

NOTICE TO SHAREHOLDERS

TRADING UPDATE FOR THE THREE MONTHS ENDED 31 MARCH 2023

OPERATING ENVIRONMENT OVERVIEW

In the first quarter of 2023, the operating environment was unstable and was characterized by liquidity challenges, low disposable incomes and increasing disparities between the official and alternative foreign exchange rates which distorted prices in the market. The local currency depreciated by 38% to \$928.59 against the USD while year-on-year inflation closed the period at 87.6%.

Power outages also had an adverse effect on the economy which forced some companies to rely heavily on alternative sources of power which are relatively expensive thereby increasing the cost of production.

Furthermore, the Russia - Ukraine conflict compounded the challenges resulting in imported inflation on the back of disruptions in the global supply chain logistics.

PERFORMANCE UPDATE

The Group's sales volumes for the quarter declined by 11% compared to the comparative period last year. This was mainly due to product outages caused by supply chain disruptions in respect of imported raw materials which are normally obtained from Russia. Efforts are currently underway to widen our supplier base so as to mitigate this risk. Building products, Pipes and Concrete products contributed 62%, 1% and 37% of the tonnage sold respectively.

Profit margins remained under pressure due to the increasing cost of doing business. The Group thus continued to engage suppliers for better terms and prices and pursued its cost containment initiatives. There was continued focus on foreign currency generation which enabled the Group to fund its import requirements from own resources.

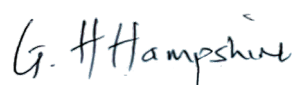
Despite the challenges experienced in the first quarter of the year, Turnall remains committed to re-establishing its core businesses of roofing and piping. This involves rebuilding the manufacturing capacity in Harare. It is anticipated that supply chain problems will be resolved towards the middle of the year after which time the Bulawayo plant will operate on a 24-hour 7-day week production cycle in order to maximise output.

OUTLOOK

The acquisition of a new Fibre-Cement sheeting plant is underway and it will be commissioned in Harare during the first quarter of 2024. This will result in significant increases in the manufacturing capacity and production efficiencies as well as improved cost savings which will impact positively on operating profitability. Plans are also at an advanced stage to procure a Glass Reinforced Plastic (GRP) pipe plant which will enable the Group to service the fast-growing market for large diameter GRP pipes in Zimbabwe and the region.

The Board is confident that all the initiatives that are being undertaken will result in the Group's return to profitability in 2024 as it widens its product offering, develops new markets and does so in an effective and efficient manner.

By Order of the Board



G.H. Hampshire
Board Chairman

11 May 2023