



SPECIAL TRADING UPDATE FOR THE FIRST QUARTER, 2020

BUSINESS ENVIRONMENT

The trading environment continued to be challenging characterized by the lack of foreign currency for imports as well as the widening gap between the interbank rates and the parallel rates. Annual inflation was 676.4% in March 2020. There was an improvement in the power supply enabling less usage of generators to power the business operations. The Company is continuously looking at ways to mitigate these challenges to ensure the long-term sustainability of the business.

BUSINESS PERFORMANCE

The Company recorded a 10% increase in volumes, compared to the same period last year, driven by various efficiencies from the new trade marketing tools that are being used by the Company.

Turnover, on a historical cost basis, increased by 703% compared to the same period last year driven by price increases which were taken to manage the inflationary pressures faced by the Company.

The Company also commenced cut rag exports in March 2020 to assist in foreign currency generation.

IMPACT OF THE COVID-19 PANDEMIC

Zimbabwe has not been spared by the devastating impact of the COVID-19 pandemic which has resulted in the slowdown of economic activity across the country after the national lockdown was implemented starting 30 March 2020. The Company envisages that COVID-19 will have an impact on the business in the half year financial reporting. The Company has, however, put in place measures to ensure that it recovers from the impact of this pandemic. The Company implemented all necessary precautionary measures in terms of the guidelines issued by the Ministry of Health and Child Care and the World Health Organisation to ensure that its employees are adequately protected against the COVID-19 pandemic.

OUTLOOK

The economic environment is expected to remain challenging and the impact of COVID-19 will be evident in the second quarter. The business expects a drop in volumes in the second quarter due to trading for a few days in April 2020 and reduced operations in May 2020. The tobacco selling season has opened and we will continue to monitor the price movements and how these will impact our business.

By Order of Board

A handwritten signature in black ink, appearing to be the name 'Pauline Kadembo', written in a cursive style.

Pauline Kadembo

Company Secretary

26 May 2020