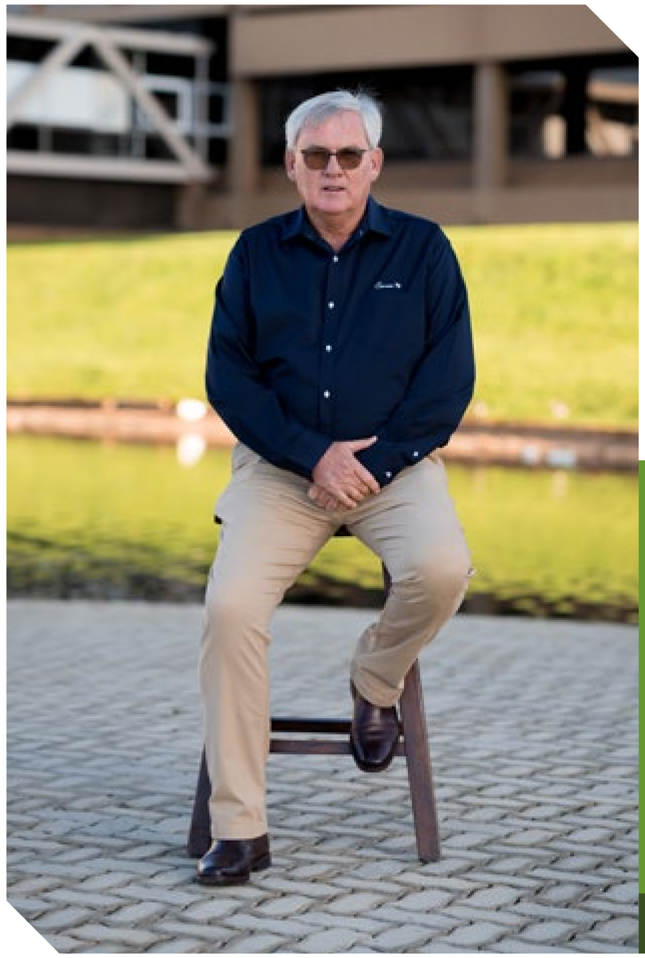


Report by the Chairman

Chairman
Danie Minnaar

In reflecting upon the past financial period, we find ourselves amidst a dynamic landscape characterised by a plethora of local and international challenges, uncertainties and opportunities. It is against this background that it is once again a privilege for me to present this year's Chairman's Report.

Macro environment and agricultural production conditions

We are increasingly observing the impact of climate change in the occurrence of erratic weather and related conditions which are causing great disruption. The World Economic Forum's (WEF's) latest Global Risks Report underscored the pressing concerns surrounding extreme weather events. According to their findings, extreme weather conditions will probably be the top global risk over the next ten years.

The global economic outlook has witnessed a slowdown in growth, accompanied by sustained high interest rates to get inflation in line with target rates. The global economy is projected to grow at 2,5% during 2024, while prospective declines in interest rates are only anticipated later in the 2024 calendar year.

Germany will emerge from the recession in 2024, but economic growth will stay very weak, projected at only 0,2% in 2024. In addition, Germany has also experienced unstable economic conditions because of high interest rates and inflation. Germany's inflation has come down significantly in recent months and the European Central Bank has recently cut interest rates by 0,25%. Germany has also seen decreasing business confidence in the German agricultural sector, which was exacerbated by a reduction in agricultural subsidies by the German government.

South Africa's economy is projected to grow at just 0,9% in 2024. The country's inflation has come down and has been within the target range (3% to 6%) since June 2023. The South African Reserve Bank (SARB) has refrained from further interest rate hikes since May 2023, and is yet to have interest rate cuts, in line with global central banks. Projections suggest that the prime interest rate could range between 11,25% and 11,75% for the duration of 2024, implying the possibility of an interest rate cut of at least 50 basis points (or 0,5%) later in 2024.

Persistent geopolitical shocks, such as the Israel-Hamas and Russia-Ukraine conflicts, continue to dominate the headlines globally. The ongoing conflict, specifically in the Middle East, poses a notable upward risk for fuel prices. Disruptions in shipping routes are becoming more frequent, exacerbating our reliance on imported fuel. This underscores the importance for the group to closely monitor geopolitical developments and proactively manage potential impacts on our operational costs and supply chain resilience.

Political uncertainty will remain high in 2024 as more voters participate in the national elections in at least 64 countries (including the United States of America) as well as the European Union. By the end of 2024, about 49% of people in the world will have participated in national elections. Apart from the results of South Africa's national election, numerous other key elections are still diarised for this year, and the outcomes hereof will significantly shape the global socio-political landscape, and impact international fiscal and trade policies.

In addition to the global challenges mentioned above, South Africa weathered the unprecedented occurrence of load shedding during 2023. However, there are signs of improvement on the horizon even though its significantly slower than originally anticipated such as the lack of progress in alternative energy installation by the private sector, Eskom's maintenance efforts and the gradual commissioning of units at the Kusile Power Station. Despite these advancements, the group should remain vigilant in navigating the energy landscape to ensure sustainable operations. Business and consumer confidence reached historic lows during the period under review but seems to be stabilising at an improved level. Unemployment, poverty and inequality remain at unprecedented levels. In spite of declines in inflation, consumers' spending power remain constrained due to high interest rates eating away at disposable incomes. South Africa is also experiencing inefficiencies at ports, poor rail and road infrastructure, worsening municipal service delivery and rising crime.

The Agbiz/IDC Agribusiness Confidence Index (ACI) reflected a reading of 40 points in Q1 2024, which is below the neutral 50-point mark, implying that South African agribusinesses remain downbeat about business conditions in the sector. This pessimism emanates from macro-economic factors, which are yet to be addressed, and new challenges on the weather front (El Niño).

Adverse agricultural conditions largely attributable to the prevailing El Niño phenomenon, impacted South Africa's 2023/24 summer grains and oilseed harvest (such as white maize, yellow maize, sunflower and soybeans), being estimated at 15,8 million tonnes, which reflects a concerning 20,5% decline from the previous production season's 19,9 million tonnes. Total maize production is projected at 18,4% lower, while sunflower and soybean tonnages are anticipated to decrease by 9,8% and 35,8% respectively. Additionally, the agricultural machinery sector seems to be entering a year of normalisation after a few years of robust activity. Tractor and combine harvester sales declined with 25% and 61% respectively in January 2024 to April 2024, compared to the same period in 2023. Higher interest rates have added pressure to producers' finances, and although various input cost prices, such as fertiliser and agrochemicals, have declined since 2023, these prices are still generally well above pre Covid-19 levels, leading to additional financial pressure for producers.

More consolidation opportunities will arise in the agricultural sector. National agricultural debt is at record levels, amounting to R207 562 million in December 2023, also giving rise to further consolidations at farm level. The size of farming units will continue to grow larger, hence reducing fixed cost, to ensure food production at sustainable cost levels.

Group results

I am proud to report that Senwes delivered a robust performance for the 2024 financial period, with revenue and cash from operations reaching the highest levels, and profit after tax the second highest in Senwes history. The balance sheet is strong, with debt levels well within our serviceability limits, notwithstanding continued investments in growth projects and acquisitions.

Senwes continues to execute its externalisation strategy by acquiring various assets from Porst Landtechnik GmbH to operate within the existing S&L Connect business, effective 1 August 2023. This marks the acquisition of the fourth John Deere dealership in East Germany.

The group's own capital ratio excluding commodity finance weakened to 35,8% at year-end (2023: 37,4%), which is at the lower end of the group's capital maintenance guidelines of between 35% and 45%, largely attributable to high inventory levels at year-end and the investment in Germany. The board's target remains to continue improving the own capital ratio (excluding commodity finance) to between 40% and 50% in the long term, especially given the current cost of capital.

Value creation for shareholders

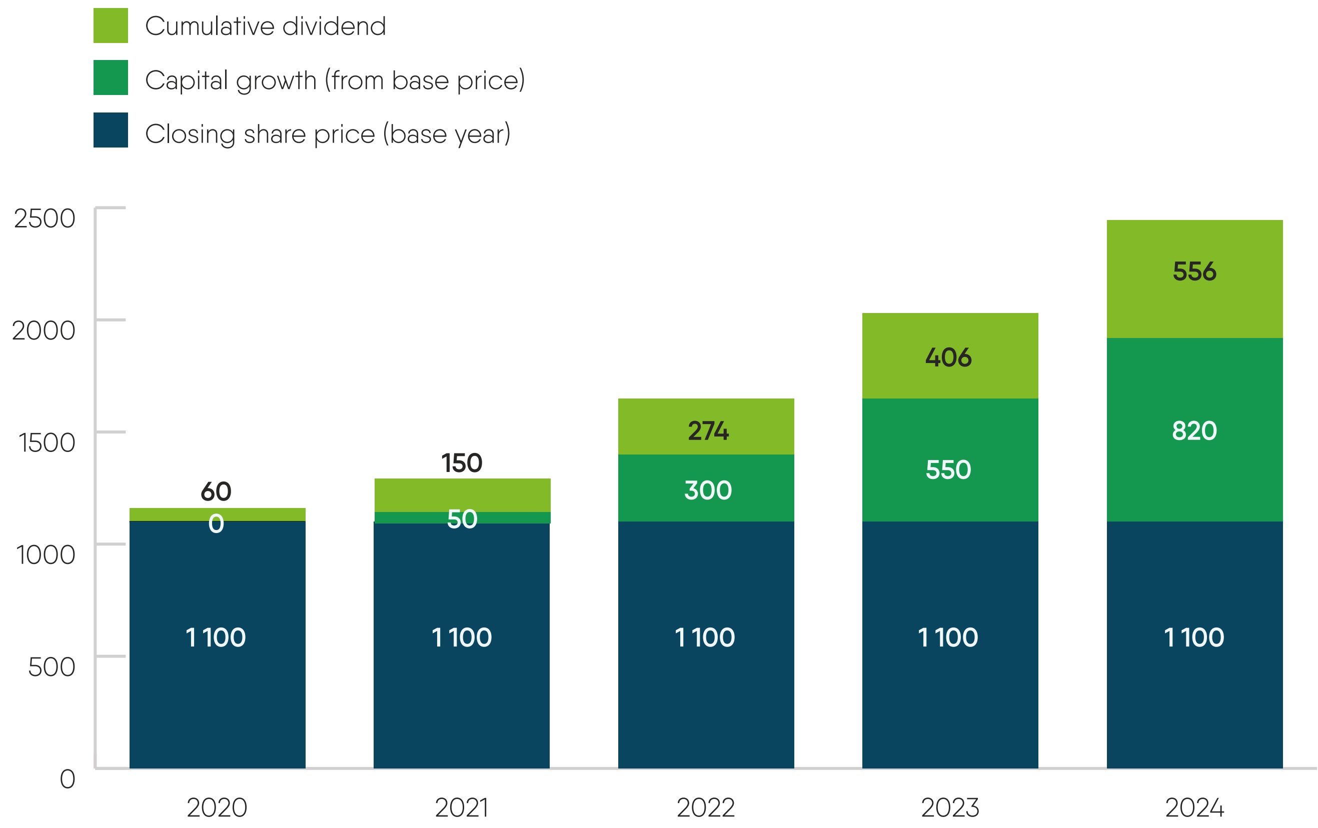
An interim dividend of 50 cents per share (2023: 36 cents) was paid during the financial period, while a final dividend of 50 cents per share was declared (2023: 40 cents), as well as a special dividend of 50 cents per share (2023: 56 cents). The net asset value (NAV) increased by 16,1% to R27,14 per share (2023: R23,37 per share). At year-end, Senwes' shares traded at R19,20 which translates into a discount of 29,3% to NAV. Shares to the value of R229 million were repurchased through various share buy-back programmes. These share buy-back programmes provides an avenue for shareholders to further unlock value in their Senwes share.

Upon examination of the long-term value creation for shareholders, it is observed from the graph included in the report that the Senwes Group's share price grew a cumulative R8,20 per share on the opening share price of 2020, while the cumulative dividend paid between 2020 and 2024 amounted to R5,56 per share, translating into cumulative share price growth of 74,5% and a cumulative dividend yield of 50,5% or cumulative shareholders' return (share price growth plus dividends) of 125,0% between 2020 and 2024.

"Despite the challenges that lie ahead, I am confident that the group's risk-based strategy will enable its resilience to endure, navigate and continue adapting to adverse conditions, and creating value for stakeholders."

Senwes' share price growth averaged 12,1% per year and dividend yield averaged 8,6% per year over the last five years, while total compounded annual growth rate of shareholders' return was 17,6% over the same period.

Value creation and value unlocking for shareholders through capital and dividends (cents/share)
Base year = 2019



Prospects

We are entering a phase marked by declining international grain prices, impacting our profitability. Factors like lower volumes and reduced planting, attributed to sub-optimal soil moisture conditions, are poised to contribute to this decline.

During the past financial period, the group witnessed bountiful harvests, which contributed notably to the group's results. However, the emergence of El Niño presents formidable challenges with far-reaching implications for the upcoming year's grain volumes. In addition, southern African countries will confront the necessity of substantial grain imports (especially white maize from South Africa) as they navigate the adverse effects of the current El Niño event. This heightened grain demand from the rest of southern Africa will place considerable strain on limited grain supplies. The prevailing El Niño will put producers' cash flows under pressure and impact substantially on their capital investment decisions, which will adversely affect the group's Market Access and Input Supply businesses.

The group will focus on growth initiatives, efficiency improvements, and cost saving initiatives, while continuing to re-evaluate its funding model in terms of the appropriate allocation of capital to ensure business growth and sustainability.

Businesses across South Africa will have to navigate the ramifications brought about by the results of South Africa's national elections, in addition to persisting challenges in South Africa's macroeconomic environment. It is anticipated that Germany will emerge from recession during the 2024 calendar year, however, growth will remain very weak. In addition, Germany's inflation is also on the mend. Confidence in the German government among producers remains unsettled.

Despite the challenges that lie ahead, I am confident that the group's risk-based strategy will enable its resilience to endure, navigate and continue adapting to adverse conditions, and creating value for stakeholders.

Acknowledgements

During the period under review, we bid farewell to one of our directors, Kobus Marais, who retired at the annual general meeting of 22 August 2023. I want to extend my sincerest gratitude for his dedicated service during his time on the Senwes board, and for his contribution and support during the KLK acquisition, which occurred during the 2019/20 financial period.

I want to thank my fellow board members for their guidance and the unrestrained contributions of their time and advice. To Francois Strydom and his executive management teams across the group, thank you for your efforts and continued focus during the past year. I also applaud each one of our employees who continued to champion service excellence during the past financial period.

I wish to end my report by thanking our Heavenly Father, who holds His hand over Senwes and its stakeholders every day. May we live each day according to His will.

Danie Minnaar
Chairman
5 July 2024
Klerksdorp