



QUARTERLY TRADING UPDATE FOR THE 3rd QUARTER ENDED 31 DECEMBER 2021

Cottco Holdings Limited is pleased to provide a trading update for the third quarter ended 31 December 2021.

OPERATING ENVIRONMENT

International lint prices continued on an upward trend not seen for more than 10 years with world cotton ending stocks being projected 1.2 million bales lower due to lower beginning stocks, smaller production and slightly higher consumption. Lint prices peaked at 119.2 USc/lbs on the 15th of November 2021 compared to average prices of 56 USc/lb that prevailed in 2020.

Whilst the marginal movement in the interbank rate was a welcome development, local costs driven by alternative rates continued to squeeze the company's margins.

BUSINESS PERFORMANCE

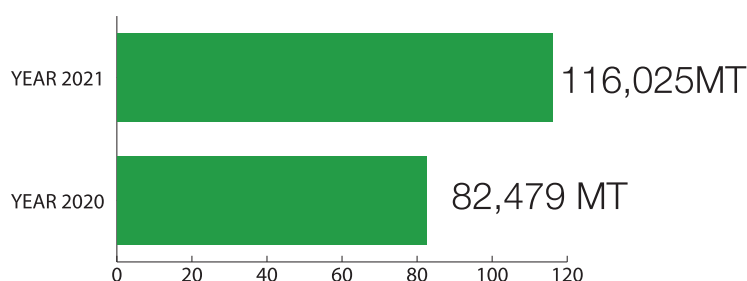
The 3rd quarter typically signifies the end of Cottco's buying season and the final intake stood at 116,052 MT compared to 82,479 MT in 2020. Whilst Cottco was able to pay farmers ZWL3 billion from funding raised during the season the company is looking to unlock a further ZWL800 million to clear outstanding dues to farmers after the payment of the outstanding 2020 subsidy by government. In order to ensure that cotton farming remains viable, government generously committed an additional ZWL22 per kg delivered by farmers as a subsidy payment. The total subsidy for 2021 is ZWL2,53 billion and ZWL500 million was released and paid to farmers during the period under review. The balance is anticipated shortly from Treasury.

Cottco's ginning schedule was delayed by power availability and 93% of the seed cotton intake had been ginned by the 31st of December 2021 with production now set to end in January 2022. Zimbabwean hand-picked cotton is in high demand and the company's order book exceeds production volumes

FINANCIAL PERFORMANCE

The company is publishing quarterly trading updates pending the imminent finalisation of the outstanding external audits.

3rd Quarter Buying Season



INSURANCE CLAIM FIRE INCIDENT AT CHECHECHE, CHIPINGE SOUTH

The loss assessor is in the final stages of assessment of the claim which is not expected to be lower than the initial estimates reported in the last trading update.

OUTLOOK

The late onset of the rains has resulted in a sizeable crop being established 1-2 months later than normal. Depending on the length of the season and available heat units this could affect the maturity and fibre length of the output. Cottco's ground staff are working with farmers to achieve the best possible results under the circumstances. The adoption of precision agriculture under the Cotton Pfumvudza/Intwasa program is also expected to improve the outlook.

The business experienced some disruptions due to an increase in Covid-19 cases at the end of the quarter although the impact was minimised through remote working. As an additional precaution farmer training was conducted through smaller farmer groups.

Cottco is reviewing projects for value addition and increased use of technology in its processes to enhance operational efficiencies.

By Order of the Board

Mrs Jacqueline Dube CA (Z)
Acting Company Secretary