

Innskor Africa Limited hereby issues the following trading update for the First Quarter ended 30 September 2020.

TRADING ENVIRONMENT AND GROUP SUMMARY

The trading environment for the quarter under review was underpinned by improved business and consumer confidence arising from a relatively stable local currency, a significant decline in local inflation and the easing of COVID-19 lockdown restrictions. These factors combined to result in a trading-oriented focus for the Group, with solid volume growth being registered across most of the Group's product categories.

The introduction of the foreign currency auction system and Statutory Instrument 185 of 2020 allowed for the implementation of precise pricing strategies, enhanced planning capability, improved capital allocation and value preservation for the Group's business units; these policy measures are extremely encouraging.

Despite the relative improvement in trading conditions, the local effects of 2019/20 drought season and COVID-19 pandemic are yet to entirely dissipate. Considerable focus therefore continues to be applied to ensuring appropriate levels of paid-up inventory are on hand, while ensuring adequate levels of local liquidity are procured and deployed to finance the Group's working capital requirements. The relatively stable trading environment has also given rise to the anticipated correction in gross trading margins across many Group businesses; this coupled with a fully-indexed cost base and high local interest rates means that business model optimisation and financing decisions remain critical focus areas for our management teams going forward.

NATIONAL FOODS

First Quarter volumes at National Foods closed 15% higher than the comparative quarter, and also showed continued growth against Quarter Four of F2020. Salient features include:

- The Flour division recorded a 43% growth in volumes against the comparative quarter, driven by an improved wheat supply, firmer demand from the pre-pack category and the general adoption of open-market policies.
- The Maize division recorded a volume decline of 35% against the comparative quarter. The gradual removal of subsidies was a key volume determinant, coupled with a larger than expected regional maize crop and competitively priced imported maize meal affecting the local informal market dynamics.
- The Stockfeeds division continued to show favourable growth as market demand recovered, allowing for enhanced pricing strategies and a focus on product quality. The division achieved a 26% growth in volume versus the comparative quarter.
- The Grocery and Snacks divisions both produced strong volume growth, a function of market and pricing stability, capacity enhancements, and a continuation of new products being introduced to the portfolio. In the Grocery division, volumes grew by 76% over the comparative quarter, whilst in the Snacks division volume growth of 21% was recorded.

BAKERIES

In the Bakery Division, First Quarter volumes were marginally ahead of the comparative quarter, but continued to show good recovery against more recent trends, being 36% above those recorded for the final quarter of F2020.

The period under review was characterised by relative price stability across the value chain and allowed for relevant and competitive loaf pricing to the consumer. Pricing of the recently harvested local wheat crop will be a major determinant in pricing dynamics, as well as demand, in the period ahead.

COLCOM

Colcom's volumes came under significant pressure during the second half of F2020 at the height of the local COVID-19 pandemic. Following the progressive relaxation of lockdown restrictions, the operation's volumes have recovered considerably, showing a 47% growth on the final quarter of F2020; as measured against the comparative quarter, volumes were similar.

Despite a 12% decrease in the number of pigs slaughtered as compared to the same quarter last year, volumes of meat delivered for processing were compensated through the delivery of heavier pigs, as the operation adjusted to significant changes in market demand during the lockdown phase. The processed range of products showed a pleasing performance recovery, with a growth of 57% being recorded against Quarter Four of F2020.

IRVINE'S

Irvine's Zimbabwe performed well during the quarter under review, with all three main product categories showing strong growth from the final quarter of F2020; table eggs, day-old chicks and frozen poultry were up 10%, 29% and 77% respectively over this period. As measured against the comparative quarter, volumes in table eggs showed a 17% increase whilst day-old chick volumes were up 21%; frozen poultry volumes were at similar levels.

The business continues to invest in operational efficiencies through additional local breeding capacity and automation initiatives.

ASSOCIATED MEAT PACKERS

Volumes at Associated Meat Packers were at similar levels to the those recorded in the comparative quarter, but showed pleasing growth of 23% against the final quarter of F2020.

The operation's backward integration investments continued to deliver an increasing share of raw material requirements, whilst the store network continues to expand with the Masvingo Texas Meat Market branch scheduled to open in the second week of November 2020.

NATPAK

Consistent volume growth continued to be achieved at Natpak which showed an overall 24% increase on the comparative quarter and a 22% growth on the final quarter of F2020.

- The Flexibles division continued to command strong market share with improved capacity utilisation driving volume growth of 25% against the final quarter of F2020 and 43% against the comparative quarter.
- The Rigids division operated at almost full capacity, with volumes growing 78% on the comparative quarter and 19% on the final quarter of F2020. Additional capacity investment in this category has been made although commissioning of this new plant is likely to be slightly delayed into the early part of 2021 as a result of a supplier back-log resulting from COVID restrictions.
- The recently added Corrugated division continues to show improved capacity utilisation on the back of firm market demand with volumes growing 26% on the comparative quarter and 63% on the final quarter of F2020.
- The Sacks division registered marginal volume decline against both the final quarter of F2020 and the comparative quarter; this was mainly a knock-on effect from reduced maize meal output in the trade; this trend is expected to reverse in the coming period.

PRODAIRY

Prodairy continued to record excellent growth, with overall volume performance being 24% above the comparative quarter and 60% above the final quarter of F2020. Volumes were driven by a continued increase in local raw milk supply and the addition of new and adjacent product lines. Focus in the coming period will be maintained on ensuring a sustainable, and increasing, supply of raw milk via both own production and smart, value-adding partnerships with producers, whilst product development will continue in both the popular "Life" and "Revive" ranges.

PROBOTTLERS

Recent capacity expansion has enabled the addition of new packaging formats at Probottlers; this drove volume growth of 35% against the comparative quarter and 37% against the final quarter of F2020. Further investment to unlock production efficiencies will continue in the operation in the period ahead.

PROFEEDS (ASSOCIATE)

The Profeds operation showed a pleasing recovery against the subdued latter part of the F2020 financial year, with volumes increasing 46% against the final quarter of the prior year; volumes were also 10% above the comparative quarter. The upgrading of the "Profarmer" retail network into an all-encompassing, one-stop, agricultural outlet for farmers continued, and this, together with the introduction of an enhanced information system, will offer consumers an improved product portfolio as well as key farming and livestock support services.

PROBRANDS (ASSOCIATE)

Volumes at Probrands increased by 18% versus the comparative quarter, driven largely by improved rice volumes, specialised products and continued growth of the condiments range. Volumes were however somewhat lower as compared to the final quarter of F2020, driven by reduced demand in the food hamper category brought about by a strategic refocus of the associated NGO stabilisation programs.

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

The Group remains resilient and 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.

The Group continues to review its financing, capital investment and working capital models as part of its business continuity plans.

Given the ongoing uncertainty around the impact and conclusion of COVID-19, it is not possible to assess, with absolute certainty, the full impact the pandemic will have on the Group's financial performance for the year ending 30 June 2021. 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
5 November 2020