



TRADING UPDATE FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

BUSINESS ENVIRONMENT

The trading environment continued to be challenging during the nine months ended 30 September 2020 driven by the impact of the COVID-19 pandemic, currency depreciation and rising inflation. The Company has not been spared by these challenging factors which have resulted in the slowdown of economic activity across the country and depressed consumer spending.

Despite these challenges, the Company continues to review the business model and related strategies in order to ensure the long-term sustainability of the business.

BUSINESS PERFORMANCE

The Company's total sales volumes for the period under review decreased by 8% compared to the same period in prior year mainly due to depressed consumer spending and the adverse impact of the COVID-19 pandemic.

The Premium Brand, Dunhill returned to the market and resultantly it recorded a significant increase of 962% versus the same period in prior year. The Aspirational Premium brands, Newbury and Kingsgate volumes declined by 33% compared to same period in prior year. The Value for Money segment, (Madison and Everest) and Low Value for Money brand (Ascot), saw a decline of 5% and 43% respectively.

Despite the volume decline, net turnover, in hyper-inflation accounting terms, increased by 31% (1 038% in historical terms) compared to the same period in prior year driven by price increases taken during the period as well as revenue generated from the export of cut-rag tobacco.

OUTLOOK

While the trading conditions are expected to remain challenging for the rest of 2020 mainly driven by macro-economic variables and the effects of the COVID-19 pandemic, the Company believes that it will deliver value growth for its shareholders. The foreign currency auction platform has opened access to foreign currency required for raw materials imports and has brought about stabilization of the exchange rate which will alleviate some of these challenging trading conditions.

By Order of Board

A handwritten signature in black ink, appearing to read 'Lovemore T. Manatsa', with a stylized, looping flourish at the end.

Lovemore T. Manatsa
Chairman
29 October 2020