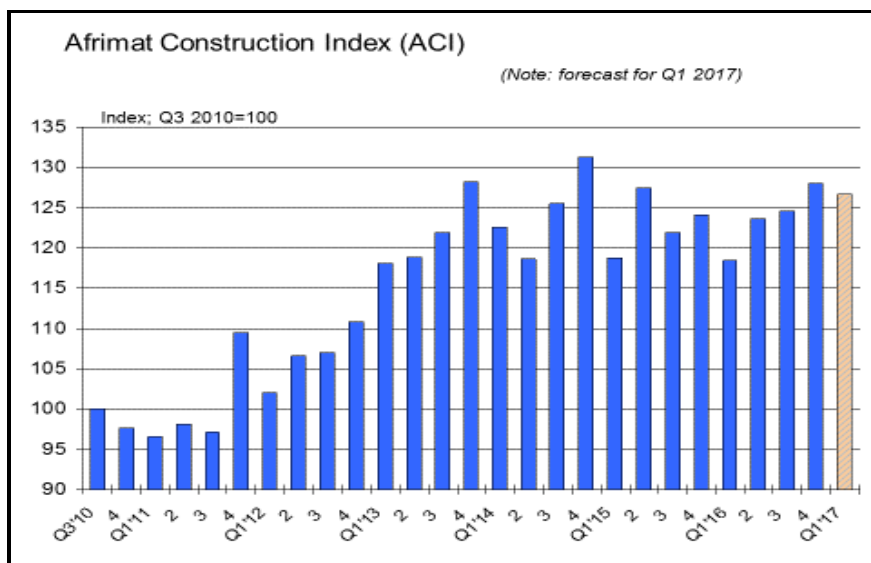


Inaugural Afrimat Construction Index shows higher activity levels than general economy

Johannesburg, 30 March 2017 – Afrimat, a leading open pit mining company providing industrial minerals and construction materials, released the findings of the inaugural Afrimat Construction Index (“ACI”) today.

The ACI is a composite index of the level of activity within the building and construction sectors (in real terms). The index, compiled by renowned economist Dr. Roelof Botha on behalf of Afrimat, indicates a relatively strong performance in construction activity since the 3rd quarter of 2010, which is used as the base year for the ACI. “The 3rd quarter of 2010 was exactly one year after the end of the 2008/09 recession and is regarded as a statistically representative base period for a medium-term time-series based index,” explains Botha.

In the 25 quarters since then, activity in the construction industry expanded by 28,1% (until the fourth quarter of 2016). By comparison, South Africa’s real GDP expanded by a total of 11.5% over this period, clearly indicating the relatively strong performance of construction activity since the end of 2010, namely more than double the rate of increase in all economic activity in the country.



Provisional data obtained during the first three months of 2017, shows the likelihood of a marginal decline in the level of construction industry, mainly due to weak values for building plans passed by larger municipalities.

Botha says the composite index provides a balanced and realistic view of the level of activity in the construction sector as it smooths out the contradictory trends of conditions in the construction sector that are often portrayed by the individual components that comprise the index.

The ACI is calculated from six different constituent indicators: the building materials sales index, buildings completed within larger municipalities, building plans passed by larger municipalities, the FNB/BER building confidence index, the FNB/BER civil construction index and retail trade sales of hardware, paint and glass.

The expansion in construction activity up to the first quarter of 2017 as indicated by the ACI has been driven mainly by improved retail sales values for hardware, glass & paint, with domestic demand for building materials and by an uptick in the number of residential buildings plans approved by the larger municipalities also showing strong growth.

The downturn in the latter indicator in January 2017 may be due to a combination of increased activity in the informal building sectors and temporary bureaucratic delays caused by governance changes after the recent municipal elections.

Retail hardware store sales have improved by more than 70% since the third quarter of 2010, whilst the sales of building materials and the value of building plans approved both improved by 24% over the past 25 quarters.

Further expansion in construction activity is indicated by a rising trend for hardware and building material sales. This is also supported by a rise of 3 points in the FNB/BER building confidence index for the first quarter of 2017, its best level in 12 months and 4 points higher than the average over the past 26 quarters. According to Dr Botha, the ACI is likely to increase further in 2017 as a result of a combination of higher economic growth, modest employment creation and lower interest rates.

Andries van Heerden, Afrimat CEO, says the expansion in construction activity as indicated by the ACI, bodes well for the economy. "The results of this study support Afrimat's argument over the last five years, that construction is healthier than many people believed. Other factors such as overcapacity in the cement industry, due to too much new capacity created by more entrants into the market place, made the healthy underlying activity less visible.

Ends

Methodology

The ACI is calculated from six different indicators which have been forged into a composite index of the level of activity within the building and construction sectors (in real terms, i.e. adjusted for inflation or based on surveys of confidence levels).

The constituent indicators for the index and the weightings are listed in the following table:

Indicator	Weighting (%)
Building materials sales index	50
Buildings completed within larger municipalities	10
Building plans passed by larger municipalities	20
FNB/BER building confidence index	5
FNB/BER civil construction confidence index	5
Retail trade sales – hardware, paint & glass	10
Total	100

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