SUGAR ILLOVO MALAWI

(Incorporated in Malawi on 31 May 1965 under registration number 839)

ABRIDGED CIRCULAR TO SHAREHOLDERS

1. The purpose of this Circular

The purpose of this abridged Circular to Shareholders (the "Circular") is to provide additional information in respect of the Notice of Extraordinary General Meeting ("EGM") of Illovo Sugar (Malawi) plc (the "Company" or the "Group") which was published on 29th July 2025, proposing the following resolution: Approval of USD 45,000,000.00 (with an option of an additional USD 15,000,000.00) shareholder loan from Sucoma Holdings Limited ("Sucoma").

2. Purpose of the Shareholder Loan

The Board of Directors resolved that Illovo Sugar (Malawi) plc, subject to the necessary approval at an EGM, should borrow USD 45,000,000.00 (with an option of an additional USD 15,000,000.00) from Sucoma Holdings Limited ("SHL") who is the major shareholder of Illovo Sugar (Malawi) plc. ISM currently has an intercompany trade payable balance of ZAR1.3bn (USD 72m equivalent) to its related parties and fellow subsidiaries of Associated British Foods Plc, ABF Sugar (Pty) Ltd ("ABFS"). The trading balance relates to, among other things, procurement of machinery and services by ABFS on behalf Illovo Sugar (Malawi) plc. The balance has accumulated over a period of approximately four years due to the inability to source sufficient foreign currency in the market and through exports. The purpose of the shareholder loan is to settle a significant portion of the accumulated intercompany trade payables.

3. Use of the proceeds of the Shareholder Loan

The shareholder loan will provide immediate foreign currency liquidity to settle the intercompany payables. Illovo Sugar (Malawi) plc continues to face severe forex shortages due to low exports and market constraints. The loan will ease pressure on local forex sources, preserve financial flexibility, and support long-term investment plans

4. Salient Terms of the Shareholder Loan

Amount and currency	USD 45,000,000.00 (with an option of an additional USD 15,000,000)
Purpose	Repayment of amounts owed to ABFS in connection with the trading balance relating to, among other things, the provision by ABFS of certain goods and services to ISM.
Repayment	At any time and at the sole discretion of the ISM, who may base its decision on any number of considerations, including if it considers that ISM is in a stable financial condition, is able to source US Dollars in the market, has a strong leverage position and has sufficient free cash flow to make the relevant repayment.
Interest rate	The loan will not bear interest save for a Return of 5% above 12-month Term SOFR, which only becomes payable if the Borrower pays any dividend, charge, fee or other distribution (on interest thereon), in cash or in kind) on or in respect of its share capital in an amount equal to or exceeding 25% of the ISM's Free Cash Flow.
Covenants	None
Security	None

5. Independent review by Audit Consult

To ensure the terms of the shareholder loan are in line or more favourable than would be available on the market, ISM engaged Audit Consult to review the shareholder loan agreement and provide an independent fairness opinion.

The conclusion from their review is that the loan terms are fair and reasonable in the context of prevailing market conditions and comparable financing arrangements.

6. Financial Effects of the Shareholder Loan

The Group's intercompany payables are classified as short-term liabilities, though Illovo Sugar (Malawi) plc lacks the capacity to settle these liabilities in the short term. Overdue payables related to the procurement of equipment and services attract a 9% interest charge on balances exceeding the 30-day repayment terms. The proposed shareholder loan, with no fixed repayment terms, provides immediate foreign currency liquidity, easing pressure on internal and external foreign currency sources and enabling ISM to focus on long-term initiatives. Since repayment is at the Group's discretion, the loan qualifies as an equity instrument under IFRS and will be recognized in equity. The loan improves liquidity, eliminates interest expense on overdue balances, enhances interest cover, and strengthens financial resilience. The loan agreement does not include any option to convert the loan into share capital, and as such, there will be no dilution of existing shareholders' interests in the Group.

7. Dividends and dividend policy

The Group will maintain its current dividend policy, which allows for the distribution of up to 50% of Free Cash Flow, subject to consideration of debt levels, capital expenditure plans, working capital requirements, and expected operating performance in the subsequent financial year. The introduction of the Shareholder Loan does not alter this policy. However, under the terms of the loan, if the Group declares and pays dividends equal to or exceeding 25% of Free Cash Flow in any given financial year, an interest charge will become payable on the Shareholder Loan for that year. This interest will be calculated at a rate of 5% above the prevailing 12-month Term SOFR.

8. Current trading and prospects

For the half year ended 28 February 2025, the Group's turnover increased by 48% to MWK205.3 billion, with profit after tax rising to MWK26.3 billion (HY24 MWK22.6 billion). Sugar production improved to 88,867 tons (HY24 76,528 tons) due to better cane yields, effective flood recovery efforts at Dwangwa, and favourable agronomic conditions at Nchalo. Domestic sales volume grew to 98,466 tons (HY24 91,655 tons), offsetting reduced exports impacted by logistical challenges and prioritization of the local market. Operations were affected by fuel shortages, foreign exchange constraints, and political disruptions in Mozambique, affecting input deliveries and maintenance schedules.

The Group's key priorities include improving agricultural yields, optimizing factories, and developing talent. However, risks from forex shortages, inflation, high interest rates, unreliable electricity supply, and unpredictable weather persist. To address these, the Group is implementing targeted measures to strengthen operational resilience and support long-term growth. Looking forward, the Group remains committed to the Shire Valley Transformation Project to enhance efficiency and support smallholder farmers.

9. The EGM and Shareholders' Resolution

Notice of the EGM to be held on 19 th August 2025, at Sunbird Mount Soche Hotel, from 2:00 pm (circulated to Shareholders and carried in the newspapers). A summary and explanation of the Resolutions is set out below, but please note that this does not contain the full text of the Resolutions. You should read this section in conjunction with Resolutions in the Notice of the EGM. A summary of the actions you should take is set out in Section 10 (Action to be taken in respect of the EGM) of this Circular and the Form of Proxy that accompanies the full Supplemental Circular dated 29th July 2025 ("Supplemental Circular")

A detailed EGM Notice has been sent to shareholders.

Agenda Item - Approval of USD 45,000,000.00 (with an option of an additional USD 15,000,000.00) Shareholder Loan from Sucoma.

Illovo Sugar (Malawi) plc is currently facing acute foreign currency liquidity constraints due to both limited exports and the broader shortage of foreign currency in the local market. Given these challenges, the Group is unlikely to generate or source adequate foreign currency to service its obligations in the short to medium term. The proposed shareholder loan will ease pressure on internally generated and locally sourced foreign currency, thereby preserving financial flexibility and allowing the Group to focus on long-term strategic investments and value creation initiatives. The directors recommend that the Group should obtain the loan from Sucoma and utilise the proceeds to settle the intercompany payables.

10. Actions to be taken with respect to the EGM

The EGM will be held at Sunbird Mount Soche Hotel, on 19th August 2025, from 2:00 pm.

Attendance, representation, and voting at the EGM in person

You may attend and vote at the EGM in person. Alternatively, you may appoint a proxy to represent you at the EGM by completing the attached Form of Proxy following the instructions contained therein, which form must be received by the Company Secretary not less than 48 hours before the time appointed for the meeting or, the adjourned meeting. Voting via the electronic facility will be available to Shareholders. The electronic facility will be accessible by using a smartphone, tablet, or computer.

Shareholders (or a representative or proxy for a Shareholder) who wish to participate in the EGM will be required to register their details via the emails below to enable them to participate in the EGM. Such registration must be completed as soon as possible but no later than 16:30 hrs on Wednesday, 13th August 2025, using the emails infomalawi@illovo.co.za or pr@illovo.co.za.

If any Shareholder (or a representative or proxy for a Shareholder) experiences any difficulty with the registration process contemplated above by 16:30 hrs on Wednesday, 13th August 2025 ,such Shareholder (or a representative or proxy for a Shareholder) should request an agent of the Transfer Secretaries to assist such Shareholder (or a representative or a proxy for such Shareholder) with such difficulty by sending an e-mail to infomalawi@illovo.co.za or pr@illovo.co.za.

IMPORTANT NOTE: Shareholders (or a representative or proxy for a Shareholder wishing to participate in the EGM are advised that they will also be able to register to participate by sending a notice by e-mail to the Transfer Secretaries at custodymalawi@standardbank.co.mw no later than 16:30 hrs on Wednesday, 13th August 2025 that they wish to participate in the EGM.

11. Directors' recommendation

The Directors recommend that Shareholders vote in favour of the resolution to be proposed at the EGM.

12. Share capital structure of the Company

Authorised share capital (number of ordinary shares)	1,000,000,000.00
Authorised share capital (nominal value @ MWK0.02 per share)	20,000,000.00
Current issued and fully paid ordinary share capital (number of shares)	713,444,391
Current issued and fully paid share capital (nominal value @ MWK0.02 per share)	14,268,887.82

13. Information from other persons

No person has been authorised to give any information or make any representations other than those contained in this abridged Circular, and if given or made, such information or representations must not be relied upon as having been authorised by the Company or the Advisors.

14. Limitations

The broker acting exclusively for Illovo Sugar (Malawi) plc on this transaction is Stockbrokers Malawi Limited. No one else in connection with the proposed transaction will be responsible to anyone other than Illovo Sugar (Malawi) plc for providing advice concerning the proposed transactions.

Illovo Sugar (Malawi) plc does not accept responsibility and shall not be held liable for any action of or omission by any broker, including, without limitation, any failure on the part of any broker of any beneficial owner of the shares to notify such beneficial owner of the details set out in this Circular.

15. Contents of the website

The contents of the website of the Company do not form part of this abridged Circular unless expressly incorporated by reference in this Circular.

16. Interpretation

Unless the context otherwise requires, capitalized terms used in this Circular have the meanings ascribed to them in Part 1 (Definitions and interpretation) in the full Supplemental Circular.

17. Directors' responsibility statement

17.1. The Directors of the Illovo Sugar (Malawi) plc collectively and individually accept full responsibility for the accuracy of the information contained in this Circular and certify that to the best of their knowledge and belief, no facts have been omitted from this Circular which would make any statement herein false or misleading and that they have made all reasonable inquiries to ascertain such facts.

17.2. The Directors also confirm that the circular includes all such information within their knowledge for which it would be reasonably expected to find to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Group and of the rights attaching to which the Circular relates.

18. Documents and consents available for inspection

The following documents, or copies thereof, will be available for inspection during normal business hours at the registered office of ISM or can be requested via email from 29th July 2025 up to and including 13th August, 2025;

The following documents, or copies thereof, can also be requested via email from 29th July 2025, up to and including 13th August 2025.

18.1 Memorandum and Articles of Association of the Company.
18.2 Audited Financial Statements of the Group for the years ended August 2023, August 2024, and the half year unaudited results to 28th February 2025.
18.3 This Circular.
18.4 The Supplemental Circular dated 25 July 2025.
18.5 The full Shareholder Loan agreement between Sucoma and the Company.
18.6 Audit Consult fairness opinion letter referred to in paragraph 5 above.

19. Additional Information

Your attention is drawn to Part 3 (Additional Information) of the full Supplemental Circular for further information that is being disclosed in compliance with the MSE Listings requirements to enable you to make an informed decision at the EGM

Signed on behalf of Illovo Sugar (Malawi) plc

Maureen Kachingwe
Company Secretary

CREATING A THRIVING MALAWIAN COMMUNITY THROUGH THE PROVISION OF AFFORDABLE FOOD AND ENERGY