AXIA CORPORATION LIMITED

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TRADING UPDATE FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019

The operating environment in Zimbabwe continued to be difficult with declining disposable income, inflationary pressures and foreign currency shortages. The Group, therefore, had to frequently adjust prices which had an adverse effect on demand and volumes. In historical cost terms, revenues and headline earnings per share increased by more than 300% and 700% respectively.

TV Sales & Home
Consumer demand was negatively affected during the quarter resulting in a volume decline of 50% against prior year. Product supply has remained consistent in spite of the need for foreign currency in many cases. The business is looking into increasing product offering on products that require solar energy to operate as well as increasing its footprint with a new store in Victoria Falls opened in October 2019. Also, TV Sales & Home embarked on a new and exciting extended credit sale offering and with these initiatives the business is currently witnessing a good recovery in volumes post September 2019.

DGA Zimbabwe
Volumes went down year-on-year by 31%. As most of the products sold in this business are basic consumer goods, the decrease in volumes is reflective of declining consumer disposable income. Also, the shortage of foreign currency resulted in the business reducing its imported stock component due to the concomitant pricing pressures. The business is looking at measures of increasing volumes of locally produced products as best substitutes for some imported products as a way to recover lost volumes.

DGA Region
In Malawi, volumes increased by 45% over the comparative period and this was mainly driven by acquisition of new agencies such as Blue Band, ProGroup, Pepsi and Nestle.

Despite the acquisition of new agencies like Nestle, Zambia volumes were 16% down primarily because of stiff competition from wholesalers in certain brands. Margins have improved as a result of the sales mix.

Transerv
Product supply has been largely consistent to the market despite most of the product range requiring foreign currency. Because the vast majority of the stock is imported, cost pressures have resulted in volumes decreasing by 60%. The business will continue to serve its customers in its chosen markets and maintain its footprint across the country.

By Order of the Board.

LEM Ngwerume
Chairman
14 November 2019