AN ILLOVO SUGAR AFRICA COMPANY

ILLOVO SUGAR (MALAWI) PLC

(Incorporated in Malawi on 31 May 1965 under registration number 839)

EXTRACTS FROM THE UNAUDITED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 28 FEBRUARY 2018 (COMPARATIVES ARE FOR THE FIVE MONTHS ENDED 31 AUGUST 2017)

STATUTORY YEAR END

At the annual general meeting of the company that took place on 19 August 2016 members were advised that in order to align reporting processes with Associated British Foods, the Company's ultimate shareholder, the statutory year-end of the company would be moved to end on 31 August of each respective year with this change being effected from the 2017 reporting period. In this regard the audited financial statements for the five month period ended 31 August 2017 were presented to members at the annual general meeting that took place on 23 November 2017. The first full year financial statements aligned to the new reporting period will be for the financial year ending 31 August 2018.

These half year unaudited financial statements reflect actual performance for the period 1 September 2017 to 28 February 2018 rather than 50% of the projected annual forecast as was the case in previous half year reports.

OVERVIEW

During the six month period ended 28 February 2018 weather conditions at both estates remained erratic with the agricultural operations subjected to fluctuating periods of exceptionally wet weather particularly at Dwangwa during November to December 2017, to very dry conditions in January 2018 at Nchalo. Overall the rains during the latter part of the year raised the level of Lake Malawi with the water level almost 30 cm above last year's January level but still significantly down on normal levels. Outflows from the lake were constrained at very low levels resulting into inadequate power generation by Electricity Generation Company (EGENCO) and sub-optimal irrigation at the Estates and by local grower communities. Both estates and surrounding grower schemes continued to be affected by very high levels of yellow aphid and red spider mite infestations, and to a more limited extent to the fall army worm at Dwangwa, which resulted in very costly chemical control requirements and negatively affected overall crop yields.

Despite these challenges, which also included grower on-going financial difficulties, the business continued to deploy detailed operational strategic recovery plans including the installation of additional power generation sets at Dwangwa to improve electricity supply to the estate, and at Nchalo, of more efficient drip irrigation equipment with a reduced water and power consumption footprint which are already leading to overall crop yield improvements.

Both factories faced challenges throughout the final stages of the milling season. Overall recoveries and plant performance were marginally down on budgeted levels with less sugar being made. The season closed at Nchalo in mid-November and at Dwangwa in early December 2017.

The quality focus on the production, packing and storage of sugar continued to be positive leveraging on previous gains and initiatives which continue to be developed and implemented. The illegal sugar imports negatively impacted overall local market sugar consumption. However export sugar sales into the regional markets improved in November and December 2017 with sales into the USA market continuing to reflect positive gains during the six month period.

With regard to the financial performance for the first six months from September 2017 to February 2018 headline earnings stood at K 7.0 billion, compared to the preceding five month period, April 2017 to August 2017, of K 7.7 billion and the previous full year results, April 2016 to March 2017, of K 7.1 billion. Finance costs were adversely impacted by foreign exchange losses on the ZAR345 million holding company loan as the Rand appreciated significantly against the Kwacha. Settlement of this loan has been prioritised and the balance is now down to ZAR75 million as at the date of approval of these half year financial statements. The plan is to fully repay this balance before August 2018.

PROSPECTS

A return to normal weather patterns and the anticipated on-going improvement in both lake and river levels which is expected during the remainder of the period to August 2018 should positively impact EGENCO's power generation ability. Longer term, the continuing positive effects of the agricultural yield improvement plans at Nchalo, including the phased installation of drip irrigation systems and on-going structural changes within the agronomy sections, coupled with additional cane planted by growers, should result in improved cane crop yields and sucrose content.

In terms of milling operations, both Dwangwa and Nchalo factories should return to more sustainable operational levels of efficiencies and performance following their planned respective offcrop programmes.

With regard to the commercial environment the business will continue to build on the successful product rebrand in the local direct consumption market and extend the delivery footprint to the wider consumer market. Sugar exports, in what is expected to be very challenging markets, will continue to be an area of focus for the commercial teams.

Inflation rates, together with exchange and interest rate movements, and the on-going high debt levels of the company will continue to have a marked effect on profitability. However the on-going performance and cost control strategies that have been implemented, and continue to be deployed, will continue to build real business sustainability and improve operating margins and generate positive free cash flows.

DIVIDENDS

Notice is hereby given that due to the high debt levels coupled with on-going high interest rates and after taking into account business cash generation and resultant cash flow constraints no interim dividend will be payable. The underlying business improvements and continued strong free cash flow generation mean that the company is likely to resume payment of dividends by the end of this financial year.

Gavin Dalgleish	Mark Bainbridge
Chairman	**Managing Director**

9 May 2018

FINANCIAL PERFORMANCE	GROUP			COMPANY		
	Unaudited 6 months ended	Audited 5 months ended	Audited 12 months ended	Unaudited 6 months ended	Audited 5 months ended	Audited 12 months ended
	28-Feb-2018	31-Aug-17	31-Mar-17	28-Feb-2018	31-Aug-17	31-Mar-17
Condensed consolidated and separate statements of comprehensive income	K'm	K'm	K'm	K'm	K'm	K'm
Revenue	66 210	49 099	124 035	36 599	26 258	67 039
Operating profit	14 173	12 696	18 702	4 078	7 980	4 675
Dividend income	-	1	63	-	-	-
Net finance cost	(4 372)	(1 733)	(7 846)	(3 094)	(1 035)	(4 133)
Profit before taxation	9 801	10 964	10 919	984	6 945	542
Taxation	(2 844)	(3 229)	(3 839)	(534)	(1 982)	(646)
Net profit/(loss) for the period	6 957	7 735	7 080	450	4 963	(104)
Other comprehensive income/(charges)	259	(472)	1	259	(472)	1
Total comprehensive income/(loss)	7 216	7 263	7 081	709	4 491	(103)
Adjusted for:						
Other comprehensive losses/(income)	(259)	472	(1)	(259)	472	(1)
Headline earnings	6 957	7 735	7 080	450	4 963	(104)
Number of shares in issue ('000)	713 444	713 444	713 444			
Weighted average number of shares on which net profit per share is based ('000)	713 444	713 444	713 444			
Net profit per share (tambala)	975	1 084	992			
Headline earnings per share (tambala)	975	1 084	992			

Quality of earnings statement

Operating profit	14 173	12 696	18 702
Adjust for:			
Change in fair value of growing cane	(8 326)	9 655	(2 828)
Operating profit less fair value changes	5 847	22 351	15 874

Business segmental analysis

Revenue			
Sugar production	43 194	9 552	73 718
Cane growing	23 016	39 547	50 317
	66 210	49 099	124 035
Operating profit			
Sugar production	9 797	8 977	19 006
Cane growing	4 376	3 719	(304)
	14 173	12 696	18 702

Condensed consolidated and separate statements of financial position

ASSETS						
Property, plant and equipment	45 230	41 252	38 268	31 049	29 361	26 681
Investment	-	-	-	324	324	324
Non-current assets	45 230	41 252	38 268	31 373	29 685	27 005
Current assets	85 653	81 197	63 899	56 817	54 146	40 560
Total Assets	130 883	122 449	102 167	88 190	83 831	67 565
SHAREHOLDERS' EQUITY AND LIABILITIES						
Shareholders' equity	51 101	43 885	36 622	15 803	15 094	10 603
Deferred taxation	18 381	15 112	19 913	13 061	6 255	9 173
Non-current liabilities	13 968	22 964	22 333	13 968	22 964	22 333
Current liabilities	47 433	40 488	23 299	45 358	39 518	25 456
Total shareholders' Equity and Liabilities	130 883	122 449	102 167	88 190	83 831	67 565
Depreciation	2 623	1 459	2 868			
Capital expenditure	4 503	4 443	8 699			

	GROUP			COMPANY		
	Unaudited 6 months ended 28-Feb-2018	Audited 5 months ended 31-Aug-17	Audited 12 months ended 31-Mar-17	Unaudited 6 months ended 28-Feb-2018	Audited 5 months ended 31-Aug-17	Audited 12 months ended 31-Mar-17
Condensed consolidated and separate statements of cash flows	K'm	K'm	K'm	K'm	K'm	K'm
Cash generated from operations before working capital changes	17 169	23 805	18 557	6 522	12 317	6 435
Working capital requirements	(20 076)	(16 960)	11 799	(13 549)	(8 587)	15 722
Finance costs and taxation	(9 963)	(1 102)	(5 227)	(8 684)	1 248	64
Net cash inflow from operating activities	(12 870)	5 743	25 129	(15 711)	4 978	22 221
Cash flow used in investing activities	(6 974)	(4 437)	(8 441)	(4 132)	(3 672)	(5 533)
Net cash inflow before financing activities	(19 844)	1 306	16 688	(19 843)	1 306	16 688
Cash flow used in financing activities	(10 270)	-	(10 000)	(10 270)	-	(10 000)
Increase in cash and cash equivalents	(30 114)	1 306	6 688	(30 113)	1 306	6 688

Condensed consolidated and separate statements of changes in equity						
Share capital and premium						
Balance at beginning and end of the period	782	782	782	782	782	782
Retained earnings						
Balance at beginning of the period	43 599	35 864	28 784	14 808	9 845	9 949
Net profit/(loss) for the period	6 957	7 735	7 080	450	4 963	(104)
Balance at end of the period	50 556	43 599	35 864	15 258	14 808	9 845
Non-distributable reserve						
Balance at beginning of the period	(496)	(24)	(25)	(496)	(24)	(25)
Cash flow hedges	259	(472)	1	259	(472)	1
Balance at end of period	(237)	(496)	(24)	(237)	(496)	(24)
Shareholders' equity	51 101	43 885	36 622	15 803	15 094	10 603