

Innscor Africa Limited hereby issues the following trading update for the Third Quarter ended 31 March 2020.

TRADING ENVIRONMENT AND GROUP SUMMARY

The trading environment remained extremely fluid during the quarter under review, and was characterised by ongoing hyperinflation, constrained liquidity, and inconsistent supply of fuel and electricity. In addition to this, the effects of the drought conditions experienced during the 2019/2020 agricultural season have resulted in a reduction in the local production of key local commodities.

Whilst these challenging local conditions impacted negatively on consumer spending, and consequently general volume performance, the Group's large and varied portfolio allowed for the effects of the operating environment to be mitigated somewhat, with some of the newer categories continuing to demonstrate good volume growth.

Considerable focus was deployed during the quarter on maintaining appropriate levels of paid-up inventory in order to ensure uninterrupted supply of goods into our markets.

Given the inflationary environment, our business units continue to ensure pricing relevance in their specific markets in an effort to match ever-changing consumer spending ability; overhead control remained another key management area, and improved efficiencies continued to be recorded in this area.

The Group continues to work with its financial institution partners to attain the necessary funding to support the significantly increased values of working capital now required.

The Group has been extremely proactive in its response to the ongoing COVID-19 pandemic, with extensive staff education programs being held prior to the onset of the disease locally, combined with the early implementation of all necessary precautionary and control measures at all its facilities. The Group remains committed to ensuring the safety and health of all its employees and customers.

NATIONAL FOODS

On a nine-month cumulative basis, volumes at National Foods closed 26% behind the comparative period, whilst for the third quarter, volumes were 14% below the comparative quarter. These quarterly volumes, were however, 21% above the volumes recorded in the second quarter of the current financial year, which was a pleasing improvement.

Salient features across the categories include:

- The Maize division has performed well with nine-month volumes marginally ahead of the comparative period, whilst from a quarterly perspective, third quarter volumes have grown 49% over the second quarter of the current financial year.
- Both the Mutare and Masvingo maize mills were operational during the quarter, with the resuscitation of the Masvingo mill especially noteworthy since this mill was last operated in 1998.
- National Foods has played a key role in Government's subsidised maize meal programme, with 48,000mt having been milled up to the end of March 2020. The Company has utilised raw materials supplied by the GMB as well as its own imports in support of the programme.
- Pearlenta Nutri-Active, a maize-based breakfast cereal, was launched late in 2019 and has been very well accepted by the market.
- The Flour division recorded a volume decline of 42% in the nine-month period under review as measured against the comparative period, this was largely a result of the progressive removal of subsidies in this particular value-chain, leading to reduced demand for bread and flour-based products in general. Volumes have now stabilised, and a 10% increase in volumes was recorded between quarter two and quarter three of the current financial year.

- Nine-month volumes in the Stockfeeds division for the year to date were down 20% versus the comparative period, largely in line with the overall market performance; whilst volumes in the Groceries and Snacks and Treats divisions declined by 34% and 27%, respectively, over the same period.

The Company is holding a solid pipeline of raw materials, although subdued local liquidity and continued devaluation mean that replacement of this pipeline remains a critical management focus area in the short to medium term.

BAKERIES

Volumes at the Bakery division for the cumulative nine-month period were 40% behind those recorded in the comparative period. As noted in the Group's interim report, this decline was largely a result of the progressive removal of subsidies in the wheat to bread value chain, and the consequent normalisation of pricing.

With subsidies in the value chain now having been largely removed, volumes have now stabilised, showing a 4% increase from quarter two to quarter three in the current financial year.

The business continues to work with the authorities in achieving pricing dynamics that meet the requirements of all stakeholders in this value-chain.

COLCOM

Volumes at Colcom for the nine-month period under review were 13% behind those recorded in the comparative period, and whilst fresh pork sales continued to show good growth at 13%, processed and other ancillary products were 29% lower over the same period.

Pig production continued to improve following the investments made to enhance volumes, with total pigs processed in the nine-month period increasing by 6% over the comparative period.

Pleasing volume recovery was recorded in all categories in quarter three, with total volumes growing 9% on quarter two; fresh pork showing an increase of 5%, and processed and other ancillary products showing an increase of 13% on this quarterly basis.

Pig supply is now at an all-time high and in excess of 2,000 per week; focus in the forthcoming period will be on ensuring that adequate levels of stockfeed are in place in order to maintain production levels.

IRVINE'S

Performance at Irvine's for the nine-month period under review was largely driven by the performance of the table egg category, which showed a 14% increase on the comparative period. The frozen chicken category was however 13% behind the comparative period, and day-old chick volumes declined by 25% as small-scale farmers reduced operations in response to current economic conditions and diminished crop yields.

From a quarterly perspective, overall volumes in quarter three were marginally ahead of those recorded in quarter two.

With the downturn of local day-old chick demand, the export of hatching eggs continues on a limited scale, whilst investment in automation within the Layer operations continues.

As with all livestock operations, immediate focus is being deployed to ensuring satisfactory levels of stockfeed are in place to maintain current production levels.

ASSOCIATED MEAT PACKERS

Associated Meat Packers produced a pleasing performance, with volumes for the nine-month period being 17% ahead of those recorded in the comparative period; this growth was driven by an increasing store network, with five additional counters opened during the period under review including the first of the new "Texas Meat Market" wholesale outlets in Bulawayo.

From a quarterly perspective, current quarter volumes showed a small increase of 3% over quarter two, and a 7% increase over the comparative quarter.

NATPAK

Natpak continued with its consistent growth trajectory, delivering a 21% increase in overall volume growth for the nine-month period over the comparative period.

The volume growth achieved was due largely to the performances of the recently added Rigids and Corrugated divisions.

Volume performance in quarter three was marginally behind that of quarter two, but this was due mainly to a slightly delayed off-take of product within the corrugated division.

Initial production capacity in the recently introduced Rigids division has been quickly reached, and a further investment in this category has been made with commissioning due in the early part of F2021.

PRODAIRY

At Pro dairy, the performance continued to be positive, and for the nine-month period, volumes increased by 18% over the comparative period. Quarter three volumes were similar to those recorded in quarter two.

Very encouraging performances have been recorded in some of the recently introduced categories such as dairy blend juice, maheu and butter, which has rapidly become the market leader in its category, operating under the "Life" brand.

Raw milk intake continued at c20% of national production, and this continues to form a major part of the Company's future growth strategy; we continue to investigate opportunities to enhance raw milk supply, using a combination of the existing grower base and in-house production.

PROBOTTLERS

Nine-month volumes at Probottlers were 17% below those recorded in the comparative period and as noted in the interim report, this was largely due to exceptionally poor power supply at this unit during the early part of the financial year.

Following the installation of additional power generating capacity, demand has remained strong in both the cordial and carbonated categories, and overall volumes increased by 11% from quarter two to quarter three in the current financial year; these quarter three volumes were also marginally ahead of the comparative quarter.

PROFEEDS (ASSOCIATE)

Volumes at Profeeds for the nine-month period declined by 31% against those recorded in the comparative period, whilst quarter three volumes showed a decline of 9% against quarter two in the current financial year.

This operation primarily services the small-scale farming sector and the volume performance is a reflection of subdued consumer spend and the knock-on effects of lower agricultural production following the devastating drought conditions.

The upgrade of the "Profarmer" retail network into an all-encompassing agricultural outlet continues, with pleasing results achieved in face-lifted stores.

PROBRANDS (ASSOCIATE)

At Probrands, volumes were 18% down for the nine-month period as measured against the comparative period; this was largely due to a depressed performance in the first half of the financial year, but there has been an excellent pick-up in quarter three where volumes increased by 30% over both quarter two and also the comparative quarter.

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

The Government of Zimbabwe declared a State of Disaster in Zimbabwe on the 23rd March 2020, as a consequence of the global COVID-19 pandemic, and imposed a national lockdown in Zimbabwe for the period from 30th March 2020 to 17th May 2020.

As noted in the earlier part of this report, the Group has adopted a proactive and comprehensive approach in its response to the pandemic; this has included:

- Staff education programmes to help improve awareness about the disease.
- Distribution to staff members of appropriate sanitizing products for home use.
- Implementation of temperature and routine health checks for all employees entering factory plants.
- Implementation of hygiene protocols and systems at all units for the benefit of staff and customers.
- Appropriate capacitation of administrative staff in order to facilitate our "work from home" initiative.
- Creation of "COVID Champions" in each operating unit, responsible for implementing all Group COVID initiatives.
- Creation of internal communication platforms to update management and staff of all COVID-related matters.
- Creation of an internal toll-free help line allowing employees to obtain information on COVID-19 and offering tele-health facilities as well as counselling services. This facility is available 24 hours per day and is available in the country's three national languages.
- Assisting the Ministry of Information in creating the National toll-free help line; this is an information platform available to the general public.
- More recently, the Group has commenced its COVID rapid screening programme, for all staff, in line with the regulations of the health authorities.

Whilst the Group's businesses have been classified as essential services during the COVID-19 lockdown, and have therefore been allowed to operate under certain conditions, the restrictions on people movement and business trading hours has resulted in a general decline in sales volumes across the Group's network during most of April 2020. An improvement in sales volumes has been recorded in early May 2020 following the slight easing of restrictions under the lockdown programme.

Business units in the Group typically operate with lengthy raw material pipelines and at this point management does not anticipate any major risks of disruption in raw material supplies as a result of COVID control measures instituted in other parts of the world.

As part of the Group's business continuity plan, Management continues to review financing, capital investment, and working capital levels. The Group's livestock herds are a critical component of its asset base, and production levels will be managed in the most efficient manner, and in line with market demand.

Given the ongoing uncertainty around the impact and conclusion of COVID-19, it is not possible to assess, with absolute certainty, the full impact it will have on the Group's financial performance for the year ending 30 June 2020. At the present time, the financial status of the Group remains healthy, and the COVID-19 pandemic has not created any issues from a solvency or liquidity perspective.

By order of the Board
INNSCOR AFRICA LIMITED



AD Lorimer
Company Secretary
Harare
12 May 2020