

## TRADING UPDATE FOR THE THIRD QUARTER AND NINE MONTHS TO 30 SEPTEMBER 2019

### TRADING ENVIRONMENT

The value of the Zimbabwe dollar which was reintroduced in February, deteriorated significantly during the quarter. Prices of major commodities in the economy increased in response to the declining exchange rate between the Zimbabwean dollar and US dollar. There were significant price adjustments for electricity and fuel which in turn affected pricing of most goods and services in the economy. The Public Accountants and Auditors Board advised that the country had met all conditions of a hyperinflationary economy effective from 1 July 2019.

The Group increased the selling prices of its products in line with inflation. However, disposable incomes in the economy lagged inflation, leading to a decline in demand for the Group's products.

The Group also faced challenges in accessing foreign currency from the interbank market and this affected the timely importation of raw materials and spares, thereby impacting production efficiency.

The country experienced significant power shortages during the third quarter and the power utility introduced load shedding for up to eighteen hours a day. This affected production output and production costs as the Group switched to expensive alternative power sources.

### VOLUME PERFORMANCE

The Group's sales volumes for the quarter were 31% below the prior year comparative quarter while the year to date sales volumes were 28% below the previous year comparative period. The business was adequately stocked during the period under review; hence the decline in volumes was attributed to low aggregate demand.

The Group adopted a regional export strategy to generate foreign currency and to reduce the impact of declining sales volumes in the local economy. Export sales volumes for the quarter contributed 2,8% of sales volumes compared to 0.2% in the previous year comparative quarter. Export sales volumes for the nine months period contributed 2,5% of sales volumes compared to 0.1% in the previous year comparative period.

The Group has acquired adequate raw materials to meet production requirements up to the end of the year.

Despite the challenges, Turnall remains focused on its strategy of reducing costs, improving profitability and strengthening its statement of financial position. Unaudited management accounts for the nine months 30 September on a historic cost basis indicate profits significantly higher than the comparable period of 2018 while total net borrowings have been reduced to below 10% of capital employed.

### PUBLISHING OF THIRD QUARTER ABRIDGED FINANCIAL RESULTS

The Group was granted a waiver by the Zimbabwe Stock exchange from publishing the third quarter financial statements due to the absence of clarifications and guidelines from the Public Accountants and Auditors Board (PAAB) on the implementation of International Accounting Standard (IAS) 29: Financial Reporting in Hyperinflationary Economies. The waiver was granted on condition that Group publish a trading update instead of the third quarter financial report by the due date of the 15th November 2019.

By Order of the Board



R. Likukuma (Mrs)  
Board Chairperson  
14 November 2019



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