INNSCOR AFRICA LIMITED

TRADING UPDATE

First Quarter ended 30 September 2022

INNSCOR Africa Limited

Our passion for **value creation**

Innscor Africa Limited hereby issues the following trading update for the First Quarter that ended 30 September 2022.

TRADING ENVIRONMENT AND GROUP SUMMARY

The quarter under review was characterised by a relatively stable trading environment, as inflationary pressures and currency volatility subsided following the policy measures introduced during the previous quarter. Whilst the prevailing stability has had a positive bearing on the trade and general business confidence, complexity remains in the form of constrained liquidity and pricing distortions, which negatively impacted consumer demand across certain sales channels during the quarter. Despite volume momentum softening in some critical businesses, the Group delivered pleasing overall volume growth versus the comparative quarter.

The recently concluded winter wheat season has proven to be a critical success for the country. Through the PHI and Agrowth contract growing arrangements, 13,000 hectares of the local winter wheat crop were financed and are expected to yield an estimated 78,000 tonnes for Group consumption. Prospects for the summer cropping season appear positive, and the Group has committed to increasing the hectarage and extend the necessary funding towards the maize and soya contract growing schemes.

The short to medium-term outlook for the country remains positive on the back of the prevailing economic stability. The Group encourages the authorities to remove the ambiguities and distortions in respect of the Country's taxation system, in order to sustain the welcomed period of stability and further enhance business confidence. Our management teams will maintain focus on ensuring business models are optimal for the current economic conditions and that operating costs are carefully controlled in light of the stable environment. A strategic priority for the Group is to ensure businesses continue to generate strong operating cash flow to support the ambitious capital expenditure programs, amounting to USD 56 million during the current financial year.

BAKERIES

Loaf volumes within the Bakery division closed marginally behind the comparative quarter, largely on account of pricing dynamics brought about by increases in global wheat prices. The recent softening of global wheat pricing and the successful local wheat harvest have allowed bread pricing to adjust and loaf volumes to recover accordingly.

The division is set to begin commissioning the new Bulawayo bakery operation during the second quarter, whilst automation initiatives within the Harare operation are on track to be finalised early in the new year.

NATIONAL FOODS

National Foods experienced a challenging quarter from a trading perspective; aggregate volumes closed 18% behind the comparative quarter, as pricing distortions across the retail and wholesale channels caused a dampening effect on consumer demand.

- Volumes within the Flour division closed 22% behind the comparative quarter, largely on the back of depressed bread volumes.
- Volumes within the Maize division contracted by 26% versus the comparative quarter, as the business faced competition from small-scale decentralised millers, as well as imported maize meal in the Southern Region.
- The Stockfeeds division registered volumes 13% below the comparative quarter, attributable to operational disruptions as the business commissioned its automated plant improvements and exacerbated by depressed demand within the beef feed category. The business is set to recover these volumes in quarter two on the back of sustained demand across the poultry market, further enhanced by the operational efficiencies brought about by the automated plant upgrades.
- The Downpacked division continued on its positive volume trajectory and closed 8% ahead of the comparative quarter as rice and salt volumes remained firm during the quarter under review.
- Volumes within the Snacks division closed 24% ahead of the comparative quarter as all product categories registered pleasing growth, underpinned by a focus on efficient route-to-market strategies.
- The CCB division operated at full capacity to deliver volumes 55% ahead of the comparative quarter. The business looks to increase capacity and extend its product portfolio further via a new breakfast cereal plant currently undergoing commissioning.
- The Traded Goods and Biscuit divisions registered muted volume growth versus the comparative quarter. Both divisions are undertaking expansionary investment through a new short-cut pasta and biscuit line, respectively, which will address capacity constraints and unlock growth potential on the back of new product offerings. Both projects are expected to come onstream toward the end of 2023.

COLCOM

The Colcom division delivered overall volumes 8% ahead of the comparative quarter, as both fresh and processed pork achieved solid growth. Pig production increased by 5% against the comparative quarter as previous investments into upstream piggery operations and enhanced genetics continue to impact overall pig supply positively.

IRVINE'S

At Irvine's, volumes continued to grow across the three core categories. Table Eggs registered a 20% growth compared to the same period last year, whilst frozen poultry also increased by 6%. Day-old-chicks registered an improvement of 9% versus the same period, as demand across the small-scale poultry market remained firm, which was supported through capacity expansion investments across the business' value chain having been brought online.

ASSOCIATED MEAT PACKERS

Volumes across the AMP Group recovered against the comparative quarter, with the chicken category recording volume growth of 28%. The local beef market continues to grapple with constrained supply as disease control measures limiting the movement of cattle remain in place.

The AMP Group remains focused on further expanding its "Texas" retail footprint, with the opening of several new stores expected in the forthcoming quarters.

NATPAK

Aggregate volumes were largely unchanged compared to last year. A new rigids site has been identified to enhance the production capacity and capabilities of the rigids and sacks divisions. Significant progress has been registered in addressing paper supply challenges experienced by the corrugated division during the previous financial year.

PRODAIRY

At Prodairy, volumes closed 19% ahead of the comparative quarter, underpinned by previous investments to increase installed capacities. The business continues to invest in upstream raw-milk supply through its Mafuro Farming subsidiary, with raw-milk supply increasing by 35% over the comparative quarter. The business is looking forward to commissioning another dairy farm in Kwekwe during quarter three of the year.

PROBOTTLERS

Probottlers increased overall volumes by 11% compared to the same period last year, with both the cordials and CSD categories producing favourable growth, also supported by capacity investments made in the previous financial year.

PROFEEDS (ASSOCIATE)

At Profeeds, solid volume growth was registered across all of its core categories. The Stockfeed operation operated at full capacity to register 8% growth ahead of the comparative quarter, whilst demand across the small-scale poultry sector remained firm to drive growth of the Day-old-chick category; closing 23% ahead of the comparative quarter.

The "Nutrimaster" fertiliser category delivered volumes in line with the comparative quarter and is set to deliver on a firm order book ahead of the summer maize and soya cropping season.

The "Profarmer" retail operation continues to expand its retail network and product offering, and delivered double-digit volume growth across its ancillary range of veterinary, seed, agricultural and farming inputs over the comparative quarter.

PROBRANDS (ASSOCIATE)

At Probrands, volumes across its core products saw continued improvement and market uptake. The Finished Goods category delivered volume growth of 15% over the comparative quarter, while volumes across the Household and "Ideal" Condiments ranges improved by 47% and 16%, respectively, over the same period.

By order of the Board
INNSCOR AFRICA LIMITED

AD Lorimer
Company Secretary
Harare
15 November 2022