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LAFARGE

LAFARGE CEMENT ZIMBABWE QUARTER 3, 2021 TRADING UPDATE

I am pleased to present the Quarter 3, 2021 Trading Update for Lafarge Cement Zimbabwe Limited (the Company) for the period July 2021 to September 2021

TRADING ENVIRONMENT

The quarter saw a gradual relaxing of the COVID-19 restrictions as the rate of new infections slowed down, allowing for increased business trading hours and a phased return by employees who had been working remotely. This re-opening of the economy was preceded by a lucrative agro-marketing season which saw a growing demand in the individual home builders' segment, in addition to the already strong demand from the national road rehabilitation projects.

While the supply of electricity had generally improved in the first half of the year, there was an inconsistent supply of power in the period under review.

The official foreign exchange market remained relatively stable, with a depreciation of the local currency against the USD exchange rate closing the period at a rate of ZWL 87.7 from ZWL 85.4 on 30 June 2021. Although the second half of the year saw a decline in year-on-year inflation to double digits, the third quarter saw a notable increase in the price of most commodities as shown by the increase of the month-on-month inflation to 4.7% for September 2021 compared to an average of 3.2% in January to June 2021.

VOLUME & FINANCIAL PERFORMANCE

The Company's Dry Mortars business volumes grew by 95% compared to the same period last year. This is attributed to the increased capacity in the business following the installation of the new plant commissioned in Quarter 1, 2021.

In the same period, the Binastore retail franchise also recorded a 201% growth in volumes versus the same period in the previous year. This growth in the retail franchise business was driven by the increased purchases made on the Binastore e-commerce site particularly during the lockdown periods.

In addition, the Company achieved a 2.6% growth in cement volumes versus the same period last year. The growth in the overall market demand continues

to be driven by the individual home builders' segment as well as the ongoing major infrastructure development projects led by the government.

KEY ISSUES AFFECTING THE BUSINESS

The Company faced significant set-backs in industrial performance in the period under review. There were a number of unplanned stoppages recorded due to equipment failure. The Company continues to face challenges in securing foreign currency to allow for timely replacement of critical spares that are sourced off-shore. In addition, on 11 October 2021, the Company experienced a critical on-site incident involving the collapse of the roof over one of the Company's cement mills. Thankfully, there were no fatalities or injuries as a result of this incident. However, the cement milling operations have since stopped until the restoration of the roof is complete. It is currently expected that the mills will be back in production by the second half of January 2022. Meanwhile, the Company is still producing clinker, manufacturing Dry Mortars and expanding the retail franchise, Binastore.

The COVID-19 pandemic continues to present new dynamics as new waves of mutated strains are being predicted while the vaccine remains the only likely effective mitigation to date. The Company encouraged voluntary vaccination which resulted in an 87% uptake among employees by September 2021. The Company maintains strict prevention protocols and continuous risk-based testing as part of its case management system. No business disruptions have thus been attributed to the COVID-19 pandemic.

MANAGEMENT CHANGES

The Company's Chief Executive Officer, Ms. Precious Murena, resigned from the Company to pursue personal interests in September, 2021. Mr. Amr El Mowafy, the Company's Chief Finance Officer, took over as the interim Chief Executive Officer until a substantive appointment is made.

OUTLOOK

Following the collapse of the roof of the cement mills, cement volumes will remain below those of the same period in the previous year. No recovery is anticipated in the final quarter of the year as the plant will not be back online until January 2022. The Company has therefore instituted mitigatory plans to maintain operations while critical controls are in place to avoid any further losses.

By Order of the Board

F. Sithole
Company Secretary

25 November 2021

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FOREVER.**



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