PPC Ltd
(Incorporated in the Republic of South Africa)
(Company registration number: 1892/000667/06)
JSE Code: PPC
ISIN: ZAE000170049
JSE code: PPC003
JSE ISIN: ZAG000117524
("PPC" or the "Company")

SHORT FORM ANNOUNCEMENT

PPC LTD – CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 SEPTEMBER 2019

SALIENT FEATURES:

- **Group revenue R4 948 million (Sept 2018: R5 597 million)**
- **Group EBITDA R868 million (Sept 2018: R1 039 million)**
- **Loss per share of 0,4 cents (Sept 2018: Earnings per share 21 cents)**
- **Headline earnings per share 6 cents (Sept 2018: 21 cents)**

Group results were adversely affected by the devaluation between the Zimbabwean Dollar ("ZWL") and the South African Rand and the application of the provisions of IAS 29 – Financial Reporting in Hyperinflationary Economies. Excluding PPC Zimbabwe Group revenue declined 1% to R4 502 million and Group EBITDA decreased by 3% to R667 million.

Roland Van Wijnen, CEO said:
"The positive operational results in Rwanda and the DRC have partially offset difficult and competitive market conditions in South Africa and Zimbabwe. PPC has continued its efforts to implement necessary price increases to lay the basis for a sustainable domestic cement industry in RSA. We remain focused on cost reductions and we have achieved cost savings of R65/tonne in South Africa as part of our R70 per tonne saving program announced in 2017. Whilst the profitability of the Group has declined, PPC continues to generate positive free cash flow.

Our focus in Zimbabwe remains to deliver our customers premium products and solutions at stable or improved EBITDA margins, as well as to ensure financial self-sufficiency of the business against the backdrop of a challenging macro-economic environment. The PPC Zimbabwe team has delivered on both these strategic imperatives."

GROUP PERFORMANCE

Group revenue declined by 12% to R4 948 million (Sept 2018: R5 597 million) attributable to a 17% decline in overall cement volumes to 2,6 million tonnes. Southern Africa cement and PPC Zimbabwe were the main contributors to the decline.

Cost of sales reduced by 10% to R4 023 million (Sept 2018: R4 494 million) compared with the previous year. Overheads reduced by 4% to R555 million (Sept 2018: R580 million). Excluding once-off restructuring costs of R83 million incurred during the period, overheads reduced by 19%.

PPC reported cost savings of R60/tonne at the end of March 2019, and achieved additional cost savings of R5/tonne for the period towards PPC's saving target of R70/tonne.

Group EBITDA declined by 17% to R868 million (Sept 2018: R1 039 million), resulting in an EBITDA margin of 17,5% (Sept 2018: 18,6%). Excluding the impact of the once-off restructuring costs EBITDA margin was 19,3%.

The Group results are impacted by the significant currency devaluation between the ZWL and the South African Rand ("ZAR") and the application of the provisions of IAS 29 that complicates comparability at a Group level. PPC Zimbabwe has applied hyperinflationary accounting from 1 April 2019 to 30 September 2019. The results, net assets and cash flows were then translated from ZWL into rand at a closing rate of 1 ZWL to 0.99 ZAR compared to 1 ZWL to 4.80 ZAR at March 2019, which had a material impact on the results.

Excluding PPC Zimbabwe, Group revenue declined by 1% and cost of sales were maintained at R3 783 million. EBITDA declined by 3% to R668 million (Sept 2018: R687 million), with margins maintained at 15%.

The application of IAS 29 resulted in a net monetary gain amounting to R543 million (before tax).

Included in the fair value adjustment loss of R270 million is an estimated credit loss of R307 million relating to Zimbabwe financial assets, R76 million of which was raised against the PPC Zimbabwe financial asset arising as a result of the PPC Zimbabwe debt being settled by the Reserve Bank of Zimbabwe on a 1:1 basis as legacy debt. The remainder of the expected credit loss provision was raised against the PPC Limited blocked funds held by the Reserve Bank of Zimbabwe and cash deposited in a non-resident account with Stanbic in Zimbabwe. The balance of the fair value adjustment relates to the translation into Rands of foreign assets and liabilities.

Finance costs decreased by 3% to R327 million (Sept 2018: R336 million). Southern Africa finance costs increased by 13% to R125 million (Sept 2018: R111 million) due to the application of IFRS 16 - Leases. International finance costs declined by 10% to R202 million (Sept 2018: R225 million).

Taxation expense of R186 million (Sept 2018: R9 million credit), resulted in an effective tax rate of 114%. Excluding the impact of provisions, expected credit losses, hyperinflation, the impairment and other non-deductible expenses, the effective tax rate is 33%.

The equity investment in the integrated cement plant in Ethiopia was fully impaired, resulting in an impairment loss of R93 million.

Basic earnings per share was reduced to a 0,4 cents loss (Sept 2018: Earnings per share 21 cents) and headline earnings per share was 6 cents (Sept 2018: 21 cents).

Cash available from operations decreased from R581 million to R223 million, mainly as a result of an increase in working capital absorption of R342 million, which is significantly higher than the comparative period at R110 million due to the manufacturing cycle in the DRC, cash preservation strategies in Zimbabwe, increasing inventory levels and accounts payable.

Capital investments in property, plant and equipment decreased by 40% to R225 million (Sept 2018: R377 million).

Gross debt increased marginally from R5 002 million in March 2019 to R5 131 million at the end of September 2019. The currency impact on the international debt is R193 million. On a constant currency basis the gross debt was approximately R4 938 million as at 30 September 2019. The Southern African

debt remained constant at R1 700 million.

CEMENT SOUTHERN AFRICA (INCLUDING BOTSWANA)

Realised average selling prices for Southern Africa increased by 8% - 10%, as the business continued with its drive of increasing cement prices to recover operational costs and improve returns. PPC Southern Africa cement volumes declined by 15% - 20%, where declines were less significant in the coastal regions. PPC estimated the South African cement industry declined by between 10% - 15% for the period, with consumer and construction sector demand still under severe pressure. The competitive environment was exacerbated by imports and blender activity. Cement imports increased by 5% to 849,000 tonnes for calendar year August 2019. The Concrete Institute ("TCI") on behalf of the domestic cement industry submitted an application to the International Trade Administration Commission ("ITAC") highlighting the impact of imports on domestic cement production. The industry is continuously engaging with the relevant authorities to ensure that blended cement meets the requisite standards.

Revenue for Cement Southern Africa declined by 8% to R2 555 million (Sept 2018: R2 772 million). This was a result of a 30% increase in fuel prices for the period under review. All other production costs were well controlled within the 5% - 7% range.

The reduction in revenue coupled with an increase in costs resulted in EBITDA contracting by 24% to R367 million (Sept 2018: R481 million) and margins declining from 17,4% to 14,4%.

MATERIALS BUSINESS

Aggregates, ready-mix and ash

Revenue decreased by 8% to R645 million (Sept 2018: R698 million), as a result of decreased volumes across all segments, as the market remained competitive due to a muted construction industry. EBITDA contracted to R35 million (Sept 2018: R40 million), due to higher fuel and maintenance costs.

Lime

The lime division grew revenue by 6% to R434 million (Sept 2018: R409 million), with higher prices in certain products compensating for volume declines of 5%. EBITDA contracted by 17% to R50 million (Sept 2018: R60 million), due to lower fixed cost absorptions, higher coal costs and refractory costs.

INTERNATIONAL

Zimbabwe

Volumes declined by 30 - 35%, in-line with the decrease in the overall market, whilst cement pricing was adjusted on a weekly basis to contend with the rapid increase in inflation and the devaluation in currency. Revenue declined by 54% to R497 million (Sept 2018: R1 076 million) against the backdrop of a hyper-inflationary environment, severe weakening of the ZWL, regular power outages and a weaker cement market. EBITDA contracted by 43% to R201 million (Sept 2018: R352 million), with EBITDA margins showing a marked improvement to 40% versus 32% in September 2018. PPC Zimbabwe is financially self-sufficient and is preserving cash by investing in inventory and accelerating capital expenditure.

Rwanda

CIMERWA achieved revenue growth of 28% to R514 million (Sept 2018: R402 million) due to a 20% increase in volumes. EBITDA increased by 70% to R156 million (Sept 2018: R92 million), benefiting from increased volume output and an improved cost per tonne performance.

DRC

PPC Barnet DRC achieved revenue growth of 26% to R303 million in the period (Sept 2018: R240 million), driven by stable pricing and production output in an oversupplied market. The business generated EBITDA of R81 million (March 2018: R 60 million), with corresponding margins of 27%. EBITDA benefited from stringent cost control and entrenchment of route to market strategies. The business is in the process of restructuring its debt.

OUTLOOK

Overall, PPC will remain focused on optimising operational cash generation through price and cost management in order to reduce financial leverage and strengthen the balance sheet. In Southern Africa there are further opportunities to optimize the delivery network and related fixed and variable costs. However, the cement industry in South Africa needs to be protected from unfair competition in the form of imports and substandard products. Unfair competition contributes to an unsustainable pricing environment that threatens the financial viability of the local cement industry that is of strategic relevance to the country.

In Zimbabwe, the business is self-sufficient and will continue to focus on delivering to the market at stable EBITDA margins whilst managing cash and implementing strategies to preserve the longer term value of the business. Despite the challenging trading conditions, the business remains well capitalised and is well positioned to benefit from local infrastructure projects and growth in the region.

In Rwanda, CIMERWA is expected to benefit from the improved growth in output following the progress of the debottlenecking project and the strong economic climate. The DRC business will focus on maximising EBITDA and restructuring its debt to reduce reliance on the Group.

PPC has initiated a comprehensive strategic review and certain initiatives necessary for sustainable value creation are underway. The outcomes of our strategic review will be communicated in due course.

RESULTS PRESENTATION

PPC will be hosting an analyst's results presentation today in Johannesburg at the JSE Auditorium, 1 Exchange Square, 2 Gwen Lane, Sandown at 10:00 SAST. The presentation will be webcast live and can be accessed via https://www.corpcam.com/PPC20112019. The results presentation and a copy of this announcement will be available on the company's website:
https://ppc.africa/corporate/investors-media/financial-presentations-reports.

SHORT FORM STATEMENT

This short form announcement is the responsibility of the directors. It is only a summary of the information contained in the full announcement and does not contain full or complete details. Any investment decision should be based on the full announcement accessible from Wednesday, 20 November 2019, via the JSE link and also available on the Company's website at https://ppc.africa/corporate/investors-

media/financial-presentations-reports.

The full announcement is available for inspection, at no charge, at the Company's registered office 148 Katherine Street, Sandton and the office of the sponsor during standard office hours.

The JSE link is as follows:
https://senspdf.jse.co.za/documents/2019/JSE/ISSE/PPC/PPC30Sept.pdf

Sandton

20 November 2019

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