# INNSCOR AFRICA LIMITED

## TRADING UPDATE- THIRD QUARTER (F2012)

### FAST FOODS

Revenues generated by the Zimbabwean portfolio in the third quarter decreased by 8% as compared to quarter two, the decline being in line with the general trading cycle of the business. A new complex containing three counters was opened in Marondera during the quarter, whilst in Mutare an existing complex, containing four counters, was refurbished. A number of new counters are currently in the feasibility stage, and the refurbishment program will continue across the existing network.

Performance in the regional portfolio was similar to Zimbabwe, with revenues also declining by 8% as compared to quarter two. Three new counters were opened in each of Nairobi and Mombasa during the quarter, with a further eight counters due for opening in Kenya in the final quarter of the current financial year.

### BAKERIES

The Group's Bakery operations, posted another strong set of results during the third quarter, with revenue increasing by 15% over quarter two, with the plants producing an average of 350,000 loaves per day during the quarter. An additional line with a capacity of 100,000 loaves per day is on schedule for commissioning during the second quarter of the new financial year.

### NATIONAL FOODS

National Foods processed approximately 103,000 tonnes of product during the third quarter; this was a marginal increase over quarter two. Improved factory efficiencies resulted in a slight increase in gross margins and the business remains on course to achieve its annual targeted results.

### PROTEIN BUSINESSES

At Colcom, revenues recorded in the third quarter were 9% below those recorded in quarter two; the decline was largely seasonal, although production was affected by both power and water outages at times and this impacted negatively on overall profit margins. Solutions for both these issues are currently being examined and should be implemented by the end of the financial year. The low-cost sausage line that was recently commissioned operated at good capacities during the quarter, and it is hoped that this line will be at full capacity by December 2012. Generation of free cash remained strong in the business.

Irvine's produced a good result for the quarter with revenues similar to that of quarter two, whist improved yields in the factory resulted in improved profit margins.

## DISTRIBUTION GROUP AFRICA (DGA)

The Zimbabwean DGA operations posted revenues in the current quarter that were 7% behind quarter two, whilst in the region revenues were 17% behind quarter two primarily due to the depressed trading environment in Malawi.

## SPAR

As highlighted in the interim report, further rationalisation has taken place within the Group's corporate store network during the third quarter with the sale or closure of three smaller stores. Whilst the remainder of the stores produced a combined trading profit for the quarter, after accounting for closure costs, interest and depreciation an overall loss before tax was recorded and this trend is expected to continue into the fourth quarter of the financial year.

In the SPAR Distribution businesses in Harare, third quarter revenues declined by 31% over quarter two on the back of decreased volumes, and stringent application of credit limits.

The SPAR retail operations in Zambia posted revenues in the quarter that were around 8% below those recorded in quarter two. Trading profitability was however disappointing, and after accounting for interest, depreciation and pre-opening costs of the two new stores in Lusaka, an overall loss was recorded for the quarter.

## TV SALES & HOME

TV Sales & Home continued to post very strong results, and although revenues in the third quarter were 22% behind quarter two, they were substantially ahead of target, as was profitability. The debtors' book continued to grow and collectability remained good during the quarter.

## CAPRI

Capri had a strong third quarter, with revenues increasing by 7% as compared to quarter two on the back of improved factory productivity. The business is in the final stages of concluding its new refrigerator line project, which is targeted to be commissioned toward the latter part of the 2013 financial year.

## GROUP

From an overall perspective, consolidated Group revenues for the third quarter were around 8% below those recorded in quarter two. The Group continues to target consolidated revenue for F2012 of around USD 600 million, with improved profitability margins as compared to F2011.