

NOTICE TO SHAREHOLDERS

TRADING UPDATE FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022

OPERATING ENVIRONMENT OVERVIEW

The operating environment for the quarter under review was characterized by tight monetary policies which saw a gradual decline in the month-on-month inflation levels. High borrowing costs in excess of 200% and liquidity challenges contributed to a general decline in aggregate demand. The Government introduced gold coins and also tightened its expenditure as part of the monetary policy measures to stabilize the economy.

The conflict between Russia and Ukraine continued to pose a lot of challenges in respect of the global supply chain logistics.

PERFORMANCE UPDATE

Turnover in historical terms increased by 282% in historical terms and by 13% in inflation-adjusted terms in spite of a volume reduction of 34%. The decline in volumes was mainly due to a change in the sales mix which was skewed towards the high value and low tonnage building products; coupled with a decline in the aggregate demand due to liquidity challenges in the market.

Profit margins remained under pressure due to the increased cost of doing business. In addition, there were official and parallel market exchange rate distortions whose adverse impacts could not be fully absorbed through selling price adjustments.

A business decision was made to build adequate stocks in preparation for the peak period. The Group continued to engage suppliers for better terms and prices, pursued its cost containment initiatives and restructured the business in line with its strategy.

OUTLOOK

The refurbishment of the Harare fibre cement plant is currently underway, and production is expected to commence in the second quarter of 2023. This will result in significant cost savings and improved product availability in the Northern region where there is higher demand for Turnall products.

The Group is also going to resume the production of Inverted Box Rib (IBR) roofing sheets which will commence in the 4th quarter of 2022. This will improve the Group's product offering and see the company taking advantage of an additional segment of the market. The Group is also supplying some Government projects which are of national importance.

The Group continues to uphold COVID-19 protocols in order to safeguard the health and safety of its staff and all its stakeholders.

Despite the challenges experienced during the third quarter of 2022, Turnall remains focused on its strategies of innovation, profit optimization, production of quality products and superior customer services.

By Order of the Board



Bothwell P. Nyajeka
Board Chairman

21 November 2022

www.turnall.co.zw

Supplementary Information

The Group used the price indices provided by the Zimbabwe Statistical Office as reported on the Reserve Bank of Zimbabwe website:

	Index	Conversion Factor
CPI as at 30 September 2022	12,713.10	1.0000
CPI as at 30 September 2021	3,342.00	3.8040