

INNSCOR AFRICA LIMITED

TRADING UPDATE- FIRST QUARTER (F2020)

Innscor Africa Limited hereby issues the following trading update for the First Quarter of F2020, ending 30 September 2019. The Zimbabwe Stock Exchange ("ZSE") has authorised the issue of this Trading Update in respect of the Quarter 1 Interim Financial Reporting requirements for Innscor Africa Limited, in lieu of compliance with rule 35 (5) of the ZSE Listing Requirements, set out in Statutory Instrument 134 of 2019.

NATIONAL FOODS

- Quarter One volumes at National Foods were very subdued, closing 36% below the same period last year.
- Volumes were impacted across all categories:
 - Flour volumes were most heavily impacted, closing 50% below last year, on the back of intermittent supply and increased cost of wheat.
 - Volume performance in the remaining categories was largely reflective of consumers down-trading in favour of more affordable commodities.
 - The Maize category was the least impacted, with volumes for the quarter closing 5% below the prior period, as subsidies on raw maize assisted with maize meal affordability, driving consumption.
- Profitability for the quarter largely met expectation due mainly to the lag in both raw material and operating costs.
- National Foods has initiated an importation program for both white and yellow maize to cover the expected maize deficit in the first half of 2020.
- The Company is holding a solid pipeline of raw materials, although subdued local liquidity and continued devaluation mean that replacement of this pipeline will need to be a key focus area for management in the months ahead.
- National Foods has recently launched a number of new products, including a new cereal product under the Pearlenta Nutri-Active Brand, "Allegros Popticorn" and "Iris" Cream biscuits.

BAKERIES

- Production levels during Quarter One in the Bakery operations were constrained by the reduced availability of wheat supplies into the country, and this affected the ability of the business to adequately service the market demand.
- Total loaf volumes were 38% behind those recorded in the comparative period, although there was an 11% volume improvement over the final quarter of F2019.
- The industry is currently utilising flour which has been subsidised by Government. The availability and pricing of this stock, will largely determine supply and pricing levels of bread into the market in the forthcoming period.
- We remain extremely focused on working with the authorities in determining a long-term solution that will allow for more consistent bread supplies to consumers as well as a more sustainable business model for bakers.

COLCOM

- Total volumes achieved in Quarter One at Colcom were 17% behind those recorded in the comparative period, and overall were similar to the volumes achieved in the final quarter of F2019.
- Volumes across the operation's processed lines were generally subdued, but were partially off-set by continued growth in the fresh lines which grew by 43% over the comparative period.
- Pig supply improved by 26% over the comparative period, as a result of the additional pig unit now supplying at full capacity. In addition to the volume growth levels, this part of the operation continued to see outstanding production metrics being achieved.
- Focus in the upcoming period will continue to be deployed in ensuring adequate feed stocks are in place to maintain uninterrupted pig supply, which is now in excess of 2,000 per week.

IRVINE'S

- A mixed performance was achieved at Irvine's in Quarter One.
- Table egg volumes were 39% above the comparative quarter, and also 4% above the final quarter of F2019. This was a pleasing result and arose from the operation returning to full production capacity, following the re-building of the Layer production base.
- Both frozen poultry and day old chick volumes saw volume declines against the comparative period, with frozen poultry numbers being 18% lower, and day old chick sales reducing by 44%. Both lines were affected by the steep increases in key raw material costs which subsequently affected overall demand.
- The operation has recently opened a number of export markets to ensure that any surplus production can be efficiently utilised.
- Focus in the forthcoming period will be on ensuring adequate supplies of key raw materials, such as maize and soya, are in place to ensure sustainability of the breeding flocks, and to enable adequate replacement of production birds.
- From a business development perspective, capital investment will continue to be deployed to the ongoing automation project in the Layer category; this is vital for the long-term in ensuring lowest-cost production can be achieved.

ASSOCIATED MEAT PACKERS

- As previously reported, Associated Meat Packers, which was previously reported under Colcom, has now been unbundled into a stand-alone operation. This re-structure has been undertaken in order to improve the Group's focus and understanding of the beef category.
- The business consists of a cattle-buying and slaughter operation, a down-packing and processing facility and the wholesale network, which operates under the "AMP" and "Texas" brands.
- Overall volumes for the business were 18% above the comparative period, with a small volume increase also being recorded against the final quarter of F2019.
- The "Texas" wholesale/retail network continues to grow with the recent opening of the first of the "Texas Meat Market" multi-protein concept outlets opening in Bulawayo at the end of the first quarter of F2020.

NATPAK

- Natpak continues to deliver solid financial performance. Overall volume performance showed an increase of 26% over the comparative period, and whilst there was a slight down-turn in demand in both the Sacks and Flexibles categories, this was countered by good volume growth in the Rigids and Corrugated categories, both of which represent recent investment entries for the business.
- The operation continues to investigate additional packaging categories that demonstrate scalable growth opportunities, and in this regard, further development of one of the existing production sites is underway in order to ensure that the existing growth trajectory continues in the business.

PRODAIRY

- Pleasing progress continued in the Pro Dairy operation during the quarter under review.
- Raw milk intake continued at c20% of national production, and represented a 38% increase on the in-take levels over the comparative period.
- Overall volumes achieved in the quarter were 30% above those recorded in the comparative period, with good performances in the Cultured Milk, UHT Milk and Dairy Blend categories, following the completion of capacity enhancement investments.
- Towards the latter part of the quarter, the business entered the butter category under the “Life” brand, and the initial market response has been extremely positive.
- Growth in raw milk production remains a key focus area, and our own production facility, Mafuro Farming, which is smart partnership with Government utilising the Grasslands Research Station in Marondera continues to perform well. We continue to investigate opportunities to enhance raw milk supply, using a combination of the existing grower base and in-house production.

PROBOTTLERS

- At Probottlers, production was affected by extremely poor power supply, and this negatively affected volumes in Quarter One, which were 44% down on the comparative period.
- Demand for product in both the cordial and CSD categories remained reasonable, and following improvements to back-up power supplies, volume levels have been much improved in the early part of Quarter Two.

PROFEEDS (ASSOCIATE)

- Volumes at Profeeds were 11% below those recorded in the comparative period, with increased raw material replacement costs impacting on selling prices.
- The upgrade of the “Profarmer” retail network into an all-encompassing agricultural outlet continued with pleasing results being achieved.

PROBRANDS (ASSOCIATE)

- Volumes at Probrands were 40% below those recorded in the comparative period, with much of this decline occurring in the rice category as consumers switched to cheaper local alternatives.
- The newly-established condiment manufacturing operation continues to perform well, following the launch of the new “Ideal” mayonnaise range.

GROUP SUMMARY

- As highlighted in the Group's recent F2019 year-end report, the economy has experienced a number of significant re-adjustments following the re-introduction of the local currency and, as expected, volumes were generally suppressed across the Group's portfolio during Quarter One. Notwithstanding the conditions however, positive starts have been made in a number of new categories which is extremely pleasing.
- Levels of local inflation continue to push overhead in our business units, but generally cost has continued to be well managed.
- Both foreign and local liquidity has remained extremely constrained in the quarter, and we continue to work with our financial institution partners to attain the necessary funding to support the significantly increased values of working capital now required. The Group successfully launched its first corporate bond, and will likely continue with this program in the forthcoming period.
- The Group's first investment into corporate grain production was initiated recently, resulting in the planting of 750ha of crops under full irrigation.

By order of the Board

INNSCOR AFRICA LIMITED



A. D. Lorimer

Company Secretary

Harare

14th November 2019

DIRECTORS: *ABC Chinake (Chairman), JP Schonken (Chief Executive Officer), *MJ Fowler, G Gwainda, *Z Koudounaris, *TN Sibanda (*Non-Executive)