

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

UNAUDITED INTERIM FINANCIAL RESULTS for the six months ended 30 September 2018

Group net profit increased by 79% year on year due to SepCem's significantly improved six months performance.

SALIENT POINTS

- Group net profit increased by R11,72 million (79.2%) from R14,80 million to R26,52 million
- Basic earnings per share increased by 5.54 cents (75.9%) from 7.29 cents to 12.83 cents
- Headline earnings per share increased by 5.49 cents (77.3%) from 7.10 cents to 12.59 cents
- Metier revenue increased by R20,18 million (4.5%) from R447,82 million to R468,00 million
- Metier net profit decreased by R11,39 million (35.9%) from R31,69 million to R20,30 million
- SepCem equity accounted profit increased by R21,99 million from the prior year loss of R5,79 million to R16,20 million for the six months ended 30 June 2018 (Note 1)

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

COMMENTING ON THE RESULTS, CHIEF EXECUTIVE OFFICER, DR. LELAU MOHUBA SAID,

"SepCem's interim profit improved significantly as cement price increases held in most markets resulting in a 5.4% revenue increase to R1,16 billion year on year. The reduction in cost of sales by 3.2% as a result of the cost efficiency programme contributed to the higher profitability. Into SepCem's third quarter, we have observed increased activity by blenders and importers which has placed downward pressure on cement volumes as demand remains stagnant. The cement landscape continues to be stable with isolated incidences of intense competition for highly profitable markets.

Metier's interim performance reflects the tough operating environment that is characterised by low mixed concrete volumes and pricing. These factors resulted in intense competition that significantly impacted the subsidiary's profitability in the interim period.

Group management continues to apply various strategies to improve efficiencies to support sales volumes and margins. The group anticipates a tough operating environment in the second half of the financial year and to that effect, SepHold has started a cost management programme to reduce head-office expenses. The programme includes reducing the size of the board of directors from 10 to 7 members by not replacing Mpho who resigned on 1 October 2018. Furthermore, the board accepted the resignations from Shibe and Kenneth who resigned on the 12th of November 2018. Their active participation in the group has been gradually decreasing due to additional external commitments hence their decision to resign from the board. These board changes and additional efforts focused on head office activities are anticipated to reduce expenses over the next year. We remain cautiously optimistic about the next 18 - 24 months and anticipate that the efforts by the government to stimulate the economy will yield positive outcomes."

Analyst results presentation conference call

A results conference call for analysts will be at 11.am (SA time) on 13 November 2018.
Registration is required and can be done using the following link to obtain the dial-in details: [Sephaku Holdings interims results conference call](http://sephakuholdings.com/investor-centre/presentations/)
The results presentation can be downloaded from the company website: <http://sephakuholdings.com/investor-centre/presentations/>

COMMENTARY

Sephaku Holdings Limited hereby announces the unaudited financial results for the six months ended 30 September 2018. SepHold, Metier Mixed Concrete Proprietary Limited ("Metier" or "the subsidiary") and Dangote Cement South Africa Proprietary Limited ("SepCem" or "the associate") are collectively referred to as the group.

Group

Profitability

Revenue increased by 4.5% to R468 million from R447,82 million as a result of an increase in sales volumes for Metier. The operating profit was lower at R22,71 million (2017: R39,70 million) but net profit increased to R26,52 million compared to the R14,80 million because of the increase in SepCem's equity accounted profit.

SepHold cost reduction programme

The building materials industry has been experiencing a severe operating environment for the past few years, characterised by declining demand mainly due to the depressed macro-economic performance. This has impacted the profitability of the group resulting in a significant decrease in margins at Métier. As a response to this prevailing environment, SepHold has commenced a cost reduction programme that is targeting to decrease head office expenses in the next 12 months.

The Company will not be replacing Mr. Mpho Makwana who resigned from the board on 1 October 2018 as well as Ms. Rose Raisibe Matjiu ("Shibe") and Mr. Kenneth Capes ("Kenneth") who resigned on 12 November 2018. Shibe was one of the founding members of the SepHold board when she was appointed in 2005. She was instrumental in the group attaining the requisite legislative licences and permits to operate during the initial years. She continued to lead in establishing mutually beneficial relationships with the communities in the areas the operations are located. Shibe initially served as an executive director responsible for social development issues before becoming a non-executive director from the 2017 financial year. Kenneth joined the board as an executive director in 2013 as part of the founding owners of Métier following its acquisition in the first quarter of 2013. He was the subsidiary's managing director for eight years until March 2016 before being appointed the group business development executive director. Kenneth's prowess in building materials and his entrepreneurial flair enabled Métier to outperform its peers and be renowned for its superior profitability. Kenneth will continue to consult to the group on business development matters as and when required. The chairman and board extend their gratitude to Shibe and Kenneth for their outstanding and stellar service during their tenure and wish them well in their future endeavours.

In addition, the Company will implement cost management measures at head office which include reducing travelling expenses and other non-critical operational activities.

Metier

Sales volumes

The increase in sales volumes is attributable to the strategic plant footprint expansion through the 12th and 13th plants in Gauteng during the past 12 months. The thirteenth plant, that commenced production in September, is located in the Centurion area and provides access to the surrounding markets.

Profitability

Metier's gross profit was R181,18 million compared to R184,87 million mainly due to a 9.1% increase in cost of sales as a result of the additional plants and product mix. To support margins, management is persistently optimising operations by aligning production and logistics assets to prevailing demand. The proportion of outsourced delivery fleet is being reduced to improve operational efficiencies. The subsidiary's EBITDA margin decreased to 8.31% (2017: 13.01%) and EBIT margin to 6.92% (2017: 11.3%) mainly due to low pricing. Consequently, Metier's net profit decreased from R31,69 million to R20,30 million for the interim period.

Despite the challenging trading environment, Métier repaid R18 million debt capital during the interim period. By financial year-end, the subsidiary will have repaid R36 million in capital and approximately R12 million in interest.

Debtor management

The construction industry has experienced severe downturn due to diminished demand resulting in several incidences of liquidation or business rescue. Metier's exposure to the distressed construction companies has been limited. To minimise customer default risk, the subsidiary continued to intensively manage debtors by implementing stricter terms including suspension of concrete supply for late payment to ensure customer compliance. Due to the viability challenges in the construction industry, the subsidiary had to write down R4,3 million in bad debts during the interim and anticipates the magnitude for the year to be similar to the amount for the financial year ended 31 March 2018. The debtor profile is expected to improve significantly from the 2020 calendar year.

SepCem (Note 1)

Pricing and sales volumes

The associate's interim revenue increased by 5.4% to R1,16 billion (2017: R1,10 billion) mainly due to an average price increase per tonne of 3% in August 2017 and 5% in February 2018. The higher proportion of the lower priced bulk cement, as dictated by demand, resulted in revenue increase below target.

SepCem's first quarter revenue was 13% higher at R566 million (Q1 2017: R501 million) due to sales volumes increasing by 7% year on year as a result of depressed performance in the comparative period. The 2017 first quarter volumes were low because of weak demand due to excessive rainfall. The 2018 second quarter sales volumes were typically higher than first quarter

due to demand seasonality but 5% lower than the comparative quarter due to increased competition from imports, blenders and the recovery of an incumbent that has had intermittent technical plant issues. SepCem's resultant interim sales volumes were flat for the six months ended 30 June 2018.

Profitability

SepCem's cost saving efforts had a positive impact on profitability by contributing to the 30% increase in interim EBITDA of R256 million (margin: 22%) compared to R197 million (margin: 18%) in 2017. The operating and net profits achieved were R170 million (2017: R112 million) and R45 million (2017: loss R16 million) respectively.

Project loan

As at the end of June 2018, the project loan balance was R1,75 billion following the payment of the tenth quarterly instalment in May 2018. SepCem's cash balance at 30 June 2018 and 30 September 2018 was R452 million and R467 million respectively. SepCem will reduce the bank loan balance to R1,62 billion by December 2018 and is well positioned to comply to all the repayment terms.

Post-period

Following the Dangote Cement PLC results released on 22 October 2018 for the nine months ended 30 September 2018, SepCem's revenue increased marginally to R1,77 billion (FY 2017: R1,76 billion) with sales volumes 3.5% lower year on year. SepCem's sales volumes in the Kwa-Zulu Natal province have been impacted by imports since the second quarter and the recovery of an incumbent in the past several months has increased downward pressure on volumes. Furthermore, the blenders have increased their activity on the back of depressed bulk cement prices that were materially decreased following the entry of a new cement manufacturer in January 2016. Since then, the bulk cement pricing has been on a recovery path but still way below the bagged cement pricing thereby creating opportunity for the blenders to expand their market share.

SepCem's net profit increased by 86.8% from R16,37 million to R30,57 million for the period. The associate's third quarter results will be accounted for in the SepHold audited financial results for the twelve months ending 30 March 2019.

Outlook

The recent downward revision of the country's GDP growth forecast by IMF and Moody's implies that the constrained trading environment will persist for the short to medium term. Industry cement volumes are expected to decrease by between 5 - 10% year on year as demand continues to be muted. The mixed concrete market is expected to be tough for the next 18 to 24 months as demand declines or stagnates and the construction industry undergoes restructuring.

The group's focus for the next 24 months is to reduce debt, reduce head office expenses, complete the fleet efficiency improvement programme at Metier and continue to evaluate opportunities to enhance shareholder value.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	30 September 2018 Unaudited R'000	30 September 2017 Unaudited R'000	31 March 2018 Audited R'000
Assets			
Non-current assets			
Property, plant and equipment	151 802	141 632	143 665
Goodwill	223 422	223 422	223 422
Investment in associate	782 069	738 048	765 870
Investment in joint ventures	121	-	121
Other non-current assets	14 638	18 682	13 327
Total non-current assets	1 172 052	1 121 784	1 146 405
Current assets			
Inventories	18 236	16 289	16 829
Trade and other receivables	115 631	132 987	133 332
Cash and cash equivalents	6 232	26 490	10 510
Other current assets	-	864	-
Total current assets	140 099	176 630	160 671
Total assets	1 312 151	1 298 414	1 307 076
Equity and liabilities			
Equity attributable to equity holders of the parent	1 066 702	1 003 699	1 035 398
Non-current liabilities			
Other financial liabilities	121 591	180 660	121 353
Deferred income	1 555	1 895	1 555
Deferred taxation	21 612	21 155	21 023
Total non-current liabilities	144 758	203 710	143 931
Current liabilities			
Other financial liabilities	20 422	18 386	39 782
Trade and other payables	72 956	67 842	76 192
Bank overdraft	1 799	-	6 695
Other current liabilities	5 514	4 777	5 078
Total current liabilities	100 691	91 005	127 747
Total liabilities	245 449	294 715	271 678
Total equity and liabilities	1 312 151	1 298 414	1 307 076
Net asset value per share (cents)	512,30	488,49	501,79
Tangible net asset value per share (cents)	404,41	378,35	392,51
Ordinary shares in issue	208 216 175	205 469 487	206 342 821

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	6 months ended 30 September 2018 Unaudited R'000	6 months ended 30 September 2017 Unaudited R'000	12 months ended 31 March 2018 Audited R'000
Revenue	467 999	447 822	830 686
Cost of sales	(286 821)	(262 950)	(488 757)
Gross profit	181 178	184 872	341 929
Other income	1 951	1 740	4 733
Operating expenses	(160 418)	(146 912)	(292 334)
Operating profit	22 711	39 700	54 328
Investment income	1 403	2 191	4 749
Profit/(loss) from equity accounted investments	16 199	(5 795)	20 820
Finance costs	(8 654)	(11 646)	(22 032)
Profit before taxation	31 659	24 450	57 865
Taxation	(5 135)	(9 645)	(13 698)
Profit for the period	26 524	14 805	44 167
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Revaluation reserve on land of associate written back	-	-	1 208
Total comprehensive income for the period	26 524	14 805	42 959
Basic earnings per share (cents)	12,83	7,29	21,60
Diluted earnings per share (cents)	12,81	7,25	21,49

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	6 months ended 30 September 2018 Unaudited R'000	6 months ended 30 September 2017 Unaudited R'000	12 months ended 31 March 2018 Audited R'000
Cash flows from operating activities			
Cash generated from operations	43 676	22 653	47 455
Interest income	1 403	2 191	4 749
Finance costs	(8 595)	(11 009)	(21 299)
Taxation paid	(3 763)	(9 459)	(12 472)
Net cash from operating activities	32 721	4 376	18 433
Cash flows from investing activities			
Purchase of property, plant and equipment	(15 927)	(7 021)	(14 915)
Sale of property, plant and equipment	1 906	957	4 315
Loans repaid	1 100	949	651
Investment increase in joint venture	-	-	(41)
Net cash (utilised in) investing activities	(12 921)	(5 115)	(9 990)
Cash flows from financing activities			
Proceeds on share issue	-	-	6 149
Repayment of other financial liabilities	(19 182)	(17 528)	(55 534)
Net cash (utilised in) financing activities	(19 182)	(17 528)	(49 385)
Total cash movement for the period	618	(18 267)	(40 942)
Cash at beginning of period	3 815	44 757	44 757
Cash at end of period	4 433	26 490	3 815

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

	Total share capital R'000	Total Reserves R'000	Retained earnings R'000	Total equity R'000
Balance at 31 March 2017 - Audited	635 403	19 262	329 215	983 880
Total comprehensive income for the period	-	-	14 805	14 805
Issue of shares	6 700	-	-	6 700
Employees' share option scheme	-	1 479	(3 165)	(1 686)
Balance at 30 September 2017 - Unaudited	642 103	20 741	340 855	1 003 699
Total comprehensive income for the period	-	1 208	29 362	30 570
Issue of shares	2 341	-	-	2 341
Employees' share option scheme	-	(9 923)	8 713	(1 210)
Balance at 31 March 2018 - Audited	644 444	12 026	378 930	1 035 400
Total comprehensive income for the period	-	-	26 524	26 524
Issue of shares	3 559	-	-	3 559
Employees' share option scheme	-	1 219	-	1 219
Balance at 30 September 2018 - Unaudited	648 003	13 245	405 454	1 066 702

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018

1. Basis of preparation

The condensed consolidated interim financial results for the six months ended 30 September 2018 ("interim reporting period") have been prepared in accordance with IAS 34: Interim Financial Reporting, the requirements of the JSE Limited Listings Requirements, the Companies Act, 2008, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the Financial Pronouncements as issued by the Financial Reporting Standards Council. The interim financial results are prepared in accordance with International Financial Reporting Standards ("IFRS"). The results have been prepared on a historical cost basis. The accounting policies for the interim reporting period are consistent with those applied in the annual financial statements for the group for the year ended 31 March 2018, except for the change in accounting policy as follows:

- Amendments to IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers

The adoption of these amended and new standards did not have a material impact on the financial statements in the current period.

The preparation of the interim financial results has been supervised by NR Crafford-Lazarus CA (SA).

The financial information on which these interim period results are based has not been reviewed or reported on by the group's auditors.

2. Standards and interpretations not yet effective

The group has chosen not to early adopt the following standard and interpretation, which has been published and is mandatory for the group's accounting periods beginning on or after 1 April 2019 or later periods:

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model.

The estimated impact of implementing this standard as at, and for the period ending, 30 September 2018 would be:

- Recognition of right of use assets in the statement of financial position - R60,9 million
- Recognition of lease liabilities in the statement of financial position - R58,2 million
- Recognition of depreciation on the right of use assets in the statement of comprehensive income - R5,2 million
- Recognition of interest expense on the lease liabilities in the statement of comprehensive income - R3,4 million
- Reduction in operating leases expense in the statement of comprehensive income - R8,6 million.

3. Net asset value per share and earnings per share

	6 months ended 30 September 2018 Unaudited R'000	6 months ended 30 September 2017 Unaudited R'000	12 months ended 31 March 2018 Audited R'000
Net asset value and tangible net asset value per share			
Total assets	1 312 151	1 298 414	1 307 076
Total liabilities	(245 449)	(294 715)	(271 678)
Net asset value attributable to equity holders of parent	1 066 702	1 003 699	1 035 398
Goodwill	(223 422)	(223 422)	(223 422)
Intangible assets	(1 721)	(4 015)	(2 868)
Deferred tax raised on intangible assets	482	1 124	803
Tangible net asset value	842 041	777 386	809 911
Shares in issue	208 216 175	205 469 487	206 342 821
Net asset value per share (cents)	512,30	488,49	501,79
Tangible net asset value per share (cents)	404,41	378,35	392,51
Reconciliation of basic earnings to diluted earnings and headline earnings:			
Basic profit and diluted profit from total operations attributable to equity holders of the parent	26 524	14 805	44 167

(Profit) on sale of non-current assets	(714)	(524)	(1 930)
Total taxation effect of adjustments	200	147	540
Headline earnings attributable to equity holders of the parent	26 010	14 428	42 777
Reconciliation of weighted average number of shares:			
Basic weighted average number of shares	206 676 432	203 072 227	204 431 259
Diluted effect of share options	340 343	1 150 742	1 089 107
Diluted weighted average number of shares	207 016 775	204 222 969	205 520 366
Basic earnings per share (cents)	12,83	7,29	21,60
Diluted earnings per share (cents)	12,81	7,25	21,49
Headline earnings per share (cents)	12,59	7,10	20,92
Diluted headline earnings per share (cents)	12,56	7,06	20,81

4. Segment information

The segments identified are based on the operational and financial information reviewed by management for performance assessment and resource allocation. There has been no change in the basis of operational segmentation or in the basis of measurement of segment profit or loss since the 2018 annual financial statements.

	Ready-mixed concrete R'000	Head office and consolidation R'000	Group totals R'000
For the 6 months ended 30 September 2018 - Unaudited			
Segment revenue - external revenue	467 999	-	467 999
Segment cost of sales	(286 821)	-	(286 821)
Segment expenses	(150 186)	(10 232)	(160 418)
Profit from equity-accounted investment	-	16 199	16 199
Profit on sale of property, plant and equipment	714	-	714
Segment profit after taxation	20 299	6 225	26 524
Taxation	(5 456)	321	(5 135)
Interest received	1 402	1	1 403
Interest paid	(8 591)	(63)	(8 654)
Depreciation and amortisation	(6 573)	(1 173)	(7 746)
Segment assets	273 126	1 039 025	1 312 151
Investment in associate included in the above total segment assets	-	782 069	782 069
Capital expenditure included in segment assets	15 851	76	15 927
Segment liabilities	(241 482)	(3 967)	(245 449)
For the 6 months ended 30 September 2017 - Unaudited			
Segment revenue - external revenue	447 822	-	447 822
Segment cost of sales	(262 950)	-	(262 950)
Segment expenses	(136 086)	(10 826)	(146 912)
Profit from equity-accounted investment	-	(5 795)	(5 795)
Segment profit/(loss) after taxation	31 689	(16 884)	14 805
Taxation	(9 966)	321	(9 645)
Interest received	2 190	1	2 191
Interest paid	(11 643)	(3)	(11 646)
Depreciation and amortisation	(7 718)	(1 183)	(8 901)
Segment assets	439 952	858 462	1 298 414
Investment in associate included in the above total segment assets	-	738 048	738 048
Capital expenditure included in segment assets	6 998	23	7 021
Segment liabilities	(293 538)	(1 177)	(294 715)

The only commodity actively managed by Metier is ready-mixed concrete. The group does not rely on any single external customer or group of entities under common control for 10% or more of the group's revenue as disclosed in the interim financial results. SepCem is an associate of SepHold. No segment report has been presented for SepCem as the amounts attributable to SepCem have been included in the "head office segment".

5. Statement of going concern

The interim financial results have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

6. Stated capital

There were no changes to the authorised stated capital of the company during the interim period under review.

A total number of 1 873 354 shares were issued during the period at a value of R1,90 for no cash consideration. These shares relate to share options granted to directors and employees. All the authorised and issued shares have no par value.

7. Events after the interim reporting period

The directors are not aware of any material fact or circumstance arising between the end of the interim reporting period and the date of this report that would require adjustments to or disclosure in the interim financial results.

8. Changes to the board

Mr. PM Makwana resigned from his position as an independent non-executive director and member of the audit and risk committee with effect from 1 October 2018. He was a board member for five years and nine months. Mr. Makwana's resignation followed an appointment as a non-executive director and chairperson of another board which will require a significant proportion of his time.

On 12 November 2018, Ms Rose Raisibe Matjju and Mr. Kenneth Capes resigned from the board as non-executive director and executive director respectively. Kenneth will continue to consult to the group on business development matters as and when required.

9. Change to the Company Secretary

There were no changes to the Company Secretary during the interim reporting period under review.

On behalf of the board

Dr. Lelau Mohuba Neil Crafford-Lazarus
Chief executive officer Financial director

Pretoria
13 November 2018

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Sponsor to Sephaku Holdings:
Questco Corporate Advisory (Pty) Ltd

Corporate information

Directors B Williams~ (chairman)
 MJ Janse van Rensburg~
 B Buló~

	MM Ngoasheng~ J Pitt~- PF Fourie^ RR Matjju^ Dr L Mohuba* (chief executive officer) NR Crafford-Lazarus* (financial director) KJ Capes*
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About Sephaku Holdings Limited
Sephaku Holdings Limited is a building and construction materials company with a portfolio of investments in the cement and mixed concrete sector in South Africa. The company's current investments are a 36% ownership in Dangote Cement SA (Pty) Ltd and 100% of Metier Mixed Concrete (Pty) Ltd. SepHold's strategy is to generate growth and realise value for shareholders through the production of building and construction materials in Southern Africa.
www.sephakuholdings.com