

TRADING UPDATE

THIRD QUARTER (JANUARY-MARCH 2023)

National Foods hereby issues the following trading update for the quarter ended March 31st 2023

Economic Environment and Trading Performance

1. The environment became increasingly challenging in the quarter, with the local currency devaluing at an accelerating rate and significant power supply challenges.
2. A number of distortions are hampering trade in the formal trade as a whole, and in particular the formal retail trade. This is leading to the further informalisation of the economy.
3. Pleasingly, the multi-currency environment has improved operational sustainability and the foreign currency generated from sales has assisted with raw material imports and capital expenditure initiatives.
4. The Group welcomes the recent policy measures which have been taken by Government in respect of the liberalisation of local grain trade. Our expectation is that this will create a more efficient market, benefiting both producers and consumers.
5. From a trading perspective, the year to date period (9 months) has been a challenging one for the Group. Volumes for the year to date at 418,000 tons declined by 5% compared to last year, although after a very constrained first quarter (July to September), there has been something of a recovery in the last 2 quarters.
6. The decline in volume has been mainly in the Flour unit. This has been driven firstly by higher wheat prices globally which in turn have led to increased bread prices compared to last year, impacting bread consumption. Secondly, several new players have entered the flour milling market, heightening competition in the category.
7. The performance by category is summarised in the table below:

Category	Q3 vs. SPLY
Flour	-18%
Stockfeeds	4%
Maize	-4%
Downpacked	15%
Snacks	27%
CCB	42%
Group	-5%

8. Volumes in the Stockfeeds unit have shown encouraging growth in the last 2 quarters after a difficult first quarter. This has been driven largely by the key poultry category.
9. In a similar vein, the Maize unit has shown solid recovery over the last 2 quarters, which traditionally are the peak period for the business. National Foods has launched a number of Sorghum and Millet based products, providing consumers with a wider range of healthy starch options.

10. The Downpacked unit continued to show steady volume improvements. This was largely driven by value rice, which saw increased volumes on the back of its affordability, notably compared to bread.
11. The Snacks unit produced solid volume growth for the period, mainly in the hard snacks category. The King range continues to lead the market in the soft snacks category.
12. The CCB (Cereals) unit witnessed a volume increase of 42%. A new breakfast cereal range comprising flakes and instant cereals was launched in December 2022. To date, the products have been well received by the market.

Update on New Investments

1. As advised previously, the Group has a substantial pipeline of new projects, with a projected investment value of US\$ 30 million over the course of this financial year and next.
2. These projects will see National Foods entering a number of new and exciting categories, whilst reducing imports of manufactured food products into the country:
 - The Harare Breakfast cereal plant has now been commissioned and the first products have been released to the market. Further additions will be made to the range of breakfast cereals over the coming periods.
 - Installation of the new state of the art Flour mill in Bulawayo is almost complete and this plant is expected to be commissioned in June 2023.
 - Work on the new pasta and biscuit plants is underway at Stirling Road, Harare. It is expected that these plants will be commissioned late in 2023.

Outlook

1. The trading environment is expected to remain complex and challenging for the foreseeable future.
2. Medium term, assuming that the necessary policy interventions can be made to deal with some of the current challenges, we remain optimistic on the trajectory of the economy, with growth being driven by the key agricultural and mining sectors.
3. Consequently, our drive to grow and broaden the portfolio continues, and we look forward to bringing additional new and exciting products to the market in the near future as the various new plants are commissioned.

By order of the Board

NATIONAL FOODS HOLDINGS LIMITED



LC Howes
Company Secretary
Harare
15 May 2023