INNSCOR AFRICA LIMITED

TRADING UPDATE- FIRST QUARTER (F2017)

NATIONAL FOODS

- Quarterly volumes of 139,000mt in quarter one were firm, growing 10.5% on the comparative quarter; this growth was driven mainly by flour and to a lesser extent rice.
- Lower average selling prices resulted in only marginal revenue growth and also had the effect of compressing gross margin. Notwithstanding lower operating expenditure, operating profits were still slightly lower than the comparative quarter.
- The Group's recent investment into Pure Oils is performing strongly and Zimgold has established itself as the country's leading oil brand in a short space of time.
- This led to improved equity accounted earnings and improved profitability at the PBT line.

BAKERIES

- The Group's bakery operation continued on its recovery path, with a small volume increase being recorded against both the comparative quarter and the final quarter of F2016.
- Whilst targeted margins were achieved, operating expenditure was still at sub-optimal levels and remains a focal area for the business.
- Profitability levels remained good.
- The business launched its new half-loaf during the quarter and initial results have been extremely encouraging.
- The operation's pie products were also re-launched during the period under review, and volume targets have been well exceeded.

COLCOM

- Increased volumes, particularly in the fresh and pie categories were recorded in quarter one.
- Whilst these volumes did result in increased revenue, the reduced average selling prices resulted in similar gross margins being achieved.
- Operating expenditure continued to be well managed, allowing for marginal growth to be recorded in the profit lines.
- The Group's pig production facility continued to operate at world-class levels but this will be negated by cost increases in key raw materials such as maize going forward.

IRVINE'S

- Irvine's experienced a difficult first quarter.
- Volumes in all three categories were higher than those recorded in the comparative quarter, but a combination of much lower average selling prices and increased raw material costs resulted in reduced gross margin levels and lower levels of profitability.
- Operationally, the new automated layer facilities have allowed for cost efficiencies to be extracted in the production of table eggs and further investment will continue in this part of the operation.

NATPAK

- Another set of excellent results was recorded at Natpak during the first quarter.
- Volumes in both the major products (sacks and flexibles) continued to be strong, and revenues grew by 19% against the comparative quarter.
- A relative strengthening of the Rand saw raw material costs increase slightly, with a reduction in the gross profit percentage being recorded, but good cost control saw pleasing profit growth continuing to be achieved.
- The business continues to look at additional growth opportunities and in this regard the process to add additional capacity in the flexibles category is at an advanced stage.

PROFEEDS (ASSOCIATE)

- Quarter one proved challenging for Profeeds.
- Feed volumes declined some 15% against the comparative quarter, driven mainly by a depressed chicken market.
- The lower volumes and resultant decline in revenue were the main drivers in the reduced levels of profitability recorded during the quarter.
- The business has seen some encouraging volume growth at the on-set of quarter two, but managing feed prices against rising costs of raw materials will remain a key challenge.

PROBRANDS (ASSOCIATE)

- Excellent results were achieved by Probrands during quarter one, with strong performances in the rice and dairy categories, and overall volumes increased by 10% against the comparative quarter.
- Gross profit and operating expenditure metrics were as per plan, and resulted in positive growth in profitability.

- The UHT line which was due for commissioning in December 2016, will now only be commissioned during January 2017 as a result of delays in securing foreign payments for final capital commitments.

GROUP

- Overall revenue growth for the Group in quarter one was 7% as compared against the comparative quarter, with profitability growth marginally ahead of revenue growth, enhanced by good cost control and improved equity accounted earnings.
- Notwithstanding a good start to the financial year, conditions remain very challenging for all businesses.
- Liquidity remains very tight and the ability to make foreign payments for critical raw materials poses a serious and substantial risk to our businesses.
- The fluid environment also provides a number of opportunities and the Group will continue to investigate both organic and acquisitive investment cases.
- Disposal of the Group's non-core operations in Zambia continues, and will hopefully be complete by the end of December 2016.