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TRADING UPDATE



CHLORIDE



First Quarter to 31 December 2021

Trading Environment

The trading environment in the first quarter improved as Covid restrictions were eased and business activity increased across the region before the onset of the fourth wave in December 2021. The depreciation of the Zimbabwe Dollar by 25% against the United States Dollar during the period had an adverse impact on inflation and margins given the price in-elasticity in most market segments. The increased use of foreign currency in the local market enabled industry to generate foreign currency to supplement offshore receipts. In Zambia, consumer demand improved and market confidence remained positive.

Group Business Performance

The Group's overall volumes for the quarter increased by 9% compared to the same period last year driven by exports in the region across the divisions. Export volumes grew by 78% representing a 73% increase in foreign currency receipts.

Revenue for the quarter increased by 87% in historical terms (18% inflation adjusted). The continued mismatch in exchange rates depressed the Group's performance as 40% of the growing export revenue is retained at the prevailing auction market exchange rate.

Divisional Performance

Batteries volumes increased by 10% overall on the back of a 73% volume increase in exports as the expanded Exide footprint in Zambia and Malawi was supported by the consistent supply of a wider range of batteries. Industrial and solar products availability improved following the capacity upgrade in the new standalone factory unit.

Paper volumes decreased by 18% with bulk tissue export volumes recovering by 91%. Local demand showed signs of recovery at the end of the quarter as the impact of the foreign currency backlog affected imports. The order book for both tissue and kraft was strong at the end of the quarter. The improved economic activity is expected to result in the increased availability of local waste paper.

Eversharp volumes for the quarter continued to recover, registering a 35% increase compared to prior year. Preparations for the back to school period were encouraging with a strong order book at the end of the period. The division anticipates to perform well as it has been able to secure adequate inputs to meet demand.

Timber volumes increased by 31% during the quarter on the back of improved milling efficiencies and strong demand. The investment in the seedlings project has created a platform for the division to enhance its output through partnerships.

Paper Business Recapitalisation

The divisionalisation of Softex and National Waste Collections is almost complete. The installation of the Tissue machine in Kadoma is progressing well and expected to be complete by year end. The Group managed to secure a new tissue converting line during the quarter which is expected to be operational within the third quarter. These projects will strengthen our cost competitiveness and deliver sustainable benefits to the paper industry.

Business Continuity / Impact of Covid

The Group has largely been able to minimise the effects of the pandemic on its business. Constraints encountered in importing raw materials have been mitigated by increased stockholding levels. The Group continues to observe guidelines to contain Covid transmissions and safeguard the welfare of staff.

Outlook

The Group has remained resilient despite the difficult and challenging trading environment. The Group will maintain tight working capital management and cost control initiatives. The retooling of the manufacturing units will enable the Group to capture opportunities in the region and sustain performance. The Group is wary of the risks that its export drive faces if the exchange rate distortions remain unabated.

M MACHEKA

GROUP CHIEF EXECUTIVE OFFICER

14 February 2022