



# Delta Corporation LIMITED

## TRADING UPDATE FOR THE THIRD QUARTER AND NINE MONTHS TO 31 DECEMBER 2018

### TRADING ENVIRONMENT

Demand for the Company's products was buoyant driven by consumer perception of favourable pricing as the Company has maintained stable prices since 2013.

The economy experienced resurgent inflation spurred by the market reaction to the changes in the monetary and fiscal policies announced in October 2018. This triggered price hikes premised on factoring in foreign currency premiums.

The acute shortage of foreign currency led to disruptions to business operations particularly the soft drinks business. The Board is concerned about the company's ability to meet its foreign currency obligations and access to imported raw materials. It is hoped that the ongoing engagements with key stakeholders will result in improved access to foreign currency.

### VOLUME PERFORMANCE

Lager beer volume grew by 27% over prior year for the quarter and is up 43% for the nine months. The business has endeavoured to meet the high consumer demand in spite of the challenges in accessing some imported raw materials and services.

The Sorghum beer volume in Zimbabwe grew by 15% above prior year for the quarter and 6% for the nine months. There were supply gaps due to frictional shortages of packaging materials and extended plant breakdowns mostly occasioned by lack of foreign currency for spares and contractual services. Chibuku Super contributed 85% of the volume.

National Breweries Plc - Zambia (Natbrew Plc) recorded a volume growth of 4% for the quarter and 9% for the nine months. There are positive volume trends following the relaunch of Chibuku Super in the 1,25 litre pack.

The Sparkling beverages volume declined by 66% compared to prior year for the quarter and decreased by 26% for the nine months. There were extended production stoppages arising from limited access to foreign currency required for importing key raw materials and the failure to clear arrear payments to The Coca Cola Company.

Group revenue increased by 5% for the quarter and 24% (19% organic growth) for the nine months reflecting the growth in the beer businesses which was weighed down by depressed outturn in soft drinks. The business remains profitable and continues to generate positive cash flows. There is however need to note the disruptions to operations arising from limited access to foreign currency.

### ACQUISITION OF UNITED NATIONAL BREWERIES (PTY) LIMITED SA

The company announced on 21 December 2018 that it had entered into binding agreements to acquire the 100% stake currently held by Diageo Plc in United National Breweries Proprietary Limited (South Africa), (UNB). UNB is the leading brewer of traditional beer and owns the Chibuku brand in that country. The transaction is expected to close in the first half of 2019 and is subject to regulatory approvals in Zimbabwe and South Africa.

### REMINDER ON CAUTIONARY STATEMENT

Shareholders are reminded that the Company is trading under a cautionary issued with respect to the notice received from The Coca-Cola Company (TCCC) advising of an intention to terminate the Bottler's Agreements with the Group entities (Notified Intention). This followed the merger of AB InBev and SABMiller Plc in October 2016 and the subsequent agreement in principle reached between TCCC and AB InBev to explore options to restructure the bottling operations in a number of countries. The discussions amongst the parties are ongoing.

By Order of the Board.

A Makamure

Company Secretary

11 January 2019



## BRIGHTER TOGETHER

Directors: C F Dube (Chairman), P Gowero (Chief Executive Officer), E Fundira, S J Hammond, C C Jinya, J A Kirby, T Moyo, A S Murray, (Alt R Rivert-Carnac), L E M Ngwerume, L A Swartz, T N Sibanda, M M Valela

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