

TRADING UPDATE

FIRST QUARTER (JULY 2020-SEPTEMBER 2020)

Trading Environment

1. The trading environment stabilised significantly during the quarter, highlighted by a marked reduction in inflation. This was brought about by the various policies that were enacted and in particular the foreign currency auction as well as the ability to receive foreign currency payments from customers.
2. Prices stabilised as a result of the above, in turn driving an encouraging improvement in volumes, which increased by 15% compared to prior year and 4% compared to the previous period. Volume performance was also driven by the progressive easing of the COVID-19 lockdown measures.
3. Whilst the stability enabled greater opportunity to focus on day to day trade rather than balance sheet preservation, working capital management remained a key area of focus for management in view of the constrained Zimbabwe Dollar liquidity.
4. In terms of raw materials, substantial maize imports will be required to augment the recently concluded harvest which was impacted by a second successive drought. The Group has recently commenced maize imports in preparation for expected demand in the December to April period.
5. The wheat harvest is currently underway, and again the Group has continued with its wheat importation program to compliment supplies from the local crop.
6. National Foods continues to adopt an extremely proactive response to the ongoing COVID-19 pandemic, and remains fully committed to ensuring the safety and health of its employees and customers.

Business Performance

1. On a three-month cumulative basis, volumes at 115,000MT were 15% above prior year and 4% ahead of the previous period. Volumes in the Maize division were disappointing and excluding Maize volumes grew 42% on prior year and 30% on the previous period.
2. Salient features across the categories include:
 - Volumes in the Flour division increased substantially by 43% compared to last year and 31% relative to the previous period. The category benefited from access to funds on the foreign currency auction which assisted product affordability.
 - The Maize division had a difficult quarter with the transition away from the Government subsidy program, with volumes reducing by 42% compared to last year and 35% versus the previous period. In spite of the challenging quarter the return to market related trading is welcomed and a recovery in volumes is expected in the coming quarters.
 - Volumes in the Stockfeeds division were very encouraging, registering growth of 26% and 33% compared to the prior and previous periods respectively. The growth was driven by the poultry category where there was strong demand from small scale poultry farmers.
 - The Groceries unit continued to deliver improved volumes, recording 76% growth on prior year and a similar outcome to the firm performance in previous quarter. The growth was driven by salt and to a lesser extent sugar beans, popcorn and pasta.
 - The Snacks & Treats unit, which had been impacted by limited consumer activity during lock-down, recovered strongly with volumes increasing 21% against prior year and 40% compared to the previous period. Demand for Iris Loose Biscuits was strong during the quarter.
3. Turning to the outlook, raw material pipelines remain in a healthy position across the Group's operating units and we will continue to drive volume and market share growth in the periods ahead.

Impact of COVID-19 on the Business, Business Continuity and Statement of Solvency

National Foods continues to implement and observe WHO-approved COVID-19 guidelines across its operations to safeguard the health and welfare of employees, consumers, customers, suppliers and all stakeholders.

Given the ongoing uncertainty around the ultimate impact 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 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

NATIONAL FOODS HOLDINGS LIMITED



LC Howes
Company Secretary
Harare
6 November 2020

