PPC Ltd
(Incorporated in the Republic of South Africa)
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("PPC" or "Company" or "Group"

PPC LTD – OPERATIONAL UPDATE NINE MONTHS TO DEC 2018

SOUTHERN AFRICA CEMENT

Despite difficult trading conditions, average cement prices in Southern African (including Botswana) increased by 1.0% - 2.0% for the period. Cement volumes were down 2.0% - 3.0% up to December 2018, against the backdrop of estimated market contraction of 4% - 5%. An uncharacteristically weak December retail segment and subdued construction activity contributed to the contraction. Total cement imports increased by 80% for January 2018 - November 2018 compared to the prior comparable period, with imports into Cape Town increasing by 48% to ~209,000 tonnes, although still substantially lower than the majority of imports into Durban which increased by 84%. The Western Cape, has seen a marginal recovery in volumes post the drought.

Price increases of between 8% - 12% were implemented on the 15th January 2019 in certain regions. The “SURERANGE” product line continues to gain traction and has positioned PPC well against blended product and imports. The business continues to focus on achieving its R70/tonne profitability initiatives.

MATERIAL BUSINESS

The lime business has shown resilience in terms of profitability, whilst the aggregates and readymix business remains under pressure from a demand and pricing perspective. As stated previously the readymix business remains an important channel to market.

REST OF AFRICA

ZIMBABWE

Volumes grew by low single digits compared to the prior year for the same period, due to operational challenges experienced in the third quarter of the financial year. Pricing has been aligned with local inflationary increases. Nonetheless, recent policy announcements regarding fuel price increases has placed consumers in Zimbabwe under strain. The impact of fuel increases and cost of living increases afforded to PPC Zimbabwe employees is expected to impact EBITDA margins by 1 – 2%. However, it is envisaged that cost saving measures will ensure that EBITDA margins remain within previously guided ranges.

PPC Zimbabwe management is implementing a number of initiatives to mitigate the impact of inflation and liquidity constraints on the business and on the broader PPC Group.

Liquidity management and cash preservation measures include:

- Focus on local procurement, with 90% of input costs sourced locally
- Increasing exports to neighbouring countries
- Continuing clinker imports from South Africa
- Share buy-back of PPC shares listed on the ZSE though subsidiary PPC

Zimbabwe Limited.

Despite the challenging trading environment, the Group remains positive about its operational strength and customer support for its brand.

DRC

In the DRC, PPC Barnet continues to operate in a challenging environment, impacted by the elections in December 2018, as infrastructure demand was still subdued. The business continues to execute on strategic plans to maximise EBITDA and free cash flow generation in order to minimize capital requirements from the centre. PPC is engaging with its lenders to re-structure the debt in the DRC and put in place a more sustainable capital structure.

Rwanda

In Rwanda, Cimerwa has improved its production output inline with expectations, post the debottlenecking of the plant. Increased capacity utilisation coupled with stable pricing has resulted in the 2^{nd} half EBITDA performance to date exceeding that of the 1^{st} half of the financial year.

Ethiopia

Habesha has been able to steadily increase market share toward its market share capacity of 10%, with capacity utilisation above 40% for the last 12 months. Further plant optimisation and efficiency improvements are required to get the plant to the target capacity utilisation. Political instability has detracted from the performance for the period, however management is responding by prioritizing plant optimisation and route to market strategies. PPC endeavours to have a controlling holding in the business, in order to consolidate Habesha going forward.

GROUP BALANCE SHEET

Group gross debt has been maintained at similar levels to those reported for September 2018. PPC is continuously pursuing avenues to optimise its capital structure and bolster its balance sheet.

OUTLOOK

In South Africa, PPC intends to maintain price increases implemented. The company is engaging the authorities with regard to imports to ensure industry sustainability and also market stabilisation. PPC Zimbabwe remains focused on cash preservation. In the DRC, the business continues to entrench route to market strategies to increase volumes and prices. In Rwanda, the Cimerwa business continues with business optimisation in order to achieve optimal capacity.

Sandton

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