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**TongaatHulett**<sup>®</sup>

# Hippo Valley Estates Limited

## TRADING UPDATE FOR THE THIRD QUARTER ENDED 31 DECEMBER 2021

### Operating Environment

The Zimbabwean economic environment remains hyperinflationary, despite the relative slowdown in annual inflation from 194% at the beginning of the financial year in April 2021 to 61% in December 2021. During the third quarter, the Zimbabwe dollar depreciated by 24% against the United States dollar on the auction market. While foreign currency availability at the official exchange rate remains constrained, industry is taking advantage of the multicurrency regime to generate foreign currency on the local market to supplement offshore receipts. Global agricultural commodity prices remained high over the major production period, constraining viability in the agriculture sector.

### Covid-19 Update

The fourth wave of the Covid-19 pandemic which began towards the end of the third quarter resulted in the highest number of infections at both national and Company level since the pandemic began. However, the Company and the rest of the sugar industry, classified as an essential service, continued to operate with no significant business disruption. The Company continues to improve its Business Continuity Plan and Covid-19 preventive and reactive protocols, learning from past experiences and improved global knowledge on the disease. While supply chains have been impacted, these are being mitigated through advance planning and procurement of critical spares and inputs. As at 31 December 2021, Hippo Valley Estates Limited and Triangle Limited (together referred to as Tongaat Hulett Zimbabwe), had vaccinated 15 067 employees (94% of the total workforce) and 11 303 members of the community.

### Operations

#### Cane and sugar production (tonnes) for the 9 months ended 31 December 2021

	2021	2020	% Change
Tonnes cane harvested - Company	897 334	1 043 774	-14%
Tonnes cane harvested - Private farmers	768 804	592 722	+30%
Other third-party cane	26 065	55 439	-53%
Total tonnes cane milled - Company	1 692 203	1 691 935	0%
Tonnes sugar produced - Company	209 239	204 384	+2%
Tonnes sugar produced - Industry Total	390 194	408 260	-4%

The 2021/22 sugar milling season closed in mid-December with no cane carried over to the next season. Cane deliveries from the Company's plantations (miller-cum-planter) were 14% below the same period in prior year due to a combination of a 3% reduction in area that was available for harvest and a 11% drop in cane yields, due to insistent cloud cover during the past rainfall season, which constrained cane growth during the peak growing period. Cane deliveries from private farmers were however 30% above the same period in prior year due to a 21% growth in yields and a 9% increase in area harvested, benefiting from prior year carryover cane. While private farmer yields were approximately 20% below those on the Company's plantations, the positive trajectory from prior years is commendable. While total cane milled remained stable, sugar production for the season under review increased by 2% from prior season due to an improved factory performance, following a successful prior off crop maintenance program.

### Marketing Performance

Zimbabwe Sugar Sales (Private) Limited (ZSS) is the marketing desk for the Zimbabwe sugar industry at brown sugar level. Hippo Valley's share of total industry sugar sales volume of 317 155 tonnes (2020: 356 367 tonnes) for the 9 months to 31 December 2021 was 53.59% (2020: 49.95%). The total industry sugar sales into the domestic market for the same period, at 285 548 tonnes (2020: 258 746 tonnes), were 10% above same period in prior year on the back of strong local demand and improved supply. Price realisations on the local market, in both local and foreign currency, remained firm in current purchasing power terms. While local market foreign currency inflows were firm at the beginning of the period under review, they have subsequently slowed down owing to exchange rate dynamics within the market. Following the industry's reduced COMESA quota allocation for the year into Kenya, export sales volume reduced by 68% to 31 607 tonnes (2020: 97 620 tonnes). The volumes originally targeted at the Kenyan market were redirected to the local market to satisfy the strong local demand. Efforts are underway to develop other regional markets to reduce Kenya market concentration risk. The Country's annual export quota to the United States of America remains secure and fully satisfied.

### Environmental, Social & Governance

A total of 4 (2020: 2) Lost Time Injuries were recorded during the 9 months under review, resulting in a Lost Time Injury Frequency Rate of 0.055 (2020: 0.037).

[www.tongaat.com/hippo-valley-estates](http://www.tongaat.com/hippo-valley-estates)

Regrettably, 1 (2020: nil) fatal incident was recorded during the period at the Company's wildlife operations. As a result of this unfortunate incident, heightened safety and sustainability initiatives continue to be implemented throughout the operations. On a positive note, the organization's Safety and Environmental Sustainability Management Systems achieved certification to the International ISO 4501 and ISO 14001 Standards.

Initiatives to improve the quality of life of surrounding communities continue to be pursued through collaboration with the Government and local communities. During the period under review Tongaat Hulett Zimbabwe donated approximately US\$211 550 in direct donations to community related causes. Additionally, 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 and on-going support towards community health, education and sporting activities.

As previously reported the Company continues to strengthen governance structures and policies at all levels of the business.

### 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 at multiple points assured the Company that the issuance of the 99 Year Lease is imminent.

### Projects and initiatives

As previously reported, the resumption of Project Kilimanjaro, a 4 000 hectares new cane project being developed in partnership with sister company Triangle Ltd, awaits clarity on land tenure which is necessary to concluding funding arrangements with financial institutions. 700ha of the Kilimanjaro Project has been set aside and allocated to new farmers by Government as part of the on-going empowerment initiatives by Triangle Limited and Hippo Valley Estates Limited. Farmers have already benefited from the proceeds of the 562 hectares planted to sugarcane in prior years at the back of impressive yields achieved in the past season. Completion of Kilimanjaro and other projects will significantly increase sugar production to meet increasing local demand at the back of a growing population and recovery of the beverages industry, with surplus for export.

In addition to the long-established input support and technical assistance programs to private farmers, the recently launched framework whereby Tongaat Hulett Zimbabwe is co-managing certain underperforming private farms is ongoing and is expected to yield positive results in the ensuing harvesting season. The Company recognizes the importance of private farmers in the growth of the industry and is committed to amicably resolving contentious contractual matters between the millers and the private farmers.

### Outlook

Having successfully concluded the past milling season in mid-December 2021, focus is now on ensuring a robust plant maintenance program during the off-crop season. As successfully achieved in prior year, the Company is again planning for an early milling season start in April 2022, with the long-term goal of gradually repositioning the crop to prevent the disruptive impact of harvesting during wet spells in December. Marketing efforts in the last quarter of the financial year are on ensuring available stocks are disposed at best value to the industry, both locally and regionally. The industry's major water supply dams are once again reaching maximum capacity ensuring adequate irrigation water cover for at least three seasons at normal water duty. This provides the necessary assurance to stimulate both vertical and horizontal sugarcane growth by existing and new players to the industry which will in turn maximise existing milling capacity and improve the nations cost competitiveness in the region and globally.

### By Order of the Board

**C F Dube**  
Chairman

**A Mhere**  
Chief Executive Officer

30 January 2022

C F Dube (Independent Non-executive Chairman), R D Aitken, R T Masawi, A Mhere\* (Chief Executive Officer), O H Manasah\*, N Kudenga, J G Hudson, R J Moyo, G Sweto, R M Goetzsche. \* Executive