



TongaatHulett®

Hippo Valley Estates Limited

DDH&M_HIP15837

Quarterly Trading Update - 31 December 2019

Operating Environment

The operating and trading environment remains challenging at the back of high inflation and limited availability of foreign currency in formal banking channels. Consequently, the Company continues to face logistical challenges in the supply of imported critical inputs, spares and services. Consumer spending is equally constrained by low disposable incomes as salary and wage adjustments across many sectors continue to lag the increase in prices of goods and services.

Cane and sugar production (tons) for the 9 months ended 31 December 2019

	2019	2018	% change
Cane harvested – Company	1 010 571	1 068 164	-5%
Cane harvested – Private farmers	685 815	793 868	-14%
Total cane milled	1 696 386	1 862 032	-9%
Sugar produced – Company	211 267	238 965	-12%

Cane quality for the period was 3% lower than prior season mainly due to the high incidence of Yellow Sugarcane Aphids (YSA) experienced in the region. Robust crop management practices are being implemented to contain the pest.

Marketing

Total industry sugar sales into the local market for the quarter ended 31 December 2019 were 29% below prior year at 265 805 tons reflective of weak disposable incomes. Industry sugar exports increased by 23% during the period to 67 355 tons, significantly improving the Company's access to foreign currency.

Outlook

The exceptionally dry and hot weather experienced during the period October to December negatively impacted cane growth particularly on fields that depend on electricity for irrigation. However, rains received in January and early February brought much needed relief to the crop. Notwithstanding the current comparatively low dam levels occasioned by minimal inflows, the industry has irrigation water cover in excess of one season. This will hopefully improve with expectations of reasonable rainfall activity during the February to April 2020 period.

Work on the 4 000 hectare out grower cane development project in partnership with Government and local banks (Project Kilimanjaro) is on-going with a total of 2 700 hectares of virgin land having been cleared and ripped, 400 hectares planted to sugarcane, 6 of 12 storage dams built, two pump stations installed and canals constructed. On completion, Project Kilimanjaro will contribute significantly to the industry target of full utilization of installed milling capacity of 600 000 tons sugar by 2023/24, positioning the country to be one of the most competitive sugar producers in the region and globally.

Marketing focus remains on ensuring fulfilment of local market requirements whilst growing export sales in regional premium markets to generate additional foreign currency to fund foreign input costs.

Removal of Cautionary Statement

Shareholders are referred to previous cautionary announcements leading to the suspension of trading in the Company's shares on the Zimbabwe Stock exchange, the most recent of which was released on 20 November 2019. The strategic and financial review has been finalised and the financial results for the year ended 31 March 2019 and the six months ended 30 September 2019 have both been released. The cautionary is now removed and, at the request of the Board, ZSE lifted the suspension of trading in the Company's shares with effect from 17 February 2020.

By Order of the Board

D L Marokane
Chairman

A Mhere
Chief Executive Officer

20 February 2020