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TRADING UPDATE FOR THE THIRD QUARTER TO JUNE 2022

TRADING ENVIRONMENT

The operating environment in the third quarter was extremely challenging as inflation, exchange rate volatility and foreign currency shortages affected production and demand in the local market. The temporary suspension of lending and subsequent hiking of interest rates during the period adversely affected the Group as the significant growth projects underway in the paper business necessitated increased borrowings. Market demand in Zambia continued to improve in line with the positive economic developments. .

GROUP BUSINESS PERFORMANCE

The Group's overall volumes for the quarter were held at the same level as the same period last year. Export volumes declined by 6% as orders could not be met due to raw material shortages and the erratic supply of power.

Revenue for the quarter declined by 28% in inflation adjusted terms, reflecting an increase of 137% in historical terms compared to the prior year. Market distortions continued to present pricing challenges. The auction market backlogs worsened, and raw material imports were sustained utilising foreign currency generated from trading.

DIVISIONAL PERFORMANCES

The volume growth momentum for batteries slowed as volumes increased by 2% during the quarter compared to the prior year. The Exide Express distribution network was expanded to improve customer convenience. There was increased focus on value preservation with the tightening of credit risk management measures and regular review of prices.

The volumes for the paper division fell by 26% compared to the prior period with gains made in the first half being reversed due to raw material shortages, erratic power supply and major breakdowns at the Mill. The export order book remained firm however viability is threatened by the unfavourable export proceeds retention policies and requirement for exporters to pay for electricity in foreign currency given the prevailing market distortions.

Eversharp volumes for the quarter increased by 29% as local demand remained firm with improved foreign currency generation enabling timeous importation of inputs and the trading of supporting stationery lines.

Timber volumes increased by 5% during the period compared to prior year with sawmill downtime affecting structural timber output.

New Tissue Mill and Converting Line

The installation of the new Tissue mill and converting line in Kadoma remains on course for commissioning before year end. The wastepaper collection network is being expanded in the region to improve raw material availability. The business continues to receive significant support from its funders.

IMPACT OF COVID/BUSINESS CONTINUITY

The Group continues to implement and observe Covid-19 guidelines to safeguard the welfare of our staff and business partners. At present the business is in a sound financial position and the pandemic has not affected its solvency.

OUTLOOK

The Group will continue to focus on the recapitalisation of the paper segment in order to restore it to sustained profitability. Measures to improve cash generation have been instituted to mitigate the increasing cost of funding. The anchor business of the Group remains resilient and the completion of the capacity upgrade at the Chloride factory will improve product availability. The Group will continue to carefully assess regional opportunities given the prevailing policies and economic conditions as it seeks value accretive growth through its capital investments.

A M CHINGWECHA
GROUP SECRETARY
10 AUGUST 2022

