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## **TRADING UPDATE - THIRD QUARTER 2023**

### **Introduction**

I hereby give a trading update for the third quarter period from 1 July 2023 to September 2023.

### **Operating Environment**

The Quarter was characterized by a continued deflated demand on the company's products as the liquidity shortages in the market persisted. Policy interventions targeted to ease the supply of foreign currency through authorized agents enabled businesses to secure foreign currency albeit at exchange rates that rendered local manufacturing costs high. As a result, price competition from imports intensified due to regional cost disparities.

Nevertheless, the company benefited from the refurbishment of the boiler and ancillary equipment which enhanced internal process efficiencies thereby retaining its competitiveness in the key markets. General Beltings cleared its backorders in the quarter following the commissioning of the refurbished additional press while Cernol Chemicals recovery of its traditional markets was ongoing post the Covid 19 shut down.

### **Performance**

Total volumes for the third quarter at 308 metric tonnes were 57 % higher than the 196 metric tonnes recorded in the same period prior year. The rubber division volumes at 92 metric tonnes were 19 % higher than the 77 metric tonnes recorded in the same period last year. The Chemicals Division volumes at 216 metric tonnes were 82 % higher than the same period prior year's 119 metric tonnes due to the market recovery efforts in the quarter. Total turnover for the quarter at USD 1.2 million was in line with the same period USD 1.1 million, despite the increased competitions from imports from the region and abroad. The company operated profitably in the quarter despite the mixed fortunes of the divisions.

### **Business Outlook**

The fortunes of the rubber division will depend on the recovery of the currently depressed global metal prices, while the continued recovery of the hospitality sectors will assist Cernol in its growth trajectory. The rubber division's enhanced production capacity will assist in shorter order conversion period and is poised to cope with a rebound in the market.