PPC Ltd (Incorporated in the Republic of South Africa)
Company registration number: 1892/000667/06
JSE / ZSE code: PPC
JSE ISIN: ZAE 000170049
JSE code: PPC003
JSE ISIN: ZAG000117524
("PPC" or "Company")

**OPERATIONAL UPDATE FOR THE FOUR MONTHS ENDED 30 JULY 2019**

**GROUP PERFORMANCE**

Group EBITDA increased by between 5 – 10% for the four months ended 30 July 2019 ("period"), on the back of continued selling price momentum in South Africa and ongoing cost optimisation in terms of R70/tonne savings initiative. The group incurred once-off restructuring costs as part of its operational and head office optimisation, which detracted from the EBITDA performance. The restructuring of the group will position the business to take advantage of future growth. The Southern Africa cement business continues to optimise its route to market strategy by focusing on its most profitable market segments. In the Rest of Africa, the focus is on cash preservation and maximising US$ EBITDA per tonne. The group balance sheet remains strong, with group gross debt at similar levels to those reported for March 2019.

**SOUTHERN AFRICA CEMENT**

Despite a challenging operating environment, average cement prices in Southern African (including Botswana), increased by 7.0 - 8.0% for the period. Aligned with the objective of focusing on EBITDA enhancing volume growth, cement sales declined by 10 - 15% compared to the corresponding period in FY'19 ("comparable period"), in line with the estimated decline in domestic demand. Domestic cement demand remains constrained due to a subdued demand environment. Importer and blender activity have also contributed to a competitive operating environment. EBITDA increased by 5 - 10% supported the R70/tonne cost saving initiative. Total cement imports increased by 22% for January 2019 - June 2019 compared to the same period in 2018, amounting to ~640,000 tonnes. The Concrete Institute (TCI) on behalf of the domestic cement industry submitted an application to ITAC highlighting the impact of imports on domestic cement production. The industry is also engaging with the relevant authorities to ensure that blended cement meets the requisite standards.

**MATERIAL BUSINESS**

**LIME**

Lime revenue increased by 5 – 10%, supported by higher selling pricing and volumes. EBITDA was marginally lower than the comparable period, due to higher input and maintenance costs.

**AGGREAGATES AND READYMIX**

Aggregates and readymix revenue decreased by 5 – 10%, due to constrained demand and challenging pricing environment. This has also resulted in a decline in EBITDA compared to the prior comparable period.

**REST OF AFRICA CEMENT**

**ZIMBABWE**

Trading conditions in Zimbabwe remain challenging, due to liquidity constraints and inflationary pressures. PPC remains focused on optimising its local operations and implementing its cash preservation strategy to ensure the business is self-sufficient. The devaluation of the Real Time Gross Settlement (RTGS) dollar versus the US$ impacted revenue, which declined by 30 – 35% in rands. Overall cement sales volumes contracted by 25 – 30% due to a weaker economic climate. Cement pricing, which was aligned with input cost inflation, was higher than the previous comparable period. EBITDA declined by 10 - 15%, while EBITDA margins remained within the guided range of 30 – 35%.

**Rwanda**

In Rwanda, Cimerwa continues to benefit from increased construction activity and high economic growth. The successful completion of 1st phase debottlenecking of the plant has resulted in higher cement sales. Overall volumes for the period increased by 35 - 40%, coupled with stable pricing. Pleasingly, EBITDA increased by more than 200%, compared to the prior period.

**Democratic Republic of Congo (DRC)**

Demand remained subdued in the DRC. The EBITDA performance of the business has tracked below last year, mainly as a result of a competitive pricing environment during the first two months of the financial year. Pricing has subsequently recovered, with the business executing strategic plans to maximise EBITDA and free cash flow generation in order to minimise capital requirements from the centre. PPC is currently engaging with its lenders to re-structure the debt in the DRC and put in place a more sustainable capital structure.

**Ethiopia**

Habesha has not achieved targeted profitability levels for the period due to sub-optimal plant performance and pricing challenges. PPC management is responding by prioritising plant optimisation and route to market strategies.

**OUTLOOK**

PPC will continue to focus on stabilising the performance of its core operations and positioning the group for future growth. The restructuring of the head office will enable the alignment of the business to its operational requirements and enable PPC to focus on maximising EBITDA in all markets it operates in and reducing financial leverage.

The information in this operational update has not been reviewed or reported on by the Company’s external auditors.

29 August 2019

Sponsor
Merrill Lynch South Africa (Pty) Limited

PPC:
Anashrin Pillay
Head Investor Relations
Tel: +27 (0) 11 386 9000

Financial Communications Advisor:
Instinctif Partners
Gift Dlamini
Mobile: +27 11 050 7536