

6 July 2016

PRESIDENT EDGAR LUNGU OFFICIALLY OPENS ZAMBIA SUGAR EXPANSION

In a long line of continued major investments to expand Zambia Sugar's production capacity, the Product Alignment and Refinery Project (PAAR) was officially commissioned by His Excellency, the President of the Republic of Zambia, Mr Edgar Chagwa Lungu, at the Mazabuka-based Nakambala factory today. At the public launch in February 2015 we committed to completing the work by May 2016 – we have stood by our commitment and are delighted to commission on time and within the original \$80 million budget.

The fully-functional plant now triggers a series of tangible benefits, including increased cane revenues for Manyonyo and Maggobo smallholder cane growers who will supply the additional cane demanded by the Nakambala factory.

The project scope included the construction of a modern, high-specification refinery to more than double current annual refined sugar production capacity to around 100 000 tons and increase annual sugar production capacity from 420 000 to 450 000 tons through a range of smaller factory improvements. This project consolidates Zambia Sugar's position as Africa's single-biggest cane sugar producer and is an investment for the future, underlining the company's strategy of focusing on growth within its domestic and regional markets and downstream opportunities to diversify our product mix.

The increased cane supply required by the expanded Nakambala factory will come primarily from the smallholder developments at Manyonyo and Maggobo, involving more than 150 individual growers. The PAAR project benefits these local communities in terms of both revenues derived from the supply of cane to the factory and, as part of a broader multiplier effect, brings employment opportunities for seasonal agricultural workers and other job creation prospects.

Speaking at the ceremony, the Group Managing Director of Illovo Sugar Limited, Zambia Sugar's holding company, said that the investment was taking place at a time when the world economy had recorded significant reductions in growth. "This has impacted the Zambian economy and consequently, the current economic environment is characterised by high interest rates and rising inflation. We recognise your government's efforts in attempting to manage the economic fundamentals and to stabilise the exchange rate. For our part, the PAAR Project speaks to the long term confidence that Zambia Sugar, supported by Illovo, has in the Zambian government, its economy and its people," said Mr Dalglish.

It is important to note that the US\$60 million syndicated financing agreement for the refinery project was sourced locally with Barclays Bank and Stanbic Bank appointed as the Mandated Lead Arrangers (MLA), while Citibank and the Zambia National Commercial Bank were incorporated as financing partners. The total cost of the project amounted to more than ZMW635 million (US\$ 80 million), with the balance of funding sourced from Zambia Sugar's own available cash resources. Said Mr Dalglish: "May I take this opportunity of thanking these banking institutions who enabled us to finance the project locally within Zambia's borders, thereby underlining the country's continuing Zambia's growth potential."

During the construction period of the project, Zambia Sugar also provided local jobs, supported local businesses and provided the opportunity for some of the company's local Zambian employees to further their skills in promotion-related openings.

"Mr President, at this point I would like to thank you and the government ministries and departments under your leadership for their support in principle, and for their practical assistance during the course of the project execution - I refer to the ministries of Commerce, Trade and Industry; Finance, and Home Affairs (immigration), among others, together with the health and safety authorities," said Mr Dalglish.

Through the “cane to crystal” journey, Zambia Sugar continues to add value to the economy of Zambia by creating and sustaining employment opportunities, both directly and indirectly through downstream and upstream value chains. The company supported an estimated 3 390 people through the out-growers programme, and indirect and induced employment opportunities of between 1 881 and 8 087 people in the value chain. Zambia Sugar estimated that the total operation supports between 11 285 and 17 491 jobs for every one direct employee of Zambia Sugar and its value chains provided business to cane growers, cane haulers and contractors, among many others. (See annexed: **FACT-SHEET: ZAMBIA SUGAR’S SOCIO- ECONOMIC BENEFIT TO THE ZAMBIAN NATION**)

Mr Dalgleish added that the key driver for this investment was the strong historical and forecast domestic refined sugar sales growth which was primarily driven by demand from domestic and regional industrial manufacturers. The project also brought with it a unique opportunity to align Zambia Sugar’s manufacturing assets behind a new post-EU export sales mix and higher food safety standards. This strategy would ensure that both direct consumers and industrial customers of the range of Whitespoon branded products would continue to receive the sugar and syrup products which they liked best at the exacting quality standards they demanded.

Project stats and facts:

- Total number of consignments (30 ton truck loads) travelling to site: 330 loads
- 1200 tons of structural steel were erected
- 3400m³ of concrete was poured
- 1.6 kilometres of piles were installed
- Total number of people housed in the contractors’ camp : 426 people, 3 meals a day, laundry, etc.
- Maximum number of project people on site : 1 028 people

Safety-related performance

- Man hours worked without a disabling injury incident = 1 852 462 man-hours to date;
- Disabling Injury Frequency Rate (DIFR) = 0.10 against a set target of 0.25 to date;
- Last Recorded Disabling Injury Incident was in June 2015;
- Barring any disabling injury incident by the end of June 2016, the 12 monthly-cumulative (July 2015 – June 2016) DIFR will be zero

Notes to Editors

Zambia Sugar is the largest sugar producer in the country and the largest single cane sugar mill in Africa. Outside of the Illovo group’s majority stake in the company, the balance of shares are held by local institutional investors and over 3 000 members of the public, including employees. The company employs over 6 000 people at peak and has an estate population exceeding 16 000. It also has an active social investment programme targeting health, education, sports and culture. Zambia Sugar offers a wide range of education, health and social amenities to its staff and the surrounding communities which include but, are not limited to, medical services, schools, sports and recreation at the Nakambala Estate. Corporate Social Responsibility to smallholder outgrowers, among other corporate social investments, is extended in a commercially sustainable way.

Zambia Sugar is listed on the Lusaka Stock Exchange and is majority-owned by the Illovo Sugar group which itself, is a wholly-owned subsidiary of Associated British Foods plc in the UK. Illovo employs more than 30 000 people across six southern African countries and is Africa’s biggest sugar producer.

FACT-SHEET

ZAMBIA SUGAR'S CONTINUING SOCIO- ECONOMIC BENEFIT TO THE ZAMBIAN NATION

We seek to create shared value by managing our business interests and risks alongside those of our investment partners, internal and external stakeholders and host communities. Our aim is to build a long-term and resilient business that fully understands its challenges and obligations to its stakeholders. We have become a significant player in the socio-economic development and empowerment of the Mazabuka district and to the national economy through our economic activities as Zambia's longest-established and largest sugar producer.

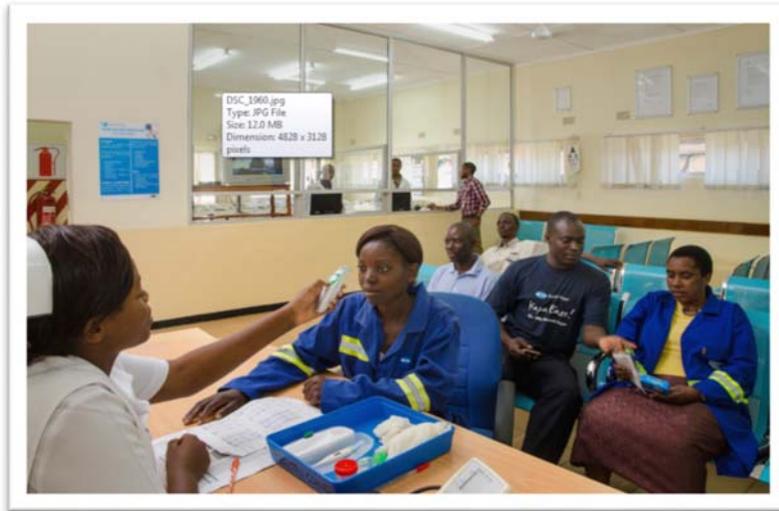


Zambia Sugar's several smallholder sugar cane growing projects are considered as best-in-class agricultural development models across Africa, with individual growers, their families and supply-chain participants benefiting from meaningful revenues gained through the supply of their cane to the Nakambala factory.

- We are the largest private agricultural and sugar milling company in the region;
- We have injected in excess of K856 million into the local economy this past year;
- Of the K2 billion we earned in revenue during the past season, K417 million was paid to outgrowers for their cane supplies, while K664 million was distributed to employees as salaries, lenders of capital as interest shareholders as dividends and to Government as taxation.
- K450 million worth of goods required by our operations were procured from within Zambia during the 2015/16 period.

At a community level, our commitment to creating mutual value plays itself out in the delivery of a comprehensive social investment programme targeting critical community needs such as education, health, environmental management and sports development.

Our corporate social investment and corporate social responsibility expenditure in the past 2015/16 milling season was K51 million which brings to around K250 million, the combined amount spent by the company over the past six years.



Zambia Sugar's state-of-the-art medical centre which, complemented by a team of medical doctors and medical staff, provides world-class treatment to our own employees and their families, as well as community members

Zambia Sugar:

- is a significant provider of employment in the Southern region of Zambia
- has 1 970 permanent employees with the seasonal workforce peaking at 4800 people
- has sponsored a phased upgrade of the Mazabuka community radio station to ensure that the 1.8 million listeners could continue to benefit from its service
- has constructed a new medical centre, supporting employees, their dependants and local community members
- has facilitated the construction of a maternity ward and the rehabilitation of two other wards at the Government Mazabuka District Hospital
- has provided a generator for life support care of patients undergoing operations and premature babies in neonatal units at Monze Mission Hospital
- continues to provide clean drinking water to the 16 000 residents of the Nakambala Estate and delivered bulk raw water to the water utility firm for distribution to the town of Mazabuka's more than 250 000 residents.



Zambia Sugar invests heavily in education within its own operations and the Mazabuka district

ZAMBIA SUGAR

“MORE THAN SUGAR”