

SENS ANNOUNCEMENT
(the “Notice” or “Announcement”)

ISSUER



COPPERBELT ENERGY CORPORATION PLC (“CEC”)

[Incorporated in the Republic of Zambia]

Company registration number: 39070
Share Code: CEC
ISIN: ZM00000000136
Authorised by: Julia C Z Chaila – Company Secretary

SPONSOR



Stockbrokers Zambia Limited

[Founder Member of the Lusaka Securities Exchange]

[Regulated and licensed by the Securities and Exchange Commission of Zambia]

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APPROVAL

The captioned Notice or Announcement has been approved by:

- i. the Lusaka Securities Exchange
- ii. the Securities and Exchange Commission
- iii. Stockbrokers Zambia Limited

RISK WARNING

The Notice or Announcement contained herein contains information that may be of a price-sensitive nature.

Investors are advised to seek the advice of their investment advisor, stockbroker, or any professional duly licensed by the Securities and Exchange Commission of Zambia to provide securities advice.

ISSUED: 06 April 2021



Copperbelt Energy Corporation Plc
[Incorporated in the Republic of Zambia]
Company registration number: 39070
Share Code: CEC
ISIN: ZM0000000136
[“CEC”]



AUDITED RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

9%	19%	32%	10%	23%
REVENUE: USD370.9M 2019: USD408.3m	ADJUSTED EBITDA: USD108.2M 2019: USD91.2m	M/H LTAs^: 8.275M MAN-HOURS 2019: 6.251m man-hours	DIVIDENDS: USD34.1M 2019: USD30.9m	CASH COSTS: USD27M 2019: USD35m

Note: M/H LTAs^: Safety measure showing the man-hours achieved without a system based lost-time injury

In USD'm	2020	2019	2018	2017	2016
Revenue adjusted	370.9	408.3	421.2	389.5	354.6
Adjusted EBITDA*	108.2	91.2	103.5	101.5	92.4
Adjusted PAT**	54.0	44.2	51.7	49.7	42.8

Property, plant and equipment	501.6	457.6	442.0	437.5	418.5
Net Debt	26.7	53.4	59.5	73.6	87.6
Dividends	34.1	30.9	26.0	21.0	16.4

Cash and cash equivalents	83.0	77.9	86.7	68.1	45.6
Cash generated from Operations	71.4	49.8	76.0	74.1	58.4

*Adjusted EBITDA means EBITDA adjusted for impairment loss, write back and gains /(loss) on disposal

**Adjusted PAT means PAT adjusted for impairment loss, write-back, profit /(loss) on disposal and re-adjustment of the tax

CEO Owen Silavwe, commented:

"I am pleased that, while our business environment remained largely challenging for a number of reasons, including the effects of the COVID-19 pandemic, which had far-reaching and devastating consequences for businesses and individuals alike, we stayed resolute to ride the storm and steady the ship in the short term while remaining focused on achieving targeted progress on our strategic priorities in the medium to long term. As the table above shows, we delivered considerable performance improvements on our operational, financial and safety metrics during the year, setting a great foundation for sustained business performance going forward, as the business environment improves as is expected. The Company's good underlying performance was against a backdrop of some demand recovery in Zambia, sales growth in the DRC market and improved liquidity position following the change in commercial arrangements for power supplied to KCM. This stellar performance was, however, offset by the high debt Konkola Copper Mines Plc (KCM) still owes the Company in accumulated electricity bills, which resulted in significant impairment loss to the business. We prepaid a significant portion of our debt, leaving the Company with the lowest debt position in the last 5 years, and delivered an improved dividend distribution to our shareholders. Going forward, our priority is to resolve all key outstanding commercial issues and reposition the business to enable it deliver consistent positive performance and quality growth."

Summary separate statement of profit or loss and other comprehensive income for the year ended 31 December 2020

	Year ended 31 December 2020	Year ended 31 December 2019
	USD'000	USD'000
Revenue	370,931	408,272
Gross profit	118,955	101,960
Other income	10,039	7,414
Expenses and impairments	(119,047)	(92,002)
(Loss)/profit before interest and tax	9,947	17,372
Net finance costs	(3,272)	(4,850)
Income tax expense	(1,066)	(276)
(Loss)/profit after tax	5,609	12,246
Other comprehensive income	(22,639)	1,242
Total comprehensive income	(17,030)	13,488
Earnings per share	0.003	0.008

Summary of separate statement of financial position as at 31 December 2020

	31-Dec-20	31-Dec-19
	USD'000	USD'000
Total non-current assets	503,313	457,557
Total current assets	171,642	182,862
Total assets	674,955	640,419

Total equity	302,474	353,629
Total non-current liabilities	212,995	161,378
Total current liabilities	159,486	125,412
Total Equity and Liabilities	674,955	640,419

Summary separate statement of cash flows for the year ended 31 December 2020

	Audited Year ended 31-Dec-20	Audited Year ended 31-Dec-19
	USD'000	USD'000
Net cash flows from operating activities	71,411	49,777
Net cash flows used in investing activities	(10,005)	(20,631)
Net cash flows from financing activities	(56,269)	(37,035)
Net (decrease)/increase in cash and cash equivalents	5,137	(7,889)
Cash and cash equivalents at 1 January	77,902	85,791
Net (decrease)/increase	5,137	(7,889)
Cash and cash equivalents at 31 December	83,039 ¹	77,902

¹ Included in the cash balance is restricted cash by the secured lenders, which cash arose from the sale of the Company's shares in CEC Liquid Telecom as well as deposits which underpin the credit risk for the supply of power to the Democratic Republic of Congo (DRC). The total restricted cash is USD39 million.

Summary separate statement of changes in Equity for the year ended 31 December 2020

In USD'000s	Share Capital	Share premium	Revaluation reserve	Retained earnings	Total
Year ended 31 December 2019	2,849	60,078	151,078	157,011	371,016
Profit for the year	-	-	-	12,246	12,246
Defined benefits plan actuarial gain	-	-	-	1,911	1,911
Related tax	-	-	-	(669)	(669)
Transfer of excess depreciation	-	-	(11,615)	11,615	-
Foreign currency translation difference	-	-	-	-	-
Total comprehensive income	-	-	(11,615)	12,857	1,242
Transactions with owners					
Dividends	-	-	-	(30,875)	(30,875)
At year end	2,849	60,078	139,463	151,239	353,629
Year ended 31 December 2020	2,849	60,078	139,463	151,239	353,629

Profit for the year	-	-	-	5,609	5,609
Defined benefit plan actuarial loss	-	-	-	(1,772)	(1,772)
Related tax	-	-	-	620	620
Reclassification	-	-	40,800	(40,800)	-
Revaluation increase	-	-	57,886	-	57,886
Tax on revaluation increase	-	-	(79,373)	-	(79,373)
Transfer of excess depreciation	-	-	(11,369)	11,369	-
Total comprehensive income	-	-	7,944	(24,974)	(17,030)
Dividends paid	-	-	-	(34,125)	(34,125)
At year end	2,849	60,078	147,407	92,140	302,474

Financial Performance update

Profitability reduced to USD5.6 million (2019: USD12.2 million) impacted by significantly high levels of impairment loss of USD94.9 million (2019: USD55.4 million). Profitability adjusted for exceptional items at USD54.0 million (2019: USD44 million) improved on the back of demand recovery, business growth in the DRC, reduced load shedding to non-mining customers in the Copperbelt and significant reduction in cash costs at USD27 million (2019: USD35 million).

There was an improvement in the liquidity position resulting in cash flow from operations of USD71.4 million (2019: USD49.8 million) and a cash balance of USD83.0 million (2019: USD77.9 million) despite the adverse cash collection occasioned by the KCM payment default and non-refund of VAT by the Zambia Revenue Authority. The year-end balance was partly boosted by prudent working capital management and the restricted cash position (refer to note -1 above).

Dividend

Delivering shareholder value is a top priority for the Company. Going by this objective and backed by the financial performance for the year, the Directors rewarded the shareholders with an interim dividend of USD34.1 million (2019: USD30.9 million). The Company will target to deliver a sustained level of dividend distributions informed by its dividend policy. Over the last five years, CEC has returned about USD128 million to its shareholders and circa USD247 million in taxes to the national treasury.

COVID-19

Despite the ramifications of COVID-19, we seamlessly executed our mandate to all our customers. To navigate the devastating and far-reaching effects of COVID-19, we adopted Ministry of Health issued guidelines to prevent disease contraction and cross-infection as well as our own homegrown protocols, benchmarked against successful global practice.

Performance and operational update

During the year, the balance between supply and demand remained a challenge as demand continued to outstrip supply. This largely resulted from the lower than normal water levels at the country's major hydro power stations. The shortfall peaked at 40% of the national demand before gradually improving as the year progressed. Mining customers were spared from power curtailment exercises and received their full demand as a strategy to avoid wider negative impacts on the economy.

At 3,284GWh, our mine customers' consumption was 5% higher than in 2019 (3,137GWh), a sign of recovery particularly seen towards year-end. The generally bullish copper price on the global market is expected to spur mining productivity going forward.

We managed our network to high standards of reliability and delivered a good quality of service to our customers. Emanating from the power shortage at national level in both Zambia and the DRC, the interconnected electricity network was vulnerable to certain shocks. Despite these challenges, our operations team commendably and effectively managed the network and continued to coordinate very well with others on the broader interconnected network.

Our power asset improvement programme through asset renewal, modernisation, and digitisation has continued as we seek to optimise both the individual assets and the overall network performance. Although our investment for the year was below target on account of our capital expenditure programme having been affected by COVID-19, investments in asset renewal and modernisation will ramp up in the coming years.

Health, Safety, Environment and Social (HSES)

Our performance metrics in the area of safety and health exhibit a world class standard. While working very hard to deliver and embed a safety culture across the organisation, we have continued to extend a 'clean bill of health' record as a Company, capped by the achievement of 8.257 million-man hours without a system based lost-time injury and attaining a continuous 12 years without a fatality on our power network. We remain unrelenting in our pursuit of initiatives to enhance our corporate safety culture.

In caring for and preserving the environment, we planted 15,000 indigenous trees at the water catchment area of the Kafue River in Chililabombwe in the Copperbelt under our programme to regenerate water sources and revegetate the flora. Ultimately, we are contributing to reducing carbon emissions and other negative climate change elements from the environment.

Market developments

The Government of Zambia progressed some legislative and regulatory actions that may impact the business environment and, therefore, the operations of the Company. To this end, the National Energy Policy of 2019 was followed by the enactment of the Electricity Act No. 11 and the Energy Regulation Act No. 12 both of 2019. The two acts were operationalised in February 2020. Additionally, the Energy Regulation Board (ERB) appointed a new consultant to lead the Cost of Service Study (CoSS) that had earlier stalled. The CoSS report is earmarked for completion sometime in 2021, and its outcome is expected to underpin future power tariff reviews.

On 29 May 2020, the Minister of Energy issued Statutory Instrument No. 57 of 2020 declaring the Company's transmission and distribution lines common carrier. CEC challenged this decision, and the consequent step taken by the ERB to set a

subeconomic tariff for the use of the Company's system, through an action for Judicial Review in the High Court. Post the reporting date, the High Court has returned judgment in favour of the Company. The government has appealed the decision of the High Court.

On 31 March 2020, the contract that underpinned the commercial relationship between CEC and ZESCO, the Bulk Supply Agreement (BSA) expired. While the parties had engaged in negotiations for a successor agreement, the talks deadlocked before the expiry date. While continuing to seek avenues for resolving the matter, the parties remain committed to continue providing services to all power users in the Copperbelt. The Company is desirous to resolve this matter as soon as possible.

At the end of May 2020, the power supply agreement between CEC and KCM came to an end and was not renewed. The subsequent events led to the shifting of the KCM load from the business segment of power supply services to that of transmission use of system and related services. This structure requires the Company to enter into two contracts namely, the transmission use of system and the grid connection agreement. CEC will continue to prioritise the need to conclude these two agreements.

Outlook

We seek to optimise our operations and evolve the business, taking advantage of the ongoing market evolution and the energy transition that is quickly gaining traction globally. It is critical that we maintain a healthy level of investments in our electricity network through renewal and modernisation of our power assets, technology adoption and digitisation of processes. This is critical as it holds significant benefits for the business by lowering operating costs and enhancing efficiencies, leading to notable measurable additional value creation for our customers and the sector at large.

The Company will continue exploiting opportunities arising from the wide adoption of renewables to motivate investments in distributed generation and connect more cleaner sources of energy to our power network, enabling our contribution to the energy transition agenda.

We will seek to enhance operational excellence by further improving our standards for quality and reliable service provision to our customers. We will achieve this through embedding the Integrated Management System in our operations.

To effectively operate in the evolving power industry landscape calls for investment in our human capital to sufficiently equip them with the required skills. We are also committed to providing rewarding and engaging careers for all our employees. In this regard, we are focused on creating a strong Company culture that espouses our values and elicits employee engagement, productivity and performance.

Cautionary on Forward-looking Information

This summary results announcement contains financial and non-financial forward-looking statements about the Company's performance and position. We believe that while all forward-looking information contained herein is realistic at the time of publishing this report, actual results in future may differ from those anticipated. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause CEC's actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied by these forward-looking statements. Although CEC believes that the expectations reflected in these forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. We take no obligation to revise or update these forward-looking statements to reflect events or circumstances that arise after the statements have been made.

About the Company

CEC's core business is the supply of power to the copper mines in the Copperbelt Province of Zambia and the DRC. CEC provides the transmission use of system and wheels power through its network on behalf of ZESCO Ltd and other users in Zambia and the Southern Africa Power Pool. The Company operates a transmission interconnection with the DRC. CEC has five incorporated subsidiaries - CEC-Kabompo Hydro Power Limited (CEC-KHPL), CEC DRC Sarl, CEC-InnoVent South, InnoVent-CEC North and Power Dynamos Sports Limited (PDSL). CEC-KHPL is the special purpose vehicle through which CEC has been pursuing the development of the Kabompo Gorge hydroelectric power project in Mwinilunga District of the North-Western Province of Zambia, while CEC-DRC Sarl is a special purpose vehicle incorporated to secure the power trading segment and grow the Company's interest in the DRC market. PDSL is a special purpose vehicle which runs Power Dynamos Football Club.

By Order of the Board
Julia C Z Chaila (Mrs.)
Company Secretary

LUSAKA SECURITIES EXCHANGE SPONSORING BROKER

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