



# TRADING UPDATE FOR THE FIRST QUARTER ENDED 31 DECEMBER 2020

[www.artcorp.co.zw](http://www.artcorp.co.zw)

## TRADING ENVIRONMENT

The operating environment in the first quarter ended 31 December 2020 improved following the easing of COVID-19 trading restrictions. There was relative stability of the exchange rate on the foreign currency auction system however the Group continued to rely on its export earnings and local free funds to sustain raw material imports. The supply of electricity improved during the period although the cost continued to escalate as prices were aligned to the prevailing foreign currency auction rates.

## GROUP BUSINESS PERFORMANCE

Revenue grew by 23% for the Quarter in inflation adjusted terms and 483% in historical terms compared to the prior year. The Group continued to operate profitably despite inflationary pressure on margins as input costs increased considerably.

Overall volumes for the quarter increased by 26% compared to the same period last year as a result of improved product availability. Export earnings increased by 7% compared to the prior year.

## DIVISIONAL PERFORMANCES

The Batteries business segment maintained production volumes following the easing of the restrictions during the period and managed to record a 48% increase in sales volumes compared to the prior year. Battery Export sales volumes increased by 5% compared to the same period last year.

Chloride Zambia volumes increased by 7% compared to the same period last year as a result of improved product availability and distribution.

The Paper divisions, Kadoma Paper Mills and National Waste Collections, were adversely affected by the COVID 19 pandemic and the measures instituted to contain transmissions by the Government. Sales volumes recovered from the low prior year levels by 46% at Kadoma Paper Mills and 69% at National Waste Collections mainly due to improved power supply. The business performance however was affected by the high cost of raw materials, fuel and electricity. Waste paper imports were increased as availability of paper in the local market remained a major challenge.

Softex volumes for the quarter increased by 4% as a result of the improved supply of raw materials and the continued growth of the non-tissue product range.

Eversharp volumes declined by 22% as the scholastic market segment continued to be affected by the pandemic. Management's efforts to grow the export and the non-scholastic markets enabled the division to breakeven during the period.

Timber volumes increased by 8% as demand for structural timber remained firm. There were no significant fire losses during the quarter.

## COVID 19 UPDATE

The Group continues to manage the risks posed by the COVID 19 pandemic with all divisions intensifying precautionary measures as recommended by the World Health Organisation and the Ministry of Health and Child Care. Regular testing of employees and sanitization of all work places has proved to be effective in the wake of the worsening transmissions in the country. The impact of the pandemic on the Group will continue to be significant however the business remains in a sound financial condition. The Directors and management have assessed the Group's solvency position and are satisfied that the Group is capable of settling all its obligations as they fall due.

## OUTLOOK

The Group anticipates its overall performance to remain positive despite mixed challenges in the economic environment. The paper and stationery sales volumes are expected to remain subdued. Measures taken to contain costs, harness foreign currency from exports and domestic free funds, whilst scaling down investment to preserve cash will enable the Group to sustain operations.

**M Macheka**  
**GROUP CHIEF EXECUTIVE OFFICER**  
**08 February 2021**

