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: PPC003 JSE ISIN: ZAG000117524
JSE code: PPC005 JSE ISIN: ZAG000117532
("PPC" or "Company" or "Group")

UPDATE ON FINANCIAL REPORTING AND AUDITING GUIDANCE IN ZIMBABWE AND S&P DOWNGRADE

BACKGROUND

Following the SENS announcement on 7 March 2019, PPC wishes to update investors on the accounting implications of the announcement by the Zimbabwe Public Accountants and Auditors Board (PAAB) on 21 March 2019 regarding currency changes in Zimbabwe.

KEY ACCOUTNING CONSIDERATIONS AND IMPLICATIONS FOR PPC GROUP

The PAAB guidance was issued to highlight considerations auditors of financial statements would be required to make for reporting for periods commencing on or after 1 January 2018. By implication, acknowledgement that the functional currency of Zimbabwe businesses has changed to the Real Time Gross Settlement (RTGS) $, PPC has reviewed the guidance issued by the PAAB and the impact on the group is as follows:

1. PPC will consolidate PPC Zimbabwe according to IFRS with the effective date of the change in functional currency being 1 October 2018
2. The reported results of PPC Zimbabwe being consolidated in PPC Group as at 30 September 2018 remains unchanged. There will be no restatement of previously reported figures;
3. The reported results of PPC Zimbabwe being consolidated in PPC Group from 1 October 2018 will be based on prevailing commercial rates for the remainder of the 2019 financial year, ranging between 2.5 RTGS$: 1 US$ to 3.5 RTGS$: 1 US$;

In terms of guidance and reference to March 2018 results, PPC Zimbabwe’s EBITDA in rands is expected to be within 5% to 15% of previously reported EBITDA for March 2018 of R573m. PPC will, for the 2019 Group financial results reporting, provide extensive financial statement disclosures with regard to the Zimbabwean business and the impact of the change in functional currency on the reported results.

S&P GLOBAL RATINGS DOWNGRADE

BACKGROUND AND RATIONALE

On 22 March 2019, S&P Global Ratings (“S&P”) downgraded PPC’s long - and short-term South African national scale corporate credit ratings from ‘zaA-/zaA-2’ to ‘zaBBB-/zaA-3’. The full report can be found at https://www.standardandpoors.com/en_US/web/guest/home. The rationale for the downgrade was attributed to the announced changes to monetary policy in Zimbabwe and challenging domestic trading conditions.

It is important to note that S&P has excluded the Zimbabwe operations in their assessment of PPC's financial profile, and will do so until there is more certainty on reporting and cash repatriation prospects. It should also be noted that PPC's latest rating is still four rating levels above that of the 'zaBB –' rating on the national scale S&P ratings, when the company was downgraded in 2016.

While they do acknowledge that the Zimbabwean business is will not require financial support from PPC group, we do believe that this approach is unduly punitive and not reflective of the economic reality of our business.

PPC GROUP LIQUIDITY AND BALANCE SHEET POSITION

The PPC group remains adequately capitalised with previously guided liquidity headroom of 15% being maintained. Furthermore, the maturity profile remains adequate and covenant levels are aligned to previously guided ranges as shown on page 12 of the Merrill Lynch presentation booklet: https://www.ppc.co.za/investors/presentations/financials.aspx.

Management is confident that the facilities in place are adequate to enable the group to navigate any volatility in the markets in which the company operates. As reported in the operational update on the 5 February 2019, group gross debt has remained at similar levels to that reported in September 2018. The downgrade does not trigger early repayment of debt, however the downgrade may impact PPC's cost of debt in future.

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

Sandton

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