



TRADING UPDATE FIRST QUARTER 2023

Introduction

I hereby give a trading update for the first quarter period from 1 January 2023 to March 2023.

Operating Environment

Global economic players instituted measures to counter the negative impact of the protracted Russia Ukraine conflict which among others included identification of alternative sources of raw materials, fuels and grain. In response the global economy has shown signs of recovery with inflation slowing down.

Locally, the contractionary measures to support the exchange rate and contain inflationary pressure took effect in the quarter. According to Zimstat local inflation declined to 87.6% in March from the 92.3% recorded in February. However, the official exchange rate was under pressure as there was increased dollarization in the economy in the absence of affordable local borrowings.

Performance

The quarter was constrained by dampened local aggregate demand while the increased dollarization encouraged imports at the expense of local industry. Further, the debilitating power shortages significantly affected production and increased cost of production as resources had to be matched with load shedding schedules. Plant maintenance aimed at improved process efficiencies was on course while the boiler at the rubber plant was refurbished.

The above notwithstanding, the company had a strong order book carried forward from prior year into the quarter. Total volumes for the quarter at 206 metric tonnes were 40% lower than the 342 metric tonnes recorded in the same period prior year. The rubber division volumes at 113 metric tonnes were 5% shy of prior year same period volumes. The chemicals division volumes at 93 metric tonnes were 58% lower than the same period prior year volumes which included residual COVID 19 business. As a result, turnover at USD 1,439 million was 11% lower than the same period prior year turnover of USD 1,618 million while the operating profit is 19% lower than the same period prior year.

Business Outlook

The effort to improve power supply to the national grid will enable the rubber division to convert its strong order book and further meet new business given the anticipated growth in the mining sector. The chemicals division is expected to improve performance on the back of expected growth in the tourism and agricultural sectors together with the relaxation of contractionary measures. The company has maintained its supply chain relationships and will endeavor to retain key skills which are critical to the delivery of improved results as the year progresses. Given the orders at hand and the operating environment the company is expected to remain a going concern.

For and on behalf of GB Holdings Limited**Patrick Munyanyi (Mr.)****Company Secretary****GB Holdings Limited****111 Dagenham Road****Willowvale****Harare****16 May 2023**