Distribution and Warehousing Network Limited
(Incorporated in the Republic of South Africa)
(Registration number 1984/008265/06)
Share code: DAW & ISIN code: ZAE000018834
("DAWN" or "the Company" or "the Group")

BUSINESS UPDATE AND DIRECTOR CHANGES

In DAWN's results for the year ended 31 March 2018, published on 12 July 2018, the Company highlighted the risk economic conditions posed to the Group's turnaround. Since then, economic conditions have deteriorated further and are not expected to improve in the current financial year. To address this, the board of directors ("Board") has approved a large-scale cost reduction plan devised by management to position the Company for recovery in line with its turnaround plan.

The new plan entails a significant cost reduction in terms of the Company head office through a staff reduction, as well as reduced expenditure on support services and infrastructure. This will result in a small, but appropriate, head office structure.

As noted at year-end, the size of the Board has been reduced and directors' fees decreased.

As part of the head office changes, Mr Chris Booyens, the financial director of DAWN, retires from the Company with effect from 31 August 2018. The Board thanks him for the very valuable contribution made during his tenure at DAWN. Mr Hanré Bester, the current group financial manager and previous acting chief financial officer, has been appointed as financial director with effect from 1 September 2018. Mr Bester is a qualified Chartered Accountant South Africa CA(SA), holds a MCom degree in taxation and has been with DAWN for eight years. The Board welcomes Hanré and looks forward to the contribution he will make.

Outside of the cost reduction initiatives at Group level, DAWN will implement further structural changes to refocus each subsidiary on its core competencies, as well as actively leveraging synergies between the Group's subsidiaries, particularly its three largest subsidiaries, Wholesale Housing Supplies (Pty) Ltd ("WHS"), Incledon (Pty) Ltd ("Incledon") and DPI Plastics (Pty) Ltd ("DPI").

WHS, the main sanitaryware and hardware trading and distribution business in the Group, will be restructured for improved accountability and its processes re-engineered for simplicity. This entails flattened and realigned reporting structures and more streamlined functions across operating divisions. WHS has been successful in significantly improving its delivery performance to its customers over the last six months through previously implemented turnaround initiatives. This business will continue to reap the benefits from its improved capability through further efficiencies and sales performance.

Incledon, the Group's specialist water infrastructure trading and solutions business, will continue to focus on delivery in terms of its turnaround strategy. This has already yielded positive results. The business has expanded its markets and presence to tap into growth areas such as Bloemfontein and Polokwane and is developing a presence in the mining sector by expansion into Rustenburg and Steelpoort. A core focus has been improving the effectiveness of its imports, in order to yield improved margins. The Group has also refocused its strategy on the mining, agriculture and engineering sectors.

DPI, the Group's pipe manufacturing business, is reducing and refocusing its capacity towards its core capability and higher-margin markets, polyvinyl chloride (PVC) pipe and the building fittings market. The high-density polyethylene (HDPE) plant, which operates in an extremely competitive market, will be mothballed until such time as the market shows signs of recovery at a more sustainable margin level. DPI is also changing its route to market through collaboration with WHS, which will provide a larger platform for the distribution of its products.

The revised turnaround measures will result in the retrenchment and termination of the contracts of employment of more than 700 employees and labour broker staff across the Group. The trade unions have been engaged throughout the process and notices have been issued in terms of Section 189(a) of the Labour Relations Act.

Legacy high fixed costs, such as lease costs, remain a burden on the business and the Company is evaluating all alternatives to manage or further reduce costs, where possible. Although certain successes have been achieved, more work is required in this area and this is being actively managed by management.

The Company continues to focus on the vital task of improving working capital and actively managing cash flow. The debtors-based funding facility provided by ABSA Limited has been implemented successfully. DAWN continues to actively engage credit insurers and suppliers to ensure adequate limits are allocated to the Company.

The objective of the strong corrective actions outlined above is to curtail losses over the next 12 months. Management will continue to closely monitor the Group's performance, taking further corrective measures as required.

Any forward looking statements have not been reviewed nor reported on by the Company's external auditors.

Germiston 28 August 2018
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