

PPC Ltd  
(Incorporated in the Republic of South Africa)  
(Company registration number 1892/000667/06)  
JSE ISIN: ZAE000170049  
JSE code: PPC ZSE code: PPC  
JSE code: PPC002 JSE ISIN: ZAG000111212  
JSE code: PPC003 JSE ISIN: ZAG000117524  
JSE code: PPC005 JSE ISIN: ZAG000117532  
("PPC" or "Company" or "Group")

## **PPC LTD – UPDATE REGARDING CHANGES TO MONETARY POLICY IN ZIMBABWE**

### **BACKGROUND**

The PPC Zimbabwe business has remained resilient despite the challenges experienced in the Zimbabwean economy in the last 12 months. The company has kept its pricing in line with inflationary increases in the economy and demand remains strong. Furthermore, EBITDA margins remain within the previously guided range of 30% – 35% for FY19. PPC Zimbabwe continues to follow a rigorous approach to liquidity management and cash preservation as highlighted in our update on 5 February 2019. Initiatives include:

- 90% of input costs sourced locally,
- Increasing exports to neighbouring countries,
- Continuing with clinker imports from South Africa,
- Shares purchases of PPC on the Zimbabwe Stock Exchange

On 20 February 2019, Zimbabwe's Central Bank Governor John Mangudya announced that the Bank would be establishing an inter-bank foreign exchange market in Zimbabwe to formalise the trading of RTGS balances and bond notes with US dollars and other currencies.

We view the introduction of a formalised floating foreign exchange market as a positive development toward curbing the high inflation and excessive premiums created by the parallel exchange rates. The exchange market should result in a more efficient allocation of foreign currency, removing the distortions that were impacting the market, and facilitate the repatriation of cash in the medium to long-term.

### **KEY CONSIDERATIONS**

The key elements of the announcement issued on the 20 February 2019, are:

1. The RTGS (Real Time Gross Settlement) \$ will become the functional currency in Zimbabwe, with the initial rate being 2.5 RTGS \$:1 US\$;
2. All foreign liabilities or legacy debts and declared dividends, will be treated separately after registering such transactions with the exchange control department of the Reserve Bank of Zimbabwe; and

### **IMPLICATIONS FOR PPC GROUP BALANCE SHEET AND LIQUIDITY**

PPC has reviewed the monetary policy statement issued on the 20 February 2019. The impact on the group is as follows:

1. The functional reporting currency will be the RTGS \$. A full impact assessment including systems alignment is underway;
2. The Public Accountants and Auditors Board (PAAB) is expected to pronounce

on the impact of the monetary policy statement. In particular the determination of the effective date of conversion to the RTGS \$ being October 2018 or February 2019;

3. PPC reported a cash balance of US\$63m at the end of September 2018 which was reduced to US\$60m by a debt repayment at the end of February 2019;

3.1. The initial rate of 2.5 RTGS \$:1 US\$ applies only to a portion of the US\$60m cash balance, amounting to US\$30m - US\$35m;

3.2. The remaining balance including US\$16m in dividends and US\$5m rights offer proceeds, qualifies as legacy debt due to PPC RSA which is awaiting repatriation.

In terms of group liquidity, PPC Zimbabwe is excluded from covenant calculations.

#### **LOOKING AHEAD**

PPC Zimbabwe's maintains a good relationship with the Zimbabwean monetary authorities and will persist in engaging the regulators and monitoring developments. The business continues to implement strategies to protect its financial position and utilise regulatory channels to repatriate funds where possible.

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

#### **Sandton**

**7 March 2019**

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