

TRADING UPDATE FOR THE FIRST QUARTER ENDED 30 JUNE 2023

Operating Environment

Inflationary pressure and exchange rate volatility persisted in the first quarter to 30 June 2023, with the inflation rate rising drastically from 238.5% in March to 1 043.7% and the ZWL suffering a 517% depreciation in the same period, negatively impacting Company revenues and increasing the cost of doing business. The use of foreign currency for domestic transactions also increased significantly during the first quarter, spurred by the constrained Zimbabwe Dollar liquidity. As part of the positive initiatives, the Reserve Bank of Zimbabwe eventually announced monetary policy measures allowing foreign currency to be traded more freely at the market determined exchange rates through financial institutions, resulting in some stabilization in the economy. The impact of rising world commodity prices due to the Russia-Ukraine conflict remains a major concern for businesses amidst fears of global inflation. The Company continues to proactively navigate these challenges through proactive procurement strategies, productivity and cost efficiency improvement initiatives.

Operations

Total sugar produced for the quarter amounted to 57 427 tons, trailing prior year by 10.6% due to delayed deliveries by farmers on account of late finalization of sugarcane supply contractual agreements with private farmers.

The annual off crop maintenance program was successfully completed before the 2023/24 season which resulted in plant start up as scheduled in the first quarter. The low cane throughput in the first five weeks of the milling season negatively impacted milling time efficiencies. However, cane quality and cane to sugar ratio are both above target to date resulting in improved recovery efficiencies. In order to finish the season as planned, and avoid carry over of cane, a revised cane delivery plan is being worked out to optimize milling capacities with the Triangle Mill.

Performance Update

Zimbabwe Sugar Sales (Private) Limited (ZSS) is the marketing desk for all raw and Sun Sweet Brown Sugar produced by industry. The Company's share of the total industry sugar sales volume of 91 239 tons (2022: 94 257 tons) for the 3 months to 30 June 2023 was 52.12% (2022: 54.50%). Industry sugar sales into the domestic market for the same period, amounting to 87 816 tons (2022: 84 228 tons) was 4% above the comparable period in the prior year. The increase was largely on account of firm demand from industrial customers during the quarter ending 30 June 2023.

Revenue realization on the local market, in both local and foreign currency, remained firm as most customers continued to support local brands for the better part of the first quarter although volume decline was evident in the last weeks of June 2023 as the impact of duty-free sugar imports set in. Various measures are being implemented to defend market share in the domestic market.

Industry exports amounted to 3 423 tons (2022: 10 039 tons) with the differential being due to the fact that in the prior year there were carry-over export allocations which were rolled over while in the current year the bulk of the export orders will be processed in the 2nd and 3rd quarters of the year.

Historic revenue realized in the first quarter grew by 785% to ZWL 131,9 billion (inflation adjusted ZWL 231.4 billion) from ZWL 14.9 billion recorded during the same period last year (inflation adjusted ZWL 171.4 billion) on the back of price adjustments in response to hyperinflationary pressures. Cost of doing business also responded to the cost push inflation.

Environment, Social & Governance Matters

A total of 2 (2022: 1) Lost Time Injuries were recorded during the 3 months under review, resulting in a Lost Time Injury Frequency Rate of 0.075 (2022: 0.038). Safety, Health and Environment (SHE) inspections, awareness trainings and SHE signage revamp is currently in progress to heighten employees' awareness to safety risks in order to curtail the increased number of incidents.

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 2023.

Outlook

The major water supply dams provide sufficient cover for the industry's irrigation regimes for approximately two seasons. Notwithstanding El Nino episodes characterised by dry and warm conditions which are expected between December 2023 to March 2024, the industry's major water supply dams are envisaged to provide sufficient cover for the industry's irrigation regimes for approximately two seasons.

Total industry sugar production for the 2023/24 season is forecast at 414 773 tons (2022/23: 396 682 tons), still well below the nameplate industry capacity of 600 000 tons. The industry is implementing both vertical (yield and quality improvements) and horizontal strategies (new developments) to improve capacity utilization in the medium to long term. In particular, planned plough out and replant programmes and introduction of new varieties will significantly improve yields in future seasons.

Current marketing initiatives remain focused on growing and optimising returns from both local and premium export sales. Whilst the local market remains pivotal for the industry, management prioritizes efficient fulfilment of commitments to existing regional and premium international markets as well as development of new markets, necessary for the generation of additional foreign currency to sustain the industry's requirements for critical imports.

The Company aims to heighten its thrust on engaging in sustainable practices both in its processes and within the community in which it operates, with special focus on improving its ESG footprint.

By Order of the Board



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Chairman



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Chief Executive Officer

15 August 2023