



Registered Office: Palm Grove House P. O Box 3186 Wickhams Cay 1 Road Town, Tortola British Virgin Islands
Regional Office: 202 Seke Road P O Box 2777 Graniteside, Harare, Zimbabwe

TRADING UPDATE FOR THE THIRD QUARTER TO JUNE 2023

TRADING ENVIRONMENT

The macroeconomic environment remained uncertain with exchange rate volatility and inflationary pressures affecting trading across the Group's divisions. Monetary policy interventions took effect towards the end of the period stabilizing the exchange rate. Liquidity challenges and pricing distortions in the formal retail sector impacted volumes. Electricity supply improved during the quarter. In Zambia inflation decreased marginally whilst the Kwacha remained stable following the successful restructuring of the country's debt.

GROUP BUSINESS PERFORMANCE

Revenue for the period to June 2023 grew by 54% to ZWL75,2 billion in inflation adjusted terms compared to the prior year. The revenue in historical terms stood at ZWL37,5 billion, 523% above the prior year.

Overall volumes declined by 2% during the quarter. Export volumes recovered, registering a 16% increase from the prior year in line with improved product availability.

The Group remains profitable however margins have come under pressure due to increased input costs and the impact of the punitive foreign currency retention policy on exports.

DIVISIONAL PERFORMANCE

Batteries

Overall volumes for batteries declined by 9% from the prior year volume of 90,445 units due to the power induced downtime at the beginning of the quarter. Production efficiencies following the commissioning of new grid casters increased output in June and July which boosted the "Powered by Exide" winter promotion. The project to increase automotive battery manufacturing capacity is nearing completion and will enable improved stockholding across all product ranges. The division commissioned an additional 200KVA generator and is working closely with the power utility to upgrade power at the Workington factory.

Paper

Paper volumes decreased by 5% from the prior year volume of 2,290 tons as trading was affected by exchange rate volatility and pricing distortions, particularly in the formal retail sector. Demand for bulk tissue on the export market remained firm.

Competition from imports increased in the informal market with pricing and access to foreign currency being key in creating competitive advantage. The new Tissue Mill will be supported by the streamlining and restructuring of the paper divisions in order to drive performance along the value chain. A new converting line will be commissioned before the end of the financial year with resultant cost savings, quality improvement and increased tissue output.

Eversharp

Volumes increased during the quarter by 28% to 12,430,000 pens on the back of increased production output following retooling and improved power supply. Exports into Zambia resumed and stationery trading was buoyed by the launch of the Eversharp Mate and Eversharp Pen Pal brands in response to market demand.

Mutare Estates

Timber volumes at 2,350 cubic meters increased by 7% from the prior year. The order book for both structural timber and pallets remains firm as customers in the sector preferred to trade in foreign currency.

OUTLOOK

The operating environment is expected to remain challenging, however the Group's resilience has been bolstered by its retooling program despite the economic headwinds. The business will leverage its global sourcing partners to deliver cost competitive raw materials. The increased capacity and new equipment will enable us to deliver a wider range of quality products to our customers. The Group's cashflow position remains constrained however management is confident that on-going restructuring initiatives will enable it to strengthen its balance sheet and achieve financial flexibility given the prevailing turbulent economic conditions.

A M CHINGWECHA

GROUP SECRETARY

16 AUGUST 2023



Directors: Dr T. U. Wushe (Chairman) M. Macheke (Chief Executive Officer) *, T.I. Baik , A. M. Chingwecha*, S. Mupfurutsa, M. Oakley * Executive