



TRADING UPDATE – FIRST QUARTER 2022

Proplastics Limited hereby issues the following First Quarter trading update for the period ended 31st of March 2022.

TRADING ENVIRONMENT

- The First Quarter witnessed continued local inflationary pressures on both the local and foreign currencies, worsened exchange rate instabilities and economic uncertainties on the backdrop of domestic volatilities and the conflict in Eastern Europe.
- The backlog on the foreign currency auction floor worsened during the period and the amount of allocations significantly reduced to below the Group's requirements. Management remains alive to this risk and have continued to deploy mitigatory measures that seeks to resource foreign currency within the business for the funding of the requisite raw materials which are fully imported.
- The conflict in Eastern Europe posed a potential threat on the availability of raw materials and supply chain disruptions. Besides significant escalations in price and shipping costs, the impact on the business was reduced to a minimum through supplier diversification and forecasted planning.
- Despite uncertainties and complexities in the trading environment, the Group remains focused on consolidating its working capital position, balance sheet and value preservation, pricing relevance, managing of costs and generation of the much-needed foreign currency for funding of raw materials.
- With the completion of the modernization of the plant coupled with the phenomenal growth in Exports, the Group remains positioned to pursue certain opportunities in widening its footprint both on the domestic and the regional markets.
- Power challenges worsened into the quarter and the factory had to run for several days on the standby generator. The factory had to shut down on some days when there was no power for consecutive days and it became uneconomical to continue running the generator. In addition to the economic challenges, the power situation has become so dire and crippling to industries.

BUSINESS PERFORMANCE

The performance commentary is based on the inflation adjusted financial information.

- Sales volumes for the quarter were flat compared to same period last year with revenue growing by 25%.
- Exports sales grew by 15 % against prior year and the overall contribution to total sales was at 7% against 6% for the same period last year.
- Gross margins for the period under review marginally improved compared to prior period.
- The working capital position has improved as the business increased the stocking levels for both raw materials and finished products.

OUTLOOK

- With the rainy season coming to an end, demand for group products is anticipated to firm as most projects are carried out during the dry season, which is our peak season.
- Demand is expected to improve as we draw towards the first half of the year.
- The group also anticipate picking additional volumes from irrigation initiatives in mitigation to wheat shortages given the war in Eastern Europe.
- The successful commissioning of the new PVC line, arrival of new state of the art injection moulds and three injection moulding machines is going to enhance our product offering and diversity ultimately improving volumes and efficiencies.
- We urge Government to address the foreign currency supply backlog through the auction mechanism which has been established to create predictability in the market. The current deficit is leading to significant uncertainty and supply side risk.

By Order of the Board



G. Sebborn
13 May 2022