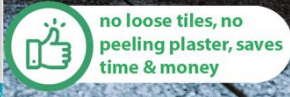


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LAFARGE



LAFARGE CEMENT ZIMBABWE YEAR-TO-DATE MAY 2021 TRADING UPDATE

I am delighted to present the year to date Trading Update for Lafarge Cement Zimbabwe Limited (the Company) for the period January 2021 to May 2021.

TRADING ENVIRONMENT

The year began with an escalation of recorded COVID-19 cases which necessitated the re-introduction of restrictions on movement as part of nationwide mitigation measures. The rate of COVID-19 infections gradually slowed down as the months progressed; giving way to the steady resumption of business activity across the country.

The period under review was characterized by a successful farming and agro-marketing season following the good rainfalls received during the 2020 to 2021 farming season. This was also attributed to the increase in crop hectareage as well as improved yield per hectare achieved under the Government driven Pfumvudza Agricultural Programme.

Relative stability in the currency exchange rate was maintained throughout the period with the USD/ZW\$ exchange rate closing the period at a rate of ZW\$ 84.73 from 1st of January 2021 exchange rate of ZWL 81.77. This enabled a slowing down of price increases on most commodities. However, the introduction of SI127 of 2021 in May 2021 resulted in unexpected increase in inflation in US Dollar denominated commodities. The SI also introduced uncertainty in pricing and significantly curtailed the Company's ability to collect US\$ sales.

During the period under review, the Government promulgated SI 55 of 2021 which enforces controls on listed commodities' import and export. Cement is listed among the import and export-controlled commodities.

The International Monetary Fund has since revised the GDP forecast for Zimbabwe for 2021 upwards to 6% from an initial 3.1%.

VOLUME & FINANCIAL PERFORMANCE

In line with the 2021 Strategic Agenda the business achieved volume growth leveraging on the growing market demand in the Individual Home Builder segment as well as the ongoing major infrastructure development projects led by the government. Cement volumes for the period increased by 23.7% compared to prior year in spite of the COVID-19 national lockdown instituted in the first quarter. In the same period Dry Mortar products volumes grew by 105% compared to the same period last year. The Binastore retail franchise recorded a remarkable 555% growth in volumes compared to the same period in prior year. This growth in the retail franchise business was further strengthened by the growth in purchases made on the Binastore e-commerce site facilitating business continuity during lockdown periods.

As a result of strategic changes in product portfolio mix the average selling price was favourable against budget. This, coupled with the significant growth in

volumes, secured the company a 346% (inflation adjusted:31%) increase in revenue compared to the same period prior year. On the back of effective cost reduction initiatives implemented in 2021 and revenue growth, the company's EBITDA margins strengthened by 2% versus the same period in 2020. Focus remains fixed on ensuring profitability, therefore the cost optimization drive remains integral given the less than stable operating environment.

The installation of the new USD 2.2million automated Dry Mortars (DMO) plant was completed and commissioned in the period. With this new plant the Dry Mortars production capacity increased from 7000t per annum to 100000t per annum. The installation work for the new Vertical Cement Mill commenced in March 2021 and is expected to be commissioned in March 2022. This project is the last of the three recapitalization projects lined up in the business expansion plan announced in 2019.

INNOVATION AND NEW PRODUCT DEVELOPMENT

The company continues to innovate in products and services with an objective to offer continuous improvement in convenience and customer satisfaction through a rich product mix. In the period under review, the company launched the country's first waterproof cement under the label WaterShield as part of its progressive product innovation and expansion drive. This product, made with hydro-defence technology, is manufactured from the new DMO line and is the first of a series of new products set to be delivered from the added capacity in the DMO business.

Beyond the period under review, the company has since launched yet another innovative offering; a high end dry mortars range of products under the name Tector which consists of plastering mortar (TectorPlast) and Tile Adhesives (TectorCeram) designed to give superior finish to construction works.

Innovation remains a key focus, leveraging on the increased manufacturing capacity recently installed in the Dry Mortars business.

KEY ISSUES AFFECTING THE BUSINESS

IMPACT OF COVID

While COVID-19 pandemic continues to evolve with new waves across the world, the company continues to build its resilience with a focus on upholding employee and stakeholder health while ensuring business continuity beyond the pandemic. To this end the business' action plan on "Health, Cash and Costs" remains in operation. The Company maintains strict prevention protocols and a robust case management system which has seen the company manage infections significantly below country prevalence rates. The Company has also coordinated an on site vaccination programme targeting all employees, an initiative that

saw a vaccination uptake of 78% amongst employees by June 2021.

Meanwhile the business remains focused on expenditure discipline across the board with a key focus on production, distribution and contracted labour costs. The cost optimisation culture continues to be leveraged in the organization as a key driver for growth into the future.

The Company has maintained momentum on the digitization of customer services and continues to invest in improving the capabilities of the various platforms for added convenience and efficiency. This has led to the achievement of 98% adoption of the Lead Retail customer service application by customers bringing convenience and ease of transaction processing to our customers. The rising momentum in the use of online transaction sites continues to secure revenue for the business in restricted operating environment.

OUTLOOK

The current wave of the COVID-19 pandemic may inevitably slow down business activity across the country and the region. However, as the world makes strides in vaccine roll out and adoption, prospects for stability are reasonable. The Company remains optimistic for stability in commodity prices as well as exchange rates,

The business remains focused on its Strategic Agenda anchored on the core priorities Health, Cash and Costs so as to close the year in a profitable position.

By order of the Board

Faithful Sithole
Company Secretary

Registered Office

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Wednesday, 28 July 2021