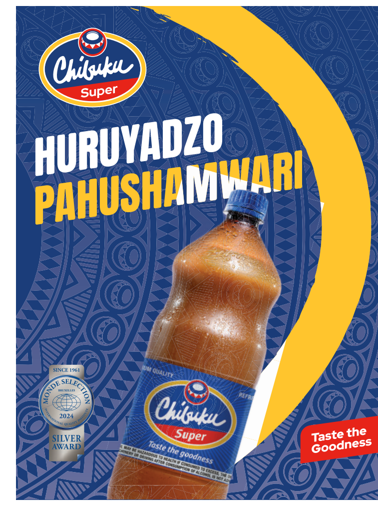
Delta Corporation LIMITED



The Company hereby issues a business update for the first quarter ended 30 June 2025.

OVERVIEW OF OPERATING ENVIRONMENT

The Group is benefiting from a relatively stable operating environment witnessed in the quarter under review. There are signs of strong consumer spending driven by a stable ZiG exchange rate, the record-breaking tobacco marketing season, increased mining activity and the firm mineral prices. Diaspora remittances are benefiting from the firming cross exchange rates such as the Rand and Pound, our key source markets. The pricing distortions arising from exchange rate disparities have moderated following the promulgation of revised exchange controls on pricing.

The prior year comparative period was affected by the disruptions in trading during the implementation of the route to market regulations and the sugar tax induced price increases for soft drinks. There were also demand constraints due to the drought.

The performance of the soft drinks sector remains subdued due to the high sugar content surtax which has impacted price competitiveness and fuelled the influx of imports of similar products from the region, which is further compounded by rampant smuggling and the proliferation of new unregulated beverage alternatives.

There are significant changes to market channels arising from the informal sector growth, operational pressures in formal retail and FMCG sectors, and varied application of route-to-market regulations. There are also issues relating to the regulation of the route to market, exchange rate related price distortions and the existential challenges facing the formal retail channels.

In South Africa, the Rand has stabilised below 18 to the USD amid concerns about a fragile coalition government and pressure from the global economic factors. Consumer spending in the target sectors remains mixed, with increased reliance on social grants.

The Zambian economy continues to face challenges relating to fiscal pressures but will benefit from increased copper production, a rebound in agriculture and a gradual increase in electricity generation.

TRADING PERFORMANCE

Lager Beer

Lager beer volume grew by 19% for the quarter compared to the previous year. Demand remains strong, benefiting from the increase in consumer incomes and stable pricing, with the business surpassing historical volume and daily sales rates for winter months. There are ongoing interventions to optimize the production capacity ahead of the planned investments to minimize the mismatches between the high demand and the supply of brands and packs. Our brands remain active in the market through sponsorships of sports, music, arts and the various brand properties.

Sorghum Beer

The sorghum beer volume for Zimbabwe grew by 11% for the quarter compared to the previous year, recording very promising daily sales rates for the winter season.

The sorghum beer category is benefiting from the marketing of commercial crops, increased market activations and price moderations by players in the sector. The strong volume recovery was recorded despite the challenges in liquor licencing, disruptions to the route to market from the tax regulations and the growth of the informal sector.

The business continues to ride on the quality credentials of our products which have been affirmed through the recognition of Chibuku Super brand which was granted the Quality Silver Award at the 63rd Monde Selection of Beers 2024 International Quality Awards. The brand is uprating the consumer engagements through the flagship brand properties such as the Neshamwari Traditional Dance Festival and ongoing consumer promotions.

United National Breweries (South Africa) registered a volume decline of 8% compared to prior year. The business witnessed some unfortunate disruptions from labour unions and pressure groups during the quarter, noting that the contentious issues have since been resolved. The penetration of Chibuku Super into the formal channels is encouraging.

The Zambia business remains under pressure, with management continuing to implement the volume recovery plans.

Sparkling Beverages

Sparkling Beverages volume grew by 2% above the prior year; a much slower growth compared to other beverage categories. This performance was largely driven by price discounting, with the business absorbing the sugar tax in anticipation of a much-needed reduction in the surtax level. There are notable price differentials versus the region driven by disparities in the cost of key inputs such as sugar, import duties and the sugar tax. The sector is losing volume to cheaper imports and the emerging offerings with unregulated artificial sweeteners, driven in part by constrained operating conditions that limit local producers' ability to compete on price. There are ongoing strategic interventions to support low and zero sugar offerings and availing packs at more accessible price points.

A total of US$4.5 million in sugar tax was paid during the quarter. The prevailing sugar tax structure continues to place unsustainable pressure on the viability of the category.

The Maheu volume recorded phenomenal threefold growth riding on the relaunch of the Shumba Maheu brand with an expanded and improved flavour range and more accessible pricing.

Wines and Spirits

African Distillers (Afdis) recorded volume growth of 40% over prior year for the quarter, driven by the Ready-to-Drink (RTD) category that grew by 45% following the introduction of 660ml Hunters pack, the Spirit category up by 36%, while wines grew by 25% benefiting from firm demand within the affordable segment. The business is also benefitting from the disruptions to the illicit and informal trade.

Schweppes Holdings Africa

Schweppes recorded a volume growth of 1% for the quarter compared to the prior year, benefiting from the reduction in the sugar tax on the cordials. The growth was driven by the improved availability of the Minute Maid Juice Drinks and water following the restoration of the packaging lines.

Whilst the reduction of the sugar tax in January 2025 was a welcome relief, there remains scope to align the tax to regional benchmarks and avoid the influx of imported variants and unregulated use of artificial sweeteners.

The entity has been accounted for as a subsidiary following the increase in shareholding to 69% effective 1 April 2025.

Nampak Zimbabwe Limited

At Nampak Zimbabwe, overall volume is trending below prior year mainly due to the frequent production stoppages arising from power cuts and increased competition in some key segments. The entity is trading under a cautionary relating to the pending sale of the Nampak International shareholding to TSL Limited.

FINANCIAL PERFORMANCE

Group revenue grew by 25% for the quarter compared to prior year. This reflects the volume growth in the alcoholic beverage businesses in Zimbabwe and the inclusion of Schweppes as a subsidiary. This is counterweighted by the price moderation in the sparkling beverages business. The proportion of domestic sales undertaken in foreign currency was above 85% for the quarter under review.

The operating margins are benefiting from the economies of scale in line with the volume growth and the reduction in grain costs. The Group incurred a total of US$6.7 million in sugar tax in the quarter for both Sparkling Beverages and Schweppes business; a disproportionate share of the business revenue. A significant portion of the burden was absorbed by the Group thereby reducing overall margin contribution.

OUTLOOK

We are encouraged by the macro-economic stability prevailing in Zimbabwe in the current year particularly the stable exchange rate and lower market premiums. We urge the authorities to stay the course whilst finding non-inflationary ways of improving liquidity. Sustaining policy consistency is essential, as any perceived uncertainty or inconsistency in the operating environment may constrain market-wide planning and resourcing, potentially reversing the significant gains achieved to date.

The economy is benefiting from the improved cereals and tobacco outputs and the higher gold prices in 2025. The full effects of the tariff disputes between the United States of America and its key trading partners on the international currency movements and commodity prices are still to manifest.

The strong Lager Beer sales rates recorded in the first quarter underscore the importance of accelerating critical capacity investments to ensure the business remains well-positioned to meet current and projected demand. The lead times in commissioning these projects remain extended. The business remains focussed on exploiting any opportunities from increased consumer spending and capitalising on activities that generate aggregate demand.

UPDATE ON TAX MATTERS

The Company is contesting the tax assessments issued by the Zimbabwe Revenue Authority (ZIMRA) for amounts that they consider were payable exclusively in foreign currency. The disputed additional assessments amount to US$73 million, which covers principal tax, penalties and interest for value added tax and income tax for periods 2019 to 2022.

The assessments do not consider the local currency payments made at the relevant time, which have since been debased through inflation and currency depreciation. There are also disputes relating to the misallocation of current tax payments based on the priorities in the ZIMRA Tax Revenue Management System (TaRMS) which seem not to take into account the specific returns lodged by taxpayers. Adverse judgements have been made by both the High Court and the Supreme Court, although there are appeals and new cases at various stages in the courts. Recently the Constitutional Court declined access and directed that any unresolved legal issues should be pursued through the fiscal courts.

The Group had paid a total of US$11.6 million as of 30 June 2025 in line with the "pay now, argue later" principle and pre-existing payment plans. We believe any revisions to the payment plan will be rational, with due consideration of the financial health of the business and the fact that the principal amounts were fully paid in legal tender at the relevant periods, based on the best available interpretation of the legislation. It is also noted that the Group is owed significant amounts through treasury bills due from Government which could be utilised to offset any part of the tax liability that becomes finally payable. The Company paid over US$72 million in taxes for the quarter ended 30 June 2025 in Zimbabwe an increase of 10% over the prior year.

Management continues to engage with ZIMRA while appealing some legal and factual issues of the assessments and the judgments, with guidance from tax experts and legal counsel. These assessments have a material impact on the Group's operations, if they materialise as per the extant assessments. The ambiguities in the tax legislation are pervasive, thereby creating risks of further disagreements in interpretations and application to current taxes.

At this stage, the Board cannot estimate the likely outcome or timing of the resolution of these matters. The current accounting treatment and disclosures of the assessments and the amounts paid so far are considered appropriate.

ADVANCING OUR SUSTAINABILITY PRIORITIES

We believe that our sustainability agenda is not a compliance initiative but an inherent facet of doing business. The Group remains focused on increasing our activities in the areas of responsible alcohol consumption, reduction in waste and pollution, community involvement and optimising resource utilisation. There are rising concerns about the abuse of drugs and substances including alcohol. It is therefore imperative for us to amplify responsible consumption campaigns on underage drinking under the Pledge 18 campaign, the Designated Driver. Our Make A Difference-Recycle executions are ongoing whilst maintaining the brand activations to support sports and culture.

By order of the board

Ms F Musinga
Company Secretary
24 July 2025

Sable House, Northridge Close, P O Box BW294, Borrowdale, Harare, Zimbabwe, Website address: http//www.delta.co.zw