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## Lafarge Cement Zimbabwe Limited

### QUARTER 3, 2022 TRADING UPDATE

I am pleased to present the Quarter 3, 2022 Trading Update for Lafarge Cement Zimbabwe Limited (the Company) for the period July 2022 to September 2022.

#### TRADING ENVIRONMENT

The quarter saw the country operating under more relaxed lockdown measures which brought about increased social and economic activity as the COVID-19 induced restrictions were progressively relaxed. Year on year inflation started off high and increased from July 2022 to August 2022 but due to successful policy interventions by the Government, stability was achieved as the rate of inflation gradually reduced from 285% in August 2022 to 280.4% in September 2022 (Source: Zimbabwe National Statistics). Thus overall, the economy benefited from the decline in the monthly inflation rate and the steady foreign currency exchange rates which resulted in stable pricing regime.

Interest rates were increased to more than 200% with effect from 1 July 2022. This resulted in a substantial increase in borrowing costs, liquidity pressures across the entire supply chain and reduced disposable income for individuals with loans which had a negative impact on the Company's performance.

#### VOLUME & FINANCIAL PERFORMANCE

In line with the plan, one of the existing cement ball mills was decommissioned to pave way for the installation of the new Vertical Cement Mill (VCM). Consequently, the volume of cement sold declined by 23% versus the same period last year. The new VCM is commissioned and in ramp-up phase with full potential to be realized in Q4 2022 where it will effectively double the Company's capacity.

The roof collapse incident of October 2021 resulted in suppressed availability of cement. As a result, the Company's Dry Mortars volumes fell by 55% compared to the same period last year. The company remains confident that volumes will recover and grow as cement availability stabilizes with the increased capacity.

Inflation adjusted revenue for the quarter was 43% below same period last year due to suppressed volume for both cement and dry mortar products. Although it is expected that 2022 full year volumes will be lower than those achieved in prior year, significant volume recovery is anticipated in 2023 after the VCM is fully operational by the end of Q4 2022.

#### BUSINESS UPDATES

As noted in our H1 interim performance report, the Company faced significant liquidity challenges that hindered it from fully meeting its financial obligations. This was driven by the reduced cement production during the ramping up period of the VCM and actions taken by the government to reduce excess local currency liquidity in the economy. It is pleasing to note that cement production is now back to normal and continues to improve as the new VCM ramps up to be fully operational in Q4 2022.

While power supply challenges continue to affect the country in general, there was a noticeable improvement of supply to our operations. However, unscheduled power outages were still experienced on some occasions.

#### SIGNIFICANT TRANSACTION UPDATE

As of the 27th of June 2022, shareholders and members of the investing public were advised that Associated International Cement Limited, a member of the Holcim Group, had entered into a binding agreement for the sale of its 76.45% stake in Lafarge Cement Zimbabwe Limited to Fossil Mines (Private) Limited. As advised on the 28th of October 2022, the parties are still working towards consummation of the Sale and Purchase Agreement. Accordingly, shareholders and members of the investing public are advised to exercise caution when dealing in the Company securities until further notice.

#### OUTLOOK

The ramp-up of the new VCM started in Q2 2022 and has progressed well. The benefits of the newly installed capacity have been seen in the 40% increase in cement output in Q3 2022 compared to Q2 2022. With the new VCM, the Company will see its annual cement production capacity increase from 0.4mt to 1.0mt and improve raw material availability to the new DMO plant. The full operationalization of the new VCM will reposition the Company on a fine growth path into the future. This will have a positive effect on the Company's revenue generation and profitability.

The overall market demand continues to grow driven by the individual home builders' segment as well as the ongoing major Government infrastructure development projects and the Company is well positioned to take advantage of this growth with the increase in installed capacity.

The ongoing actions by Government mainly around tightening of monetary policies have positively impacted the economy.

The Board is encouraged by the positive trajectory the economy is on and hopes that the ongoing collaborative dialogue between Government, industry and other stakeholders will be maintained to restore and safeguard business confidence, preserve value and restore macroeconomic stability.

The Company continues to uphold the highest standards of health and safety through a robust cocktail of policies and programs tailored to achieve zero harm in its operations. The Company continues to uphold COVID-19 protocols in order to safeguard the health and safety of staff and all stakeholders.

By order of the Board

**Geoffrey Ndungwa**  
Chief Executive Officer