

INNSCOR AFRICA LIMITED

TRADING UPDATE

Third Quarter ended 31 March 2021



Our passion for value creation

Innscor Africa Limited hereby issues the following trading update for the Third Quarter ended 31 March 2021.

TRADING ENVIRONMENT AND GROUP SUMMARY

The trading environment remained generally stable during the third quarter, with inflation continuing to subside, and, despite further COVID-19 lockdown restrictions being brought into effect to counter a second wave of the global pandemic at the beginning of the period under review, consumer sentiment continued to improve.

The Group delivered pleasing volume growth over the comparative period. Volume recoveries across the protein, mill-bake, packaging and beverage value chains continued to be realised, supported by ongoing investments into capacity expansion and enhancement initiatives.

Whilst the prospects of the local agricultural season appear very positive and the prevailing economic stability proving conducive for business, inherent complexities remain. Ongoing COVID-19 related cost and inefficiencies continue to periodically affect global supply chains, while the real cost-push effects of transitioning out of a hyper-inflationary environment has required continual evaluation and adjustment of the Group's business models. Volume growth, balanced with competitive pricing, operating cost control, and working capital management remain key focus areas for our management teams in a highly dynamic operating environment.

BAKERIES

Volumes within the Bakery division continued to recover into quarter three, underpinned by a stable flour supply.

The division achieved a 28% volume increase in the cumulative nine-month period versus the comparative period, whilst volumes achieved in the third quarter were ahead of both the previous (quarter two) and comparative quarters. Despite still being below previous norms, the ongoing improvement in volume levels is pleasing. A number of operational and investment initiatives are underway in the business to further enhance capacity and operational efficiencies.

NATIONAL FOODS

At National Foods, cumulative nine-month aggregate volume growth remains steady at 14% over the comparative period.

The maize division has had a particularly challenging year, mainly attributable to the substantial volume of maize meal imports affecting the local market, particularly in the southern region of the country; volumes have also been affected by the resultant market adjustments following the removal of the subsidy program. Volumes for the nine-month period within the division were 31% behind the comparative period.

The remaining divisions within the operation delivered strong volume growth in the nine-month period of 47% against the comparative period. Salient features include:

- The Flour division experienced strong consumer demand, delivering cumulative nine-month volume growth of 46% over the comparative period; whilst third quarter volumes also showed strong growth over the comparative quarter. Volume demand was firm in all major flour product categories.
- The poultry sector recovery continued to drive favourable growth within the Stockfeed division, with overall nine-month stockfeed volumes being 27% ahead of the comparative period.
- The Groceries division maintained good growth momentum, driven by firm demand in both the rice and salt categories. Overall volumes for the division for the nine-month period were 95% ahead of the comparative period.
- The Snacks and Treats division also delivered very strong volume performance for the period, with the growth trajectory achieved in the first half of the financial year continuing into the third quarter. Overall nine-month volumes were 44% ahead of the comparative period, a particularly pleasing result given the impact that COVID-19 trading restrictions had on the division's products and trading channels.

COLCOM

Volumes at Colcom continued to recover into the third quarter, and from a nine-month cumulative perspective were 19% ahead of the comparative period, with strong performances being recorded in both the fresh and processed categories. Further investments into the pig herd in the form of additional grower facilities and enhanced genetics continue to yield positive results for the operation.

IRVINE'S

Irvine's continued to register solid volume performance through to the third quarter, with all three main product categories recording positive growth.

From a cumulative nine-month perspective, table egg volumes increased by 12% over the comparative period, with a similar growth being achieved in the day-old chick

category. Volumes recorded in frozen poultry were 3% above the comparative period; this particular category having been relatively more exposed to lockdown trading restrictions over the course of the period under review.

As previously reported, capacity expansion initiatives are underway across all core categories of the business.

ASSOCIATED MEAT PACKERS

Volumes within the Associated Meat Packers operation were at similar levels to those recorded in the comparative nine-month period. The volume performance was mostly impacted by lockdown trading restrictions which affected the operation's retail chain during certain parts of the period under review.

The business continued with the rollout of its popular "Texas Meats" retail outlets with three sites being opened in the greater Harare area during the third quarter.

NATPAK

Natpak delivered a pleasing 21% increase in aggregate cumulative nine-month volumes against the comparative period; good growth was also achieved by the operation in the third quarter over both previous and comparative quarters.

The Rigids and Flexibles divisions both delivered firm nine-month volume performances over the comparative period, whilst further capability enhancements drove volume growth in the Corrugated division of 30% over the same period.

Volumes within the Sacks division continued to be affected by reduced local maize meal output and remained similar to comparative nine-month period levels.

PRODAIRY

Volume growth was very strong at Pro Dairy, surging by 42% over the comparative nine-month period, with all core categories contributing to the operation's performance.

The business continues to add new flavour variants within the dairy blend and mahewu categories, and towards the latter part of the quarter under review commissioned the new "fino" long-life packaging format which will be utilised to extend the milk, dairy blend and mahewu product offerings.

Securing local raw milk supply remains a critical component to the business's sustainable growth plan, and initiatives to grow this part of the business continue.

PROBOTTLERS

At Probottlers, aggregate nine-month volumes increased by 39% over the comparative period; both the CSD and Cordial categories displayed solid volume improvements backed by recent investments into increased capacity. Additional capacity, capability and automation investment is currently underway in the operation.

PROFEEDS (Associate)

At Profeeds, volume growth was underpinned by a continued recovery within the poultry sector, with stockfeed volumes increasing by 22% against the comparative nine-month period. Trade through the "Profarmer" network continues to gain momentum as the retail division expands its local footprint, whilst demand for the recently introduced "Nutrimaster" fertiliser range strengthened during the quarter.

PROBRANDS (Associate)

Probrands recorded strong volume growth in the nine-month period under review of 37% against the comparative period, with all core product categories contributing positively to this result. The operation continues to expand its popular "Ideal" condiment range.

IMPACT OF COVID-19 ON BUSINESS CONTINUITY AND STATEMENT OF SOLVENCY

The Group remains proactive in its approach to dealing with the risks associated with COVID-19. All Group businesses continue to implement and observe WHO-approved COVID-19 guidelines throughout their operations to safeguard the health and welfare of staff, customers, suppliers, and all stakeholders. All employees are being encouraged to get their COVID-19 vaccinations under the Government's vaccination programme.

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
INNSCOR AFRICA LIMITED

AD Lorimer
Company Secretary
Harare
4 May 2021