



TRADING UPDATE FOR THE THIRD QUARTER ENDED 31 JULY 2019

Operating environment

There were significant fiscal and monetary policy changes in the quarter under review. Rising inflation eroded disposable incomes and reduced consumer spend. The exchange rate rapidly depreciated whilst access to foreign currency remained problematic. Shortages of fuel and electricity became more pronounced and impacted businesses to varying degrees. These factors combined, made for a very difficult operating environment.

National tobacco volumes are estimated to close marginally up on prior year. However, tobacco prices were approximately 32% down on last year at an industry average of US\$ 2/kg (2018 - US\$ 2.92/kg).

Financial position

The Group's financial position remains sound. Strategies are being actively deployed to protect the value of the company and deliver value to stakeholders.

Volume performance

Tobacco-related services

Contract volumes at Tobacco Sales Floor were up 34% owing to a new merchant being signed up. Independent crop volumes were at similar levels to prior year.

Propak Hessian's volumes in the quarter were 13% down on last year, a timing difference as a result of the slower processing of tobacco.

Agricultural trading

The third quarter is an off-peak period for Agricura. Volumes for the quarter ranged between 50% and 90% behind prior year depending on the product category, attributable largely to reduced consumer spend and smaller hectares planted given the low dam levels as a result of the drought. Focus has been on stocking for the summer season and the business is well positioned in this regard.

Farming operations

Overall, yields for all crops were higher than in prior year given the thrust to only grow irrigated crops. Tobacco sales of our own-grown crop are in progress and prices to date are above industry average and on par with prior year. Banana volumes are well above last year, as the new plantation has started producing.

Yields and quality of the trial run of chillies have been satisfactory.

Logistics operations

General cargo volumes at Bak Logistics, were up 41% on prior year as fertiliser importers took advantage of the new value-add services. Tobacco volumes handled for existing and new merchants increased by 73% due to new customers signed on. Volumes in the ports business more than doubled as a result of additional customers being signed on. The distribution business experienced a 39% decline in volumes, which is reflective of eroded disposable incomes and reduced consumer spend.

The second phase of the implementation of the new Warehouse Management System was successfully completed in July 2019 for the general cargo and tobacco divisions.

Premier Forklifts volumes were up 29% due to the signing up of a new non-tobacco related customer. Meanwhile, tobacco processing has commenced in earnest.

Key Logistics experienced a 10% decline in customs clearance volumes as access to foreign currency continues to constrain imports by its customer base.

Real estate operations

Occupancies were at the same levels as in the prior year. Void levels remain satisfactory at under 4%.

Outlook

The afore-mentioned economic pressures are expected to persist in the short to medium term. The Group will continue to position itself to take advantage of the opportunities for growth in pursuit of the "moving agriculture" strategy. We will continue to invest in our people, upgrading our infrastructure, market presence, developing our technology platforms and leveraging on our local and international partnerships. Foreign currency generation remains a key priority and strategies are being deployed to preserve value.

9 September 2019

By Order of the Board

Tobacco Sales Administration Services (Private) Limited
Secretaries

Directors: A S Mandiwanza (Chairman), P Devenish* (Chief Executive Officer), P Shah, B Ndebele, H Rudland, W Matsaira, M Nzwere, J Gracie, E Muvingi, B Zamchiya, D Garwe, P Mujaya*, D Odoleye* (Chief Finance Officer). (* Executive)

