



COTTCO HOLDINGS LIMITED

QUARTERLY TRADING UPDATE FOR THE 2ND QUARTER ENDED 30 SEPTEMBER 2021

Cottco Holdings Limited is pleased to provide a trading update for the second quarter ended 30 September 2021.

OPERATING ENVIRONMENT

Lint prices have continued to be bullish with the basis price surpassing 100c/lb, compared to last year's average price of US56c/lb. The rising costs of local cotton production continue to put pressure on the company's margins due to the various exchange rates prevalent on the market which are being used by some suppliers as a basis for costing.

BUSINESS PERFORMANCE

As the Cotton Buying Season draws to a close Cottco's 2021 intake stands at 114,656MT against last year's full year output of 82,479MT. National seed cotton production is estimated to be 130,000MT meaning Cottco's market share is approximately 88%. Prevalent side-marketing during the season which was further exacerbated by the shortage of wool packs resulted in Cottco's market share declining by 2%. Authorities are committed to putting an end to side-marketing as reflected by the promulgation of SI 97 of 2021 and an increase in court convictions of perpetrators.

A significant portion of the outstanding farmer payments for 2020 have been cleared, with the final payments, of farmers who had not initially submitted banking details, expected to be cleared timeously. Cottco expects funding of the 2021 subsidy of ZWL22 per kg to be released any time soon as farmers head back to the fields.

FINANCIAL PERFORMANCE

The company is publishing quarterly trading updates pending the imminent finalisation of the outstanding external audits.

FIRE INCIDENT AT CHECHECHE, CHIPINGE SOUTH

On the 4th of October 2021 a fire broke out at a site where some of our cotton is toll-ginned in Checheche in Chipinge South resulting in USD2.5million worth of lint being destroyed. The tonnage lost was insured and physical security at all sites has been increased whilst investigations of the cause of the fire are ongoing.

OUTLOOK

Experts are predicting an average to above average rainfall pattern in most cotton growing areas in the 2021/2022 agricultural season. Farmers have commenced land preparation with a significant number of farmers expected to adopt precision agriculture under the Cotton Pfumvudza/Intwasa program. This approach promotes focusing on provision of adequate plant nutrition and thus the farmers are expected to achieve higher yields. This is expected to result in further growth in cotton volumes and also result in improvement in returns for both COTTCO and the farmers in the upcoming season.

By Order of the Board

Mrs Jacqueline Dube CA (Z)
Acting Company Secretary

1 Lytton Road Workington, Harare, Zimbabwe

Directors: Mr S. Jabangwe (Chairperson), Mr P. Manamike *(Managing Director), Dr O. Muvingi, Dr M. T. Mushunje, Ms M. Marongwe, Mrs M. Magwenzi, Ms C. Tapera *(Executive Director)

