INNSCOR AFRICA LIMITED

TRADING UPDATE- THIRD QUARTER (F2013)

BAKERIES & FAST FOODS

Third quarter volumes through the Group's Bakery operations declined by 10% against those posted during the second quarter. This decline was in line with the general trading cycle of the business. Two new bread lines, each with a capacity of 80,000 loaves per day, were commissioned towards the end of the quarter, whilst one of the original bread lines operating at the Simon Mazorodze Road factory was decommissioned in order to make way for a new pie and confectionary plant, due for commissioning in the early part of the 2014 financial year. This leaves current installed bread capacity at 450,000 loaves per day. A further two bread lines, each with a capacity of 80,000 loaves per day will be added before December 2013.

Following a similar trend to the Bakery operations, third quarter revenues for Fast Foods were approximately 7% below those recorded in the second quarter. Refurbishments continued at a number of outlets, whilst additional sites in Harare, Chivhu, Chegutu, Kwe Kwe and Mutare were at varying stages of completion. The new fish concept, operating under the Fish Inn brand was successfully launched in April, with the first two stores opening in Harare. Initial response to this new brand has exceeded expectations.

Regionally, third quarter revenue trends mirrored those in Zimbabwe, being 7% down on quarter two. Four counters were added to the portfolio during the quarter under review- three in Kenya and one in Swaziland, whilst a further five are due to be added during quarter four- three in Kenya and two in Swaziland.

DISTRIBUTION GROUP AFRICA (DGA)

The Zimbabwean DGA operations posted revenues in the third quarter that were 9% below those achieved in quarter two, improved margins and cost controls resulted in profitability being above that targeted.

Regionally, revenues declined by 22% over the same period, mainly due to a difficult trading environment continuing to be experienced in Malawi.

SPAR

The Group's SPAR retail operations in Zimbabwe continued to improve at trading profit level; although retrenchment and other re-structuring costs taken earlier in the financial year will mean that a loss will be posted in respect of this business for the full financial year. The SPAR Letombo outlet was re-opened during the latter part of the quarter, offering the consumer an exciting low-cost retail experience with outsourced service departments. Initial revenues from this outlet have been extremely encouraging.

At the SPAR DC in Harare, trading was depressed with third quarter revenues 19% below quarter two; the business however remained profitable. The rights for the Western Region of the country were acquired at the beginning of quarter four and this should enhance efficiencies within the operation.

Third quarter revenues at SPAR Zambia declined by 11% against quarter two, but operations remained profitable and results were significantly ahead of the comparative quarter.

COLCOM

At Colcom, third quarter revenues decreased by a marginal 3% against quarter two. Following the re-organisation of the business, a significant retrenchment provision was posted during the quarter. Notwithstanding this, reasonable profitability was achieved and cash flow remained good. Considerable progress has been made across the organisation during the quarter as the business continues to review its products, processes and general modus operandi.

HOUSEHOLD GOODS

At TV Sales & Home, trading was generally stable with both quarterly revenues and profitability in line with targets. Performance of the instalment debtors' book remained good.

Volumes at Capri were constrained during the quarter, but the business still produced acceptable profits. The new refrigerator line, originally scheduled to be commissioned before the end of the current financial year, has been slightly delayed, and is now only expected to be operational during quarter two of the new financial year.

ASSOCIATE AND OTHER BUSINESSES

National Foods processed approximately 123,000 tonnes of product during the third quarter; this was a slight decrease of 2% over quarter two. Margins experienced in the quarter were lower than those experienced in the earlier part of the year, however overall profitability remained in line with targets. Operating cash profit continued to be invested in securing an adequate pipe-line of raw material stocks.

Irvine's posted strong results for the quarter, with third quarter revenues increasing by 4% over quarter two, profitability growth was also enhanced as a result of improving efficiencies both at breeding and production levels

GROUP

From an overall perspective, consolidated Group revenues for the third quarter were around 12% below those recorded in quarter two. Management continues to focus on ensuring that the numerous expansion projects in progress realise desired returns, and whilst only marginal profitability growth is expected in this financial year, it is expected that capacity and efficiency improvements currently being established will result in a much improved performance during F2014.