INNSCOR AFRICA LIMITED

TRADING UPDATE- FIRST QUARTER (F2015)

LIGHT MANUFACTURING

National Foods processed approximately 125,000 tonnes of product during the first quarter; this was an increase of 7% over the comparative prior quarter. Gross margins were generally stable during the period and costs were well controlled. A good pipe-line of key major raw materials should allow the operation to continue its good start to the financial year.

At Colcom, notwithstanding imports of competing product at exceptionally low pricing, overall revenues and total tonnage were similar to those recorded in the first quarter of F2014. Performance of the business at profitability level was enhanced by improved margins as well as better cost efficiencies. A new pie plant is scheduled for commissioning in May 2015.

Irvine's experienced a disappointing quarter. Revenues were slightly lower than those recorded in the comparative prior quarter and combined with lower gross profit margins, resulted in trading profits being 13% behind that achieved over the same period. Work continues on the new stockfeed mill, with commissioning due to take place during the latter part of the current financial year.

Volumes and revenues at the Group's Bakery operations were similar to those posted in the comparative prior quarter, however further restructuring charges resulted in a decline in trading profits of 23%. Consolidation of operations at the Shepperton Road complex is largely complete and management is confident that the work being undertaken in this unit will result in a much improved performance in the second part of the financial year.

Capri produced a pleasing set of results for the first quarter, driven by volume growth of 43%. Whilst there was a small improvement in local volumes, much of the volume growth emanated from exports which have shown pleasing increases. Work on the new refrigeration plant continues with most of the plant now on site; commissioning is likely to spill over to January 2015 with production commencing during February 2015.

LOGISTICS AND DISTRIBUTION

In the Zimbabwean DGA operations, although case numbers increased marginally, this was negated by lower gross profit margins and increased overheads which resulted in a reduction in trading profit of 20% as compared to the comparative prior quarter. Work continues on migrating this operation to be the Group's core solution for all its warehousing and distribution requirements.

Regionally, revenues and profitability remained similar to that achieved in the comparative prior quarter.

QUICK SERVICE RESTAURANTS

In the Zimbabwean Fast Foods portfolio, overall customer counts recorded in the first quarter decreased by 4% against the comparative prior quarter, and whilst this resulted in decreased revenues, improved margins and lower overhead costs stemming from the restructure of this operation, resulted in trading profits increasing by 7% over the same period. Refurbishments are currently taking place at one complex in Harare as well as one in Gweru, with 2 additional outlets due for opening in each of Harare and Gwanda during December 2014.

Regionally, customer counts for the first quarter increased by 3% over the comparative prior period, this translated to a 7% increase in revenues, although pre-opening costs for a number of new counters gave rise to similar trading profits being recorded. In line with the current year's expansion programme, an additional 14 counters (7 in Kenya, 4 in Zambia and 3 in Swaziland) were opened across the regional network during the first quarter. A further 16 counters are scheduled for opening in the second quarter.

RETAIL & WHOLESALE

The Group's SPAR retail operations in Zimbabwe recorded a decline of 13% in revenue over the comparative prior period, however following the restructure programme implemented in the last financial year, a small trading profit was recorded in the quarter as compared to the loss recorded in the comparative period.

The SPAR DC in Harare saw a decline in revenues of 11%, which filtered through to the trading profit line. Management is confident that the initiatives undertaken in this operation during the end of the last financial year will result in an improved performance going forward; with the focus being on a core nucleus of outlets across the platform.

Results at both revenue and profitability levels at SPAR Zambia were similar to those recorded in the comparative prior quarter. A new outlet in Ndola opened during September 2014, increasing the number of corporate stores to 8.

After a poor start to the quarter, TV Sales & Home showed an improvement in trading during September. Overall revenues for the quarter showed a 5% decline as compared to the comparative prior period although lower margins and a decline in the mix of credit sales, lowered profitability by 27%. Notwithstanding the declining financial state of the consumer, performance on the instalment debtor's book remained good during the quarter.

GROUP

From an overall perspective, consolidated Group revenues in the current quarter were similar to those achieved in the comparative period. A higher depreciation charge, together with an unfavourable variance on the livestock fair value line were the main reasons for profitability levels being 7% lower than those achieved over the same period.

Management remains confident that the structural changes implemented both at unit level and Group level will result in long-term sustainable improvement in the Group's overall performance.