



## TRADING UPDATE 11 MONTHS TO 31 MAY 2019

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			Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
			11 Months to	11 Months to	12 Months to	10 Months to	10 Months to	12 Months to	
			31 May 2019,	31 May 2018,	30 June 2018,	30 April 2019,	30 April 2018,	30 June 2018,	
<b>Production Volume</b>									
Poles-Transmission	m3		11,598	14,669	16,488	9,759	13,740	16,488	
- Sleepers	m3		449	10,064	10,133	449	9,843	10,133	
Lumber	m3		50,537	54,819	62,519	45,250	49,163	62,519	
<b>Total</b>			<b>62,584</b>	<b>79,552</b>	<b>89,140</b>	<b>55,458</b>	<b>72,746</b>	<b>89,140</b>	
<b>Sales Volume</b>									
Poles-Transmission	m3		12,622	15,217	16,952	11,702	13,830	16,952	
- Sleepers	m3		454	9,988	10,226	454	9,793	10,226	
Lumber	m3		53,146	53,699	60,566	47,723	48,338	60,566	
<b>Total</b>			<b>66,222</b>	<b>78,904</b>	<b>87,744</b>	<b>59,879</b>	<b>71,961</b>	<b>87,744</b>	
<b>Financial Performance</b>									
Revenue	ZWL		32,030,166	19,184,732	21,300,577	23,070,172	17,578,771	21,300,577	
Net (loss)/ profit before tax	ZWL		(9,811,237)	2,650,262	(340,696)	161,094	3,522,185	(340,696)	
Cash profit before tax, after adjusting for non-cash items	ZWL		6,102,027	3,671,326	5,867,344	4,806,444	4,428,751	5,867,344	

### Unaudited May 2019 Production and Sales Volumes

Lumber production is lower compared to same period prior year due to low production in the months of December 2018 to April 2019 at one of our sawmills caused mainly by the general power outages and Cyclone Idai devastating effects that occurred on 15 March 2019. The knock-on effect of the cyclone resulted in the Charter sawmill resuming operations in the first week of May 2019, thereby negatively affecting both production and sales into the market as the road infrastructure was decimated. However, sales volume is higher due to increased demand on the local and export markets. Higher sales volume was achieved out of sales from buffer stock.

Treated poles reflect a decline in both production and sales as they are mostly tender based and there has been a general slowdown in the export markets hence low production compared to comparable period May 2018, generally the outcome is now looking positive on the poles market.

### **Financial performance.**

Revenue saw positive improvement compared to prior comparable period mostly driven by improved quality hence better average selling prices (ASP) on lumber.

Net loss before tax is a result of unrealized exchange losses on foreign debts amounting to ZWL 10 783 796.

The loss before tax for the 11 months to May 2019 excludes the effects of the final biological asset valuation which will be conducted at year end.

### **Update on Cyclone Idai.**

Electricity supply has been restored to all operations in areas affected by the Cyclone. The major challenge to the business going forward is the rehabilitation of the road's infrastructure linking the Chimanimani operations to markets, the effect of which will be greatly felt if the permanent fixes are not done before the rains commence fully in four (4) months-time. We hope that through the intervention of local authorities this will be given priority.

### **Update on ICSID claim and Judicial Management.**

As referred to in the Trading Update for the 9 months to March 2019, the Company was awarded approximately US\$125 million (in addition to interest plus legal costs) by an ICSID tribunal.

Although the award is final and binding, there is currently no clarity around the Government's timetable for settlement and how the award will be shared between the Company and the other claimants. The exit of the Company from Judicial Management is delayed as a result of this.

### **Commendation.**

Management continue to do an excellent job in difficult circumstances.

**Peter Lewis Bailey**  
**Judicial Manager**  
**29 August, 2019**