

TRADING UPDATE FOR THE FIRST QUARTER ENDED 31 DECEMBER 2021

The Company is pleased to present its trading update for the first quarter ended 31 December 2021.

TRADING ENVIRONMENT

The economic environment benefitted from relatively slower inflation and increased use of foreign currency for domestic transactions. Notwithstanding the favourable development on inflation, the environment remained hyperinflationary and the quarter witnessed generally more challenging business conditions. Annual year on year inflation for the quarter averaged 57.9% compared to 407.2% for the comparable prior period. During the quarter, the Zimbabwe Dollar (ZWL) depreciated by 24% on the auction market and inflationary pressures resurged on the back of sharp currency depreciation and the widening gap between the official and alternative markets exchange rates. The late onset of the 2021-2022 rain season negatively affected demand for agricultural inputs. The fourth wave of the COVID-19 resulted in the highest number of infections at both national and company level since the pandemic broke. Notwithstanding, the country operated under more relaxed lockdown measures compared to prior year, which was good for business.

OVERVIEW OF THE GROUP'S OPERATIONS AND PERFORMANCE

Sales volumes for Retail division's key revenue drivers improved by 17% relative to prior year. The positive growth is attributable to improved agricultural output in 2021, increased construction activities and payments of bonuses and salaries in foreign currency. The late onset of the rainy season constrained volume growth relative to prior year.

Victoria Foods exited judicial management in September 2021, with the business being capitalized during the quarter. This has underpinned the resurgence of the Victoria Foods' brands the market has always been accustomed to, enhanced with further innovations and consistent product quality and performance. Glenara harvested 2,406 tonnes of potatoes during the period. The Estate has established maize and soya bean summer crop, which should assist with underpinning raw materials supplies to Victoria Foods and Agrifoods.

Financial Performance

The Group has limited its commentary to historical performance only. This is due to significant performance translation challenges imposed on both historical and inflation adjusted accounts by the continually widening gap between exchange rates registered on the foreign currency auction system and the alternative market.

Group inflation-adjusted revenues increased by 65.7% to ZWL5.25 billion from ZWL3.17 billion for the comparable prior year quarter. Historical revenues for the quarter grew by 161% to ZWL4.98 billion in the current quarter from ZWL1.91 billion in the comparative prior year quarter. Of the Group's turnover, Retail contributed 87.06% (2020-Q1 – 96.6%) whilst Milling and Farming Operations accounted for (10.26% (2020 Q1-0%) and 2.68% (2020-Q1 – 3.4%) respectively.

OUTLOOK

Notwithstanding the challenges of high inflations levels and unstable exchange rates, the Group projects that aggregate demand will continue to firm on the back of growth in consumer spending on the basic food stuffs, farming activities, construction and mining activities. The Board is encouraged by the positive trajectory the economy is on; and hopes that the on-going collaborative dialogue between Government, industry and other stakeholders will be maintained in order to safeguard business confidence and the significant economic achievements attained since the introduction of the auction system. The Group will continue to uphold COVID-19 protocols in order to safeguard the health and safety of its staff and stakeholders. Hopefully, the future will see the world facing progressively weakening variants, and ultimately the re-opening of world travel and economies.

UPDATE ON COMPANY LISTING SUSPENSION

The Company's suspension from trading on the Zimbabwe Stock Exchange (ZSE) was lifted on 6 October 2021, and trading in the Group's shares resumed on 11 October 2021.

P. Hare
COMPANY SECRETARY
BY ORDER OF THE BOARD
24 February 2022

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