Zambia Sugar

ILLOVO SUGAR GROUP

COMMENTARY FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

Review

The expanded Nakambala factory has settled at design capacity and has crushed exceptionally well in the period under review. A consistent crush from the start of the season has resulted in higher volumes of sugar cane being processed in the period, compared to the previous year. The benefits of improved throughput have, however, been undermined by a lower average age of cane at harvest, which has reduced cane yields as well as sucrose content in the younger cane. This has resulted in lower than expected sugar production. Sucrose in cane has been the lowest recorded in recent years and in addition to the consequences of a younger crop, has been impacted by adverse climatic conditions experienced across the region.

Market conditions have been good, noticeably in the local market where strong off-take continues to be experienced. High world sugar prices and a general shortage of sugar worldwide has driven regional export market realisations to attractive levels, which has benefited the company in terms of returns on exports into traditional neighbouring markets. Bulk raw sugar exports to the European Union have moved efficiently, although ex factory prices have been negatively impacted by currency fluctuations and high logistics costs.

Despite lower sugar production, higher sales realisations combined with effective cost control and the benefit of improved factory productivity have improved operating margins and increased profits from operations by 40 percent compared to the previous period. Finance costs on expansion project related borrowings continue to have a significant impact on earnings and in the period under review, interest rates on Kwacha denominated loans increased compared to the same period in the previous year.

Prospects

Anticipated sugar production for the full year will be negatively impacted by lower cane yields and significantly reduced sucrose levels. This will be partially mitigated by improved factory performance but overall sugar production is likely to be lower than in the previous year. All cane will be crushed by mid November 2011, thereby improving cane age for the next season. The regional market is expected to remain strong with attractive realisations. Strong local economic fundamentals will benefit local sales.

The recently refinanced debt structure for the company will spread debt servicing more evenly over the next five years. Although net finance costs will increase year on year, higher operating profits will lift pre-tax profits significantly, improving interest cover. Further benefit will accrue from a lower effective tax rate compared to the previous year and profit attributable to shareholders is anticipated to increase to in excess of ZK100 billion for the year. Exchange rate movements and weather will, however, continue to influence profits.

Dividends

Notice is hereby given that an interim dividend of ZK3.50 per share (2010: ZK1.85) has been declared in respect of the six months ended 30 September 2011 payable to ordinary shareholders registered at the close of business on 21 November 2011. The dividend will be paid on or before 29 December 2011.

By order of the Board

LM Sievu	Nakambala Estate
Company Secretary	3 November 2011

ZAMBIA SUGAR Plc

HALF-YEAR RESULTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

In accordance with the requirements of the Securities and Exchange Act No. 38, Zambia Sugar Plc announces its results for the six month period ended 30 September 2011

	Unaudited Six Months		Audited Twelve Months
	September 2011	September 2010	March 2011
	ZMK'million	ZMK'million	ZMK'million
Revenue	**744 009**	659 146	1 232 448
Operating profit	**146 916**	104 460	173 990
Net finance costs	**(75 016)**	(67 173)	(127 159)
Profit before taxation	**71 901**	37 287	46 831
Taxation	**(13 180)**	(7 997)	(16 995)
Profit after tax	**58 721**	29 290	29 836
Other comprehensive income	-	-	912
Total comprehensive income	**58 721**	29 290	30 748
Profit attributable to:			
Zambia Sugar's shareholders	57 692	28 825	27 914
Non-controlling interest	1 029	465	1 922
	58 721	29 290	29 836
Total comprehensive income attributable to:			
Zambia Sugar's shareholders	57 692	28 825	28 826
Non-controlling interest	1 029	465	1 922
	58 721	29 290	30 748
Headline earnings per share (ZK)	**9.11**	4.55	4.41
Dividends per share (ZK)	**3.50**	1.85	3.55
Weighted average number of shares ('000)	**6 331 428**	6 331 428	6 331 428
Number of shares in issue ('000)	**6 331 428**	6 331 428	6 331 428

BASIS OF PRESENTATION

As the sugar season runs from 1 April to 31 March, operating profits incorporated in the results comprise one half of the latest estimate for the year ending 31 March 2012.