

TRADING UPDATE

THIRD QUARTER (JANUARY-MARCH 2021)

Trading Environment

- The stability in the trading environment was sustained into the current quarter, on the back of the continuation of the foreign currency auction and the ability to receive foreign currency payments from customers.
- The resultant price stability following the introduction of the above measures saw a sustained and continued reduction in inflation.
- The price stability, along with increased real incomes in certain sectors of the economy saw an improvement in consumer demand. This resulted in strong growth in volumes across the product portfolio with the exception of the Maize category.
- Liquidity in Zimbabwe dollar terms remained constrained, necessitating precise management of working capital models, particularly over the seasonal peak demand period (December – March).
- The banking sector is beginning to offer US\$ facilities, a most welcome development in view of the lower inflation and the very high cost of Zimbabwe dollar borrowing.
- The country has enjoyed an excellent cropping season, with production of most key grain crops expected to significantly exceed the levels achieved in recent years. On the back of this harvest, National Foods expects to source all of its maize requirements locally over the coming 12 months.
- Turning to wheat, whilst the local crop is currently being planted the early indications are for a much improved wheat harvest based on improved dam levels, better preparation and substantially reduced power outages.
- The 2021 local wheat will be delivered in October/November, and wheat imports will be required until this point to supplement the remaining stock from the 2020 harvest.
- National Foods will again support local wheat contract farming, with target plantings set at 5,300 hectares.
- The Group continues to adopt an extremely proactive response to the ongoing COVID-19 pandemic, and remains fully committed to ensuring the safety and health of its employees and customers.

Business Performance

- The volume performance for the financial year to date (July 2020-March 2021) and the most recent quarter (January-March 2021) are summarized in the table below:

Period	Group Volumes	% change on prior year	Group Volumes (Excluding Maize)	% change on prior year
YTD (July 2020 - March 2021)	394 558	14.2%	293 738	47.2%
Quarter (January - March 2021)	130 887	(2.4%)	91 572	35.0%

- Volumes for the year to date at 395,000 tons have increased by 14.2% compared to last year and by 47% excluding Maize.
- Volumes for the quarter at 131,000 tons have decreased by 2.4% compared to last year and have increased by 35% excluding Maize.
- The volume performance for each of the major categories for the quarter and the year to date relative to last year are summarised in the table below:

	Quarter (January - March 2021)	YTD (July 2020 - March 2021)
Flour	28%	46%
Maize	(41%)	(31%)
Stockfeeds	15%	27%
Groceries	88%	95%
Snacks & Treats	27%	44%

- Salient features across the categories include:

- The Maize division has had a difficult year. This has largely been due to the substantial volumes of maize meal imports from South Africa, particularly into the south of the country. These imports have subdued volume performance and impacted margins.
- Volumes in the Flour division have grown by 46% on a year to date basis. Demand has recovered in the category, assisted by support from the foreign currency auction.
- Stockfeed volumes increased by 27% driven by increased demand for protein products, notably in the poultry segment. The most recent quarter saw growth slowing as demand for beef feed declined on the back of improved pastures.
- The Groceries division sustained its growth trend, with year to date volume growth of 95%, driven largely by rice and salt.
- The Snacks & Treats unit saw volume increase of 44% for the year to date. This result was encouraging in view of the fact that the COVID related movement restrictions has dampened demand in these categories.

- Turning to the outlook, the improved harvest should drive further improvements in consumer spending power. This should result in sustained volume momentum in all categories with the exception of Maize, where it is expected volumes will be impacted by increased retentions at a household level.

Impact of COVID-19 on the Business, Business Continuity and Statement of Solvency

National Foods continues to implement and observe WHO-approved COVID-19 guidelines across its operations to safeguard the health and welfare of employees, consumers, customers, suppliers and all stakeholders.

Given the ongoing uncertainty around the ultimate impact of COVID-19, it is not possible to assess, with absolute certainty, the full impact it will have on the Group's financial performance for the year ending 30 June 2021. At present, the financial status of the Group remains healthy, and the impact of the COVID-19 has not created any issues from a solvency or liquidity perspective.

By order of the Board

NATIONAL FOODS HOLDINGS LIMITED



LC Howes
Company Secretary
Harare
5 May 2021