

MEIKLES

— L I M I T E D —

TRADING UPDATE FOR QUARTER AND NINE MONTHS TO 31 DECEMBER 2019

TRADING ENVIRONMENT

Trading during the quarter ended December 2019 was impacted by weak domestic demand as high inflation continued to erode disposable incomes. In addition, shortages of foreign currency as well as intermittent supply of both fuel and electricity disrupted production and availability of goods in the economy. Sales volumes across the Group's operations were adversely impacted by the above factors. The Group benefited from its exporting segments with regards to access to foreign currency for critical inputs.

SEGMENTS PERFORMANCE

Supermarkets

Sales volume retreated by 28% and 24% for the quarter and nine months respectively compared to the same period last year. The stores are reasonably stocked despite challenges in supply chain arising from shortages of foreign currency.

Agriculture

Bulk tea production declined by 20% and 23% for the quarter and nine months respectively due to intermittent electricity supply that reduced both irrigation and factory operating hours. Works on the construction of the first solar power plant commenced during the quarter under review.

Bulk tea export sales of 1,514 tonnes for the quarter were 53 tonnes below tonnes sold during the same period last year. For the nine months, bulk tea export sales were 5,183 tonnes compared to 5,206 tonnes in the comparative period of last year. Volume of tea and coffee sales to the domestic and regional markets reduced by 21% and 20% for the quarter and nine months respectively.

The volume of Macadamia and Avocado export sales for nine months grew by 126% and 39% respectively compared to the same period last year. The incremental export sales from these new crops almost compensated for the reduction in tea sales.

Hospitality

Room occupancy retreated by 9.32 and 6.18 percentage points for the quarter and nine months respectively against the comparative period for the operation in Victoria Falls. In Harare, room occupancy declined by 4.86 and 6.74 percentage points for the quarter and nine months respectively compared to the same period last year.

GROUP FINANCIAL PERFORMANCE

In inflation adjusted terms, revenue from continuing operations increased by 23% and 14% (475% and 335% - historical cost terms) for the quarter and nine months respectively. The increase in revenue is ahead of the percentage increase in operating costs for the nine months and as a result, profit growth is above revenue growth.

DISPOSAL OF MEIKLES HOTEL

All the conditions precedent as well as regulatory approvals required to consummate the transaction have been met. The Company and the buyer are implementing the terms of sale and purchase agreements necessary to bring about the effective date of the transaction.

By Order of the Board



T. Mpofu
Company Secretary
14 February 2020

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