

SENS ANNOUNCEMENT
(the "Notice" or "Announcement")

ISSUER



ZAMBIA SUGAR PLC ["ZSUG"]
[Incorporated in the Republic of Zambia]

Company registration number: 2880
Share Code: ZSUG
ISIN: ZM0000000052
Authorised by: Mwansa Mutimushi – Company Secretary

SPONSOR



STOCKBROKERS ZAMBIA LIMITED

Stockbrokers Zambia Limited

[Member of the Lusaka Securities Exchange]

[Regulated and licensed by the Securities and Exchange Commission of Zambia]

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APPROVAL

The captioned Notice or Announcement has been approved by:

- i. the Lusaka Securities Exchange
- ii. the Securities and Exchange Commission
- iii. Stockbrokers Zambia Limited

DISCLAIMER AND RISK WARNING

The Notice or Announcement contained herein contains information that may be of a price sensitive nature.

Investors are advised to seek the advice of their investment advisor, stockbroker, or any professional duly licensed by the Securities and Exchange Commission of Zambia to provide securities advice.

ISSUED: 20 May 2020



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COMMENTARY FOR THE HALF YEAR PERIOD TO 29 FEBRUARY 2020

Financial Performance Review

Total revenue for the 6-month period to 29 February 2020 was K1.394 billion, 14% above the comparative period last year, largely driven by growth in domestic sales volume and a higher realisation of export sales.

Operating profit for the 6-month period was K235 million compared to the K190 million operating profit in the comparative period. This is mainly driven by higher net revenue and sustained production levels.

Escalation of costs remains a major challenge in the business with increases during the period of electricity tariffs and fuel prices, compounded by higher than planned inflation. In addition, the extensive depreciation of the Kwacha against all currencies has also adversely affected direct costs specifically under factory and sugarcane operations. Extensive periods of electricity load-shedding hindered the smooth operation of the production facilities and also adversely affected the ability to fully irrigate the crop as required. However, proactive cost control measures and business improvement projects have been implemented to ensure efficient operations, increased productivity and cost control while still focusing on customer service.

Finance costs have increased in the last six months from K140 million in February 2019 to K163 million in the reported period as a result of increases in interest rates on long term loans.

During the period the Zambia Revenue Authority reclassified the business as both a manufacturing and agricultural entity. The tax base consequently changed to a hybrid of 35% on the manufacturing part and 10% on the agricultural part. This has led to an increase in deferred tax cost by K26 million compared to the position in February 2019.

Headline earnings for the 6-month period ended February 2020 increased to K32 million from K30 million reported for the 6 months ended 28 February 2019.

Market Performance Review

The domestic market performance has continued on a positive trajectory as a result of continued optimisation of marketing strategies.

Regional market sales volumes have reduced due to the impact of surplus world sugar supply resulting in significant volumes of world market sugar finding its way into the region affecting demand and putting pressure on margins.

Directorate

Mr. Raphael Chipoma joined the board as Finance Director on 1st December, 2019 replacing Ms Faith Mukutu, who resigned the position on 31st August, 2019.

Mr. Douglas Kasambala and Mrs. Roseta Chabala were also appointed to the board as Non-Executive Directors effective 1st February, 2020.

Prospects

The Company expects to face challenges in the second half of the year due to economic uncertainties resulting from the Corona Virus pandemic, despite being classified as an “essential goods” business and allowed to operate during the said period.

The further depreciation of the Kwacha increases the risk of further escalation of costs and pressure on operating profit.

Sugar production for the April 2020 - March 2021 season is expected to be slightly lower than the April 2019 - March 2020 season by 2% as per the current seasonal estimations.

Domestic sales are forecast to remain static with possibility of a slight drop due to lower demand in the domestic market while regional export market sales are expected to change with the anticipated challenges due to logistical movements and pricing of raw materials in the wake of COVID-19.

Dividend

No interim dividend has been declared due to low cash generation.

By order of the Board

Mwansa Mulumba Mutimushi
Company Secretary

HALF YEAR RESULTS

In accordance with the requirements of the Securities Act No. 41 of 2016, Zambia Sugar Plc announces its results for the 6 month period ended 29th February 2020

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Unaudited 6 months ended 29 February 2020 | Unaudited 6 months ended 29 February 2019 |
|---|---|---|
| | K '000 | K '000 |
| Revenue | 1 394 841 | 1 218 743 |
| Operating profit | 234 732 | 189 699 |
| Net finance costs | (163 264) | (140 220) |
| Profit before taxation | 71 468 | 49 479 |
| Taxation | (39 355) | (13 375) |
| Profit for the period | 32 113 | 36 104 |
| Profit attributable to: | | |
| Shareholders of Zambia Sugar Plc | 32 113 | 30 440 |
| Non-controlling interest | 0 | 5 664 |
| | 32 113 | 36 104 |
| Determination of headline earnings | | |
| Profit attributable to shareholders of Zambia Sugar Plc | 32 113 | 30 440 |
| Headline earnings for the period | 32 113 | 30 440 |
| Number of shares in issue (000) | 316 571 | 316 571 |
| Weighted average number of shares in issue (000) | 316 571 | 316 571 |
| Basic and diluted earnings per share (ngwee) | 10.1 | 9.6 |
| Headline earnings per share (ngwee) | 10.1 | 9.6 |
| Dividend per share (ngwee) | - | - |
| - First interim paid | - | - |
| - Second interim declared | - | - |
| - Final proposed | - | - |

SUMMARISED CONSOLIDATED SEGMENTAL ANALYSIS

| | Unaudited 6 months ended 29 February 2020 | Unaudited 6 months ended 29 February 2019 |
|-------------------------|---|---|
| | K '000 | K '000 |
| Revenue | | |
| Sugar production | 1 108 821 | 919 272 |
| Cane growing | 286 020 | 299 471 |
| | 1 394 841 | 1 218 743 |
| Operating profit | | |
| Sugar production | 173 973 | 92 631 |
| Cane growing | 60 759 | 97 068 |
| | 234 732 | 189 699 |

SUMMARISED STATEMENT OF CHANGES IN EQUITY

| | Unaudited 29 February 2020 | Unaudited 29 February 2019 |
|--|-------------------------------|-------------------------------|
| | K '000 | K '000 |
| Share capital and share premium | | |
| Balance at beginning and end of the year | 247 338 | 247 338 |
| Non-Distributable Reserves | | |
| Balance at beginning of the year | 23 565 | (9 191) |
| Cash flow hedges | (26 523) | (1 633) |
| Fair Value Investment in Nanga | (58 292) | - |
| Balance at end of the year | (61 250) | (10 824) |
| Dividend Reserve | | |
| Balance at beginning of the year | - | - |
| Dividends paid | - | - |
| Balance at end of the year | - | - |
| Retained Earnings | | |
| Balance at beginning of the year | 1 187 240 | 875 741 |
| Profit for the year | 32 113 | 30 440 |
| Acquisition of non-controlling interest | - | 20 153 |
| Balance at end of the year | 1 219 353 | 926 335 |
| Non-controlling Interest | | |
| Balance at beginning of the year | - | 40 729 |
| Profit for the year | - | 5 664 |
| Dividends paid | - | (2 787) |
| Acquisition of non-controlling interest | - | (43 606) |
| Balance at end of the year | - | - |
| Total Equity | 1 405 441 | 1 162 849 |

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Unaudited 29 February 2020 | Unaudited 29 February 2019 |
|-------------------------------------|-------------------------------|-------------------------------|
| | K '000 | K '000 |
| Assets | | |
| Property, plant and equipment | 1 922 498 | 1 898 736 |
| Intangible asset | 67 902 | 67 902 |
| Growing cane | 465 481 | 437 546 |
| Inventories | 511 317 | 572 580 |
| Trade and other receivables | 494 796 | 427 168 |
| Other current assets | 51 450 | 44 882 |
| Cash and bank balances | 197 608 | 151 546 |
| Total assets | 3 711 051 | 3 600 360 |
| Equity and liabilities | | |
| Equity attributable to shareholders | 1 405 441 | 1 162 848 |
| Non-controlling interest | - | 0 |
| Deferred tax liability | 124 244 | 131 328 |
| Long and short-term borrowings | 1 476 245 | 1 547 002 |
| Bank overdraft | 194 862 | 184 234 |
| Current liabilities | 510 260 | 574 948 |
| Total equity and liabilities | 3 711 051 | 3 600 360 |

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

| | Unaudited 6 months ended 29 February 2020 | Unaudited 6 months ended 29 February 2019 |
|--|---|---|
| | K '000 | K '000 |
| Cash operating profit | 202 013 | 104 843 |
| Working capital movements | (36 182) | (100 073) |
| Finance costs, taxation and dividends paid | (236 775) | (151 683) |
| Net cash outflows from operating activities | (70 944) | (146 913) |
| Net cash outflows from investing activities | (61 760) | (51 396) |
| Net cash outflows before financing activities | (132 704) | (198 309) |
| Net cash outflows from financing activities | (177 567) | (8 308) |
| Decrease in cash and cash equivalents | (310 271) | (206 617) |
| Cash and Bank Balances | | |
| Opening bank and cash balance | 313 017 | 173 929 |
| Closing bank and cash balance | 2 746 | (32 688) |
| Movement | 310 271 | 206 617 |

LUSAKA STOCK EXCHANGE SPONSORING BROKER



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