

TRADING UPDATE FOR THE THIRD QUARTER ENDED 30 JUNE 2022

The Company is pleased to present its trading update for the third quarter ended 30 June 2022.

TRADING ENVIRONMENT

The economic environment witnessed resurgence of inflation driven by sharp currency depreciation on both the official and alternative markets exchange rates, buttressed by various interventions that gave rise to increase in local currency (ZWL) price levels. Pass through effects of the Ukraine crisis, as it impacted global inflation were evident in fuel and cereal price increases encountered during the quarter. Month-on-month inflation rose sharply from an average of 6.2% in Quarter 2 to 22.4% for Quarter 3 ended 30 June 2022, whilst year-on-year (Y-O-Y) inflation rose to 191.6% at end of June 2022, from 72.7% as at 31 March 2022. During the quarter, the ZWL depreciated by 160.5% against the US\$ on the willing buyer willing seller market, from ZWL142.42: US\$1 at 31 March 2022 to ZWL370.96:US\$1 as at 30 June 2022. The official exchange rate, against which formal businesses are required to benchmark pricing, has remained uncompetitive relative to the alternative market rates. This contributed to uncompetitive prices in USD and consequently reduced foreign currency inflows for the Group.

OVERVIEW OF THE GROUP'S OPERATIONS AND PERFORMANCE

Sales volumes for the Retail division's key revenue drivers during the quarter were behind the same period last year. The late onset of the 2021/22 rain season and the resultant lower harvest suppressed demand for agricultural inputs. Demand for fertilisers, which traditionally peak during the tobacco marketing season, was also constrained by the significant real price increases for the commodity. Cement sales for the quarter were also adversely affected by supply constraints.

Victoria Foods flour sales were up 135% relative to the comparable prior quarter following the Company's recapitalization at the beginning of the year and improved raw materials availability during the period. Glenara harvested 1,770 tonnes of maize as well as 729 tonnes of potatoes and 621 tonnes of soya beans, maintaining yields relative to prior year.

Financial Performance

Group Inflation-adjusted revenues grew by 21.8% to ZWL6.54 billion from ZWL5.34 billion in the prior year quarter. Historical revenues for the quarter grew by 195% to ZWL5.29 billion in the current quarter from ZWL1.79 billion in the comparative prior year quarter. Of the Group's inflation-adjusted turnover, Retail contributed 70.85% (2021- 87.37%) whilst Milling and Farming Operations accounted for 25.79% (2021-7.91%) and 3.36% (2021- 4.72%) respectively.

OUTLOOK

Local and global inflation headwinds and steep exchange rate disparities in the local market are expected to characterize the trading environment in the short term. This is expected to depress disposable income and spending to year-end, save for mining and construction sectors of the economy, where improvements are expected. Notwithstanding the challenges, the Group remains optimistic of consolidating its fortunes amidst the evolving challenges in the operating environment. The Group will maintain its focus on sustaining business continuity in the obtaining environment.

The Group hopes that 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.



P. Hare

COMPANY SECRETARY
BY ORDER OF THE BOARD
16 August 2022

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