TURNALL HOLDINGS LIMITED

TRADING UPDATE FOR THE FIRST QUARTER ENDED 31 MARCH 2025

Operating Environment

Zimbabwe's economic environment remained relatively stable during the quarter ended 31 March 2025. The tight monetary policy measures being implemented by the Central Bank brought stability to the exchange rates and the gap between the official and parallel market rates narrowed during the quarter. However, the average United States Dollar (USD) year-on-year inflation rates were high and averaged 14.9% during the quarter while the month-on-month inflation rate dropped to 0.1% at the end of the quarter under review. In addition, the operating environment was characterised by tight liquidity conditions and high costs of borrowing which negatively affected consumer spending. The country's power generating capacity fell short of demand and constrained productivity.

The economy is expected to experience some growth on the back of the recovery in the agricultural sector due to the La Nina weather phenomenon. Furthermore, there are various construction projects that are ongoing, and the mining sector is anticipated to experience some growth with significant gains expected in key minerals such as gold, platinum group metals, coal, and lithium.

Business Performance

Production

The company produced 7,357 tonnes of fibre-cement and concrete products during the first quarter of 2025 representing an 18% decline compared to the same period last year. Production levels were linked to sales demand and there was adequate stock cover on all major product lines during the better part of the quarter.

Profitability

The sales revenue for the quarter was USD2.3 million, which was an 11% decline compared to the same period last year (USD 2.6 million). The drop in sales was largely due to the low economic activity in the market and liquidity challenges which were prevailing in the economy. Consequently, the sales volumes for the quarter were 5,464 tonnes, which was a 31% decline compared to the same period last year (7,926 tonnes). Changes in the sales mix exacerbated the

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volume decrease as a higher proportion of low tonnage fibre-cement products were sold during the quarter.

The gross margin for the quarter was 22% against the previous year's figure of 19% and the improved margins were mainly due to the change in the sales mix as the Group enjoys higher margins on fibre-cement products.

Cash generation and utilization

The business was not able to generate positive cash flow from operating activities, and this was mainly due to the loss incurred during the period. The business is in the process of re-sizing its operations to contain costs and thereby improve profitability and cash generation.

In addition, $2.2 million was spent on investing activities with the bulk of that being components and civil works for a new sheeting plant which is going to be based in Harare.

Outlook

The civil works and installation of a new sheeting plant in Harare are now at an advanced stage and this plant is expected to boost production output, increase production efficiency and result in significant cost savings particularly in respect of transportation costs. Cost containment remains a key focus area, as well as enhancing our product offering.

We remain committed to turning the Group's fortunes around and restoring it to profitability.

Appreciation

I would like to express my profound gratitude to all our stakeholders, the Board, management, and staff for your continued support.

By Order of the Board

G. H Hampshire

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Board Chairman

14 May 2025

Directors: G.H. Hampshire (Chairman), I. Bagshaw (Managing Director) *, C.J. Mahari (Finance Director) *, B.P. Nyajeka, B. Ngara, K.R.R Schofield, C.J. Chakona, D. Desai. * Executive

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