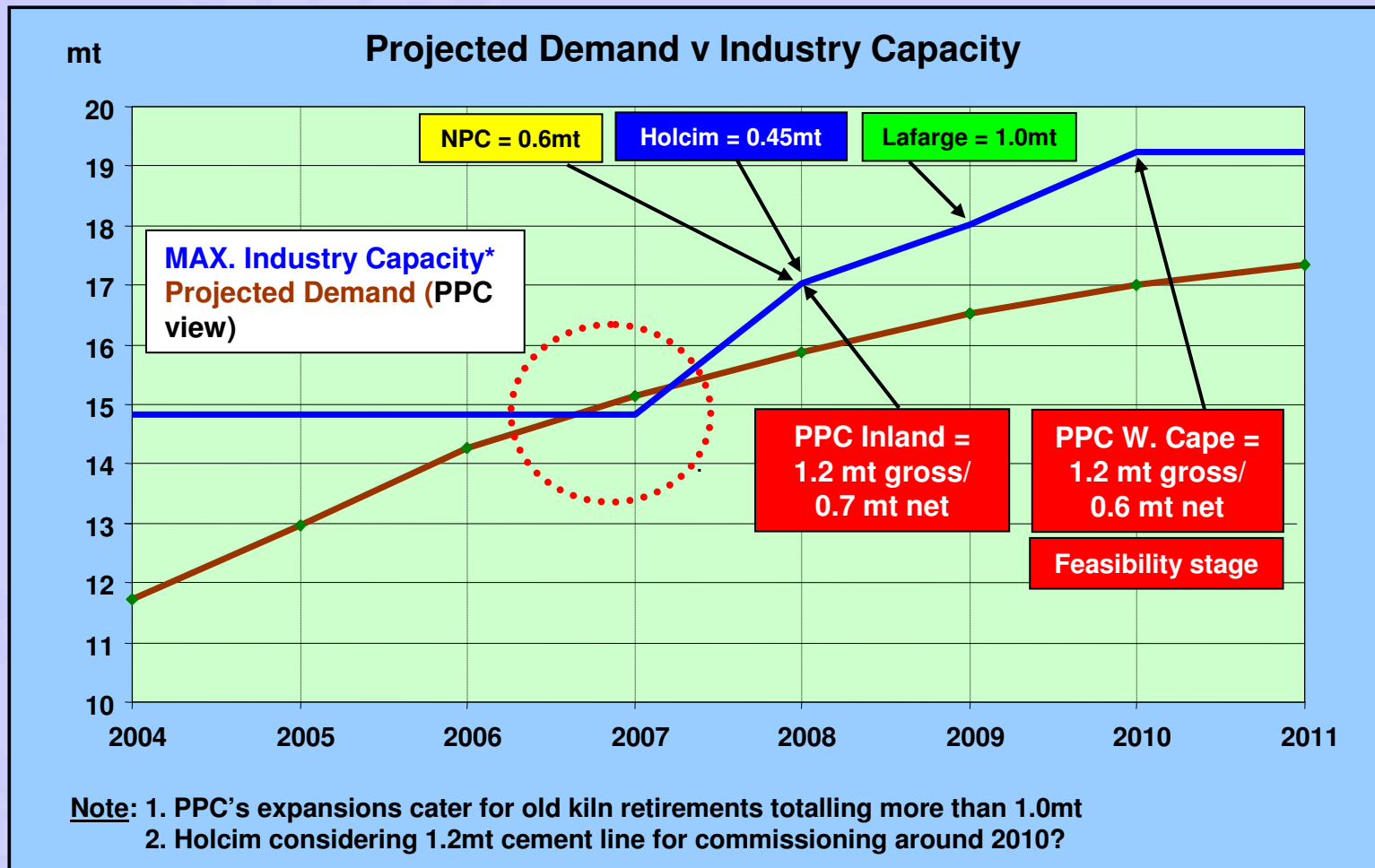
Actions Implemented to Meet Cement Demand

- **All available capacity currently running**
 - PPC re-commissioned all available kilns
 - Re-commissioned Jupiter 500kt/yr kiln after 8 years inactivity
- **Focus on de-bottlenecking of all plants**
 - Running above design capacity
- **Regional capacity being utilised**
- **Exports curtailed where feasible**
- **Maximum product extension** (within milling constraints & specs.)
- **All producers likely to import during high-demand periods**
 - PPC plans
- **New capacity under construction & further capacity planned**



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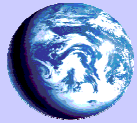
Capacity Currently Under Construction or Planned



Estimated investment in new capacity R9.5 billion over next 5 years

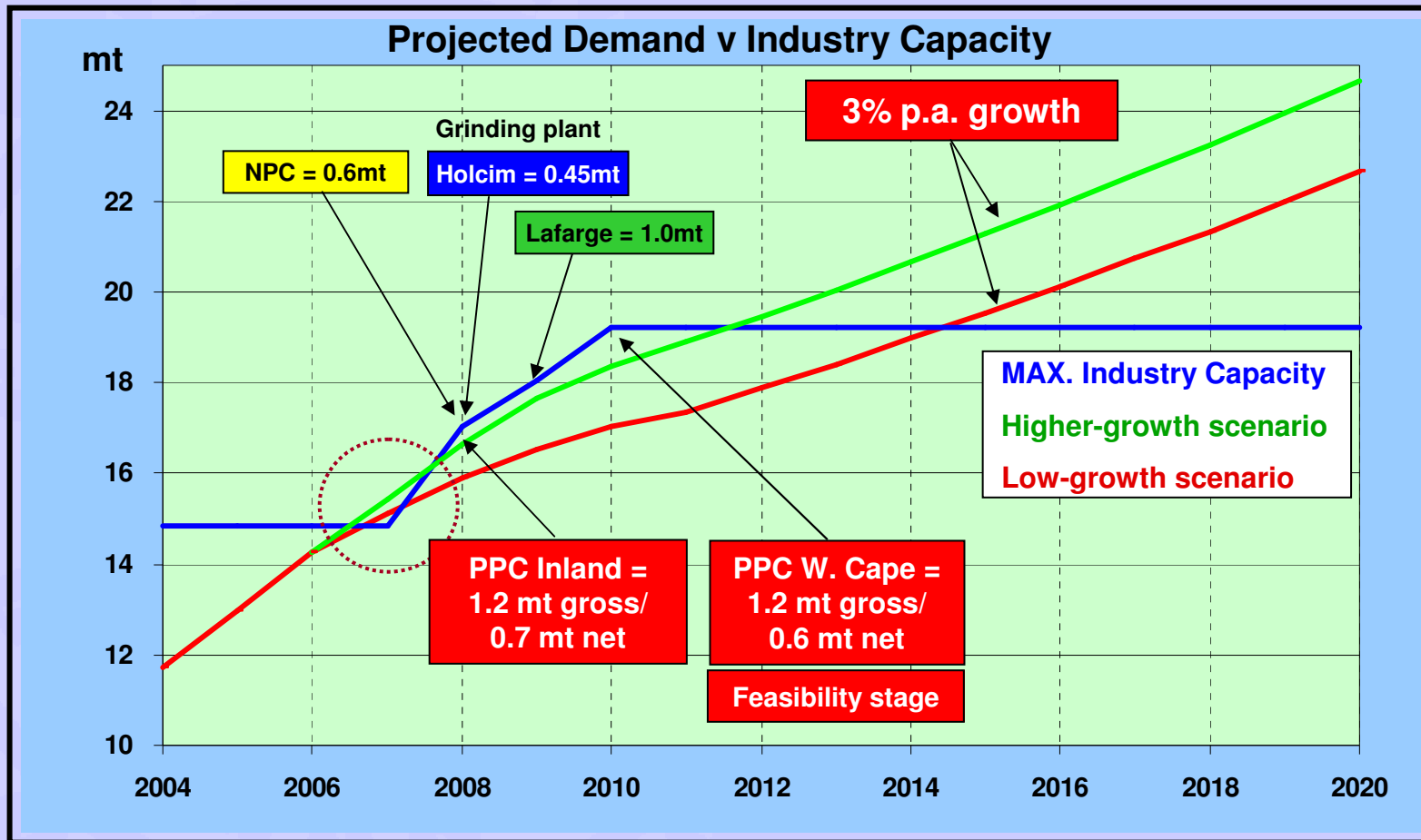
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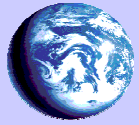
Capacity Currently Under Construction or Planned



Notes: 1. PPC's expansions cater for old kiln retirements totalling >1.0mt
2. Holcim considering 1.2mt cement line for commissioning around 2010?

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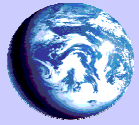




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Batsweledi & feasibility projects Update

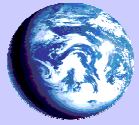




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Jupiter & Dwaalboom Project Progress

- Jupiter commissioned ahead of plan
- Batsweledi Project on budget & on track
 - Commissioning 2nd calendar quarter 2008
- Site establishment completed
 - Houses, offices, contractors accommodation etc. completed
 - Concor construction of two clinker silos commenced
- Key orders placed
 - FLSmidth kiln & related clinker-manufacturing plant
 - Manufacturing of key equipment in progress
 - FFE Minerals installation & commissioning of the FLS supply
 - Bateman Africa supply & installation of:
 - Raw-material & clinker handling systems
 - Modifications to the existing plant & clinker load-out systems
 - Order in progress for civil & structural work for the pre-heater structure, kiln piers, raw & coal mills

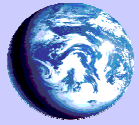


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PPC Projects Pipeline

- Pre-feasibilities completed :
Feasibilities started
- **1.2 Mt/yr cement expansion project**
 - Situated near the Riebeeck plant, W. Cape
 - Green fields project (complete new production line, quarry & services)
 - Estimated cost R3 billion (all-in)
 - Existing 600kt capacity to be retired (if not required at the time)
- **800 kt/yr cement milling upgrade**
 - Situated at Hercules factory in Pretoria
 - Estimated cost R400 million (all-in)
 - Existing milling capacity to be retired (if not required)
 - Latest energy-efficient technology employed
- Progress
 - Project management consultants appointed
 - Environmental consultants appointed to assist completion of E.I.A.'s over +/- 12 months





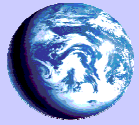
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Summary

- **Broad political stability**
 - 2009 elections to consider
- **Sound macro-economic management**
 - Must continue to keep inflation in check
 - Growth influenced by world events
 - Energy costs?
- **Fundamental shift in the economy**
- **Focus on infrastructure development**
 - R372 billion over 5 years
- **Foresee strong growth period to 2010**
 - World Cup will energise the country
- **Cement industry will play its part**
 - High capital investment phase
- **Availability of skills crucial**



Ultimately, growth will depend on the availability of skills and ability of the State & public corporations to spend effectively



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Built to outlast the pyramids!



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