The Company today issues a business update for the first quarter ended 30 June 2020.

OPERATING ENVIRONMENT
The quarter under review coincided with the peak of the restrictions to human and economic activity implemented by authorities in response to the advent of the novel coronavirus (COVID-19) pandemic. Authorities around the world including those in our region implemented various measures to contain the possible spread of the virus. These included lockdowns, restrictions on travel and social gatherings and limiting the sale or consumption of alcoholic beverages. The economies in most countries have experienced severe impacts arising from the curtailed economic activity and stressed health delivery systems.

In Zimbabwe, the impact of COVID-19 was exacerbated by an underperforming economy, hyperinflation, an unstable exchange rate, shortages of foreign currency and food deficiencies arising from persistent droughts among other factors.

Inflation and the depreciation of the Zimbabwe dollar accelerated during the quarter leading to more frequent price increases at a time when consumer disposable incomes were constrained.

VOLUME PERFORMANCE
Lager beer volume for the quarter declined by 18% compared to the same period last year, noting the low outturn in prior year during the transition to the mono-currency system. Trading in alcoholic beverages was restricted to off-premise outlets for home consumption in line with the COVID-19 guidelines.

Sorghum beer volume in Zimbabwe declined by 51% for the quarter due to limited access to the market particularly in trade channels such as bottle stores and bars. The category witnessed higher price adjustments driven by escalation in the cost of imported inputs such as packaging and brewing cereals.

At Natbrew Zambia, the volume increased by 17% for the quarter, benefiting from price moderation and the ongoing measures to revive volume. The sales were mostly in Chibuku Super which is more accessible in the off-premise trade channels. The performance was constrained by a tight working capital cycle.

The South Africa entity, United National Breweries traded for a few weeks prior to their closure on 11 March 2020. The pandemic is significantly impacting on global and domestic economic activities and human life as governments implement measures to mitigate the transmission of the virus. In Zimbabwe and Zambia, the businesses were permitted to operate albeit at reduced levels during the various phases of lockdowns. South Africa has adopted more stringent bans on sale of alcohol. The selling and distribution of beverages has been curtailed by the restriction of movements and social gatherings, closure of on-premise consumption outlets and prohibition of other commercial or social activities that were deemed to pose a risk of spreading COVID-19. The Group has implemented various mitigation measures to improve the workplace health and safety and continues to assess the commercial risks arising from the pandemic. The report on volume and financial performance above indicates that the business has been able to sustain its viability during the peak of the restrictions. There are many uncertainties that make it difficult to fully estimate the full impact of the COVID-19 pandemic on the financial health of the Company and Group entities.

The Company will continue to review its responses to the COVID-19 pandemic based on the best available medical and safety advice with a focus to avoid or reduce transmissions of the disease through its activities.

OUTLOOK
The trading conditions going into the second quarter remain largely unchanged as impacted by the COVID-19 restrictions and unstable macro-economic factors. The business will benefit from the improved access to foreign currency through the new auction system and domestic sales in foreign currency. The supply of key raw materials is stable although there could be logistical challenges arising from the COVID-19 restrictions. The maize deficit in Zimbabwe will be covered by imports from regional markets.

FINANCIAL PERFORMANCE
The revenue for the first quarter was 5% below prior year in inflation adjusted terms compared to a growth of 765% in historical cost terms. This reflects the impact of the COVID-19 disruptions on volume and the cost driven price changes.

Earnings Before Interest and Taxes grew by 10% in inflation adjusted terms and 838% in historical cost, compared to year on year inflation of 737%.

The Board will continue to focus on reducing the foreign currency exposure. The policy changes to allow use of FCA free funds to settle domestic transactions and the introduction of the foreign currency auction system is expected to improve access to foreign currency to meet operational requirements and to settle legacy debts. The net foreign liability was reduced by US$3.5 million during the quarter to US$60.0 million.

Except for the South African business unit which has been affected by the ban on alcohol, all the other businesses are cash generative hence the Group is operating as a going concern.

EFFECTS OF CORONAVIRUS (COVID-19) ON THE BUSINESS
The World Health Organisation (WHO) declared COVID-19 as a pandemic on 11 March 2020. The pandemic is significantly impacting on global and domestic economic activities and human life as governments implement measures to mitigate the transmission of the virus. In Zimbabwe and Zambia, the businesses were permitted to operate albeit at reduced levels during the various phases of lockdowns. South Africa has adopted more stringent bans on sale of alcohol. The selling and distribution of beverages has been curtailed by the restriction of movements and social gatherings, closure of on-premise consumption outlets and prohibition of other commercial or social activities that were deemed to pose a risk of spreading COVID-19. The Group has implemented various mitigation measures to improve the workplace health and safety and continues to assess the commercial risks arising from the pandemic. The report on volume and financial performance above indicates that the business has been able to sustain its viability during the peak of the restrictions. There are many uncertainties that make it difficult to fully estimate the full impact of the COVID-19 pandemic on the financial health of the Company and Group entities.

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By Order of the Board.

A Makamure
Company Secretary
Date: 31 July 2020