

## TRADING UPDATE FOR THE THIRD QUARTER ENDED 31 DECEMBER 2022

### Operating Environment

Persistent macro-economic volatility, characterised by price and exchange rate instability, continued to constrain economic activity in the third quarter. Despite the decrease in annual inflation from 280% in September 2022 to 243.76% in December 2022, the Zimbabwe Dollar (ZWL) suffered an 8% depreciation during the quarter ended 31 December 2022 on the foreign exchange auction market. Hyperinflation and its dynamics continue to pose operating challenges to various industries. Globally, the rise in commodity prices due to the Russia-Ukraine conflict and the pass-through effects of global inflation have worsened Zimbabwe's long-standing structural issues. The third quarter, however, also witnessed an increase in the proportion of foreign currency transactions in the country and a constraint in the availability of the Zimbabwe dollar. The Company continues to navigate through the complexities and pursue value preservation strategies in the hyperinflationary environment.

### Operations

#### Cane and sugar production (tonnes) for the 9 months ended 31 December 2022

	2022	2021	% Change
<b>Agriculture Operations</b>			
Tonnes cane harvested - Company	1,017,408	897,334	+13%
Tonnes cane harvested - Private farmers	749,985	768,804	-2%
Tonnes cane harvested - Third-party	-	26,065	-100%
<b>Total tonnes harvested</b>	<b>1 767 393</b>	<b>1 692 203</b>	<b>+4%</b>
<b>Milling Operations</b>			
Total tonnes cane from Agriculture	1 767 393	1 692 203	+4%
Tonnes cane diverted to Triangle	(27,001)	-	-100%
<b>Total tonnes cane milled - Company</b>	<b>1,740,392</b>	<b>1,692,203</b>	<b>+3%</b>
Cane to sugar ratio	8.39	8.09	-4%
Tonnes sugar produced - Company	207,430	209,239	-1%
Tonnes sugar produced - Industry Total	396,682	390,194	+2%

The harvesting season closed with improved cane deliveries from the Company's plantations (miller-cum-planter) with a 13% increase compared to the same period in prior year. The increase was driven by a 6% improvement in yields to 97.98 tonnes cane per hectare (tch) (2021:92.23tch) resulting from improved control of yellow sugarcane aphid infestations through aerial spraying, as well as an increased area of cane harvested compared to the prior year. Private farmer cane deliveries were 2% below prior year on account of some 234 hectares (ha) cane carried over to the 2023/24 season. In November 2022, one of the Company's two production lines suffered a breakdown that resulted in early closure of the affected production line for the balance of the season. Repair work is in progress to ensure the line will be operational in the upcoming season. In order to crush the remaining cane, the milling season was extended to 29 December 2022 to accommodate the reduced production capacity. In addition, 27,001 tonnes of cane had to be diverted to the Triangle sugar mill for crushing.

Despite an upside in overall cane deliveries, there was a marginal decrease in the sugar produced by the milling operations. This resulted from lower cane quality attributable to prolonged wetness arising from rains received at the onset of the season that had an adverse impact on cane quality. The wet weather in December 2022 also impacted quality of cane harvested as significant rainfall was received during the month. Rainfall hinders both the harvesting and hauling of burnt cane to the mills resulting in the cane remaining in the fields for extended periods and leading to reduced sugar content. The off-crop maintenance programme, which commenced in December 2022, is progressing well and is anticipated to be fully complete before the commencement of the 2023/24 season in April 2023. The focus of this annual maintenance is to minimise breakdowns and improve mill efficiencies during the crushing period.

### Marketing Performance

Zimbabwe Sugar Sales (Private) Limited (ZSS) is the marketing desk for brown sugar within the Zimbabwe sugar industry. The Company's share of the total industry sugar sales volume of 397 055 tonnes (2021: 317 155 tonnes) for the 9 months to 31 December 2022 was 52.26% (2021: 53.59%). Industry sugar sales into the domestic market for the same period totalled 278 106 tonnes (2021: 285 548 tonnes), and were 3% below the comparable period in the prior year. The decline arose from increased competition from sugar imports after the Government suspended import duty through SI98 on 16 basic commodities including sugar.

Revenue realisations on the local market, in both local and foreign currency, remained firm as most of our customers continued to support local brands against the imports that were available in the local market from May to December 2022.

Export sales volumes increased by 27% to 40,246 tonnes (2021: 31,607 tonnes). During the period under review, there was an improved allocation of the United States Tariff Rates Quota which contributed to higher average export prices. This export quota remains secure and has been consistently fulfilled. While the Kenyan market has been a significant regional export market for the past three years, the improvement in their local sugar producers' output has resulted in a reduction in imports from COMESA in line with the trade protocols on sugar. Efforts are underway to expand the regional export market base so as to reduce the market concentration risk.

### Environment, Social & Governance

A total of 2 (2021: 6) Lost Time Injuries were recorded during the 9 months under review, resulting in a Lost Time Injury Frequency Rate of 0.024 (2021: 0.070). Regrettably, 1 (2021: 1) fatal incident was recorded during the same period. A chain hand employed by a third-party cane haulage contractor was run over by a third-party peri-loader as the loaded tractor was reversing. The entire cane haulage contractor engagement process has since been reviewed in order to heighten safety controls and to mitigate any further safety risks.

The Company retained certification in respect of both the Occupational Health and Safety (ISO45001) and the Environmental (ISO14001) Management Systems in the Annual Surveillance Audit of the two Management Systems conducted during the First Quarter of 2022.

As part of its sustainable socio-economic development programmes meant to alleviate food shortages in Masvingo Province, Hippo Valley Estates Limited and Triangle Limited (its sister company) in partnership with the government, planted a total of 603 hectares of wheat at Mwenezana Estate. A total of 1 544 tons were harvested and the wheat was delivered to the GMB depot at Rutenga.

On infrastructure development, the Company entered into a Public Private Partnership with Zimbabwe Republic Police (ZRP) to provide office space for 60 officers who were occupying a makeshift building. A total of 12 offices with ablution facilities were constructed. The office block was officially handed over to the ZRP on 10 November, 2022.

As a way of ensuring sustainability in the management and utilisation of our natural resources, a total of 3180 trees were planted within the Estate and 5917 trees in the surrounding community with Company assistance in recognition of the National Tree Planting Day. Together with Triangle Limited, the Company targets to plant 16 000 trees during this season equivalent to the combined number of Hippo Valley Estates Limited and Triangle Limited employees by March 2023.

A management agreement for Mteri Wildlife and Lodges which was entered into with a private operator with experience in wildlife management, continued to run smoothly. The arrangement allows the Company to address health, safety and environmental issues that arose due to lack of adequate skills internally. Following the introduction of this partnership, incidents of poaching were reduced and business at the Mteri Lodges also improved significantly with higher occupancy levels and at full capacity during the Christmas holidays. The Chilonga Community started receiving their share of income as well as fish harvested from the Mteri Dam through the Chiredzi Rural Community Development Initiative Trust. This move is meant to encourage the community to also participate in the protection of wildlife against poaching. The Trust continued to provide some security around the Mteri game area creating much-needed employment for the local community.

### Sugar Cane Supply Expansion Projects

Following the update given in the half year results, the Company is working closely with government to operationalise the memorandum of understanding with respect of how to progress the Kilimanjaro Project as part of socio-economic empowerment.

Hippo Valley Estates Limited and Triangle Limited (Tonga Hulett Zimbabwe), as was reported before, continued to provide input and extension support to over 1 000 farmers operating on approximately 20 000 ha. A rigorous training programme is currently running where farmer supervisors are taken through sugarcane crop production courses covering irrigation water application and scheduling, crop protection and crop nutrition. A new course on farm management was introduced and will be rolled out beginning in March 2023. The Co-Management Programme through which the Company continues to partner some private farmers by co-managing their previously underperforming farms, is in progress and bearing significant results on the sugarcane yields. Technical and extension services to the private farmers, continues on a number of new sugar-cane development projects for the benefit of the local community.

### Land tenure

During the quarter under review, there has not been much movement on the Land tenure matters. The Company continued to engage Government with a view to bring finality to this.

### Outlook

Irrigation water cover for approximately two seasons at normal water duty is secured within the industry's water supply dams. Latest national and regional weather forecasts indicate normal and above normal rainfall which will further strengthen the industry's security of irrigation water.

The Company's sugar production for the upcoming 2023/24 season is forecast to be marginally above levels achieved this season. The impact of current cane expansion and yield improvement initiatives will crystallise in future seasons due to the long cropping cycle for sugarcane. Current marketing focus remains on optimising returns, specifically through prioritising local market requirements and allocating residual stocks to regional and premium international markets to generate additional foreign currency. It is envisaged therefore, that there will be continued local demand in foreign currency which will assist with procurement of imports of certain specialised goods and services. Any potential impact of liquidity and currency distortions on the Company's working capital will be supported by both local and foreign currency funding facilities with reputable financial institutions.

The Company remains committed to observing controls around matters of occupational safety to avoid any further injuries or fatalities. Efforts in environmental stewardship together with a drive to adopt sustainable practices will continue, as well as conscientizing of key stakeholders on the same. Focus on governance, management of controls and key risks remains in place as it is pivotal to the continued success of the business.

### By Order of the Board



C F Dube  
Chairman

09 February 2023



A Mhere  
Chief Executive Officer