

TRADING UPDATE

FIRST QUARTER (JULY - SEPTEMBER 2024)

National Foods Holdings Limited hereby issues the following trading update for the quarter ended 30 September 2024.

Economic Environment and Trading Performance

- The operating environment remained complex and challenging during the quarter under review.
- The key economic issues faced by the business during the quarter under review can be summarised as follows:
 - Cost pressure brought about by the change in the Value Added Tax ("VAT") status of many of the products which the Group manufactures; many of these products have had their status changed from "Zero-rated" to "Exempt". This means the VAT incurred in producing these products no longer rank for deduction in the calculation of net VAT payable. In essence, the VAT incurred has now become part of the cost of production, compressing margins.
 - The rapid increase in operating costs in real terms, notably power and human capital costs.
 - The supply of power became increasingly unreliable during the period, necessitating greater reliance on expensive back-up power.
- Whilst the operating environment was challenging, consumer demand remained generally robust for the product categories which the Group produces. Accordingly, Group volumes for the period were firm, increasing by 20% over the comparative quarter. Volume growth was positive in all categories, with the exception of rice and salt, and there was significant growth in Maize, Stockfeeds and our newly introduced products such as cereals and pasta.
- Revenue for the quarter mirrored the positive volume trend. Group revenue for the quarter at USD 101 million was 23% ahead of last year.
- The volume momentum was in part driven by our strategy to keep prices as low as possible in a very competitive market. However, this, together with the operating cost pressures meant that profitability growth was muted relative to volume growth.
- The performance by category compared to the same quarter last year is summarised in the table below:

Category	Volume (Versus Prior Year)
Flour	12%
Stockfeeds	20%
Maize	82%
Downpacked	-10%
Snacks	66%
CCB	96%
Pasta	343%
Group	20.3%

- Flour performance was positive, driven by increased volumes in both the baker's flour and prepacks segments.
- Momentum in the Stockfeed category was firm, driven by continued solid demand in the poultry category and drought-induced demand in the beef category.

- Maize volumes registered a significant improvement over the comparative quarter, and we envisage sustained volume momentum in the peak 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.

- Downpacked volumes were impacted by the imposition of VAT on rice as well as the high global raw material prices due to India's export ban. These two factors have made rice relatively expensive compared to other starches.

Fortunately, the Indian rice ban has recently been lifted and this will 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.

- Volumes in the Snacks division were firm, driven by strong demand and our increased production capacity.
- CCB (cereal) volumes also showed strong growth, driven by the more affordable products in the basket.
- Pasta volumes, although making up a moderate share of the Group, showed very encouraging growth as the new plant came on stream. Our locally produced pasta, which is being marketed under the "Better Buy" and "Primo" brands, has been well received by the market.
- Biscuit volumes for the quarter under review were low, as we transitioned production to the newly installed plant. Products from the new plant were launched early in Quarter Two, and we expect to both increase volume and broaden our biscuit offering in the period ahead.

Outlook

- Operationally, management's key focus in the period ahead will be to drive procurement, as well as operating and cost efficiencies, in order to improve margins. This needs to be achieved whilst maintaining firm top line momentum.
- A second area of focus will be the Group's newer categories, CCB (cereals), pasta and biscuits, where we will seek to build further on the positive momentum seen so far in these categories.
- Demand for maize meal is expected to be firm in the period ahead, as household reserves are low following the devastating drought last year. The Group is well positioned to meet this demand.
- As would have been noted in the recent press announcements, the Board of National Foods Holdings Limited is of the view that the company should be delisted from the Victoria Falls Stock Exchange ("VFEX"). A circular outlining the rationale for this and the process to be followed will be published in the press and on our web site in the near future.

By order of the Board

NATIONAL FOODS HOLDINGS LIMITED



LC Howes
Group Legal Counsel and Company Secretary

Harare
15th November 2024