



Financial Results Analysis

“The Road To Nowhere”

2014-2017

July 2017

ZCCM Financial Results Analysis



■ Financial Results –

- Revenues has been **severely deteriorating** in the past 3 years.
- **No significant Dividends** from holdings since 2014.
- ZCCM has **lost more than ZMK 3,899m** (USD 740m), cumulatively, in the bottom line.
- **Net Cash has dropped** from a surplus **to deficit** by ZMK 248m (USD 47m) in 2 years.
- ZCCM has recognized an **impairment of over ZMK 1,204m** (USD 229m) in the years 2015-2016

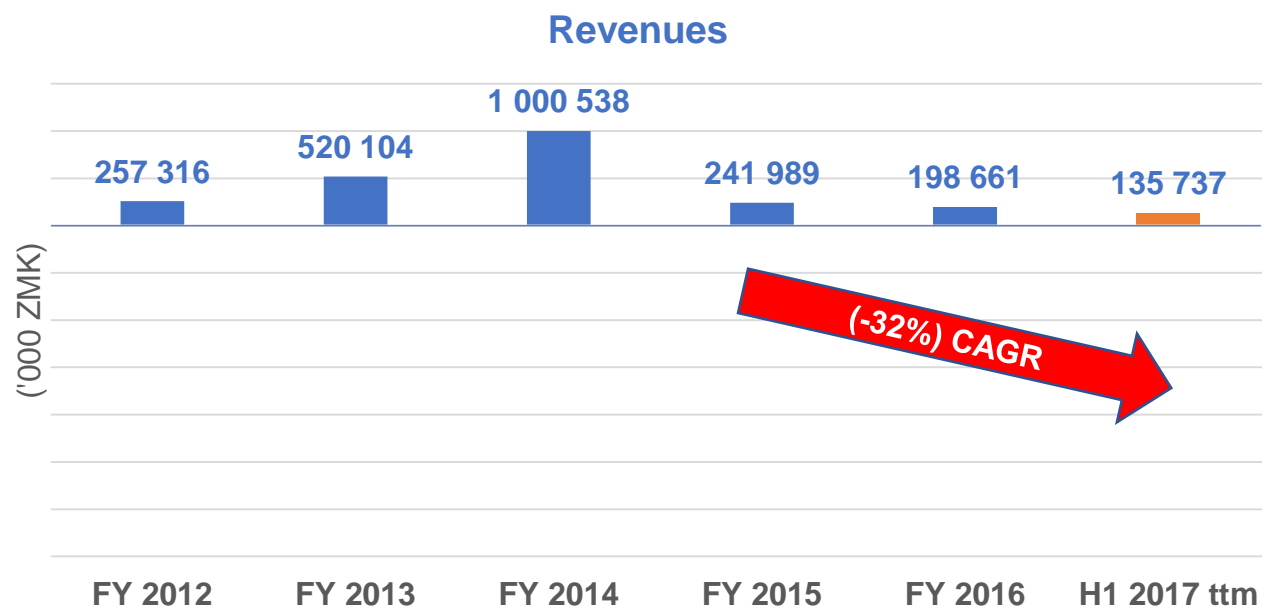
■ Ndola Lime Company ("NLC") –

- Cash-flow **losses** and outstanding **loans** are endangering future of ZCCM.
- ZCCM has been **pouring capital in vain** into the failing operations of NLC.
- NLC **repeatedly failed** to commission the Vertical Kiln which is essential for its operations.
- NLC **owes ZMK 282m** (USD 53m) which ZCCM has guaranteed.

Revenues



Global Copper prices has been falling in the years 2011-2016 by more than 50%, which affected both the company's results directly, and indirectly by the recession in the Zambian economy. Subsequently, ZCCM has recognized an impairment of over ZMK 1,204m (USD 229m) in the years 2015-2016.



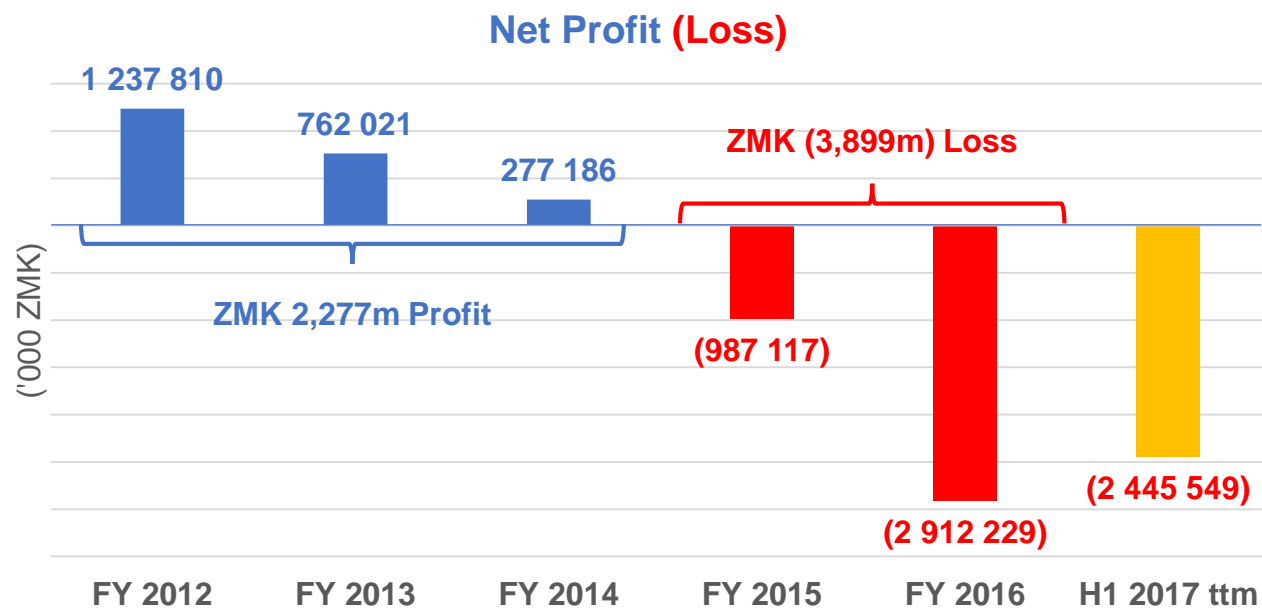
TTM = Travelling Twelve Months, H2 2016 + H1 2017

CAGR = Compounded Annual Growth Rate, calculated from March 31, 2015 to September 30, 2016

Bottom Line



ZCCM is hemorrhaging severely, losing cumulatively in the past 2 years more than ZMK 3,899m (USD 740m) – which erases any of its previous profits. Along with the deteriorating revenues and poor dividends stream, the company had to write off more than ZMK 1,509m (USD 287m) of bad account receivables in 2015, and in 2016 the company recognized a loss of over ZMK 2,210m (USD 420m) due to associate companies' losses.

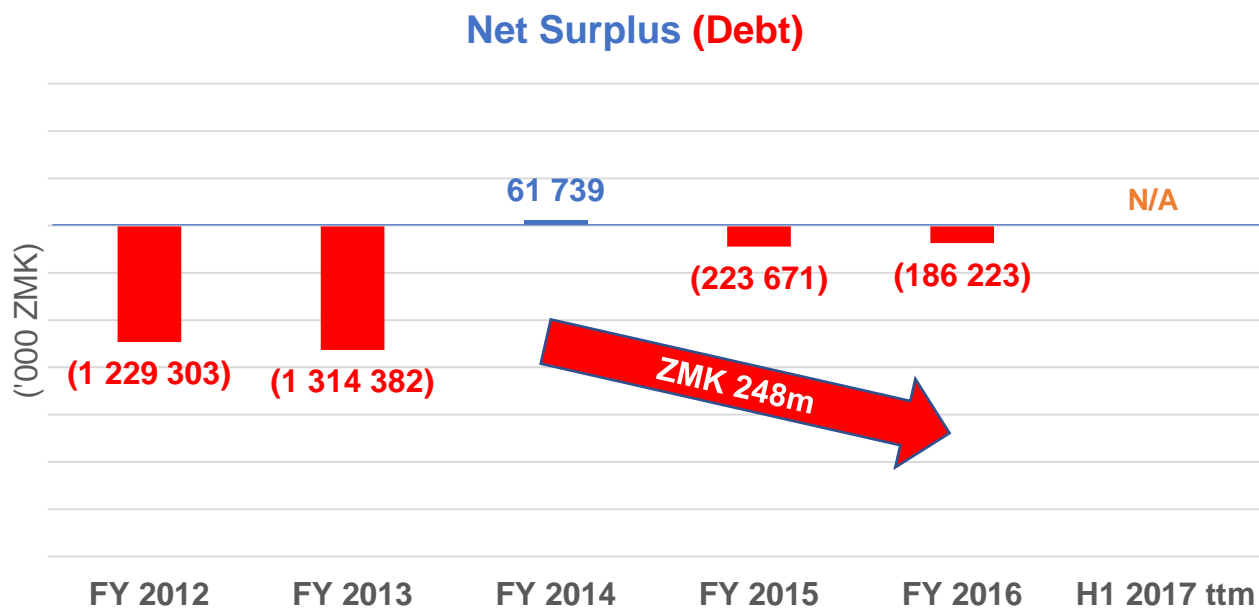


TTM = Travelling Twelve Months, H2 2016 + H1 2017

Net Cash



ZCCM's inability to manage its wholly owned subsidiaries, has led the company into an actual cash-flow deficit. Though the macro-economic influences might explain some of the financial results, the Company deteriorated from a surplus of ZMK 62m (USD 12m) net cash in March 2014, the company exhausted its resources to a deficit of ZMK 186m (USD 35m) by March 2016. In real terms - this is far worse than any equity losses from its minority holdings.



TTM = Travelling Twelve Months, H2 2016 + H1 2017

- **ZCCM has been pouring capital in vain into NLC in hope to reorganize its failing operations.** ZCCM converted in 2016 its shareholders loans to NLC in a total of ZMK 659m (USD 125m), effectively giving up the opportunity to see its loans back.
- **NLC failed to complete the Vertical Kiln which is essential for its operations** and ZCCM has repeatedly postponed the commissioning in its announcements.
- **NLC has a pending loan of ZMK 282m (USD 53m) to Standard Bank of South Africa**, that is secured under all leased assets held as security. Without positive cash-flow and resources, ZCCM will have to pay the loan from its lean pockets.