

TRADING UPDATE FOR THE THIRD QUARTER ENDED 30 JUNE 2021

The Company is pleased to present its trading update for the third quarter ended 30 June 2021.

TRADING ENVIRONMENT

The economic environment remained heavily impacted by the COVID-19 pandemic, with a spike in new infections from mid-May 2021 going forward. Notwithstanding, the operating environment continued to improve following the introduction of the foreign currency auction system and the use of the United States Dollar (USD) as a mode of payment in June 2020. These measures reinforced stability and assisted the Group in sourcing various raw materials and merchandise efficiently. Average month-on-month inflation in Q3 declined to 2.7% against 21.5% for the comparable period and 4.1% in the first half of the year. Average annual year-on-year inflation slowed down to 154.2% against 762.8% in Q3-FY2020. The Group has continued to prioritize the safety of its employees, consumers and products in the face of the ongoing Covid-19 pandemic.

OVERVIEW OF THE GROUP'S OPERATIONS AND PERFORMANCE

During the period, sales volumes in the key revenue drivers improved by 169% over the previous period. The growth was attributable to an increase in aggregate demand following the relatively good 2020/2021 rainy season, which boosted both summer crops and the tobacco season. Also contributing to the growth during the period, though modest, was the resurgence in construction activities. The Group also benefited from growing demand for Agrifoods' stock-feeds after it exited judicial management in prior year as well as opening of additional retail stores during the period. Farm & City reopened its Chipangayi branch in May 2021 and added another branch in Masvingo at the beginning of June 2021. At Glenara Estates, both maize and table potatoes harvested increased by 42% and 85% respectively. Victoria Foods' legacy foreign and local creditor debts were fully repaid during the period. Having resolved the legacy debt issues, Victoria Foods is expected to shortly exit judicial management once the courts sanction same.

FINANCIAL PERFORMANCE

Group inflation adjusted revenue for the quarter increased by 88% relative to the comparative period, whilst margins softened to reflect a more stable pricing regime as inflation continues to slow down. Turnover contributions for the quarter were retail operations 94.9% (2020-Q3 - 100%), whilst farming operations contributed 5.1% (2020-Q3- 0%).

OUTLOOK

While the COVID-19 pandemic is expected to remain ongoing, the Group expects an improved business outturn overall for FY2021, due to the implementation of the more flexible lockdown measures compared to prior year. The management of consistent raw material supplies for Agrifoods and Victoria Foods will remain an on-going priority as the Group seeks to play its part in underpinning food security in the country. Priority will also be given to the development of low cost housing delivery in Harare South in support of Government's Vision 2030 housing plans. The scourge of land barons will need resolution to make way for progressive and orderly infrastructure deployment and, service delivery to the various settlements.

UPDATE ON COMPANY LISTING SUSPENSION

The Company has heard nothing further from the ZSE in respect of removing their suspension of trading the Company's shares. Your Board is hopeful that the same may be resolved in due course.



P. Hare

COMPANY SECRETARY

BY ORDER OF THE BOARD

17 August 2021

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