



Delta Corporation

LIMITED



The Company hereby issues a business update for the first quarter ended 30 June 2026.

OVERVIEW OF THE OPERATING ENVIRONMENT

The trading environment during the first quarter ended 30 June 2026 was largely steady, anchored by the stability of the ZiG currency, low inflation and firm economic activity. Consumer spending remained buoyant, benefiting from firm mineral prices, increased mining activity, improved agricultural output, tobacco-season liquidity and diaspora remittances. These conditions sustained demand across the Group's main beverage categories and reinforced the recovery in formal trade channels.

The proportion of domestic sales undertaken in foreign currency remained above 90%, reflecting the continued dollarisation of the economy. The weakness of the US Dollar against the Group's main trading currencies presented both opportunities and risks, with stronger mineral prices bolstering foreign currency inflows while Rand- and Euro-denominated imported inputs placed pressure on the cost base. The informal economy remained a significant feature of trade, with the route to market policy interventions yet to materially shift activity back into formal channels, notwithstanding signs of recovery in selected formal trade channels.

In South Africa, operating conditions continued to show gradual improvement, supported by a firmer Rand and some interest-rate relief, although high unemployment, affordability constraints and fiscal pressures continued to weigh on consumer sentiment. Trading in certain communities was disrupted by heightened social tensions ahead of the local government elections later in the year.

The Zambian economy continued to stabilise, assisted by declining inflation, lower interest rates, a firmer Kwacha, higher copper prices, increased maize output and improved electricity generation. However, higher fuel prices and the period leading up to the August 2026 general elections remain key watch points.

Geopolitical tensions in volatile regions, including the Middle East and Ukraine, have increased disruption risks along key shipping routes, contributing to volatility in global oil prices, ocean freight rates and marine insurance costs. These developments increased pressure on fuel, distribution, logistics and imported raw material costs, including PET packaging, with the Group absorbing a significant portion of the increases to sustain price competitiveness and protect volume momentum.

TRADING PERFORMANCE

Lager Beer

Lager beer volume grew by 17% compared to the prior-year quarter, sustaining the strong momentum carried forward from the previous financial year. Growth was broad-based across the portfolio, anchored by the mainstream brands and supported by improved supply of local premium brands such as Zambezi. Premium global brands and flavoured alcoholic beverages recorded strong growth from a relatively low base, benefiting from improved availability and competitive pricing.

Demand remained firm, supported by stable pricing, improved consumer incomes and strong brand equity, with sales continuing to exceed historical levels. Supply gaps persisted across certain brands and pack formats as demand continued to outpace production capacity, partly mitigated through selected imports of premium brands from sister companies within the region.

The phased capacity-expansion programme remains on track, with upgrades at Southerton Brewery expected to begin releasing additional throughput from the third quarter, ahead of the larger Belmont Brewery expansion where the replacement brewhouse and additional packaging line remain in progress. Complementary investments in returnable glass, packaging materials, crates and logistics capability are being implemented to meet anticipated demand and progressively close supply gaps by November 2026.

Barley grain supply through the contract farming arrangements remains sufficient for current and projected brewing requirements, with the focus now on matching malting capacity to anticipated growth in lager beer volumes while continuing to sustain local barley farming programmes.

The brands maintained strong market presence through continued sponsorship of sports, music and cultural platforms, including the Castle Lager Premier Soccer League and consumer activations associated with the FIFA World Cup, the Castle Tankard and Zimbabwe Open Golf tournament.

Traditional Sorghum Beer

Sorghum Zimbabwe

Sorghum beer volume in Zimbabwe grew by 20% compared to the prior-year quarter, led by Chibuku Super, which grew by 30%. Growth was driven by firm consumer demand, stable pricing, liquidity flows from mining and tobacco marketing activities, consistent product availability and continued consumer preference for the Group's brands.

The recently introduced Leopard Extra brand continued to gain consumer and trade acceptance as distribution and activation programmes were progressively expanded.

The focus remains on defending market share amid heightened competitor activity and increased informalisation of trade through stronger direct store delivery execution, wider distribution coverage and sustained consumer engagement through the Chibuku brand's community and cultural platforms.

UNB South Africa

United National Breweries recorded a volume decline of 7% compared to the prior-year quarter, as Traditional African beer volumes remained under pressure in selected inland regions, while premium carbonated offerings continued to gain penetration in formal outlets.

The decline reflected route-to-market disruptions following the scaling back of some principal distributors, recurring community-related interruptions, affordability pressures and intermittent product-availability gaps.

The KwaZulu-Natal brewery is now operational and is improving service levels, product freshness and logistics efficiency in the coastal market, while reducing reliance on distant manufacturing sites. The refreshed Ukhozi Mageu range was also launched, with encouraging early consumer acceptance.

Management remains focused on stabilising product availability, strengthening route-to-market execution, deepening formal-trade penetration and restoring sustainable profitability.

Natbrew Zambia

National Breweries recorded a volume decline of 12% compared to the prior-year quarter, mainly reflecting plant reliability and route-to-market constraints which affected product availability across both Chibuku Super and traditional Chibuku Scud formats.

Profitability remained affected by low capacity utilisation, fixed-cost under-recovery and the cost of rebuilding distribution capability.

The focus remains on stabilising production, rebuilding distribution capability, improving retail execution and strengthening the packaged beer portfolio. The improving Zambian macro environment, including better grid-power availability, a firmer Kwacha and lower cereal and import costs, is supportive, although higher fuel prices and disciplined execution remain key sensitivities.

Non-Alcoholic Beverages

The Non-Alcoholic Beverages portfolio, comprising Sparkling Beverages, Maheu and Schweppes' cordials, juices and bottled water businesses, delivered combined volume growth of 14% compared to the prior-year quarter.

The portfolio continued to face pressure from the sugar tax, higher PET packaging and fuel costs, and intermittent constraints in the local supply of Bottler Grade Sugar. The sugar tax remains a significant challenge for locally manufactured soft drinks, placing them at a price disadvantage against formal and informal imported alternatives from regional markets that do not carry an equivalent fiscal burden.

Sparkling Beverages volume grew by 7% compared to the prior-year quarter, reflecting resilient demand despite price adjustments implemented in response to the January 2026 VAT rate increase and higher fuel and packaging costs. The category continued to pursue product and pack innovation, including the expansion of low- and zero-sugar offerings, improved pack and price accessibility and targeted brand investment anchored during the quarter by consumer campaigns associated with the FIFA World Cup.



Schweppes recorded volume growth of 37%, benefiting from improved product supply, a stable manufacturing platform following the restoration of key packaging lines and more competitive pricing across selected categories. Group working capital support helped stabilise input supplies and product availability, while the bottled water business remained highly competitive and fragmented, with numerous low-priced offerings continuing to exert pressure on the category.

Maheu volumes were in line with the prior year, with growth constrained by available production capacity despite encouraging demand. Capacity expansion for Maheu remains a priority within the Group's capital programme.

Wines and Spirits

African Distillers delivered strong performance for the quarter, with volumes increasing by 43% compared to the prior-year period. The outturn was supported by stable exchange rates, buoyant consumer spending, improved product availability, effective marketplace execution and reduced grey market activity.

Growth was recorded across all product categories, with Ready-to-Drink volumes up 48% on sustained cider demand, wines up 80% in the affordable segment and spirits up 32%, led by brown spirits, particularly Star Brandy.

The business is investing in additional packaging capacity, scheduled for commissioning in the third quarter, to close the prevailing supply gaps.

Nampak Zimbabwe Limited

Nampak Zimbabwe continued to operate under challenging conditions. The business reported revenue growth driven by strong tobacco-packaging demand and positive PET packaging volumes, although overall performance remained below expectations. The packaging operations were affected by higher resin and fuel costs, as well as power-supply interruptions.

The majority shareholder's previously announced disposal process remains ongoing, and the Group continues to monitor developments in view of its shareholding.

FINANCIAL PERFORMANCE

Total Group beverage volume grew by 14% to approximately 3.4 million hectolitres for the quarter. The Zimbabwe business units, excluding the regional subsidiaries, recorded volume growth of 18%.

Group revenue for the first quarter grew by 23% to US\$294.6 million, compared to US\$238.6 million in the prior-year quarter, reflecting strong volume growth recorded by the Zimbabwe business units, limited pricing adjustments in Sparkling Beverages and improved sales mix. The proportion of domestic sales undertaken in foreign currency remained above 90% for the quarter.

Margins faced pressure from higher fuel, freight, PET packaging, utilities, imported raw material and sugar tax costs, including the effects of geopolitical tensions and related global supply-chain disruptions. Profitability nevertheless benefited from strong volume growth, scale efficiencies, improved operating leverage across the manufacturing and distribution footprint and disciplined cost-management initiatives.

The Group continues to prioritise production and supply-chain investment to capture demand momentum, with the capital programme focused on brewing and packaging capacity, returnable glass, raw material security and logistics capability.

The Group accrued an equivalent of US\$7.3 million in sugar tax across the affected non-alcoholic beverage categories during the quarter. The Group continues to engage the authorities on a review of the sugar tax regime.

The Group paid US\$88.5 million in current taxes in Zimbabwe during the quarter, maintaining its position as one of the largest contributors to the fiscus.

OUTLOOK

The Group enters the second quarter with strong trading momentum across its Zimbabwe businesses, supported by currency stability, low inflation, firm consumer spending, higher mineral prices and an improving agricultural outturn. Sustaining policy consistency, currency stability and a review of fiscal measures affecting the competitiveness of local manufacturers will be important in preserving the current growth momentum.

Completion of the capacity-expansion projects remains a key priority for the year. Their phased delivery is expected to reduce supply gaps, capture unmet demand and support growth across the beverage categories, while the Group continues to evaluate value-accretive partnerships and investments that complement its portfolio and strategic priorities.

In the regional businesses, the focus remains on rebuilding distribution capability at National Breweries Zambia and consolidating the benefits of the expanded production footprint at United National Breweries. These initiatives are supported by improving macroeconomic conditions in Zambia and gradual recovery in South Africa, although progress remains dependent on disciplined operational execution.

The Group remains alert to risks relating to critical raw material shortages, regional currency movements, rising fuel and logistics costs, PET packaging cost pressures, geopolitical tensions and commodity-price volatility. Management will remain focused on protecting product availability, maintaining disciplined pricing, preserving cash generation and liquidity, and executing critical capital investments on time. The Group will also continue to advance its responsible-consumption, recycling and community-support programmes, including Pledge 18, the Designated Driver initiative and Make A Difference-Recycle activities.

UPDATE ON TAX MATTERS

The following tax matters update should be read in the context of previously reported disputes and the continuing engagement with the relevant fiscal authorities.

As previously reported, the Zimbabwe Revenue Authority has assessed additional foreign currency-denominated income tax, value added tax, interest and penalties relating to the Group's Zimbabwe entities for the periods 2019 to 2024, amounting to approximately US\$97 million. These are amounts that ZIMRA considers were payable exclusively in foreign currency.

The disputes relate primarily to the apportionment of computed tax liabilities to the currency of payment, whereby amounts paid in local currency at the relevant time can no longer offset the reallocated foreign currency portions because of inflation and currency depreciation.

The courts have upheld ZIMRA's position that tax payments cannot be offset across currencies. Several unresolved matters remain before the fiscal appeals courts, including matters relating to the interpretation of the judgments and the methodologies applied in quantifying the liabilities.

The Group had paid a total of US\$20.8 million as at 30 June 2026 in line with the "pay now, argue later" principle and existing payment arrangements. It also holds US Dollar-denominated Treasury Bills and continues to seek approval for these instruments to be applied against any portion of the liability that may ultimately become payable.

The Group expects that any revisions to the payment arrangements will be rational and take into account the financial health of the business, recognising that the underlying principal tax obligations were settled in legal tender at the relevant times based on the best reasonable interpretation of the legislation.

Management continues to engage ZIMRA and the fiscal authorities in pursuit of an amicable resolution, while appealing key legal and factual aspects of the assessments with guidance from tax experts and legal counsel.

National Breweries Zambia is similarly progressing the resolution of an assessment by the Zambia Revenue Authority relating to transfer-pricing positions on royalties and Group charges for periods prior to Delta's acquisition of the entity.

At this stage, the Board cannot estimate the likely outcome or timing of the resolution of these matters.

By Order of the Board



Ms F Musinga
Company Secretary
29 July 2026