



NATAL PORTLAND CEMENT COMPANY (PTY) LIMITED (“NPC”) FURTHERS ITS SOUTH AFRICAN TRANSFORMATION INITIATIVES THROUGH THE IMPLEMENTATION OF A 26% INVESTMENT IN ITS SOUTH AFRICAN CEMENT OPERATIONS BY A BLACK-OWNED CONSORTIUM (“THE BEE TRANSACTION”)

OVERVIEW

As part of its ongoing transformation initiatives, NPC has implemented a transaction that has culminated in the introduction of a 26% equity participation (“BEE Interest”) in its South African cement operations (“NPC-Cimpor”). The BEE Interest, which will be largely vendor funded by NPC, will be sold to black-owned partners (“BEE Partners”) based on an enterprise value for NPC-Cimpor of R3.5 billion.

The BEE Partners, based primarily in the Kwa-Zulu Natal (“KZN”) province, comprise the NPC Staff Trust (“NPC Staff Trust”), the NPC Education and Entrepreneurial Development Trust (“NPC EED Trust”), and business partners, Nkunzi Investment Holdings (“Nkunzi”) and Imbewu-Aka Consortium (“Imbewu-Aka”) (collectively, “the Business Consortium”).

RATIONALE

NPC is a KZN based manufacturer and distributor of cement products and a wholly-owned subsidiary of Cimentos de Portugal SGPS S.A (“Cimpor”), a multinational cement group domiciled in Portugal. NPC’s shareholder and management recognise that Broad-Based Black Economic Empowerment (“BEE”) is a business imperative in South Africa and in this context have concluded the BEE Transaction in terms of which Cimpor will sell 26% of NPC-Cimpor to the BEE Partners. The BEE Transaction demonstrates the Group’s commitment to genuine and sustainable empowerment and supplements the significant transformation initiatives already in place.

The overriding objectives of the BEE Transaction are to:

- achieve a meaningful, sustainable and fully-funded BEE transaction;
- create a simple shareholding structure and one that meets all the applicable regulatory requirements; and
- optimise the returns to the BEE Partners whilst minimising the cost to existing shareholders.

NPC carefully considered the choice of empowerment partners through an open and transparent selection process, whilst focusing on achieving a transaction that made commercial business sense with the right empowerment partners. The BEE Partners share a like-mindedness and vision and will play an important role in the continued growth and development of the business, particularly at a time when the cement industry in South Africa is undergoing significant expansion. Furthermore, the Business Consortium will assist NPC-Cimpor in developing value-added initiatives with the communities participating in the BEE Transaction.

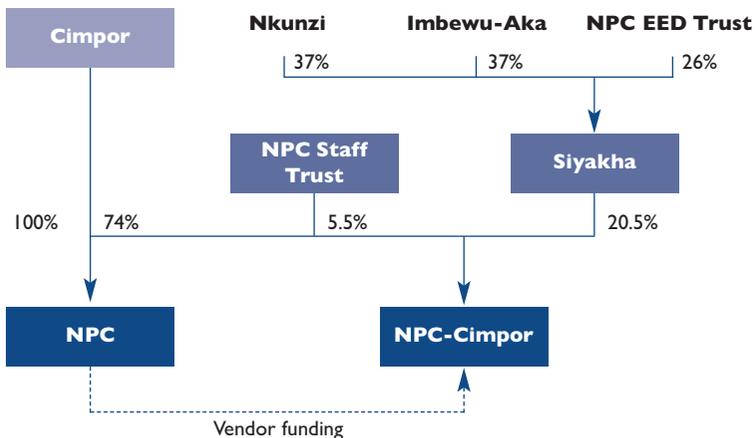
The BEE Transaction is structured to ensure that the Business Consortium will remain committed to the business and its ongoing transformation initiatives over the long term, while immediately delivering to the BEE Partners an unencumbered equity interest in NPC-Cimpor from the outset of the BEE transaction.

THE BEE PARTIES

NPC and the Business Consortium subscribe to the principle of truly broad-based participation and have therefore facilitated the inclusion of existing and future NPC employees and the communities in which NPC operates within the shareholding structure.

NPC will vendor finance the acquisition consideration on the most favourable market related terms to the BEE Partners to ensure a sustainable and meaningful transaction. The BEE partners will receive an unencumbered equity interest and full voting rights immediately on implementation of the BEE Transaction and have representation on the NPC-Cimpor board of directors and relevant executive committees.

The NPC-Cimpor structure pursuant to the implementation of the BEE Transaction is illustrated below:



1. The Business Consortium

Nkunzi and Imbewu-Aka will each acquire a 37% interest in a Siyakha Cement Holdings (Pty) Limited (“Siyakha”), collectively, amounting to 74%.

Nkunzi is a 100% KZN based investment company. Nkunzi has a strong and experienced leadership team with a demonstrable track record of achievements in the business and BEE arena, specifically in KZN, thus, providing an ability to add value in the regions in which NPC principally operates. Nkunzi members have been involved in policy formulation and implementation and provide knowledge and expertise in corporate governance. The Nkunzi owner managers are passionate about education and upliftment of previously disadvantaged individuals and youth in South Africa. Their shareholder base therefore extends to a number of youth and rural communities. Nkunzi seeks to add value through their solid experience and skill set and their long-term commitment to business growth.

Imbewu-Aka comprises of Imbewu Capital Partners (“Imbewu”), Aka Capital (“Aka”) and the Imbewu-Aka Women’s Group, which comprises Lehumo Women’s Investments, Oname Investments and Solegna Investments (“Imbewu-Aka Women”). Both Imbewu and Aka are black-owned and controlled private equity and investment holding companies that seek to proactively add value to their underlying investments. Imbewu-Aka Women comprises of a group of profiled professional and broad-based black women who are multi-skilled with strong entrepreneurial abilities based in KZN.

Imbewu-Aka brings hands-on experience to NPC in the construction, building and infrastructure industry. Collectively the principals of this consortium hold relevant business experience and seek to provide NPC with:

- strategic and operational construction, building materials and infrastructure expertise;
- business leadership, strategy, marketing and transformation;
- strong relationships within the South African business and Government; and
- capital raising and structuring expertise.

2. NPC Staff Trust

The inclusion of a staff trust enables a broad-based shareholding and seeks to empower the employees of the business and provide them with an opportunity to share in its growth. The NPC Staff Trust will acquire a 5.5% shareholding in NPC-Cimpor through an appropriate financing structure. The beneficiaries of the NPC Staff Trust will be the current and future employees of the NPC group. (80% allocated to current employees and 20% reserved for allocation to future employees of NPC-Cimpor).

3. NPC EED Trust

The NPC EED Trust will subscribe for 26% of Siyakha resulting in an effective 5.33% interest in NPC-Cimpor. This subscription will be enabled through an appropriate financing structure. The aim of the NPC EED Trust is to facilitate the educational and entrepreneurial development of historically disadvantaged communities resident in the areas in which NPC conducts its business and including the black communities in the areas of Newcastle and Port Shepstone. These communities are close to the heart of the business and NPC is committed to directly playing a role in uplifting the quality of life in these areas, providing a platform for growth and development.

DRIVING TRANSFORMATION

NPC and its shareholder Cimpor have, through this transaction, committed to driving meaningful transformation in its operations in South Africa. The transaction has been carefully structured to ensure sustainable transformation and subject to relevant South African BEE legislation shall continue to December 2014, even as it delivers immediate benefits.

Durban
29 December 2006

Financial advisors to NPC



Legal advisors to NPC

