



COPPERBELT  
energy

Copperbelt Energy Corporation Plc  
[Incorporated in the Republic of Zambia]  
Company registration number: 39070  
Share Code: CEC  
ISIN: ZM0000000136  
["CEC"]

## **SUMMARY RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018**

In compliance with the requirements of the Securities Act and the Listings Rules of the Lusaka Securities Exchange, Copperbelt Energy Corporation Plc announces its audited results for the year ended 31 December 2018.

## FINANCIAL HIGHLIGHTS

	ZMW % Movement	USD % Movement
<b>REVENUE:</b> <b>ZMW4,405m (USD421m)</b> 2017: ZMW3,697m (USD390m)	 19.2%	 7.9%
<b>EBITDA:</b> <b>ZMW1,153m (USD110.23m)</b> 2017: ZMW972m (USD101.471m)	 18.6%	 8.6%
<b>PAT:</b> <b>ZMW584m (USD55.856m)</b> 2017: ZMW459m (USD48.38m)	 27.2%	 15.5%
<b>*Adjusted PAT:</b> <b>ZMW538.6m (USD50.5m)</b> 2017: ZMW459m (USD48.38m)	 17.3%	 4.4%

**Transaction closure:**  
shareholder value actualisation

Successfully closed  
**CEC Liquid Telecom Divestment**  
16 October 2018

\*Adjusted PAT  
Adjusted for the following exceptional items:  
- Gain on disposal of CEC Liquid Telecom shares  
- Income tax effective rate retained at 35% to remove the effect of prior year tax

## Summary separate statement of profit or loss and other comprehensive income for the year ended 31 December 2018

	Year ended 31 December 2018	Year ended 31 December 2017
	ZMW'000	ZMW'000
Revenue	4,404,898	3,696,659
Gross profit	1,353,283	1,237,857
Share of (loss)/profit in associate	(962)	4,252
Profit on disposal of associate	115,800	-
Other income	82,712	98,705
Operating expenses	(586,803)	(585,609)
(Loss)/profit before interest and tax	964,030	755,205
Net finance costs	(19,640)	(42,240)
*Income tax expense	(360,254)	(253,858)
(Loss)/profit after tax	584,136	459,107
Other comprehensive income	21	214,408
Total comprehensive income	584,157	673,515
<b>Earnings per share</b>	<b>0.36</b>	<b>0.28</b>

Cash costs contained  
at USD38m  
(2017: USD39m)

## Summary of separate statement of financial position as at 31 December 2018

	Audited year ended 31 Dec 2018	Audited year ended 31 Dec 2017
	ZMW'000	ZMW'000
Total non-current assets	5,273,574	4,370,964
Total current assets	2,387,605	1,822,436
<b>Total assets</b>	<b>7,661,179</b>	<b>6,193,400</b>
Total equity	4,454,836	3,431,505
Total non-current liabilities	1,961,000	1,719,788
Total current liabilities	1,245,343	1,042,107
<b>Total equity and liabilities</b>	<b>7,661,179</b>	<b>6,193,400</b>

Includes a receivable of  
ZMW363.9m  
(USD30.5m)  
CEC Liquid Telecom  
transaction due on  
30 Jan 2019

\*Income tax expense

The effective tax was 38.1% higher than the income tax rate of 35% on account of:

- Effect of the prior year tax recognised in 2018

- Higher than usual quantum of tax disallowable costs, mostly related to the CEC Liquid Telecom transaction

The total income tax paid during the year was correspondingly higher at ZMW418 million (USD40 million).

## Summary separate statement of cash flows for the year ended 31 December 2018

	<b>Audited Year ended 31 Dec 2018</b>	Audited Year ended 31 Dec 2017
	<b>ZMW'000</b>	ZMW'000
Net cash flows from operating activities	<b>794,570</b>	703,351
Net cash flows used in investing activities	<b>(176,759)</b>	(147,731)
Net cash flows from financing activities	<b>(423,754)</b>	(341,830)
Net increase/(decrease) in cash and cash equivalents	<b>194,057</b>	213,790
Cash and cash equivalents at 1 January	<b>680,359</b>	451,282
Effect of exchange rate fluctuations	<b>159,969</b>	15,287
<b>Cash and cash equivalents at 31 December</b>	<b>1,034,385</b>	680,359

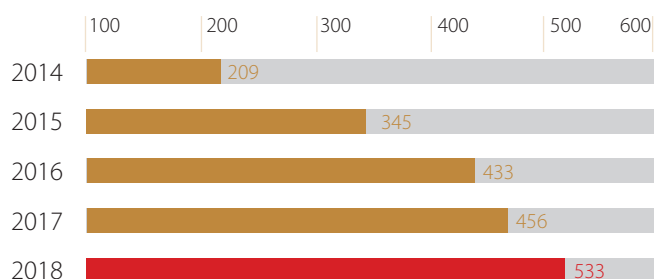
## Summary separate statement of changes in Equity for the year ended 31 December 2018

<b>In ZMW'000s</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Revaluation reserve</b>	<b>Retained earnings</b>	<b>Total</b>
Balance at 1 January 2017	2,849	60,078	1,344,638	1,485,068	2,892,632
Revaluation surplus	-	-	230,659	-	230,659
Profit for the year	-	-	-	459,107	459,107
Defined benefits plan actuarial gain	-	-	-	7,622	7,622
Related tax	-	-	-	(2,668)	(2,668)
Amortisation of revaluation reserve	-	-	(159,041)	159,041	-
Foreign currency translation difference	-	-	-	43,442	43,442
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>71,618</b>	<b>666,545</b>	<b>738,163</b>
<b>Transactions with owners of the Company</b>					
Dividends	-	-	-	(199,290)	(199,290)
Balance at 31 December 2017	2,849	60,078	1,416,256	1,952,322	3,431,505
<b>Balance at 1 January 2018</b>	<b>2,849</b>	<b>60,078</b>	<b>1,416,256</b>	<b>1,952,322</b>	<b>3,431,505</b>
Revaluation surplus	-	-	-	-	-
Profit for the year	-	-	-	<b>584,136</b>	<b>584,136</b>
Defined benefit plan actuarial loss	-	-	-	<b>48</b>	<b>48</b>
Related tax	-	-	-	(17)	(17)
Amortisation of Revaluation Reserve	-	-	(121,802)	<b>121,802</b>	-
Foreign currency translation difference	-	-	-	<b>711,069</b>	<b>711,069</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(121,802)</b>	<b>1,417,038</b>	<b>1,295,236</b>
Dividends paid	-	-	-	(271,905)	(271,905)
<b>Balance at 31 December 2018</b>	<b>2,849</b>	<b>60,078</b>	<b>1,219,454</b>	<b>3,097,455</b>	<b>4,454,836</b>

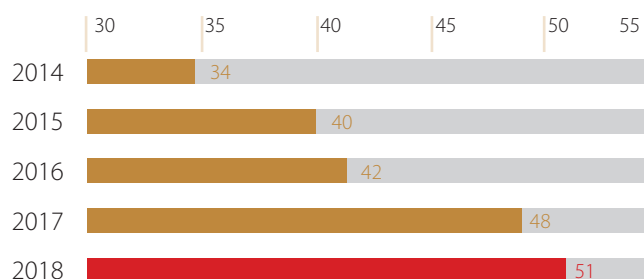
## I. Financial update

- The Company posted positive results, ensuring shareholders continue to earn a return through dividend and sustained share price growth.
- Revenue increased by 8% in United States Dollar (USD) terms and 19% in Zambian Kwacha (ZMW) terms from ZMW3,697 million in 2017 to ZMW4,405 million mainly on account of increased energy consumption in Zambia, consistent power supply to the DRC market and depreciation of the Kwacha against the Dollar.
- The Company has recorded a profit after tax of ZMW584 million compared to ZMW459 million in 2017. This represented an increase of 27.2% in ZMW and 15.5% in USD.
- Included in the financial results is an exceptional item; being the gain on disposal of shares in CEC Liquid Telecom amounting to ZMW115.8 million (USD11.1 million).
- There was an improvement in collections and general working capital management as evidenced by the improvement in cash from operations by 13% from ZMW703 million to ZMW795 million.
- The current assets figure includes a receivable of ZMW363.9 million (USD30.5 million); being the deferred payment for the CEC Liquid Telecom transaction, which amount was paid post balance sheet on 30 January 2019.
- The average ZMW to USD exchange rate for the year was ZMW10.46 (2017: ZMW9.49), while the closing exchange rate was ZMW11.93 (2017: ZMW9.99).
- Core business financial profitability has been improving year on year as evidenced by the adjusted profits financial trend below. Adjusted profit for the year at ZMW533 million (USD51.5 million) compared to ZMW456 million (USD48.3 million) in 2017.

**Adjusted Earnings ZMW'm**



**Adjusted Earnings USD'm**



## II. Dividends paid

During the year under review, the Company paid a dividend of ZMW272 million (USD26 million) (2017: ZMW199 million; USD21 million).

## III. Performance and operational update

The performance of the Company's power supply network throughout the year was satisfactory, meeting all set benchmarks by which we measure performance. The good rainfall during the 2017/18 season resulted in sufficient energy in the country's main dams at Kariba and Itezhi Tezhi to sustain the country's requirements for most of 2018 without import support. This was complemented by other smaller hydro power plants and independent power producers, including Maamba Collieries Limited and Ndola Energy Company Limited. We purchased most of the energy for our local mining customers from ZESCO as contractually required under the Bulk Supply Agreement. CEC only imported energy from the Southern African Power Pool (SAPP) in the first quarter of the year. Based on supplemental power agreements, imported power was supplied as replacement power to address the 30% energy deficit resulting from the partial drought of 2014. With the country gaining enough water in its dams by April 2018, ZESCO lifted the partial force majeure earlier declared in 2015, signalling that local sources were able to fully meet national demand. We, therefore, discontinued power imports from the SAPP in April 2018.

The total energy handled by the CEC network in 2018 was 5,220.717GWh, out of which 3,761.343GWh constituted consumption by the mines while 1,459.374GWh was wheeled for ZESCO. Sales to mine customers totaled 3,676.003GWh compared to 3,512.529GWh the previous year. The Company carries out wheeling, which is the transportation of power on behalf of other entities, within the country and the SAPP. The largest portion of this business segment is on behalf of ZESCO in relation to power supplied to all other customer categories other than the mines on the Copperbelt Province. We also wheel power for Frontier Mine, located in the DRC. A total of 1,476.161GWh and 271.583GWh was wheeled for ZESCO and Frontier Mine respectively.

Mine demand, while recovering, is still below the levels seen early in 2015 before the commodity crunch, highlighting good prospects for further demand growth for this customer segment in 2019. Growth in this area will mostly be driven by mining expansionary projects by our customers, which are beginning to reach commercial operation. The domestic wheeling business segment, which has shown steady moderate growth over the last 3 years, is also expected to continue on this trajectory in the coming year as electrification efforts are ramped up and new commercial and industrial customers are connected to the grid. Downside risks to the projected mine demand include potential continuing trade tensions between the USA and China and possible negative impact of the changes to the local fiscal regime.

The Company maintained high plant availability and reliability throughout the year in line with set metrics for measuring performance in this area. We continued the drive to modernise our power infrastructure and improve on our maintenance processes. About ZMW268 million (USD22.48 million) was spent on capital expenditure, focused on critical business operational areas, covering both primary and secondary power network infrastructure.

## IV. Health, Safety, Environment and Social

The Company has continued to maintain a fatality-free work environment. 2018 was particularly remarkable as we extended our outstanding performance in this area to record 10 years of fatality free operations as we clocked nearly 4.7 million man-hours without a system-based lost time accident. We interacted with communities where we operate to sensitise them and raise safety awareness on the hazards associated with high voltage and share general safety guidance. An area of concern remains the number of road traffic accidents recorded, which stood at six against a target of four. We continue our efforts to raise awareness and retrain staff.

Our environmental protection and stewardship approach to business operations aims at achieving environmentally sustainable business operations. The Company continues to pursue a number of programmes in this area. We commenced, during the year, our anti-plastic campaign aiming to recycle plastic water bottles into plastic packaging straps through partnership with a local recycling company.

We have continued to earn recognition for our good environmental practices and received the ZEMA 2018 Environment Award in acknowledgment of our overall contribution to sound environmental management practices. This was the third year running that we received ZEMA recognition.

## V. Market developments

On the legislative and regulatory front, we continue to monitor and participate in the process to review the Electricity and Energy Regulation Acts. We are also participating in the Cost of Service Study being spearheaded by the Energy Regulation Board.

In a bid to diversify its energy mix, Zambia is continuing its efforts to deploy more solar PV in the country. The Scaling Solar and the GET FiT Zambia are the two flagship programmes by the Government, supported by multilateral and bilateral partners, that remain key to achieving this objective. The Government has announced its intention to add about 600MW of solar PV to the country's generation capacity. CEC, partnering with InnoVent SAS is participating in the tender process under the GET FiT Zambia Round 1, which is looking to develop up to 100MW of solar PV. Towards the end of 2018, the Government launched Round 2 of GET FiT Zambia, aimed at adding 100MW of small hydros to the grid. The Company intends to participate in the GET FiT Zambia Hydro so as to contribute to national efforts to expand generation capacity and levels of electrification.

## VI. Telecoms business

As per our strategy earlier communicated, we successfully divested the telecoms assets (our 50% stake in CEC Liquid Telecom), allowing us to solely focus on the power business going forward. The Company realized a gain on disposal of this investment of ZMW115.8 million (USD11.1 million). We expect to use the proceeds in expanding our power business.

## VII. Outlook

In the coming year, our energies will be expended on key strategic focus areas of the business that will drive our performance in enhancing sustainable value. Our commitment to participate in the development of renewable generation projects, such as hydro and solar, aligned with our core business, is well reflected in our strategy. While pursuing some of the private sector initiatives in this area, we will also participate in the Government-led programmes such as the GET FiT Zambia and Scaling Solar programmes.

## VIII. Events subsequent to the reporting date

Reflecting their continued confidence in the strength and prospects of the business, the directors approved, on 1<sup>st</sup> February 2019, the payment of a dividend of US Cents 1.9 per ordinary share, which translates to 22.67 Ngwee (ZMW0.2267) per share, using the Bank of Zambia mid-rate applicable on the date of declaration. The dividend will be paid to the shareholders registered in the share register of the Company at the close of business on Friday, 1<sup>st</sup> March 2019. Dividend payment will be effected from Monday, 4<sup>th</sup> March 2019.

## Cautionary on Forward-looking Information

*This summary results announcement contains financial and non-financial forward-looking statements about the Company's performance and position. We believe that while all forward-looking information contained herein is realistic at the time of publishing this report, actual results in future may differ from those anticipated. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause CEC's actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied by these forward-looking statements. Although CEC believes that the expectations reflected in these forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. We take no obligation to revise or update these forward-looking statements to reflect events or circumstances that arise after the statements have been made.*

## About the Company

CEC's core business is the supply of power to the copper mines based on the Copperbelt Province of Zambia and some mining companies in the DRC in conjunction with that country's state utility, SNEL. CEC wheels power through its network on behalf of ZESCO Ltd on the Copperbelt, and operates a transmission interconnection with the DRC.

CEC has two incorporated subsidiaries - CEC-Kabompo Hydro Power Limited (CEC-KHPL) and CEC DRC Sarl. CEC-KHPL is the special purpose vehicle through which CEC is developing the 40MW Kabompo Gorge hydroelectric power project in Mwinilunga District of the North-Western Province of Zambia, while CEC DRC Sarl is a special purpose vehicle incorporated to secure the power trading segment and grow the Company's interest in that market.

**By Order of the Board**  
**Julia C Z Chaila (Mrs.)**  
**Company Secretary**

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