INNSCOR AFRICA LIMITED

TRADING UPDATE

First Quarter ended 30 September 2024

INNSCOR Africa Limited

Our passion for **value creation**

Innscor Africa Limited hereby issues the following trading update for the First Quarter of the 2025 Financial Year, that ended 30 September 2024.

TRADING ENVIRONMENT AND GROUP SUMMARY

The trading environment remained challenging during the quarter under review, with the dynamics highlighted in the Group's recent 2024 financial year-end results release being largely unchanged.

The Group's management teams continue to deploy focus toward navigating the complex policy landscape, and most notably, the cost-push pressure emanating from the adjustment to the Value Added Tax ("VAT") status on many basic products which the Group manufactures, coupled with the Sugar Excise Duty in the beverage categories; sustained pricing distortions in the formal retail channel and the considerable route-to-market regulations have also added to the dynamic. The Group continues to engage with the relevant Authorities in an effort to achieve sustainable, long-term solutions with regards to pricing, and the impact of the changes emanating from the revised VAT regulations.

The impact of the devastating El-Nino drought conditions has introduced further challenges into the operating environment, with constrained national electricity supply resulting in a heavier dependence on costly, auxiliary power sources, whilst the lower agricultural output from the 2023 summer season has resulted in a higher usage of imported grains.

Currency volatility also ensued for much of the period, culminating in a 43% overnight devaluation of the local currency late in the quarter under review; further monetary policy measures, including an upward adjustment to local currency interest rates and statutory reserve requirements, have further impacted overall market liquidity.

Notwithstanding the fluid macroeconomic and trading dynamics, the Group registered solid volume growth in the Mill-Bake, Beverage and Packaging segments, driven by the extensive investment programmes now scaling up across the respective business units, and supported by a significant focus on product pricing to ensure strong volume momentum. Whilst the Protein segment registered volume growth across many core categories, on aggregate, the segment continues to be impacted by its reliance on the formal retail channel, further compounded by the cost-push pressure relating to the change in VAT status, particularly in the pork category.

The Group is pleased with the progress made during the quarter under review, and our management teams will continue to focus towards the overall portfolio strategy, which is centered around achievement of volume targets, controlling the bills of materials, and managing variable and fixed costs to set targets. Generation of free cash and the achievement of the requisite returns on shareholders' equity also remain key focus areas.

BAKERIES

Loaf volumes in the Bakeries division remained firm, closing 3% ahead of the comparative quarter, with sustained demand in the category supported by consistent flour supply, and a stable and convenient exit price to the consumer.

Solid progress is being made with the construction of an additional, world-class, and fully automated, production line at the Shepperton Road site in Harare. This line is expected to be commissioned toward the latter part of the current financial year, and is being supported by further plant upgrades and automations on the existing facilities at both manufacturing sites, further enhancing product quality and production cost efficiency. Ongoing optimisation work as regards the distribution fleet and route-to-market strategies continues to deliver pleasing results.

NATIONAL FOODS

National Foods registered an aggregate volume growth of 20% over the comparative quarter, with pleasing growth contributions realised in many of the newly-introduced FMCG product categories:

- The Flour division registered a positive volume growth of 12% over the comparative quarter, driven by increased volume in both the baker's flour and pre-pack categories, and capacity enhancements from the recently made plant investments.
- Momentum in the Stockfeed division was firm, driven by continued solid demand in the poultry category, and drought-induced demand in the beef category. Overall volumes closed 20% ahead of the comparative quarter.
- In the Maize division, volumes registered a significant improvement of 82% against the comparative quarter, with sustained momentum envisaged in the peak demand season ahead. The Group has booked, and confirmed, an extended pipeline of white maize and, as a result, maize meal supplies are expected to meet the Country's demand requirement through to the 2024-2025 harvest.
- Volumes in the Downpacked division closed 10% behind the comparative quarter, impacted by the imposition of VAT on rice, and the high global raw material prices resulting mainly from India's export ban on the commodity. These two factors have resulted in rice being relatively expensive compared to other starches. The Indian rice ban has recently been lifted; this should result in a reduction in raw material prices and, in turn, a reduction in price to the consumer. The Group continues to lobby the Authorities to remove VAT on rice, as it is now considered a basic food product by most consumers.
- In the Snacks division, volumes remained firm, and were driven by strong demand and increased production capacity across both the hard snack ("ZapNax") and Soft Snack ("King Kurls") categories; overall volumes closed 66% ahead of the comparative quarter.
- The Cereals division also showed strong growth across the "Pearlenta" and "Nutri Active" portfolios, driven by the more affordable products in the basket. Volumes closed significantly ahead of the comparative quarter.
- In the Pasta division, very encouraging volume growth was realised as the new manufacturing plant came on-line, with the, now locally-produced, pasta marketed under the "Better Buy" and "Primo" brands being well received by the market.
- The Biscuit division transitioned production to the newly installed manufacturing plant during the quarter under review, resulting in lower recorded volumes than in the comparative quarter. Products from the new plant were launched early in Quarter Two, and the division is expected to successfully deliver increased volume and a broader biscuit offering in the period ahead.

COLCOM

The Colcom division, comprising Triple C Pigs and Colcom Foods, delivered aggregate volumes similar to the comparative quarter. This was largely achieved through significant discounting of prices to compete against non-VAT compliant operators in the same sector. Whilst the fresh pork category recorded volume growth of 3% ahead of the comparative quarter, processed lines suffered an 8% decline, largely due to intermittent trade with the formal retail sector.

At Triple C, overall volume delivered to Colcom Foods increased by 5% over the comparative quarter, attributable to larger pig weights, and enhanced animal performance and genetics. The expansion programme to increase pig production continues, with the first additional site having now largely been completed, and fully stocked with gilts. Additional, weekly, raw material volume from this site will become available at the end of the current financial year. All production units will be supported with a modern, bespoke breeder unit which is scheduled for completion in the latter part of the 2026 financial year.

COLCOM (continued)

The piecemeal upgrade of the Colcom Foods manufacturing facility continues, with an additional pie line having been recently commissioned.

IRVINE'S

At Irvine's, the Table Egg division delivered volume growth of 17% over the comparative quarter, driven by the previous expansion investments in the category, and strong consumer demand for affordable protein. The Frozen Poultry division continued to operate at capacity, with overall volumes closing at similar levels to the comparative quarter, whilst the Day-Old chick division saw a 7% contraction in volume growth versus the comparative quarter, largely attributable to the prevailing drought conditions, and the impact of VAT imposed on this category.

The business has been affected by the numerous changes to the VAT and route-to-market regulations, and immediate focus is therefore being deployed to ensuring that the individual product category trading models are fully optimised, and that product can reach the consumer in the most efficient and effective manner.

ASSOCIATED MEAT PACKERS GROUP ("AMP")

On aggregate, protein volumes at AMP closed at the same levels as the comparative quarter. The beef category delivered volume growth of 32% over the comparative quarter on the back of a drought-induced supply increase and reduced pricing, whilst volumes within the chicken category contracted 17% against the comparative quarter, largely driven by relatively cheaper economy beef and constrained chicken supply during the period; a dynamic driven largely by the drought conditions during the quarter. The operation's popular "Texas" retail chain closed with 35 stores under management at the close of the quarter under review.

NATPAK

Natpak delivered a pleasing overall volume growth of 13% over the comparative quarter, with all divisions registering growth. In the Sacks division, overall volumes closed 7% ahead of the comparative quarter, driven by demand recovery in the mealie meal and fertiliser market segments. In the Flexibles division, volume growth of 23% over the comparative quarter was attributable to increased capacity in the division and firm demand in the bread and sugar segments. The Rigids division, which primarily services the beverage sector, recorded volume growth of 24% over the comparative quarter, whilst demand for corrugated boxes and egg trays remained firm, resulting in 3% volume growth over the comparative quarter in the Corrugated division.

PRODAIRY

At Prodairy, overall volumes closed 26% ahead of the comparative quarter, this pleasing performance was driven primarily by the dairy blend and maheu product categories, both operating under the "Revive" brand; these two categories have received significant capital expansionary investment in the past two years. The milk category, coupled with butter, cream and yoghurt all under the "Life" brand, continued to deliver positive volume growth, with the milk category registering an 11% volume growth over the comparative quarter.

From a raw milk perspective, Mafuro Farming registered an 18% volume growth over the comparative quarter, driven by organic growth and maturity of the milking herd, as well as improved pasture efficiency at the East Range dairy operation in the Midlands.

PROBOTTLERS

Overall volumes at Probottlers closed 20% ahead of the comparative quarter. The "Fizzi" carbonated soft drink category ("CSD") registered a growth of 5% against the comparative quarter, with growth primarily concentrated in the 500ml format, whilst the cordial category, under the "Bally House" brand, reflected a 16% reduction in volumes versus the comparative quarter, largely driven by the pricing dynamics following the introduction of the Sugar Excise Duty.

The new product categories, including water under the "H2go" brand, energy drink under the "Mammoth" brand, sports drink under the "Activ8" brand and dairy blend cordial under the "Bally House" brand, all continued to deliver pleasing volume contribution during the quarter.

THE BUFFALO BREWING COMPANY ("TBBC")

TBBC's sorghum beer offering, under the "Nyathi" brand, continues to gain in popularity, and posted very solid volume performance in the quarter under review. Route-to-market initiatives continue to give pleasing results, whilst work on consumer engagement and brand development continues.

NUTRIMASTER

At Nutrimaster, overall volumes closed 3% below the comparative quarter, although this was largely a timing difference emanating from differing starts to the summer agricultural seasons. The business holds a strong forward order book, with pleasing growth evident in the tobacco segment. The agro-chemical business operating under the "OptiChem" brand continues to record a positive growth trajectory.

The business is at an advanced stage of commissioning its modern granulation facility, which will reduce reliance on imported raw materials, and unlock the ability to better diversify product offerings to the local market.

PROFEEDS (ASSOCIATE)

Profeeds registered an 8% reduction in overall stockfeed volumes; this was a commendable result following the previously reported silo collapse, and the resultant plant damage, that occurred in November 2023. The "Profarmer" retail division, comprising 57 stores countrywide, continued to deliver pleasing volume growth across its fertiliser, seed and poultry sales.

The business will shortly commission a new state-of-the-art stockfeed factory in Bulawayo; this is an extremely exciting initiative, and will not only assist the business with its overall recovery, but also enhance the cost, quality and consistency of stockfeed products to farmers in the Southern region of the Country.

PROBRANDS (ASSOCIATE)

Probrands delivered volumes at consistent levels to the comparative quarter despite the rice category continuing to be impacted by constrained global supplies. Pleasing progress has been achieved in building the specialised condiment and household product categories, with a growth of 59% and 47%, respectively, recorded over the comparative quarter.

By order of the Board
INNSCOR AFRICA LIMITED

AD Lorimer
Company Secretary
Harare
14 November 2024