



TRADING UPDATE FOR THIRD QUARTER ENDED 30 SEPTEMBER 2019

Introduction

The Group hereby issues a trading update for the third quarter ended 30 September 2019.

Operating Environment

The operating and economic environment remained challenging during the period under review. There has been no improvement to the trading environment and factors as previously mentioned in our half year publication still exist and these include liquidity constraints, subdued demand, power outages, foreign currency shortages and rapid devaluation of the Zimbabwe Dollar ("ZWL") leading to increased costs of key imports and a sharp rise in inflation (cost push inflation). These factors continue to hamper productivity and depress economic growth.

Group Volume Performance

Third quarter sales volumes have decreased by 62% compared to the comparative prior period whilst the year to date sales volumes have decreased by 58%.

The causes of the volume decrease include;

A stance by management to restrict sales in order to preserve shareholder value resulting from the uncertainty in the operating environment with the main factors of rising inflationary pressures and foreign currency constraints being key determinants to the sales restriction,

Consumer spending has decreased as income levels have not kept up with rising general price levels and this has caused aggregate demand to remain subdued. We have noted consumers are opting for smaller pack sizes; and

Stockouts as a result of challenges in sourcing replacement stock of raw materials and goods due to stop supply from foreign creditors because of overdue balances and key suppliers demanding prepayment.

Segment Volume Performance

The causes of volume decreases are the same as those elaborated on in the Group Volume Performance section.

FMGC Segment

Third quarter FMGC segment sales volumes have decreased by 80% compared to the comparative prior period whilst the year to date sales volumes are down by 66%.

Medical Segment

Year to date medical segment sales volumes have decreased 100% compared to comparative prior period. This segment did not trade during 2019 due to working capital challenges and inadequate stock as foreign suppliers maintained their stance of cutting lines of credit.

Manufacturing Segment

Third quarter manufacturing segment sales volumes have decreased by 28% compared to the comparative prior period whilst the year to date sales volumes are down by 39%.

Associate company – MedTech Food and Beverages (Private) Limited

Third quarter associate company sales volumes have decreased 100% compared to the comparative prior period whilst the year to date associate sales volumes have decreased 10% compared to comparative prior period.

Profitability

Using accounting records maintained under the historical cost convention and change in functional currency to Zimbabwe Dollar ("ZWL"), the Group recorded a net loss before tax of \$17,778,989 for the nine months ended 30 September 2019 (30 September 2018: profit before tax \$1,096,074). The Group recorded a net loss before tax of \$9,810,773 for the third quarter of 2019 (Third quarter of 2018: profit before tax \$143,303).

The loss is mainly attributable to the translation of monetary liabilities (mainly foreign creditors) during the period. The net exchange rate loss for the nine months ended 30 September 2019 was \$23,934,911. The rate used for translation on 30 September 2019 was an interbank rate of ZWL15.17: USD1 (30 September 2018 ZWL1:USD1). The net exchange rate loss for the third quarter of 2019 was \$13,805,194 and is mainly due to a devalued Zimbabwe Dollar which opened the quarter at ZWL6.62: USD1 and closed on 30 September 2019 at ZWL15.17: USD1.

Legacy debt

The Group owes significant amounts to foreign creditors. The Group is still awaiting approval of the legacy debt from the Reserve Bank of Zimbabwe. At this stage the Group is unsure when such approval will be received. Delays in the approval of legacy debt has resulted in cuts in supply and stock outs which is one of the contributing factors to the decreased sales volumes.

Reminder on cautionary statement

Shareholders are reminded of the cautionary statements published in the press on 05 September 2019, 26 September 2019, 17 October 2019 and 07 November 2019 and are advised to exercise caution when dealing in the company's securities until a full announcement is made.

BY ORDER OF THE BOARD

M Y Patel
Company Secretary

Stand 619
Corner Shumba / Hacha Road
Ruwa
14 November 2019

HOLDINGS

LIMITED