

TRADING UPDATE

THIRD QUARTER (JANUARY-MARCH 2022)

Trading Environment

1. Volume momentum for the third quarter slowed, with an increase of only 3% relative to prior year. This compared to year on year volume growth of 24% achieved in quarter 1 and 8% achieved in quarter 2.
2. Volumes for the quarter were largely impacted by an expected decline in maize offtake following the excellent 2021-2022 harvest. Excluding Maize, volumes increased by 9% compared to last year.
3. On a cumulative year to date basis, volumes are 11% ahead of prior year, driven by stockfeeds, rice, salt and snacks.
4. Whilst consumer demand remains solid, it has clearly been impacted by the recent resurgence in inflation. To this end, we welcome and support the measures taken by the authorities to control inflation.
5. The current agricultural season has been impacted by erratic rainfall patterns, and it is likely that imports of maize and soya will be needed before the 2022-2023 harvest. This is disappointing given that the initial weather forecasts and production estimates had looked encouraging.
6. Significant efforts are being made by Government and the private sector to promote the forthcoming local winter wheat crop, a critical initiative in view of the substantial increases in international wheat prices.
7. The war in Ukraine has caused a surge in global commodity prices, with the jump in wheat and fertilizer prices being of particular relevance to National Foods. These increases will see inflationary pressure in US\$ terms in many of the categories we participate in during the coming periods, and especially the flour to bread value chain.
8. The Group is carefully managing its pricing strategy, doing its utmost to minimise the impact on consumers by moderating prices in order to retain volumes.
9. The Harare Cereal and Bulawayo Flour mill projects continue to make steady progress and are expected to be commissioned mid 2022 and early 2023 respectively.
10. Notwithstanding the recent headwinds driven by local inflation and the situation in Ukraine, National Foods remains optimistic on the trajectory of the local economy. Our team continues to investigate the feasibility of additional complimentary categories which will broaden our portfolio of products.

Business Performance

1. The volumes for the third quarter and the year to date compared to the same period last year are shown in the table below:

Category	Q3 vs. SPLY	Q3 YTD vs. SPLY
Flour	+4%	+3%
Stockfeeds	+16%	+16%
Maize	-11%	-8%
Downpacked	+13%	+41%
Snacks	+10%	+33%
Cereals	+52%	+45%
Other	-11%	+1%
Group	+3%	+11%

2. The salient facts in respect of the volume performance are as follows:
 - Flour volumes have shown moderate growth, with a solid performance in the baker's flour segment and a more subdued outcome in the prepack segment.
 - Stockfeeds volume growth remains solid, driven by the key poultry segment.
 - As mentioned above, Maize volumes have decreased following the decent harvest last year and increased household retentions. With our expectation of an ongoing recovery in local agricultural production we have extensively remodeled this unit to enable it to compete sustainably.
 - The strong volume growth in the Downpacked unit was driven by both rice and salt. There was a slow-down in Q3 as the previous year has seen a significant increase due to growth in the informal channel.
 - The Snacks unit continues on its growth path, albeit with reduced momentum in Q3 caused by the delayed return of schools and increasing raw material prices.
 - Performance in the Cereals unit (which includes extruded products) was strong, as a result of broadening of the product portfolio to support the Pearlenta Nutri-Active maize porridge.
 - The "other" category largely comprises biscuits and pasta. Our biscuits unit continues to operate at capacity while pasta imports were impacted by logistical issues.

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 June 30th 2022. 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
25 April 2022

