SUGAR ILLOVO MALAWI

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

EXTRACTS FROM THE AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 2025

FINANCIAL PERFORMANCE

Condensed consolidated and separate statements of profit or loss and other comprehensive income

	GROUP		COMPANY	
	31-Aug-25 K'm	31-Aug-24 K'm	31-Aug-25 K'm	31-Aug-24 K'm
Revenue	476 736	313 689	264 463	180 780
Gross Profit	179 904	118 971	84 907	53 613
Fair value of growing cane	45 062	20 763	24 664	11 180
Exchange loss	(23 572)	(24 372)	(22 290)	(23 973)
Other administrative Expenses	(74 387)	(56 036)	(42 624)	(31 805)
Operating profit	127 007	59 326	44 657	9 015
Dividend income	289	207	-	20 800
Net finance (cost)/income	(1 090)	(3 574)	1 004	(1 549)
Profit before taxation	126 206	55 959	45 661	28 266
Taxation	(48 991)	(33 327)	(18 592)	(11 266)
Net profit for the year	77 215	22 632	27 069	17 000
Other comprehensive income	341	212	-	-
Total comprehensive income	77 556	22 844	27 069	17 000
Adjusted for:				
Other comprehensive income	(341)	(212)	-	-
Headline earnings	77 215	22 632	27 069	17 000
Number of shares in issue ('000)	713 444	713 444		
Weighted average number of shares on which net profit per share is based ('000)	713 444	713 444		
Net profit per share (tambala)	10 823	3 172		
Headline earnings per share (tambala)	10 823	3 172		
Dividend per share (tambala)	850	1 840		

Quality of earnings statement

	GROUP 31-Aug-25 K'm	GROUP 31-Aug-24 K'm
Operating profit	127 007	59 326
Adjust for:		
Change in fair value of growing cane	(45 062)	(20 763)
Operating profit excluding fair value changes	81 945	38 563

Business segmental analysis

	GROUP 31-Aug-25 K'm	GROUP 31-Aug-24 K'm
Revenue		
Sugar production	219 078	152 167
Cane growing	257 658	161 522
	476 736	313 689
Operating profit		
Sugar production	70 781	68 194
Cane growing	56 226	(8 868)
	127 007	59 326

Condensed consolidated and separate statements of financial position

	GROUP		COMPANY	
	31-Aug-25 K'm	31-Aug-24 K'm	31-Aug-25 K'm	31-Aug-24 K'm
Assets				
Property, plant and equipment (including Right of use - assets)	194 339	137 708	119 323	97 009
Investment	1 733	1 257	324	324
Non-current assets	196 072	138 965	119 647	97 333
Current assets	392 078	258 515	292 728	182 761
Total Assets	588 150	397 480	412 375	280 094
Shareholders' Equity and Liabilities				
Shareholders' equity	215 305	148 808	70 406	54 399
Deffered tax	87 803	54 519	48 064	33 173
Non-current liabilities	6 558	3 932	5 407	1 089
Current liabilities	278 484	190 221	288 498	191 433
Total shareholders' Equity and Liabilities	588 150	397 480	412 375	280 094
Depreciation	22 006	16 940		
Capital expenditure	67 623	51 892		

Condensed consolidated and separate statements of cash flows

	GROUP		COMPANY	
	31-Aug-25 K'm	31-Aug-24 K'm	31-Aug-25 K'm	31-Aug-24 K'm
Cash generated from operations before working capital changes	103 525	55 412	35 856	10 166
Working capital requirements	77 277	10 404	91 327	4 360
Finance costs/(income)	(1 100)	(3 240)	994	(1 216)
Taxation	(10 923)	(17 051)	(676)	(4 624)
Net cash flows from operating activities	168 779	45 525	127 501	8 686
Net cash flows used in investing activities	(66 917)	(51 602)	(27 914)	(16 651)
Net cash flows before financing activities	101 862	(6 077)	99 587	(7 965)
Cash flows used in financing activities	(16 884)	(21 415)	(14 494)	(19 642)
Increase/(decrease) in cash and cash equivalents	84 978	(27 492)	85 093	(27 607)

Condensed consolidated and separate statements of changes in equity

	GROUP 31-Aug-25 K'm	GROUP 31-Aug-24 K'm	COMPANY 31-Aug-25 K'm	COMPANY 31-Aug-24 K'm
Share capital and premium				
Balance at beginning and end of the year	782	782	782	782
Retained earnings				
Balance at beginning of the year	147 252	137 747	53 613	49 740
Net profit for the year	77 214	22 632	27 069	17 000
Dividends declared	(11 058)	(13 127)	(11 058)	(13 127)
Balance at end of the year	213 408	147 252	69 624	53 613
Non-distributable reserve				
Fair value gain on revaluation of investment	341	212	-	-
Balance at end of year	1 115	774	-	4
Shareholders' equity	215 305	148 808	70 406	54 399

OVERVIEW

For the financial year ended 31st August 2025, the Group delivered a strong performance, achieving a turnover of K476.7 billion, up from K313.7 billion in the prior year. Profit before tax rose significantly to K126.2 billion, compared to K55.95 billion in the previous period. This growth was realized despite several operational challenges.

Total sugar production declined slightly to 203,786 tons from 222,190 tons, primarily due to persistent and unusually heavy rainfall between April and July 2025. The excessive rainfall severely disrupted cane harvesting, haulage, and other agricultural activities. Nevertheless, overall cane yields improved, driven by adequate irrigation and favourable climatic conditions from mid-July through to the end of the financial year.

The Group undertook extensive off-crop maintenance to prepare the mills for the 2025/2026 crushing season, initially scheduled to begin in mid-April. Factory start-up was done later than planned due to irregular cane supply caused by prolonged rainfall. Full-scale production resumed in mid-July and was sustained through to the end of the year.

Sales volumes increased to 223,140 tons, up from 206,017 tons in the previous year. The domestic market was the primary contributor, accounting for 210,910 tons compared to 178,821 tons previously. Export volumes declined to 12,229 tons from 27,196 tons. The strong domestic performance was driven by the Group's Route to Consumer initiative, intensified marketing and branding efforts, and informal cross-border trade.

Between March and July 2025, the country experienced sugar shortages, prompting traders to limit stock levels and constrain sales due to delayed factory operations. In response, the government issued export permits for quantities below those requested by the Group to prioritize domestic supply.

Persistent shortages of foreign currency and fuel continued to create challenges, impacting operational efficiency and driving up overall costs. Low export volumes further constrained the Group's ability to generate foreign currency as originally anticipated.

During the year, the Group secured a shareholder loan of USD52 million from SUCOMA Holdings Limited to partially offset the USD74 million of intercompany payables. This facility was approved at an Extraordinary General Meeting, with the funds received after the financial year-end and subsequently settled part of the intercompany foreign payables balance outstanding for three years, accumulated to September 2025.

As part of its Creating Shared Value initiatives, the Group supported cotton farming in the Nchalo community across 427 hectares; 175 hectares allocated by the Group and 252 hectares owned by local farmers. The initiative yielded 559.9 tons of cotton, producing 189.6 tons of lint and 331.7 tons of seed. The Group purchased the produce from growers and is exploring export opportunities.

IFC-BACKED LOCAL CURRENCY FACILITY TO PROVIDE FOREIGN CURRENCY FOR MODERNIZING NCHALO ESTATES' IRRIGATION UNDER THE SHIRE VALLEY TRANSFORMATION PROGRAM (SVTP).

Illovo Sugar (Malawi) plc secured a local currency-linked facility of up to US$81 million (approx. MWK 140.5 billion) from The International Finance Corporation (IFC). The 8-year facility includes a 1.5-year grace period and is backed by a corporate guarantee from Associated British Foods plc (ABF), ISM's parent company.

IFC's innovative financing structure—disbursed and repaid in US dollars but denominated in Malawi Kwacha—mitigates foreign currency exchange rate risk and ensures access to scarce foreign exchange for capital purchases.

The facility will be utilised in two phases: USD36 million for irrigation infrastructure upgrades and USD45 million for boiler replacement and factory debottlenecking at the Nchalo Sugar Estate.

A Water Purchasing Agreement between ISM and the Government of Malawi is anticipated, which will formalize ISM's role as the anchor off-taker of the SVTP. This milestone will enable the start of upgrades projected to save 34 million cubic meters of water annually—equivalent to 13,000 Olympic-sized swimming pools—and reduce energy use by 91%, cutting nearly 28,000 tons of CO_2 emissions.

The project will significantly lower ISM's water and energy consumption, while supporting and creating thousands of jobs across the agricultural supply chain. The investment is expected to deliver strong development outcomes, including job creation, environmental sustainability, and enhanced competitiveness of Malawi's sugar sector.

PROSPECTS

The Group remains committed to enhancing livelihoods within its surrounding communities and across the country. Continued investment will be directed toward improving agricultural yields, optimizing factory operations, expanding sales, elevating customer satisfaction, and strengthening staff development and safety.

As a key private sector partner in the Shire Valley Transformation Program, the Group aims to play a pivotal role in driving socio-economic development in the region.

Macroeconomic factors, including foreign currency availability, exchange rate volatility, interest rates, inflation, fuel supply, and electricity reliability, continue to influence the Group's operational performance and overall results.

The Group is also facing significant challenges due to climate change, including shorter growing seasons that demand reliable factories and faster crushing rates, as well as prolonged wet weather that hinders cane harvesting and dryness of cane fields. To address these issues, the Group has initiated new farming investments focused on improving drainage systems and debottlenecking the plant to enhance operational efficiency.

Despite these challenges, the Group is focused on maintaining resilience and sustainability to deliver consistent value for all stakeholders in the years ahead.

DIVIDEND

In recognition of the Group's strong performance for the year ended 31 August 2025, the Board of Directors is pleased to declare a third interim and propose a final dividend totalling K8.00 per share. The third interim dividend of K7.00 per share will be paid in December 2025, while the final dividend of K1.00 per share will be presented for shareholder approval at the Annual General Meeting in February 2026 and paid in March 2026. This brings the total dividend for the year to K18.50 per share, a significant increase from the previous year's total of K5.00 per share.

Jimmy Lipunga
Chairman

Ronald Ngwira
Managing Director

26th November 2025

REPORT OF THE INDEPENDENT AUDITOR ON THE CONDENSED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS OF ILLOVO SUGAR (MALAWI) PLC

OPINION

The condensed consolidated and separate financial statements, which comprise the condensed statements of financial position as at 31August 2025, the condensed statements of profit or loss and other comprehensive income, condensed statements of changes in equity and condensed statements of cash flows for the year then ended, and related notes, are derived from the audited consolidated and separate financial statements of Illovo Sugar (Malawi) plc for the year ended 31 August 2025.

In our opinion, the accompanying consolidated and separate financial statements are consistent, in all material respects with the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and the requirements of the Companies Act 2013.

CONDENSED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The condensed consolidated and separate financial statements do not contain all the disclosures required by IFRS Accounting Standards as issued by the International Accounting Standards Board and in compliance with the Companies Act, 2013. Reading the condensed consolidated and separate financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated and separate financial statements and the auditor's report thereon. The condensed consolidated and separate financial statements and audited consolidated and separate financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated and separate financial statements.

THE AUDITED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS AND OUR REPORT THEREON

We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated 26th November 2025. That report also includes communication of other key audit matters. Key audit matters are those matters that, in our professional judgement were of most significance in our audit of the consolidated and separate financial statements of the current period.

DIRECTORS' RESPONSIBILITY FOR THE CONDENSED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Directors are responsible for the preparation of the condensed consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and the requirements of the Companies Act 2013; and for such internal control as the directors determine is necessary to enable the preparation of the condensed consolidated and separate financial statements that are free from material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on whether the condensed consolidated and separate financial statements are consistent, in all material respects, with the audited consolidated and separate financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to report on Summary Financial Statements.

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Shape the future with confidence

Chartered Accountants (Malawi)

MacDonald Kamoto
Registered Practicing Accountant

27th November 2025