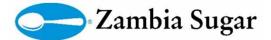
#### SENS ANNOUNCEMENT

(the "Notice" or "Announcement")

ISSUER



#### ZAMBIA SUGAR PLC ["ZSUG"]

[Incorporated in the Republic of Zambia]

Company registration number:28Share Code:ZSISIN:ZMAuthorised by:Mathematical

2880 ZSUG ZM000000052 Mwansa Mutimushi – Company Secretary

#### **SPONSOR**



Stockbrokers Zambia Limited[Member of the Lusaka Securities Exchange][Regulated and licensed by the Securities and Exchange Commission of Zambia]Contact Number:+260-211-232456Website:www.sbz.com.zm

#### APPROVAL

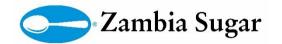
The captioned Notice or Announcement has been approved by:

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

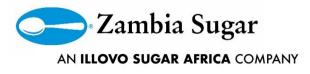
### DISCLAIMER AND RISK WARNING

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.



ZAMBIA SUGAR PLC [Incorporated in the Republic of Zambia] Company registration number: 2880 Share Code: ZSUG ISIN: ZM000000052





# 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 1<sup>st</sup> December, 2019 replacing Ms Faith Mukutu, who resigned the position on 31<sup>st</sup> 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.

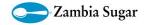
Domestic sales are forecast to remain static with possibility of a slight drop due to lower demand in the domestic market while regional export market sales are expected to change with the anticipated challenges due to logistical movements and pricing of raw materials in the wake of COVID-19.

# Dividend

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

By order of the Board

Mwansa Mulumba Mutimushi Company Secretary





K '000

104 843

(100 073)

(151 683)

(146 913)

(198 309) (8 308) (206 617)

173 929

(32 688)

206 617

#### 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
	29 February 2020 K '000	29 reordary 2019 K '000
	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)		-
<ul> <li>First interim paid</li> </ul>	-	-
<ul> <li>Second interim declared</li> </ul>	-	-
<ul> <li>Final proposed</li> </ul>	-	-

	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	1403 441	1 102 848
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 FINANCIAL POSITION

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

#### Unaudited Unaudited 6 months ended 6 months ended 29 February 2020 29 February 2019 K '000 Cash operating profit 202 013 Working capital movements (36 182) Finance costs, taxation and dividends paid (236 775) Net cash outflows from operating activities (70 944) Net cash outflows from investing activities (61 760) (51 396) (198 309) Net cash outflows before financing activities (132 704) Net cash outflows from financing activities (177 567) Decrease in cash and cash equivalents (310 271) Cash and Bank Balances Opening bank and cash balance 313 017 Closing bank and cash balance 2 746 Movement 310 271

#### SUMMARISED CONSOLIDATED SEGMENTAL ANALYSIS

	6 months ended	6 months ended
	29 February 2020	29 February 2019
	K '000	K '000
	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

Unandited

Unaudited

#### SUMMARISED STATEMENT OF CHANGES IN EQUITY

	Unaudited	Unaudited
	29 February 2020	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	<u> </u>	
Total Equity	1 405 441	1 162 849

#### LUSAKA STOCK EXCHANGE SPONSORING BROKER



STOCKBROKERS ZAMBIA LIMITED [MEMBER OF THE LUSE and REGULATED BY THE SECURITIES AND EXCHANGE COMMISSION OF ZAMBIA] T: +260-211-232456 W: www.sbz.com.zm