



TongaatHulett®

Hippo Valley Estates Limited

TRADING UPDATE FOR THE FIRST QUARTER ENDED 30 JUNE 2021

Operating Environment

The period under review was characterized by positive economic indicators. Annual inflation continued on a downward trajectory to 107% by 30 June 2021 (March 2021: 241%). The Zimbabwe dollar exchange rate has been relatively stable and industry continued to transact in multi-currencies on the local market, ensuring improved foreign currency liquidity within the formal economy. The agricultural and agro-processing sectors have benefited from the satisfactory rainfall season which has had a positive impact on the wider economy.

COVID-19 Update

The third wave of the Covid-19 pandemic which began towards the end of the first quarter has been characterized by a sharp rise in infections at levels higher than the first and second waves. Consequently, lockdowns to curtail the spread of the disease continue to disrupt business activity in key economic sectors. The Company and the rest of the sugar industry, having been classified as an essential service, have not been significantly impacted. Notwithstanding, the Company continues to implement its Business Continuity Plan and established Covid-19 preventive and reactive protocols through its established internal health service delivery system. Operationally, the Company is focused on mitigating Covid-19 induced supply chain constraints and has to date managed to meet sugar demand in the local market and fulfil its export commitments. The Company and Triangle Limited (together referred to as Tongaat Hulett Zimbabwe or THZ), through both self-financed and government sponsored vaccination programs, has vaccinated some 7,546 employees (51% of the total workforce) and 1,495 members of the community as at 30 July 2021.

Operations

Cane and sugar production (tons) for first quarter ended 30 June 2021

	2021	2020	% Change
Tons cane harvested - Company	283,499	275,293	+3%
Tons cane harvested - Private farmers	270,024	139,297	+94%
Other third-party cane	1,310	-	+100%
Total tons cane milled - Company	554,833	414,590	+34%
Tons sugar produced - Company	66,664	49,425	+35%
Tons sugar produced - Industry Total	128,044	101,063	+27%

Cane deliveries from the Company's plantations (miller-cum-planter) and private farmers in particular were above same period prior year having benefited from prior year carryover cane and an earlier start to the harvesting season which began on 20 April (2020: 5 May). The early season start will in the long term reposition the crop and

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prevent the previously experienced disruptive impact of harvesting during wet spells in December. Consequently, sugar production for the quarter under review increased from same period prior year with a satisfactory factory performance, following a successful off crop maintenance program.

Marketing Performance

The Zimbabwe sugar industry has a single marketing desk at brown sugar level, administered by Zimbabwe Sugar Sales (Private) Limited (ZSS). The Company's share of total industry sugar sales volume of 98 718 tons (2020: 98 572 tons) for the quarter under review was 52.1% (2020: 47.9%). Total industry sugar sales into the domestic market for the quarter at 86 843 tons (2020: 66 492 tons) were 31% above same period prior year due to a combination of strong demand and the non-repeat of supply containment measures implemented in prior year to curb then existing speculative trading on account of price distortions. Price realisations in both local and foreign currency on the local market remained firm in current purchasing power terms. Sugar industry export sales for the quarter reduced by 66% to 10 873 tons (2020: 32 080 tons) as sales were maximized in the local market. The Kenya market, a key regional deficit market continues to be characterized by periodic temporary import restrictions which the industry closely monitors and responds to by supplying other deficit markets. Price realisations on the export markets were 9% higher than same period prior year.

Projects and initiatives

As previously reported, expansion works on the 4 000 hectares cane development project (Project Kilimanjaro) remain suspended due to delays in concluding funding arrangements with financial institutions pending further clarity on land tenure, both of which are being progressed. The project which is being undertaken by Tongaat Hulett Zimbabwe in partnership with Government and local banks, has seen a total of 2 700 hectares of virgin land being bush cleared and ripped and 562 hectares planted to sugarcane in prior years.

The recently launched partnership framework whereby Tongaat Hulett Zimbabwe is co-managing certain underperforming out grower farms is gathering momentum and is expected to yield positive results in the ensuing harvesting season. The Company is also providing financial and technical assistance to a number of new sugarcane out grower development projects.

The Company is committed to continue partnering with Government in food security initiatives on an annual basis. In the recently concluded cropping season, Tongaat Hulett Zimbabwe delivered some 7 000 tons of maize (grown on temporary fallow sugar cane

fields) to the Grain Marketing Board (GMB), significantly improving food security in the region. In addition, THZ produced 1 216 tons of seed maize in partnership with the country's major seed house, SeedCo. A total of 700 hectares are currently under winter wheat and sugar beans.

The Company remains committed to empowerment initiatives to support broad-based stakeholders within its community who among others include small scale sugarcane farmers, suppliers of goods and services with greater preference placed on indigenous companies located within the regions in which the Company operates, on-going support of community health, education and sporting facilities. Initiatives designed to support the Buy Zimbabwe agenda initiative will continue to be pursued in a mutually beneficial manner.

Land tenor

The Company awaits the finalization of the 99-year lease relating to Hippo Valley North (23 979 hectares). Freehold title on Hippo Valley South (16 433 hectares) is being maintained. As previously reported, Government has since assured the Company that the administrative processes are nearing completion, paving way for the issuance of the 99 Year Lease.

Outlook

As previously reported, after the satisfactory rains the Lowveld dams hold sufficient stored water for approximately three seasons of irrigation at normal water duty. The milling season commenced on schedule and is progressing satisfactorily. Barring unforeseen circumstances for the balance of the harvest season which is almost half way through, industry sugar production for the current season is forecast at levels similar to last year. Due to the long cropping cycle of sugarcane, current cane expansion and yield improvement initiatives will impact production in future seasons.

Marketing is focused on maximizing supply to the local market with residual stocks being allocated to regional and international premium markets to generate foreign currency for the Company and the country.

By Order of the Board

C F Dube
Chairman

A Mhere
Chief Executive Officer

11 August 2021

C F Dube (Independent Non-executive Chairman), R D Aitken, S Harvey, A Mhere* (Chief Executive Officer), L R Bruce, O H Manasah*, N Kudenga, J P Maposa, J G Hudson, R J Moyo, G Sweto, R M Goetzsche. * Executive