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TRADING UPDATE - THIRD QUARTER ENDING 30 SEPTEMBER 2019

The operating environment remained challenging for the Group in the third quarter as was the case in the first half of the year. Inflation continued to rise, driven mainly by the rates on the alternative market.

The introduction of the Zimbabwe Dollar and the interbank market for foreign exchange at the beginning of the year was a welcome development for the Group, as it made our exports competitive and provided means to access foreign currency. However, access to currency through this channel has been limited of late. This has made it difficult for the Group to source the requisite raw materials. We are grateful to our suppliers for their continued support through these difficult periods. Through their support, as well as from other stakeholders, the Group has managed to keep the operations sustainable.

Demand for the Group's products continue to be subdued, as was the case at half year, and the total sales volumes for the third quarter declined by 50% compared to a similar period last year. Cumulatively, the tonnage for the nine months is 37% below prior year.

Despite the drop in volumes, it is important to note that the turnover was above both budget and prior year. As a result, the business continued to report healthy profitability levels.

The segmental revenue contribution was driven by Merchants (29%), Irrigation (28%), and Civils (22%). The borehole drilling sector recorded 70% growth on prior year. The driving factors for this growth was the need for improved availability of alternative sources of portable water, in response to the prevailing drought. The civils sector contracted by 44% on prior year volumes, due to lack of disposable liquidity in the economy.

Electricity supply remained the biggest challenge in the 3rd quarter and the Group had to rely heavily on the stand by generator to satisfy customer orders. This resulted in considerable increase to production costs. In addition, water supply has also been a challenge and the Group has had to rely on purchasing bulk water for normal consumption and process cooling.

The new factory construction work is now complete. The migration process has begun in earnest and will be followed by installation of the new equipment. We are grateful to the authorities for granting us a complete waiver on duties and other taxes on the capital equipment. We expect operational efficiencies to improve significantly with the construction of the world class factory.

The cash flow position remained strong with the Group able to fund its working capital requirements. Additional cash resources were invested into the new plant. The position on the foreign currency liabilities and assets remained manageable with a net positive position of USD 414,000 for the quarter.

Similarly, borrowings remained within manageable levels.

Outlook

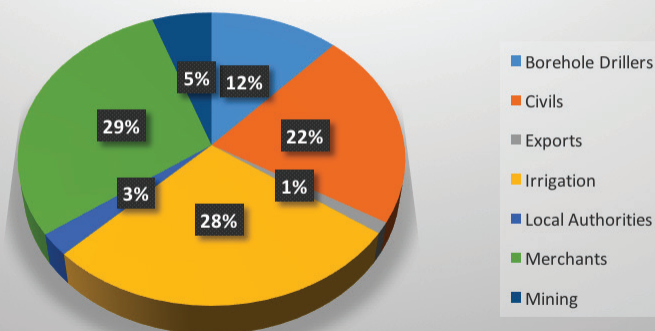
Demand is expected to remain subdued given the current economic environment in the short term. However, we expect demand to significantly improve in the medium to long term given the need to rehabilitate the water and sewer infrastructure as well as irrigation resuscitation initiatives.

The current electricity and water challenges will continue to weigh down business operations into the foreseeable future. The shortage of foreign currency on the interbank market will affect availability of raw materials. However, the Group will continue to initiate mitigatory measures in order to sustain operations.

We expect the full year sales tonnage to remain depressed below prior year overall but with some improvement expected in the fourth quarter.

We also look forward to our call for the removal of duty on imported raw materials being considered favourably by the authorities. Further, we recommend that the General Import Permit requirement be maintained for the products that are manufactured locally as this will reduce outward flow of foreign currency.

Sales by Market Segment Q1-Q3 2019



G Sebborn
Board Chairman

15 November 2019