



(Incorporated in Malawi on 31 May 1965 under registration number 839)
EXTRACTS FROM THE UNAUDITED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 28 FEBRUARY 2019 (COMPARATIVES ARE FOR THE SIX MONTHS ENDED 28 FEBRUARY 2018)

FINANCIAL PERFORMANCE	GROUP			COMPANY		
	Unaudited 6 months ended 28-Feb-2019	Unaudited 6 months ended 28-Feb-2018	Audited 12 months ended 31-Aug-2018	Unaudited 6 months ended 28-Feb-2019	Unaudited 6 months ended 28-Feb-2018	Audited 12 months ended 31-Aug-2018

Condensed consolidated and separate statements of comprehensive income

	K'm	K'm	K'm	K'm	K'm	K'm
Revenue	62,403	66,210	141,760	34,490	36,599	75,625
Operating profit	14,326	14,173	30,197	6,446	4,078	10,711
Dividend income	-	-	31	-	-	-
Net finance cost	(2,702)	(4,372)	(5,901)	(2,686)	(3,094)	(3,647)
Profit before taxation	11,624	9,801	24,327	3,760	984	7,064
Taxation	(3,501)	(2,844)	(7,878)	(1,133)	(534)	(2,624)
Net profit for the period	8,123	6,957	16,449	2,627	450	4,440
Other comprehensive (charges)/income	(13)	259	605	(13)	259	605
Total comprehensive income	8,110	7,216	17,054	2,614	709	5,045
Adjusted for:						
Other comprehensive losses/(income)	13	(259)	(605)	13	(259)	(605)
Headline earnings	8,123	6,957	16,449	2,627	450	4,440

Number of shares in issue ('000)
 Weighted average number of shares on which net profit per share is based ('000)

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)
 Headline earnings per share (tambala)

Net profit per share (tambala)	1,139	975	2,306
Headline earnings per share (tambala)	1,139	975	2,306

Quality of earnings statement

Operating profit	14,326	14,173	30,197
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Adjust for:

Change in fair value of growing cane	(12,574)	(8,326)	(1,042)
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Operating profit less fair value changes	1,752	5,847	29,155
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Business segmental analysis

Revenue

Sugar production	33,874	43,194	82,588
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Cane growing	28,529	23,016	59,172
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	62,403	66,210	141,760
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Operating profit

Sugar production	9,166	9,797	29,413
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Cane growing	5,160	4,376	784
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	14,326	14,173	30,197
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Condensed consolidated and separate statements of financial position

ASSETS	51,730	45,230	50,481	36,770	31,049	35,899
Property, plant and equipment	-	-	-	324	324	324
Investment	51,730	45,230	50,481	37,094	31,373	36,223
Non-current assets	99,450	85,653	88,375	61,296	56,817	60,541
Current assets						
Total Assets	151,180	130,883	138,856	98,390	88,190	96,764
SHAREHOLDERS' EQUITY AND LIABILITIES						
Shareholders' equity	69,049	51,101	60,939	22,753	15,803	20,139
Deferred taxation	19,389	18,381	19,212	9,679	13,061	12,648
Non-current liabilities	3,913	13,968	3,876	3,879	13,968	3,843
Current liabilities	58,829	47,433	54,829	62,079	45,358	60,134
Total shareholders' Equity and Liabilities	151,180	130,883	138,856	98,390	88,190	96,764
Depreciation	1,008	2,623	4,057			
Capital expenditure	1,596	4,503	14,413			

FINANCIAL PERFORMANCE	GROUP			COMPANY		
	Unaudited 6 months ended 28-Feb-2019	Unaudited 6 months ended 28-Feb-2018	Audited 12 months ended 31-Aug-2018	Unaudited 6 months ended 28-Feb-2019	Unaudited 6 months ended 28-Feb-2018	Audited 12 months ended 31-Aug-2018

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	16,675	17,169	33,180	8,125	6,522	12,800
Working capital requirements	(16,329)	(20,076)	(4,790)	(10,408)	(13,549)	765
Finance costs and taxation	(5,873)	(9,963)	(13,156)	(5,856)	(8,684)	(2,144)
Net cash inflow from operating activities	(5,527)	(12,870)	15,234	(8,139)	(15,711)	11,421
Cash flow used in investing activities	(3,597)	(6,974)	(13,149)	(2,550)	(4,132)	(9,336)
Net cash inflow before financing activities	(9,124)	(19,844)	2,085	(10,689)	(19,843)	2,085
Cash flow used in financing activities	-	(10,270)	(9,721)	-	(10,270)	(9,721)
Decrease in cash and cash equivalents	(9,124)	(30,114)	(7,636)	(10,689)	(30,113)	(7,636)

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
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Retained earnings

Balance at beginning of the period	60,048	43,599	43,599	19,248	14,808	14,808
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Net profit for the period	8,123	6,957	16,449	2,627	450	4,440
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Balance at end of the period	68,171	50,556	60,048	21,875	15,258	19,248
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Non-distributable reserve

Balance at beginning of the period	109	(496)	(496)	109	(496)	(496)
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Cash flow hedges	(13)	259	605	(13)	259	605
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Balance at end of period	96	(237)	109	96	(237)	109
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Shareholders' equity

	69,049	51,101	60,939	22,753	15,803	20,139
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INTERIM REPORT

The condensed consolidated and separate statements of comprehensive income, statements of financial position, statements of cash flow and statements of changes in equity are derived from the unaudited half year financial statements reflecting actual performance for the period from 1 September 2018 to 28 February 2019 with comparatives for the six months period from 1 September 2017 to 28 February 2018.

OVERVIEW

The company achieved a 14% increase in cane harvested and crushed in the half year to February 2019 compared to the same period in 2018. This was due to the more favourable weather conditions experienced in the first six months period of this financial year (the last six months of the sugar growing season). Both estates had experienced dry spells in February 2018, negatively impacting on tons cane crushed during the period then ended.

The on-going quality focus on the production, packing, storage and distribution of sugar, continued to make positive contributions.

Challenging market conditions continued to be experienced in the commercial sphere with illegal sugar imports continuing in the domestic market unabated despite good support efforts from the Malawi Revenue Authority (MRA). The MRA ran several search and confiscation operations supported by the launch of sensitisation programs aimed at halting the illegal activities. Consequently the illegal sugar imports had a negative impact on domestic sales volumes and ultimately impacting the group's cash flows. Export sugar sales continued to be under pressure due to the continued low world market price, logistical challenges and increased transport costs.

Net profit for the six month period to 28 February 2019 amounted to K 8.1 billion compared to K 7.0 billion for the preceding six month period to 28 February 2018, despite an overall drop in revenue generation of K 3.8 billion. Operating profit remained flat at just over K 14.3 billion (six months to February 2018: K 14.2 billion) heavily influenced by the hikes in ESCOM tariffs. However, with management's prioritisation and focus on debt reduction, repayment of the foreign currency denominated liabilities coupled with the relative stability of the Kwacha, net finance costs for the six months reflected a decrease of K 1.7 billion over the comparable period. Revenue and volume enhancement strategies, cost rationalisation across the entire business value chain to drive business sustainability, continued to be deployed to ensure the development of a business that will meet the needs of all stakeholders.

Overall, Illovo Malawi's socio-economic impact within the country remained significant in terms of employment, social investment and significant contribution to the Malawi Treasury through the various forms of taxation paid.

PROSPECTS

In the medium to longer term the Nchalo agricultural and factory recovery plans, focusing on the use of more efficient irrigation systems and factory energy efficiency improvements, together with a focus on plant performance and reliability and packing capability at Dwangwa, overall on-going business structural changes and upliftment of skill levels across the employee base, should result in improved cane crop yields and sucrose content, improved plant reliability and performance and quality improvements throughout the value chain.

In terms of the commercial environment, increased local competition and the influx of illegal imports is expected to put pressure on domestic sales over the next six months. However the business will continue to focus on route to consumer initiatives with the roll-out of direct delivery strategies to extend the delivery footprint to the wider consumer market and an on-going focus on product pack sizes, branding, affordability and quality. Sugar exports, in what is expected to be very challenging markets, will continue to be an area of focus for the commercial teams to optimise revenues in terms of both volumes and pricing.

The interplay of inflation, exchange and interest rate movements, and the debt levels of the company will continue to have a marked effect on overall business profitability. The on-going performance and cost control initiatives and strategies that continue to be deployed throughout all areas of the business will deliver real future business sustainability with improved operating margins and should result in the generation of future positive free cash flows.

DIVIDENDS

Due to the on-going working capital, capital expenditure requirements and after taking into account the overall business cash generation and resultant cash flow constraints, no interim dividend will be payable.

Gavin Dalgleish
Chairman

Mark Bainbridge
Managing Director

15 May 2019

Yambani tsiku lilironse ndi Illovo