SIMBA CEMENT
STRENGTH WITHIN

UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

Introduction

Dear Shareholders,

We hereby present the unaudited annual results of Tanga Cement Public Limited Company ("Tanga Cement" or the "Company") and its subsidiary (together, the "Group") for the year ended 31st December 2022.

Due to intensifying competitive landscape in the industry; significant increases in fuel prices and logistics costs which lead to an increase in raw material prices and frequent electrical power cuts and unstable electricity supply which necessitated increased fuel consumption for own diesel generators; and increased maintenance costs of equipment, the group's performance has been subpar in comparison to the previous year. The negative impact of these market and operational challenges on the group's key financial indicators during the year is described in the Financial and Operational Overview section below.

We affirm our commitment to all stakeholders through our high-quality cement and clinker, and our contribution towards the sustainable growth and development of Tanzania, a demonstration of our brand – **"Strength Within".**

The company has deployed the highest standards of health and safety protocols across all its operations and continues to enforce safety at the workplace to protect our employees and contractors.

Macro-economic Overview

The Group's growth outlook continues to be anchored in the growth in cement demand of the Tanzanian construction industry.

Economic performance during the year has improved with annual GDP growth of 5.2% in 2022 compared to 4.3% in 2021 (as published by National Bureau of Statistics). Whilst the increase in GDP was pleasing, the primary drivers for business performance remained the robust infrastructure investment and a strengthening consumer base. Government's actions to support the medium-term monetary policy inflation target of 5% also supported demand for our products.

The Group remains optimistic of the positive impact of infrastructure development plans under the Government's Development Vision 2025 programme and expect the projects to continue gaining momentum in 2023. The Group is confident with the initiatives that the Government has taken to combat the effects of increase in oil prices and commits to working together with the Government in growing the economy. The forecasted average annual headline inflation rate increased to 4.8% in 2022 from 4.2% in 2021.

Financial and Operational Overview

As a result of the operational challenges:

Group's sales revenue decreased by 9%, to TZS 209bn from the TZS 231bn achieved in 2021. Congruent to the decrease in revenue, the gross profit also decreased by 41% to TZS 36.4bn from TZS 61.7bn achieved in the prior year, and the gross margin decreased to 17% compared to 27% in 2021 due to major maintenance costs incurred in 2022 as a direct result of electrical power outages and power supply dips which increased the costs of production.

EBITDA decreased by 70% to TZS 12.3bn from TZS 40.8bn achieved in 2021 mainly due to major plant maintenance caused by numerous electrical power outages and power supply dips which increased the cost of production.

The Group incurred a loss before tax of TZS 19.6bn in 2022 compared to the profit before tax of TZS 3.8bn in 2021. The decrease in profit before tax was mainly due to the increase in finance expense related to the USD denominated loan for the construction of the Kiln 2 expansion project and the interest expense on lease liabilities. The Company entered into a standstill agreement on the PIC term loan facilities which avoided the realisation foreign exchange losses.

Cash generated from trading activities decreased by 79% from TZS 20bn recorded in 2021 to TZS 4.1bn in 2022. Net cash flows from operations decreased by 91% from TZS 18.5bn recorded in 2021 to TZS 1.7bn in 2022.This decline was attributed to by a 10% decline in the gross margin due to lower production and sales volumes as described above, and a significant increase in plant maintenance projects caused by frequent power outages and power dips.

The Group continues to be committed to its sales, logistics and cost optimisation initiatives as it continually seeks to enhance value for its stakeholders. The Group maintains its positive outlook for 2023 despite the very competitive landscape and the economic impact of the ongoing global geopolitical tensions. Government initiatives to spur on economic growth through infrastructure development and promotion of local industries is expected to boost local cement output and consumption while curbing the influx of cheap imported cement
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Dividend

The company did not declare interim dividends to shareholders in 2022 to remain prudent with available cash resources in order to remain sustainable through the global economic recovery post Covid-19 and the high fuel prices currently affecting the local economy. The Board has decided to continue committing available current cash generated to the operational commitments. The Board will evaluate the financial performance throughout the 2023 financial year when considering further dividend declaration.

Proposed acquisition by Scancem International DA

Shareholders are referred to the announcement regarding the proposed acquisition by Scancem International DA of 68.33% of the shares in Tanga Cement PLC from Afrisam Mauritius Investment Holdings Limited on 27 October 2021 and the recent update on the transaction issued by the Company on 19 January 2023.

Conclusion

Tanga Cement remains grateful to its staff for their passion and dedication to the company, and to its customers for their belief in the Simba Cement brand, as the company works to achieve its short- and long-term growth strategy.

With Tanzania remaining a significant player in the East African construction market, cement output is anticipated to increase and Tanga Cement is well positioned to take advantage of the growth opportunities in the regional market.

For and on behalf of the Board

Patrick Rutabanzibwa
Chairman of the Board

Consolidated and separate statements of profit or loss and other comprehensive income
for the year ended 31 December 2022

	Group Dec 2022 TZS'000	Group Dec 2021 TZS'000	Company Dec 2022 TZS'000	Company Dec 2021 TZS'000
Revenue from contracts with customers	209,196,629	230,781,686	209,196,629	230,781,686
Cost of sales	(172,743,261)	(169,119,733)	(172,743,261)	(169,119,733)
Gross profit	**36,453,368**	**61,661,953**	**36,453,368**	**61,661,953**
Other income	661,205	207,789	631,897	164,609
Other expenses	(444,354)	(4,803,075)	(444,354)	(4,803,075)
Selling expenses	(3,200,846)	(3,276,423)	(3,200,846)	(3,276,423)
Administration expenses	(19,551,588)	(19,722,025)	(19,405,739)	(19,592,482)
Depreciation charge	(19,050,571)	(19,238,837)	(19,118,509)	(19,261,948)
Impairment and other charges	(127,805)		(259,374)	
(Increase)/Decrease in expected credit losses	(2,060,639)	129,359	(2,201,762)	241,297
Operating profit	**(7,321,230)**	**14,958,741**	**(7,545,320)**	**15,133,931**
Interest expense	(17,609,539)	(12,196,229)	(17,618,395)	(12,201,543)
Finance income	1,190	1,221	1,190	1,221
Foreign exchange and fair value gain	5,352,642	1,003,681	5,336,935	996,351
Profit/(loss) before tax	**(19,576,937)**	**3,767,414**	**(19,825,589)**	**3,929,960**
Income tax credit/(charge)	2,880,699	(224,442)	2,883,965	(219,889)
(Loss)/Profit for the year	**(16,696,238)**	**3,542,972**	**(16,940,336)**	**3,710,071**
Other comprehensive income				
"Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):"				
Exchange differences on translation of foreign operations	(177,116)	(9,522)	-	-
Other comprehensive income net of tax	(177,116)	(9,522)	-	-
Total comprehensive income/(loss) for the year, net of tax	**(16,873,354)**	**3,533,450**	**(16,940,336)**	**3,710,071**
(Loss)/Profit for the year attributable to:				
Owners of the parent	(16,696,238)	3,542,972	(16,940,336)	3,710,071
Non-controlling interests	-	-	-	-
	(16,696,238)	**3,542,972**	**(16,940,336)**	**3,710,071**
Total comprehensive income for the year attributable to:				
Owners of the parent	(16,873,354)	3,533,451	(16,940,336)	3,710,071
Non-controlling interests	-	-	-	-
	(16,873,354)	**3,533,450**	**(16,940,336)**	**3,710,071**
	TZS/share	**TZS/share**	**TZS/share**	**TZS/share**
Basic and diluted (loss)/Earning per share	**(265)**	**56**	**(269)**	**(34)**

Consolidated and separate statements of financial position
as at 31 December 2022

	Group Dec 2022 TZS'000	Group Dec 2021 TZS'000	Company Dec 2022 TZS'000	Company Dec 2021 TZS'000
ASSETS				
Non-current assets				
Property, plant and equipment	287,786,031	300,619,541	286,976,855	299,810,366
Right-of-use assets	5,008,975	4,772,307	4,891,745	4,710,543
Investment property	515,028	537,756	-	-
Investment in subsidiary	-	-	420,995	552,564
Financial asset - Interest rate cap	7,492,379	1,023,612	7,492,379	1,023,611
Deferred tax asset	4,520,423	-	4,520,423	-
	305,322,835	**306,953,216**	**304,302,396**	**306,097,084**
Current assets				
Due from employees' share trust	-	-	773,466	773,466
Inventories	81,189,517	63,717,282	81,189,517	63,717,282
Trade and other receivables	11,341,476	15,718,554	11,273,876	15,696,678
Current income tax recoverable	619,964	6,891,761	69,301	6,383,224
Cash and bank balances	4,780,902	12,189,443	4,669,340	12,124,442
	97,931,859	**98,517,040**	**97,975,500**	**98,695,092**
Non-current assets held-for-sale	3,870	3,870	-	-
TOTAL ASSETS	**403,258,564**	**405,474,126**	**402,277,896**	**404,792,176**
EQUITY AND LIABILITIES				
Equity				
Issued capital	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve	244,093	(67,490)	-	-
Treasury shares	(773,466)	(773,466)	-	-
Retained earnings	121,917,509	138,689,514	120,352,459	137,293,299
Equity attributable to owners of the parent	**122,661,558**	**139,121,979**	**121,625,880**	**138,566,720**
Non-controlling interest	-	-	-	-
Total equity	**122,661,558**	**139,121,979**	**121,625,880**	**138,566,720**
Non-current liabilities				
Lease liabilities	4,350,040	4,593,751	4,249,513	4,317,370
Provision for site restoration	30,014	29,637	30,014	29,637
Term borrowings: Non-current portion	208,980,479	192,886,904	208,980,479	192,886,904
Deferred tax liability	-	950,783	-	950,783
	213,360,533	**198,461,075**	**213,260,006**	**198,184,694**
Current liabilities				
Lease liabilities	650,007	391,407	634,985	443,444
Trade and other payables	39,807,205	41,740,773	39,618,607	41,477,981
Contract liabilities	7,523,295	6,858,577	7,882,452	7,219,022
Bank overdrafts	19,255,966	18,900,315	19,255,966	18,900,315
	67,236,473	**67,891,072**	**67,392,010**	**68,040,762**
Total liabilities	**280,597,006**	**266,352,147**	**280,652,016**	**266,225,456**
TOTAL EQUITY AND LIABILITIES	**403,258,564**	**405,474,126**	**402,277,896**	**404,792,176**

Consolidated and separate statements of cash flows
for the year ended 31 December 2022

	Group Dec 2022 TZS'000	Group Dec 2021 TZS'000	Company Dec 2022 TZS'000	Company Dec 2021 TZS'000
OPERATING ACTIVITIES				
Cash generated from operating activities	4,147,878	19,968,523	4,435,154	20,075,120
Interest income received	1,190	1,221	1,190	1,221
Income taxes paid	(2,406,233)	(1,506,730)	(2,406,233)	(1,467,557)
Net cash flows from operating activities	**1,742,834**	**18,463,014**	**2,030,111**	**18,608,784**
INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment	35,476	6,415	35,476	6,415
Purchase of property, plant and equipment	(6,270,548)	(8,242,785)	(6,270,548)	(8,242,785)
Net cash flows used in investing activities	**(6,235,072)**	**(8,236,370)**	**(6,235,072)**	**(8,236,370)**
FINANCING ACTIVITIES				
Principal repayments - lease liabilities	(1,156,393)	(3,828,814)	(1,291,121)	(4,041,090)
Lease liability interest paid	-	(30,309)	-	(26,794)
Interest paid - overdrafts	(1,664,822)	(1,472,369)	(1,664,822)	(1,472,369)
Loan proceeds from the group	-	11,489,013	-	11,489,013
Net cash flows (used in)/from financing activities	**(2,821,215)**	**6,157,521**	**(2,955,943)**	**5,948,760**
Net (decrease)/increase in cash and cash equivalents	**(7,313,452)**	**16,384,165**	**(7,160,904)**	**16,321,174**
Net foreign exchange differences	(450,742)	(2,687,443)	(649,849)	(2,527,641)
Cash and cash equivalents at 1 January	(6,710,870)	(20,407,592)	(6,775,873)	(20,569,406)
Cash and cash equivalents at 31 Dec	**(14,475,064)**	**(6,710,870)**	**(14,586,626)**	**(6,775,873)**

Information to Members

The company secretary would like to inform the members that dividends can be directly transferred to their bank

Members can contact The CSD & Registry Company Limited on +255 (0)22 212 8740 or on +255 (0)746 160516 for information on how to have the dividends deposited directly into their bank

P Rutabanzibwa	**R Swart**	**Q Ganijee**
Chairman	Managing Director	Company Secretary
3 April 2022		

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SYSTEM CERTIFICATION ISO 9001 SGS