

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

ISSUER



ZAMBIAN BREWERIES PLC (“ZAMBREW”)
[Incorporated in the Republic of Zambia]

Company registration number: 31609
Share Code: ZAMBREW
ISIN: ZM0000000078
Authorised by Deborah Bwalya – 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: 07 September 2020

Interim Results for the six-month period ended 30 June 2020

The Board of Directors of Zambian Breweries Plc., in compliance with the requirements of the Securities Act No.41 of 2016 and the Listings Requirements of the Lusaka Securities Exchange is pleased to announce the unaudited results of the company for the six month period ended 30 June 2020.

STATEMENT OF COMPREHENSIVE INCOME

For the six months to 30th June 2020

	30-Jun-20 K'000	30-Jun-19 K'000	% Change
Volumes (Hls'000)	1,007	966	4%
Revenue	913,846	870,681	5%
Gross Profit	<u>386,051</u>	<u>462,179</u>	-16%
Profit from ordinary activities before exchange losses, interest, and taxation	174,607	236,365	-26%
Realised exchange (loss)/ gain	(25,952)	1,213	-2239%
Unrealised exchange (loss)/ gain	<u>(211,510)</u>	<u>-</u>	0%
Operating profit	(62,855)	237,578	-126%
Finance (cost)/ Income	<u>5,464</u>	<u>(5,400)</u>	201%
Profit before tax	(68,319)	242,978	-128%
Income tax expense	(25,175)	(59,350)	-58%
Deferred tax asset	<u>78,005</u>	<u>9,325</u>	737%
Profit after tax	(15,489)	192,953	-108%
Other comprehensive income/ (loss) after tax	-	-	-
Total comprehensive income/ (loss) after tax	<u>(15,489)</u>	<u>192,953</u>	-
Total comprehensive (loss)/ income attributable to:			
Majority shareholders	(13,475)	167,869	
Minority shareholders	(2,014)	25,084	
Total Comprehensive income/(loss)	<u>(15,489)</u>	<u>192,953</u>	-108%
Earnings/(Loss) per share	(0.03)	0.35	-108%

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	30-Jun-20 K'000	30-Jun-19 K'000	% Change
ASSETS EMPLOYED			
Property, plant, and	2,006,293	1,984,037	1%
Current assets	774,963	775,055	0%
Total assets	<u>2,781,256</u>	<u>2,759,092</u>	9%
EQUITY & LIABILITIES			
Shareholders'	1,024,225	958,253	7%
Non-current liabilities	613,284	936,338	
Current liabilities	1,143,747	864,501	27%
Total equity and liabilities	<u>2,781,256</u>	<u>2,759,092</u>	9%

Business Review

Trading conditions and performance under COVID-19
The COVID-19 pandemic will stand out in history as a world-changing event, resulting in significant losses of human life and posing dramatic challenges to our global and local economy. In the face of this unprecedented situation, our management team would like to extend its gratitude to its staff and stakeholders for the results posted year to date considering such a challenging period. We strongly believe this has been the most challenging year that we have faced as a business in the

Since March 26th, when H.E. President Lungu addressed the nation on COVID-19, Zambia has implemented several preventive measures and restrictions, one of them being the shutdown of all trading activities of our on-premise channel (bars, pubs, taverns, night clubs and others) which remains effective and without line of sight of when it will be lifted or eased. We are still operating through our off-premise channel (distributors, wholesalers, liquor stores and supermarkets) and some emerging on-premise retailers trading through their restaurant businesses.

We have temporarily re-sized our business and our employees have been working from home where possible, with only a portion working on site to keep operations running. We have slowly started to implement a "Return to Work" protocol with strict health and safety rules at our sites to maintain social distancing and flexible working methods. Our main objective is to run our operations in a manner that is safe and in accordance with the law and current public health measures.

Our trading activity (sales volume and revenues) has dramatically reduced against our normal sales trends, ending our first half of this year with a modest 4% volume growth against prior year (PY), but with a significant short fall of 10% against our budget. We experienced a dramatic reduction of trading activity in the 2nd quarter of the year with a double-digit decline against PY.

Although these restrictions are impacting our business heavily, we remain supportive of the preventive measures that have been announced to fight the outbreak of the COVID-19 pandemic.

As part of our COVID19 relief actions for our employees and communities we have undertaken the following:

- Donation of 2,000 litres of hand sanitizers to the Ministry of Health (MOH) as part of our three-pillar strategy aimed at supporting Government in the fight against COVID-19
- Donation of 5,000 face shields for health workers in Zambia (made from crushed beer crates)
- Partnership with the Ministry of Local Government, the Lusaka City Council and Worldwide Fund for Nature (WWF) Zambia in disinfecting Munyaule

market in Lusaka and the provisions of PPE and cleaning materials for other markets

- Donation of K1,400,000 to Lusaka Water and Sewerage Company (LWSC) to assure water security during the COVID-19 outbreak. The donation to LWSC was the second and final payment required to complete the project at a total cost of K2.3 million
- Invitation to DMMU to use our trucks for the distribution of food and other materials to different parts of the country during the COVID-19 outbreak
- Mounting of 10 billboards in Lusaka to help enhance risk communication on COVID-19 and distribution of 6,000 posters (3,000 through our sales force and 3,000 to MoH)
- In partnership with Lafarge Zambia Limited we donated K100,000 to UNZA to support the development and production of a ventilator prototype

Financial Performance and Highlights

In addition to the limitation on trading activity, which led to a notable negative impact on business volume performance and revenue generation relative to budgeted activity, the material depreciation of the Kwacha currency against major world trading currencies further resulted in price escalation of dollar denominated raw materials for the business.

Results for the first half year relative to PY were as follows: total volumes grew 4% driven by affordable beer brands. Customers favoured the affordable segment over core and premium brands as their disposable income was eroded by the difficult economic conditions. Total revenues grew 5% owing to volume growth and lower excise tax on the affordable beer segment.

However, profit before tax fell significantly relative to PY into a loss position. This loss was because of the significant unrealized foreign exchange loss that the business recognized following a revaluation of all outstanding group debt. This was in response to the massive devaluation of the Kwacha in the first quarter of 2020 to reflect the correct value of this debt position. Further pressure on profit before tax was due to an increase in cost of production driven by the weak exchange rate, which was reflected in the 16% drop in current year gross profit.

The business remains liquid with a positive cash position of ZMW 185.8 million.

Strategic Review and Prospects

At the heart of our business is bringing people together for a better world. As the world continues to face an extraordinary and unprecedented crisis, this purpose drives us today as much as ever, even if it means finding new ways to be together. We once again extend our

STATEMENT OF CASHFLOWS

As at 30 June 2020

K 'million	30-Jun-20	30-Jun-19
Cash flows from operating activities		
Cash generated from operations	141,847	474,492
Interest received	2,107	31,325
Interest paid (arising on operating financing)	(7,571)	(30,108)
Income tax paid	<u>(65,519)</u>	<u>(110,989)</u>
Net cash generated from operating	<u>70,864</u>	<u>364,720</u>
Investing activities		
Purchase of property, plant and equipment	(52,313)	(575,726)
Proceeds from sale of property, plant and equipment	29.50	514
Purchase of intangible assets	-	(5,447)
Net cash from (outflow)/ inflow from investing activities	<u>(52,284)</u>	<u>(580,659)</u>
Financing activities		
Interest paid (arising on long term borrowings)	-	-
Proceeds from borrowings	-	-
Repayment of bank loans	-	-
Dividends paid to shareholders	-	(2,009,283)
Net cash used in financing activities	<u>-</u>	<u>(2,009,283)</u>
Net increase/ decrease in cash and cash equivalents	<u>18,580</u>	<u>(2,225,222)</u>
Movement in cash and cash equivalents		
At start of the year	193,181	2,397,522
Increase in cash and cash equivalents	18,580	(2,225,222)
Exchange difference in cash and cash equivalents	<u>(25,952)</u>	<u>20,881</u>
Cash and cash equivalents at the end of the	<u>185,809</u>	<u>193,181</u>

STATEMENT OF CHANGES IN EQUITY

	Share Capital	Share Premium	Retained Earnings	Total Equity
As at 1 January 2020	5,460	450,207	584,047	1,039,714
Comprehensive Income/ (loss)				
Profit for the year to 30 June 2020	-	-	(15,489)	(15,489)
Total comprehensive income for half year	-	-	(15,489)	(15,489)
Transactions with owners				
Dividends	-	-	-	-
Total Transactions with owners	-	-	-	-
At end of the six months to 30 June 2020	<u>5,460</u>	<u>450,207</u>	<u>568,558</u>	<u>1,024,225</u>

immense gratitude to those on the frontline, especially healthcare workers around the world, for their commitment to keeping us, our families, and our communities safe.

Under the current environment, our commitment to cost management and financial discipline is unwavering. We continue to proactively manage the factors that are within our influence to preserve our liquidity while supporting the long-term growth of our business.

The first half of this year has tested all of us in many ways. We are inspired by the resilience of our people, our business, and the performance of the beer category despite the tough restrictions. Our company is well-positioned for a strong recovery. We have a diverse portfolio of resilient and valuable local and international brands which enables us to reach more consumers on more occasions.

Most importantly, we have a culture of ownership and a long-term mindset. Our people are rising to the challenge each day, demonstrating ingenuity, passion, and strength to keep us moving forward. We are privileged to lead the global beer category, a category that has existed for centuries through many crises and will continue to thrive long after the current crisis is behind us.

Sustainable Development

Creating a better world for all is also the main foundation stone for our sustainability agenda. Crafting its formation from the United Nation's Sustainable Development Goals, Zambian Breweries has centred on key focus areas:

Smart Agriculture

To enhance local sourcing of raw materials we are providing a market and technology for farmers to trade and are empowering small- to medium-scale as well as large-scale local farmers with farming input and yield support. We provide a market for over 1,500 (729 in 2019) verified cassava farmers on the block chain platform from Luapula, Northern and Muchinga provinces of Zambia. 19,332 tonnes of high-quality malt barley grown on farms as far North as Mkushi and Serenje down to Zimba were purchased. The procurement of sorghum is an on-going development project with purchases of 1,400 tonnes in 2019 with a view to expansion in the Southern parts of Zambia. We have partnered with the Zambia Agriculture Research Institute (ZARI) to improve yields.

Water stewardship

An investment of over US\$1.5 million in several programmes that include the Ndola Itawa Water Springs, Lusaka George compound water supply and the WWF Kafue Flats Joint Action Group is testimony to our commitment to water stewardship. The George compound USD 150,000 industrial water borehole project will service many residents. We have also continued initiatives in our plants to ensure efficient utilization of water per H/L of alcohol produced.

Circular Packaging Recycling

Through our community recycling project, Manja Pamodzi, we take the lead on minimising post-consumer packaging waste in compliance with the recent legislation on extended producer liability. The initiative has over 800 participating collectors of which 75% are women, 11 aggregator sites and 12 processors in Lusaka. Over 12,000 tonnes of recyclable material have been collected and over 25,000 community members directly sensitized on good waste management practices.

Responsible Alcohol Consumption

Ethical sales and marketing support our Dream to grow the brand footprint and ensure that alcohol is enjoyed responsibly, and the public are protected from alcohol abuse. Our Mentorship Programme guides young people to make positive life choices as we partnered with various influencers in music, sport, and arts to work with youths in communities. The Programme included the ZMK 2 million rehabilitation of the Bauleni community football field in Lusaka.

Entrepreneurship

Across its value chain the company has created and supports significant job opportunities in smart agriculture, water security, distribution, production, wholesale, retailing, marketing, and recycling. By 2020 the retail sector alone maintained over 50,000 trading outlets with an average employment of 10 workers per outlet with a corresponding impact on direct and indirect taxes.

Climate Change

Plans on renewable energy sources remain a point of strategic focus for the future.

Dividend Declaration

At a Board meeting held on 30th July 2020, the Board of Directors recommended that no interim dividend be declared.

By Order of the Board
Deborah Bwalya
Company Secretary
Issued in Lusaka, Zambia on 07 September 2020

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