

29 July 2021

Dear Customer

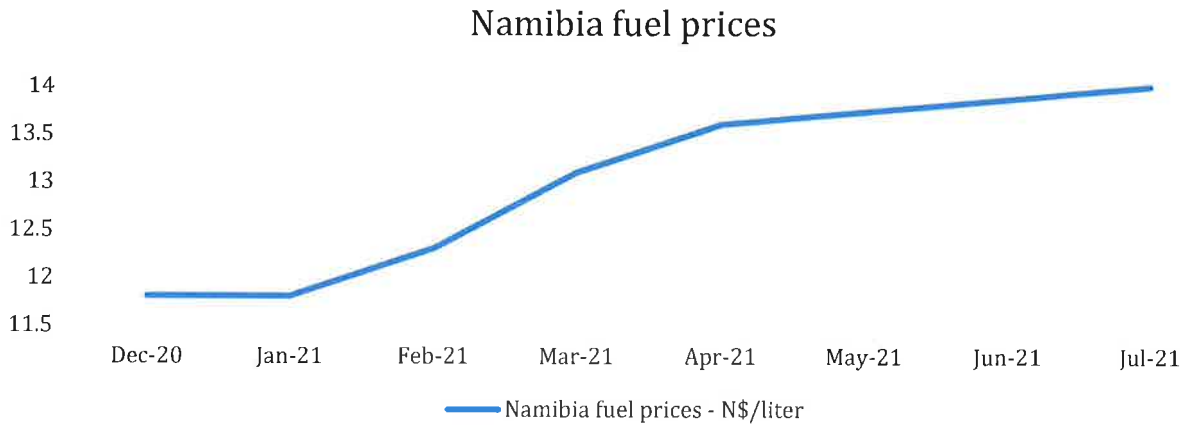
PRICE INCREASES ON MAHANGU, SUGAR, RICE, WHEAT FLOUR, PASTA, YEAST AND BREAD: 1 SEPTEMBER 2021

Namib Mills hereby informs you that there will be a price increase on all our mahangu, sugar, rice, wheat flour, pasta, yeast and bread products effective, 1 September 2021.

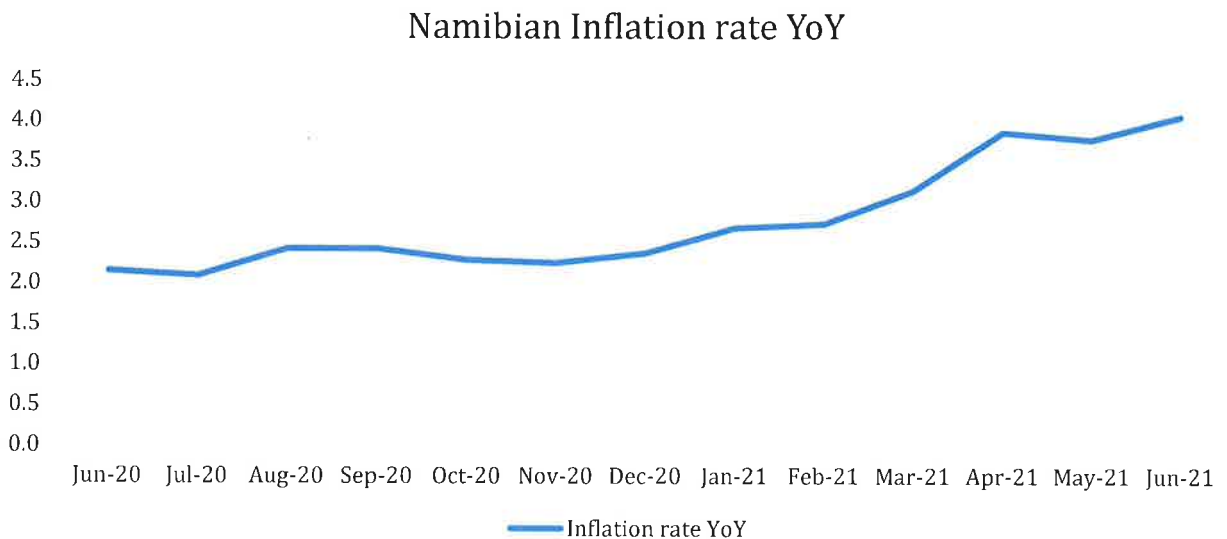
The main driving forces behind the price increases are, amongst other, the following:

- **Wheat, Pasta and Bread:** The hot and dry weather conditions in large parts of the high protein wheat producing areas resulted in expected wheat yields being 35% below prior year yields and 32% below the 5-year average wheat yield. This has resulted in the cost of high protein wheat increasing significantly due to an expected supply shortage.
This has led to an increase in the landed cost of raw wheat and all wheat-based products.
- **Wheat, Pasta, Bread and Rice:** The ocean shipping industry is currently facing a shortage of shipping containers, leading to a massive spike in freight rates. Major disruptions to supply chains are further contributing to a trade imbalance. The main knock-on effect of the container shortage is a rise in freight rates. China became the quickest country to recover from the pandemic, continuing to manufacture and export in March 2020, when other countries were stepping up restrictions. Uneven recovery rates combined with increased demand among consumers mean that containers are now extremely valuable.
In December 2020, spot freight rates were over 260% higher from Asia to North Europe than the previous year. Freight rates per 40 ft. container went from around US\$1,400 in April 2020 to almost US\$5,000 in April 2021.
The increase in ocean freight cost has resulted in significant price increases on commodities that are transported via ocean freight. Namib Mills imports the majority of its wheat, sugar and rice from abroad via ocean freight.
- **Sugar:** The South African sugar industry continues to face serious challenges and in an effort to promote cane farming and business sustainability, the South African Sugar Association (SASA), have announced a 2.4% increase on sugar prices.

- **All products:** The increase in fuel prices over the last nine months has been 19%, this has resulted in our direct distribution cost increasing by 8%, we have to date not recovered this increase in our selling prices. Below is a summary of the fuel prices increases:



- **All products:** The cost of electricity has increased by 2.92%. Electricity charges comprise a significant portion of our total cost structure.
- **All products:** The annual inflation rate increased by 4.1 percent in June 2021 compared to 2.1 percent recorded in June 2020. This rate directly affects salary and wage adjustments as well as overall expenditure that impact the cost of good produced.



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Given the above, we therefore have no other option as to announce the following price increases on the following ranges:

Rice	4%
Sugar	3%
Mahangu	2%
Polana Pasta	6%
Pasta King	2%
Pasta Homebrands	2%
La Vita Pasta	2%
Wheat flour	3%
Complete Mix	3%
Bread	3%
Yeast	2%

Orders will be executed at the existing prices up to the close of business on Tuesday, 31 August 2021, while stocks last. Please note that we will unfortunately not be able to execute any excessive order quantities.

New price lists will be distributed shortly. We kindly advise you to adjust all price master files accordingly.

Be assured of our appreciation towards your understanding in this regard.

Kind regards,



ST Ackermann
Financial Manager