

PPC Ltd
(Incorporated in the Republic of South Africa)
(Company registration number: 1892/000667/06)
JSE ISIN: ZAE000170049
JSE code: PPC
ZSE code: PPC
(PPC or the company or the group)

SHORT FORM ANNOUNCEMENT GROUP RESULTS FOR THE SIX MONTHS ENDED SEPTEMBER 2022

SALIENT FEATURES - CONTINUING OPERATIONS

GROUP RESULTS EXCLUDING PPC ZIMBABWE

- Group revenue increased 9% to R4 248 million (September 2021: R3 893 million)
- Group EBITDA margins declined to 13,7% (September 2021: 16,9%)
- Profit before tax increased by 4% from R250 million to R259 million
- Net debt for the SA and Botswana group improved by R140 million
- EPS decreased from 8 cents to 5 cents
- HEPS decreased from 10 cents to 4 cents

PPC ZIMBABWE

- Planned kiln shutdown reduced volumes by 13% despite robust cement demand
- Hyperinflation materially impacted reported results
- Contribution to revenue reduced to 17% (September 2021: 24%)
- Dividends of US\$4,4 million paid to the group
- The group did not declare a dividend for the current or previous period

COMMENTARY OVERVIEW

Roland van Wijnen, CEO, said: "I am pleased that our strategic initiatives have enabled PPC to maintain its market-leading position in its core Southern African markets and continue to reduce debt, despite challenging and competitive trading conditions. We are in a strong financial position to weather the local economic cycle and are well placed to supply any increase in demand as the roll-out of the South African government's infrastructure development plans gain momentum. I thank our valued customers for their enduring support. I also thank all my colleagues for their hard work, commitment, and dedication."

GROUP PERFORMANCE - CONTINUING OPERATIONS

PPC delivered a sound performance under challenging operating conditions through continued focus on driving cost efficiencies and enhancing cash generation to deleverage. The sound group performance was however impacted by hyperinflation accounting, with the Zimbabwean dollar depreciating 72% against the rand since 31 March 2022 and distorting the consolidated results. While PPC Zimbabwe continued to generate good cash returns and US\$4,4million in dividends were paid to the group during the period under review, analysing the results excluding PPC Zimbabwe is more meaningful due to the impact of hyperinflation accounting. The results below are shown both including and excluding the Zimbabwe operations.

Excluding PPC Zimbabwe, revenue for the six months ended 30 September 2022, increased 9% to R4,248 million (September 2021: R3,893 million) supported by period-on-period price increases, while cement volumes were 1% down on the comparable period. Including the impact of PPC Zimbabwe, which contributes 17% (September 2021: 24%), group revenue decreased by 1% to R5,103 million (September 2021: R5,131 million).

Excluding PPC Zimbabwe's cost of sales and administration and other operating expenditure for both periods, the cost increase amounts to 11,3%, which is below input cost inflation experienced in the current six-month period to 30 September 2022. Including PPC Zimbabwe, cost of sales and administration and other operating expenditure increased by 6,4% to R4,820 million (September 2021: R4 530 million).

Group EBITDA, excluding PPC Zimbabwe, decreased by 12% to R580 million (September 2021: R658 million) and EBITDA margins declined to 13,7% (September 2021: 16,9%) as higher energy costs and increased competition in PPC's core South African market compressed margins despite a strong performance in the Rwandan business. Group EBITDA, including PPC Zimbabwe, declined by 23% to R728 million (September 2021: R945 million).

Fair value and foreign exchange movements resulted in a gain of R82 million (September 2021: R1 million loss), mainly due to the significant depreciation of the Zimbabwean dollar against the United States dollar, which resulted in foreign exchange gains on net monetary items.

Finance costs decreased by 43% to R84 million (September 2021: R147 million), due to the continued successful de-gearing of the group and lower interest costs following the implementation of improved facility arrangements in South Africa in December 2021.

During the current period, the group realised a net profit on the disposal of equity accounted investments of R23 million (September 2021: Nil) from the sale of Habesha.

Profit from continuing operations before tax, but excluding PPC Zimbabwe, increased by 4% from R250 million to R259 million. When the impact of PPC Zimbabwe is included, which is inclusive of the net monetary loss of R206 million (30 September 2021: R440 million gain), the group profit from continuing operations before tax would have decreased from R981 million to R106 million.

Taxation decreased to R84 million (September 2021: R201 million). The current period effective tax rate was negatively affected by a once-off de-recognition of a deferred tax asset in PPC Ltd and the impact of PPC Zimbabwe hyperinflation, resulting in an effective tax rate of 79% (September 2021: 20%).

Earnings per share (EPS) and headline earnings per share (HEPS) decreased respectively from 53 cents to a loss of 3 cents and from 55 cents to a loss of 5 cents. This is primarily due to the reported EPS and HEPS numbers being impacted as follows:

1. Lower earnings generation in South Africa and Botswana cement and aggregates, readymix and ash segments and PPC Zimbabwe.
2. The full impact of the strong CIMERWA performance not flowing fully to EPS and HEPS given the operations are 51% held by PPC.
3. Hyperinflation accounting in terms of IAS29 for PPC Zimbabwe including a significant negative swing in the net monetary impact in the income statement from a positive R440 million in the prior period to a negative R206 million in the current period.

Excluding PPC Zimbabwe, EPS decreased from 8 cents to 5 cents and HEPS decreased from 10 cents to 4 cents.

Net cash inflow before financing activities remains positive at R319 million (September 2021: R502 million) as cash generation remains a priority.

Group net debt declined to R677 million on 30 September 2022 (March 2022: R1 009 million) due to positive cash generation and strict capital allocation discipline.

SOUTH AFRICA AND BOTSWANA CEMENT

Increases in sales volumes in the coastal region, due to strong demand and a decrease in imports, were offset by difficult trading conditions in the inland region. This left cement sales volumes in South Africa and Botswana down 2,6% period-on-period for the six months ended September 2022.

The coastal region continues to experience an upswing in cement due to a recovery in industrial construction activity and the resumption of postponed government projects. In addition, a decrease in cement imports into the Western Cape due to global supply chain constraints and a weaker rand positively impacted PPC's cement sales volumes to the retail segment.

The inland region saw above-average seasonal rainfall at the beginning of FY23 and a subdued macroeconomic backdrop. This resulted in a decline in cement sales to both the retail and construction segments. In addition, the recent flooding in the KZN region lowered cement consumption in that region. As a result, cement destined for that market made its way to the inland region and

thereby intensified the competitive pressures further in an already depressed market. The construction of distribution centres and housing estates supported cement sales to the industrial segment in the inland region.

PPC estimates that cement and clinker imports decreased by 32% relative to the prior comparable period. Although this has provided a much-needed respite for the domestic producers, imports threaten the long-term sustainability of the South African cement industry as domestic cement production capacity exceeds current demand. PPC and other industry players continue to engage with the relevant authorities on the need to protect the industry from unfair competition.

During the period under review, PPC increased selling prices by an average of 5% and saw a positive impact from changes in the product mix. It also continued to be successful with its cost-control efforts. However, this was insufficient to fully recoup the significantly higher fuel and energy costs keeping EBITDA margins under pressure.

For the six months ended September 2022, PPC South Africa and Botswana cement revenue increased by 4% to R2,865 million (September 2021: R2,753 million), however EBITDA declined by 29% to R368 million (September 2021: R515 million) with a margin of 12,2%.

Net debt for SA and Botswana declined from R1,075 million at 31 March 2022 to R935 million at 30 September 2022, a de-gearing of R140 million.

AGGREGATES, READYMIX AND ASH

For the six months ended 30 September 2022, the readymix businesses experienced increased demand and market share gains due to the exit of some competitors from the market. Readymix volumes increased by 5% period-on-period, while aggregates volumes decreased by 15% period-on-period. In addition, fly ash sales volumes declined by 27% period-on-period from a high base, as ash sales in the previous period benefited from a lack of alternative extenders such as slag. Overall revenue for the materials division increased by 2% to R612 million (September 2021: R600 million), due to the increase in sales of readymix. EBITDA reduced to a loss of R14 million (September 2021: R37 million profit).

INTERNATIONAL

Rwanda

For the six months ended 30 September 2022, CIMERWA's cement sales volumes increased by 11% period-on-period. Increased demand from government-sponsored infrastructure projects and a resurgence in general building activity aided CIMERWA's domestic cement sales. In addition, cement exports benefited from sustained demand in the eastern Democratic Republic of Congo and the expansion of CIMERWA's route-to-market initiatives. Cement volumes also benefited from improved industrial performance and plant reliability. CIMERWA's efforts to enhance industrial performance and reliability are yielding tangible results.

Revenue in rand for the six months ended 30 September 2022 increased by 43% to R771 million (September 2021: R539 million). EBITDA increased by 63% to R249 million (September 2021: R153 million) and EBITDA margin improved to 32,3% (September 2021: 28,4%).

CIMERWA also de-gearred and ended the period under review with cash holdings of R345 million.

Zimbabwe

Due to a planned kiln shutdown, required for maintenance, PPC Zimbabwe's cement sales volumes declined 13% period-on-period. However, following the resumption of clinker production at the end of May 2022, PPC Zimbabwe's cement sales volumes improved in the second quarter of FY23 relative to the first quarter of FY23 with a continued robust cement demand from residential construction and government-funded infrastructure projects.

PPC Zimbabwe implemented US\$ price increases of 5% in March 2022, 2% in April 2022 and a further 5% increase in August 2022 to recover input cost inflation. Further, PPC observed an increase in foreign currency availability in the Zimbabwean economy, with over 80% of cement sales occurring in foreign currency during the period under review. PPC received a \$3,7 million dividend in December 2021 and an additional US\$4,4 million in dividends in June 2022.

Revenue decreased by 31% to R855 million (September 2021: R1,239 million) due to the impact of the planned kiln maintenance and the depreciation in the Zimbabwean dollar against the rand. EBITDA declined by 48% to R148 million

(September 2021: R287 million) with a reduced EBITDA margin of 17,3% (September 2021: 23,2%). EBITDA and EBITDA margin were adversely impacted by the procurement of clinker from South Africa and Zambia as a way to offset the impact of the kiln shutdown during a high demand period. Imported clinker, including transport, is more expensive than PPC Zimbabwe's own clinker manufacturing costs. In addition, the shutdown of the kiln incurred once-off additional maintenance costs, which negatively impacted the EBITDA margin.

As at 30 September 2022, PPC Zimbabwe held R253 million in hard currency cash.

OUTLOOK

In light of the current economic climate, the group will continue to improve cash generation and operational efficiencies in an effort to further strengthen its financial position and reduce the impact of rising input cost inflation. Without a significant increase in infrastructure spending and tangible action against imports, South Africa's cement demand is expected to remain subdued. PPC South Africa is well positioned to benefit from an increase in cement demand with additional capacity available to capture an upswing in demand without additional capital expenditure required. PPC Zimbabwe anticipates a further recovery for the balance of the financial year thereby restoring its profitability to historical levels and the outlook for CIMERWA remains positive.

On behalf of the board

PJ Moleketi
Chairman

R van Wijnen
Chief executive officer

B Berlin
Chief financial officer

Sandton
21 November 2022

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 Monday, 21 November 2022, via the JSE link and also available on the Company's website at <https://www.ppc.africa/investors-relations/reports/?t=interim>

A copy of the full announcement is also available for inspection at the company's registered office (by appointment, observing COVID-19 restrictions) and may be requested from the Company Secretary Kevin Ross at (Kevin.Ross@ppc.co.za) at no charge, during office hours.

A live and recorded video webcast of the results presentation will be held tomorrow at 10:00am (SAST) and can be accessed via this link: <https://www.corpcam.com/PPC21112022>

The JSE link is as follows:

<https://senspdf.jse.co.za/documents/2022/JSE/ISSE/PPC/PPC30Sep.pdf>

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