TRADING UPDATE FOR THE FIRST QUARTER ENDED 31 JANUARY 2020

Operating environment

The operating environment remains volatile and unpredictable characterised by limited availability of foreign currency, unstable exchange rates and fuel shortages. Rising inflation continues to erode disposable incomes and reduce consumer spending power.

The country largely experienced a very dry start to the summer season. Initial forecasts of a severe drought were subsequently averted as rains were received midway through January 2020.

Indications are that the tobacco marketing season will start between three to six weeks later this year. Opening dates have not yet been announced. National tobacco volumes are expected to range between 10% and 20% below prior year due to the aforementioned weather patterns. Payment modalities to tobacco farmers, which have recently been announced by the regulatory authorities, as in previous years, will play a significant role in the outturn of the tobacco marketing season.

Business performance

During the first quarter of the year, the bulk of the Group's revenues come from supply of agro-inputs and provision of logistics and real estate services to various industries. The Group also focusses on growing tobacco, maize, soya, bananas and chillies in its farming operations.

Capital investments, process refinements, testing and introduction of technologies along with customer training and awareness programs in preparation for the start of the tobacco selling season are undertaken during this period.

Group revenue and profit performance are satisfactory and are ahead of prior year.

Preparation for the tobacco marketing season are progressing as expected.

Indications are that the yields for the farming produce will largely be satisfactory. The new 25 hectare banana plantation is producing well and volumes are significantly above the same time in prior year.

Preservation of shareholder value is a key priority. Gearing remains below 10%. The majority of Group working capital requirements have been funded from internally generated resources.

Agriculture Operations

Tobacco Sales Floor is well advanced in preparation for the tobacco marketing season which is expected to start towards the end of the second quarter. The business continues to invest in upgrading its handling facilities to improve the customer experience.

Propak Hessian commenced distribution of tobacco packaging materials at the onset of the first quarter achieving satisfactory volumes. Adequate stocks are available for the season.

Volumes of chemicals supplied into the market by Agricura is ahead of prior year. The Group has ensured that there are adequate stocks available throughout its wide distribution channels. However, volumes in some product lines, notably fertilisers, were below expectation owing to the 2019/2020 weather patterns. With the coming of the rains, this position is expected to improve into the second quarter.

As part of the strategic intent to manufacture smaller pack sizes that are relevant in the market, Agricura has imported and installed a sachet manufacturing line and an ampoule manufacturing line. Powders, in pack sizes ranging from 10g to 80g and liquids, in pack sizes ranging from 4ml to 50ml, will be available in the market in the second quarter.

Logistics Operations

Tobacco handling volumes were 42% ahead of prior year due to the extended tobacco processing season. The distribution division recorded 59% growth in volumes as new customers were secured. Volumes in the ports business increased by 27% as more minerals were handled for existing customers.

Premier Forklifts' volumes were 17% above prior year due to new non-tobacco related customers who were acquired in the quarter.

However, general cargo volumes handled declined by 16% as warehouses that are traditionally released for agro inputs were still storing tobacco at the start of the quarter. Volumes in the freight forwarding and customs clearing business were depressed as access to foreign currency by the customer base remains subdued.

Avis acquired new buses to complement its fleet resulting in rental days improving by 5%. Services to foreign travelers remains an important part of the business.

Real estate operations

The business has commenced demolition of an outdated 6,000 square meter warehouse to be redeveloped into a 10,000 square meter world class warehouse. The construction of this new warehouse is expected to be completed by the end of the year. Consequently, occupancies for the quarter have marginally decreased by 1% from prior year.

Outlook

The operating environment is expected to remain challenging for the remainder of the year. With the anticipated late start of the tobacco marketing season, volumes in the second quarter in all tobacco-related businesses, are expected to be below prior year. This is, however, a temporary shift that is expected to correct in the third quarter of the year.

The Group will continue to implement its "moving agriculture" strategy. Foreign currency generation and value preservation remain key priorities.

By Order of the Board

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James Muchando
Company Secretary

13 March 2020