AFRIMAT LIMITED

Interim results: F2010

Turnaround in a tough climate

Disclaimer

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Agenda

- **Overview**
  - Turnaround “score-card”
  - Afrimat’s unique proposition
- **Financial results**
  - Income statement
  - Balance sheet
  - Key ratios
  - Cashflow
- **Business environment / prospects**
- **Strategy / value proposition**

Financial Overview

- Revenue increased by **21.2%**
- Operating profit increased by **22.1%**
- Operating margin increased to **17.0%**
- HEPS increased by **20.8%**
- Dividend declared
- Net debt: Equity **19.4%**

Turnaround

F2009 Undertaking	F2010 Result	Outcome
◆ **Focus on government spending**	◆ **Medupi Power Station** – All structural concrete aggregates – Various other aggregates	
	◆ **Kusile Power Station** – Aggregates for layer works – Various other aggregates – Drilling and Blasting	
	◆ **Road Contracts** – Gauteng freeways - aggregates – Gauteng freeways - drill and blast – Western Cape - aggregates – Eastern Cape - aggregates – Mpumalanga - aggregates – Freestate - aggregates – Kwazulu Natal - aggregates	
	◆ **Low Cost Housing** – Kwazulu Natal – concrete blocks and readymix concrete – Freestate – concrete blocks and readymix concrete	

Turnaround (continued)

F2009 Undertaking	F2010 Result	Outcome
Improvement from aggregates	PBIT increased by 53%	
Reduce cost pressure and improve operational efficiency	Operating margin increased from 13.8% in February 2009 to 17.0% in August 2009	
Reduce capital expenditure	Reduced from R80,6 million in August 2008 to R12,1 million in August 2009	
Improve returns on investments	Return on net assets improved from 17.7% in February 2009 to 21,9% in August 2009	
Focus on working capital	Debtors days deteriorated to 67 days from 66 days in August 2008 Debtors days improved to 62 days if new government contracts are excluded	

What makes Afrimat different

- **Effective strategic processes**
- **Entrepreneurial culture**
  - Quick reaction
  - Efficient execution
- **Healthy balance sheet**
- **In-depth understanding of our market**
- **Industry leading diversification**
- **Track record of being pioneers**

Income Statement

R000's	Aug 2009	Aug 2008	% Change
Revenue	392 517	323 830	⇧21,2%
Operating profit	66 588	54 518	⇧22,1%
Operating profit margin	17.0%	16.8%	
PAT for the period	42 114	34 754	⇧21,2%
HEPS	29,6c	24,5c	⇧20,8%
Dividend	6c	5c	⇧20%

✶ Dividend consistently paid

Balance Sheet - Assets

R000's	Aug 2009	Aug 2008
Property, plant and equipment	380 747	367 248
Mining licenses and goodwill	116 199	116 743
Inventories	82 369	83 233
Trade and other receivables	170 709	140 516
Cash	27 661	22 105
Other assets	88 508	19 517
	866 193	749 362

Balance Sheet – Equity & Liabilities

R000's	Aug 2009	Aug 2008
Total equity	547 460	479 493
Borrowings & overdraft	134 068	106 418
Mine rehabilitation / dismantling	12 535	10 242
Deferred tax	57 674	51 485
Trade and other liabilities	114 456	101 724
	866 193	749 362

Segmental Contribution

	External revenue %		Operating profit %		Operating margin %	
	Aug 2009	Aug 2008	Aug 2009	Aug 2008	Aug 2009	Aug 2008
Aggregates	63	53	75	60	20.3	18.9
Readymix Concrete	24	31	10	19	6.8	10.1
Concrete Manufactured Products	13	16	13	22	16.6	23.8

Key Ratios

	Aug 2009	Aug 2008
Operating margin	17.0%	16.8%
RONA	21.9%	20.8%
Return on shareholders funds	14.5%	13.6%
NAV per share	382c	358c
Tangible NAV per share	301c	271c
Net debt : Equity	19.4%	17.6%

Cashflow

R 000's	Aug 2009	Aug 2008
Cash from operating activities	**51,305**	**39,337**
Investment in fixed assets, acquisitions and fin. instrument	**(40,475)**	**(72,133)**
Movement on borrowings	**(5,184)**	**36,015**
Dividends paid	**(10,556)**	**(21,380)**
Cash at end of period	**1,063**	**18,035**

Business Environment

- **Our customers grew their profits**
  - Raubex ⇧ 5 – 15% - Group Five ⇧ 28%
  - Murray & Roberts ⇧ 23% - Basil Read ⇧ 24%
  - WBHO ⇧ 27% - Stefanutti Stocks ⇧ 15 – 25%

  (Construction still best performing sector)

- **Our competitors are facing challenges**
  - Afrisam - Catastrophic debt burden
  - WG Wearne - Loss between 6.8 and 7.5 cps
  - Group 5 Construction Materials - Operating profit decline 61%

  (Quarry Cats, etc.)

- **Government spending remains critical**
  - Announced further increases in infrastructure budgets
  - Experiencing funding constraints
  - Evidence of strong rural focus – roads, housing, water

Business Environment (continued)

- **Residential market remains depressed**
  - Virtually stopped
  - Slow recovery anticipated late in 2010
- **Commercial construction very slow**
  - Recession severe
  - Slow recovery in 2010
- **Economic environment full of opportunity**
  - Industry consolidation
  - Consolidating related industries
  - “Saving” distressed companies

Strategy

Afrimat Strategy to grow Shareholder Value

Operational Excellence

- Continuous Improvement
- Quality
- Cost Management

Business Expansion

- Greenfield Developments
- Industry Consolidation
- Geographic Expansion

Compliance

- Safety & Health
- Environment
- Risk Management
- Legal Compliance

New Business Development

- Product Diversification
- Enter Synergistic Industries

Value proposition

- Share price not reflecting value: NAV R3.82 per share
- Industry leading diversification
- Best exposure to infrastructure spending
- Management team with track record of pro-activity
- Healthy balance sheet
- Consistent payment of dividends

Questions

Contact

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