

Quality through generations



Lafarge Cement Zimbabwe Limited

FIRST QUARTER 2023 TRADING UPDATE

I am delighted to present the Trading Update for Lafarge Cement Zimbabwe Limited (the Company) for the period 1 January 2023 to 31 March 2023.

TRADING ENVIRONMENT

The year began with a slowing down of month on month inflation from 1.3% in December 2022 to 0.7% in January 2023 while annual inflation receded by 4%. This is according to the Reserve Bank of Zimbabwe. The year on year headline inflation remained slow for the quarter while the month of March recorded a further decline to 87.6% from 92.3% in February.

Meanwhile, the official foreign exchange market remained relatively stable, with a moderate depreciation of the local currency against the USD. The ZWL rate to the USD closed at ZWL 929.86 from ZWL 779.31 at the beginning of the quarter.

Power supply remained relatively constant throughout the quarter. However, power voltage fluctuations continue to affect the smooth operation of the manufacturing plant and equipment.

BUSINESS CONTEXT

The Company has been undergoing business transition following the exit of Associated International Cement Limited in November 2022. It was thus necessary to embark on a short-term rapid high impact plan focused on specific deliverables to stabilise the business. This was mainly through capacitation of industrial operations and strengthening of logistics. Funded through capital injection from the new shareholder, the programme involved expenditure to raise inventory, improve plant availability and modernize the laboratory equipment for quality assurance. Additionally a fleet of bulk tankers to supply cement to large construction projects was purchased.

VOLUME & FINANCIAL PERFORMANCE

Business performance was generally on an upward trend in the period under review as total volume across the board grew by 18%. Net sales improved by 131% (inflation adjusted) against prior year (ZWL\$4.8bn:2022 vs ZWL\$11.1bn:2023). The sales evolution reflected enhanced production volumes across the business as well as an increase in foreign currency sales.

The Company's industrial performance increased with the installation of the Vertical Cement Mill in Q3 of 2022. Cement sales volumes therefore closed 96% above same period prior year while the dry mortar product sales volumes grew by 121% above the same period last year. Growth in dry mortar products was partly driven by the strong demand for the agricultural lime range Supagrow.

The aggregates volume doubled against the same period last year while clinker production declined by 28%. Clinker volumes were impacted by the aforementioned inconsistent plant performance. Consequently, it was not possible to continue clinker sales in Q1 2023 and the Company resorted to importation of clinker to support production needs.

CHANGES IN EXECUTIVE AND NON-EXECUTIVE DIRECTORS

In December 2022, the Company announced the resignations of Mr. Geoffrey Ndugwa as the Chief Executive Officer and as well as that of Mr. Amr El Mouwafy as Chief Finance Officer. Both executives also resigned from the Board of Directors. Mr. Innocent Chikwata was appointed as Acting Chief Executive Officer, while Mr. Willcort Dzuda was appointed as Acting Chief Finance Officer. Effective 1 April 2023 both were confirmed as substantive and were also appointed to the Board of Directors.

Mr. John William Stull also resigned from the Board with effect from 1 December 2022. Ms. Gloria Eva Zvaravanhu and Mr. Shepherd Shonhiwa resigned from the Board with effect from 19 December 2022 and 31 December 2022 respectively.

Ms. Sabina Nyarai Chitehwe and Engineer Tendai Noah Howard Kapumba were appointed as independent non-executive directors with effect from 1 March 2023.

OUTLOOK

The Company is optimistic for a much-improved performance as the year progresses. This is based on the continued impact of management actions and investments carried out in Q1 2023. The increased milling capacity has created opportunities for the development of high strength cement varieties and consistent product supply.

For and on behalf of the Board of Directors

Arnold Z. Chikazhe
Acting Company Secretary

16 May 2023

