Alteo

Vision in Motion

ALTEO LIMITED AND ITS SUBSIDIARIES FOR THE PERIOD ENDED DECEMBER 31, 2018

"Alteo Group reports an improved turnover driven by better sugar sales in Kenya and property sales in Mauritius while group profit after tax was severely impacted by an unfavourable sugar price environment in Mauritius."

GROUP HIGHLIGHTS FOR THE SEMESTER

13%	18%	50%	114%
REVENUE	Normalised EBITDA	PAT	EPS

GROUP CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited 3 Months to 31 Dec 18 Rs 000	Unaudited 3 Months to 31 Dec 17 Rs 000	Unaudited 6 months to 31 Dec 18 Rs 000	Unaudited 6 months to 31 Dec 17 Rs 000
REVENUE	2,486,125	2,440,390	5,105,041	4,527,547
Normalised earnings before interests, taxation, depreciation & amortisation	415,105	627,859	1,104,737	1,351,413
Other income and expenses	71,918	150,392	73,579	150,392
Earnings before interests, taxation, depreciation & amortisation	487,023	778,251	1,178,316	1,501,805
Depreciation, amortisation and release of deferred income	(167,568)	(187,549)	(335,371)	(374,502)
Earnings before interests & taxation	319,455	590,702	842,945	1,127,303
Finance costs	(143,533)	(105,953)	(259,612)	(224,012)
Share of results of joint ventures & associates	8,686	8,494	3,004	752
Profit before taxation	184,608	493,243	586,337	904,043
Taxation	(138,961)	(192,336)	(291,252)	(312,506)
Profit for the period	45,647	300,907	295,085	591,537
Other comprehensive income for the period	(32,041)	(25,633)	(61,873)	(88,902)
Total comprehensive income for the period	13,606	275,274	233,212	502,635
Profit attributable to:				
Owners of the parent	(79,298)	101,490	(31,579)	232,678
Non Controlling interests	124,945	199,417	326,664	358,859
	45,647	300,907	295,085	591,537
Total comprehensive income attributable to:				
Owners of the parent	(96,861)	87,392	(62,392)	185,601
Non Controlling interests	110,467	187,882	295,604	317,034
	13,606	275,274	233,212	502,635
Earnings per share Rs	(0.25)	0.32	(0.10)	0.73
Dividend per share Rs	0.32	0.35	0.32	0.35

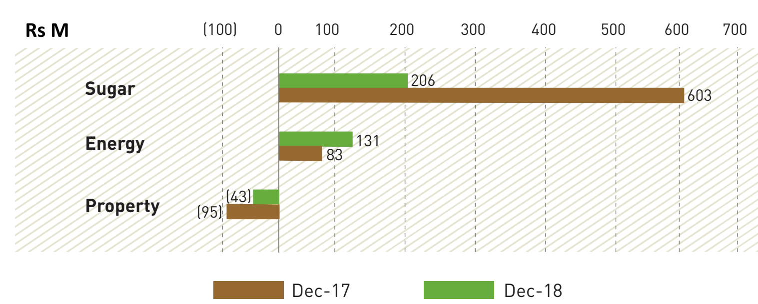
GROUP SEGMENTAL INFORMATION

	Unaudited 3 Months to 31 Dec 18 Rs 000	Unaudited 3 Months to 31 Dec 17 Rs 000	Unaudited 6 months to 31 Dec 18 Rs 000	Unaudited 6 months to 31 Dec 17 Rs 000
Revenue by Cluster				
Sugar	1,906,413	2,050,907	4,071,135	3,868,329
Energy	400,636	353,357	730,035	620,310
Property	212,775	63,863	381,315	104,816
Consolidation adjustments	(33,699)	(27,737)	(77,444)	(65,908)
Total revenue	2,486,125	2,440,390	5,105,041	4,527,547
Revenue by Country				
Mauritius	1,210,423	1,213,485	2,402,318	2,362,254
Tanzania	809,134	933,654	1,665,153	1,641,498
Kenya	500,267	320,988	1,115,014	589,703
Consolidation adjustments	(33,699)	(27,737)	(77,444)	(65,908)
Total revenue	2,486,125	2,440,390	5,105,041	4,527,547
Results by Cluster				
Sugar	(8,741)	287,827	206,454	603,201
Energy	72,899	51,133	131,341	82,899
Property	(18,511)	(38,053)	(42,710)	(94,563)
Profit for the period	45,647	300,907	295,085	591,537
Results by Country				
Mauritius	(118,177)	(13,832)	(139,811)	48,966
Tanzania	222,235	423,027	468,532	736,458
Kenya	(58,411)	(108,288)	(33,636)	(193,887)
Profit for the period	45,647	300,907	295,085	591,537

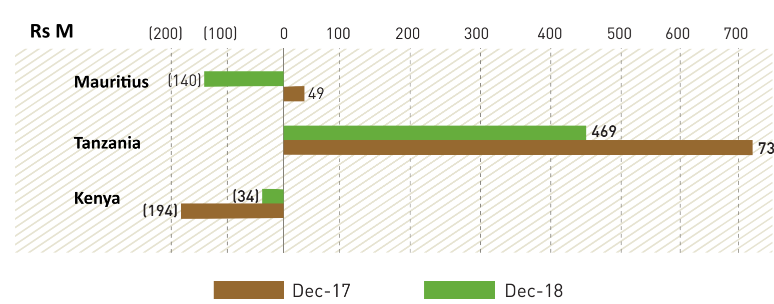
GROUP CONDENSED STATEMENT OF FINANCIAL POSITION

		Unaudited 31 Dec 18 Rs 000	Audited 30 Jun 18 Rs 000
ASSETS			
Non-current assets			
Property, plant and equipment		19,855,493	20,101,214
Investment properties		1,646,386	1,646,386
Intangible assets		1,775,300	1,785,920
Investment in joint ventures & associates		129,052	21,639
Investment in available-for-sale financial assets		13,604	56,140
Deferred tax assets and other non current receivables		105,936	216,103
		23,525,771	23,827,402
Current assets		6,620,972	6,308,094
Non current assets held for sale		307,735	308,039
TOTAL ASSETS		30,454,478	30,443,535
EQUITY AND LIABILITIES			
Shareholders' interests		16,612,363	16,777,506
Non controlling interests		2,385,509	2,257,974
Non current liabilities		6,447,140	6,238,471
Current liabilities		5,009,466	5,169,584
TOTAL EQUITY AND LIABILITIES		30,454,478	30,443,535
Net asset value per share	Rs	52.16	52.68
Number of shares in issue	No	318,492,120	318,492,120

PROFIT FOR THE PERIOD BY CLUSTER



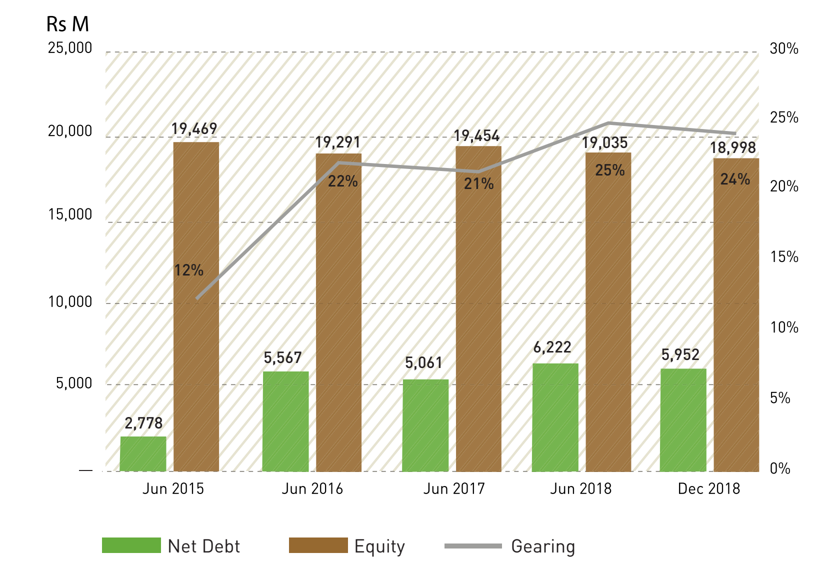
PROFIT FOR THE PERIOD BY COUNTRY



GROUP CONDENSED STATEMENT OF CASH FLOWS

	Unaudited 6 months to 31 Dec 18 Rs 000	Unaudited 6 months to 31 Dec 17 Rs 000
Net cash flow from operating activities	567,266	537,144
Net cash flow (used in) investing activities	(119,361)	(389,665)
Net cash flow (used in) financing activities	(17,352)	(426,182)
Net increase / (decrease) in cash and cash equivalents	430,553	(278,703)
Cash and cash equivalents at July 1,	(1,287,990)	(680,097)
Cash and cash equivalents at December 31	(857,437)	(958,800)

GEARING



GROUP CONDENSED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of parent Rs'000	Non Controlling interests Rs'000	Total Equity Rs 000
At 1 July 2018	16,777,506	2,257,974	19,035,480
Total comprehensive income for the period	(62,392)	295,604	233,212
Movement in reserves	(834)	5	(829)
Dividend	(101,917)	(168,074)	(269,991)
At 31 December 2018	16,612,363	2,385,509	18,997,872
At 1 July 2017	16,035,900	2,427,763	18,463,663
Total comprehensive income for the period	185,601	317,034	502,635
Movement in reserves	(484)	91	(393)
Dividend	(111,472)	(172,582)	(284,054)
At 31 December 2017	16,109,545	2,572,306	18,681,851

COMMENTS

GROUP REVIEW FOR THE SEMESTER

LOWER PROFITABILITY OF THE SUGAR CLUSTER

Group revenue increased by 13% in the semester under review, mainly explained by the better sales achieved by the Kenyan sugar operations and the Property cluster. However, normalised EBITDA and profit after tax dropped by 18% and 50% respectively as the Mauritian sugar operations remained under pressure in a declining price environment. The adverse performance of the Sugar cluster was mitigated to some extent by the improved results of the Energy and Property clusters.

Earnings per share deteriorated by 114% over the period mainly influenced by the adverse performance of the Mauritian sugar operations in which Alteo holds relatively high effective interests and lower gains on the sale of land recognised under other income and expenses.

SUGAR

DROP IN RESULTS MAINLY DRIVEN BY OPERATIONS IN MAURITIUS DESPITE TURNAROUND IN KENYA

The Sugar cluster suffered a steep decline in performance with profits of Rs206m for the semester compared to Rs603m for the same period last year.

This drop in profits was largely attributable to the sugar operations in Mauritius which suffered a loss of Rs304m after adjusting for non-recurring items, compared to Rs87m last year. The exclusion of millers from the support measures announced by Government this year coupled with poorer sugar cane yields have posed additional stress on the sugar operations domestically and consequently the overall results for Mauritius showed a loss of Rs140m compared to a profit of Rs49m last year.

The adverse results for Mauritius was partly offset by a sustained turnaround in Kenya with a significantly higher production and sales volume resulting from an enhanced sugar cane availability. The medium term strategy of accelerated cane development implemented as from January 2017 has translated into an increasing cane throughput as from July 2018, the average cane growth cycle being 18 months in the Transmara region. Average prices on the domestic market also improved during the semester.

Finally, the Tanzanian operations achieved better sales but realised a lower profitability as priority continued to be given to the sales of lower margin imported sugar. These operations also suffered from a lower average price this semester.

ENERGY

HIGHER PROFITABILITY WITH BETTER TARIFF AND LOWER MAINTENANCE COSTS

The Energy cluster posted a higher profit after tax mainly due to a better average tariff achieved by Alteo Energy Ltd (AEnL) and lower maintenance costs at Consolidated Energy Co Ltd (CEL) in view of its closure.

PROPERTY

RESULTS IMPROVED WITH HIGHER PROPERTY SALES REVENUE RECOGNITION

Property sales revenue continued to be recognised during the semester as the construction works progressed on seven villas sold off-plan. No property sales had been booked in the first semester last year. The performance of Anahita Golf & Spa Resort was at par with the comparative period while Anahita Golf Club posted slightly lower results as it closed the course to paying guests to host the Afrasia Bank Mauritius Open tournament during its peak month of November.

OUTLOOK

GROUP PERFORMANCE EXPECTED TO BE SUPPORTED BY THE EAST AFRICAN SUGAR OPERATIONS

Given the seasonality of the Mauritian sugar operations, most of their annual revenue has been recognised to date and losses are expected to increase over the remaining part of the financial year. In the short to medium term, these operations will continue to be affected by adverse price conditions on the world market, and the EU market in particular, and will remain heavily dependent on cash generated from the sale of land to finance operational losses. An enhanced sugar cane availability, as the area under cane continues to develop, is expected to continue to be beneficial to the Kenyan sugar operations. In Tanzania, a good crop is expected and the sales of locally produced sugar should gradually catch up with last year's volumes over the second semester as the stock of imported sugar is now cleared.

The Power Purchase Agreements (PPAs) for CEL and AEnL have expired in December 2018. CEL has stopped its operations in January 2019 while the terms of the renewed PPA for AEnL are still to be confirmed. The Energy cluster's outlook remains uncertain.

An improving trend in the Property cluster results is anticipated as the construction of off-plan villas progresses and several sales of serviced plots are expected to be concluded in the second semester of the financial year.

By Order of the Board

Kate M. Li Kwong Wing
Company Secretary

February 12, 2019

Notes:
The condensed financial statements for the 6 months ended December 31, 2018 are unaudited, and have been prepared using the same accounting policies as the audited statements for the year ended June 30, 2018.
Copies of the above condensed unaudited financial statements and statement of direct and indirect interests of Officers of the Company as required under Rule 8(2)(m) of the Securities (Disclosure Obligations of Reporting Issuers) Rules 2007, are available to the public, free of charge, at the registered address of the Company at Vivéa Business Park, Saint Pierre.

The above condensed unaudited financial statements are issued pursuant to Listing Rule 12.20 and the Securities Act 2005.
The Board of Directors of Alteo Limited accepts full responsibility for the accuracy of the information contained in these condensed financial statements.