

UNAUDITED QUARTERLY RESULTS FOR THE QUARTER ENDED 30 JUNE 2022



CHAIRMAN'S STATEMENT

Introduction

Dear Shareholders,

We hereby present the unaudited quarterly results of Tanga Cement Public Limited Company ("Tanga Cement" or the "company") and its subsidiary (together, the "group") for the quarter ended 30th June 2022.

The new reporting framework is in accordance with the newly established DSE listing rules which were effective from 1st April 2022 requiring all listed companies to start preparing and publishing the quarterly financial results. In the newly established requirement, the comparative period of the reported quarter is the previous quarter, therefore you will note from the results we are reporting is for the second quarter of 2022, i.e., April to June 2022 with its comparative period being first quarter of 2022, i.e., January to March 2022.

Due to the seasonality trend of the cement business the second quarter of 2022 showed a promising improvement over the first quarter. Despite various marketing and operational challenges, the group has performed well on its key financial indicators during the second quarter as described in the Financial and Operational Overview section below.

Most notably, the company continued to experience frequent power outages which negatively impacted production output and equipment reliability.

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. The average annual headline inflation rate increased to 4.4% in the second quarter of 2022, up from 3.6% in quarter one.

Economic performance in quarter two has slightly declined with expected GDP growth of 4.7% for the period to June 2022 compared to 5.4% achieved in quarter one (as per National Bureau of Statistics). Despite a decline in the GDP 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 the ongoing infrastructure development projects under the Government's Development Vision 2025 programme, and expects the projects to continue gaining momentum throughout the remainder of 2022. Tanga Cement has the capacity to meet a meaningful share of the cement demand in the country and remains committed to local production of superior cement products.

Financial and Operational Overview

Despite market headwinds, particularly the competitive environment in the cement sector, the group continued to perform well during the quarter. The group sales revenue increased by 50%, to TZS 58.2bn from TZS 38.7bn achieved in March 2022. Revenue increase is attributed by increase in both cement and clinker demand due to increase in government projects and opening up of East Africa regional market. Gross profit also increased by 9% to TZS 11.2bn from TZS 10.3bn achieved in March 2022, driven by the increase in revenue for the period. The gross margin, however, decreased by 8% from 27% to 19% in March

and June 2022 respectively. The decline was caused by increase in fuel prices and logistics which lead to an increase in raw material prices, frequent power cuts which resulted in an increase in fuel consumption and maintenance costs of the equipment which breaks down when there are power dips. Unreliable electricity also resulted into a decrease in production.

We are proud to report that EBITDA has improved by 16% to TZS 5.7bn from TZS 4.9bn achieved in March 2022 driven by improved operational efficiencies and cost controls.

The Group recorded a loss before tax of TZS 2.4bn in the second quarter comparing to the loss before tax of TZS 0.78bn recorded in the first quarter.

Cash generated from trading activities increased by 146% from negative TZS (3.7) bn recorded in March 2022 to positive TZS 1.7 bn in June 2022. Net cash flows from operations also increased by 136% from negative TZS (3.8) bn recorded in March 2022 to positive TZS 1.4 bn in June 2022. This increase was attributed to stringent working capital management strategies deployed by the management.

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 remains positive about the remainder of 2022 despite the very competitive landscape and unstable economy resulting from frequent fluctuations in fuel prices.

Government initiatives to spur 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.

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 unstable 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 remainder of 2022 financial year when considering the final 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 issued on 5 July 2022 and 2 September 2022.

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

Lawrence Masha

Chairman of the Board

Consolidated and separate statements of profit or loss and other comprehensive income FOR THE QUARTER ENDED 30 JUNE 2022	Group Jun 2022 TZS'000	Group Mar 2022 TZS'000	Company Jun 2022 TZS'000	Company Mar 2022 TZS'000
Revenue from contracts with customers	58,229,918	38,697,640	58,229,918	38,697,640
Cost of sales	(46,998,234)	(28,357,513)	(46,998,234)	(28,357,513)
Gross profit	11,231,684	10,340,127	11,231,684	10,340,127
Other income				
Other income	588,793	21,657	586,693	14,260
Selling expenses	(781,605)	(695,072)	(781,605)	(695,072)
Administration expenses	(5,368,956)	(4,009,891)	(5,366,789)	(4,004,687)
Depreciation charge	(4,754,486)	(4,737,552)	(4,764,205)	(4,748,481)
Decrease/ (increase) in expected credit losses	53,665	(727,129)	(1,834)	(727,588)
Operating profit	969,095	192,140	903,944	178,559
Interest expense	(3,930,427)	(3,176,847)	(3,931,821)	(3,177,443)
Finance income	48	47	48	47
Foreign exchange and fair value gains	520,920	2,200,168	518,958	2,210,742
Loss before tax	(2,440,364)	(784,492)	(2,508,871)	(788,095)
Income tax credit	481,223	10,203	481,223	10,203
Loss for the year	(1,959,141)	(774,289)	(2,027,648)	(777,892)
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	-	-	-	-
Other comprehensive income net of tax				
Total comprehensive income for the year, net of tax	(1,959,141)	(774,289)	(2,027,648)	(777,892)
Loss for the year attributable to:				
Owners of the parent	(1,959,141)	(774,289)	(2,027,648)	(777,892)
Non-controlling interests	-	-	-	-
Total comprehensive income for the year attributable to:				
Owners of the parent	(1,959,141)	(774,289)	(2,027,648)	(777,892)
Non-controlling interests	-	-	-	-
Basic and diluted loss per share	(31)	(12)		

Consolidated and separate statements of financial position AS AT 30 JUNE 2022	Group Jun 2022 TZS'000	Group Mar 2022 TZS'000	Company Jun 2022 TZS'000	Company Mar 2022 TZS'000
ASSETS				
Non-current assets				
Property, plant and equipment	293,680,789	298,004,295	292,871,613	297,195,108
Right-of-use assets	4,911,950	4,672,165	4,862,445	4,582,589
Investment property	549,120	554,802	-	-
Investment in subsidiary	-	-	552,564	552,564
Financial asset - Interest rate cap	4,643,018	3,564,942	4,643,018	3,564,942
Deferred tax asset	38,307	-	38,307	-
303,823,184	306,796,204	302,967,947	305,895,203	
Current assets				
Due from employees' share trust	-	-	773,467	773,467
Inventories	74,067,338	77,678,275	74,067,338	77,678,275
Trade and other receivables	11,573,978	9,675,088	11,553,878	9,716,878
Current income tax recoverable	6,232,000	6,513,901	6,232,000	6,210,532
Cash and bank balances	10,223,228	6,258,740	9,440,308	6,160,565
102,096,544	100,126,004	102,066,991	100,539,717	
Non-current assets held-for-sale	3,870	3,870	-	-
TOTAL ASSETS	405,923,598	406,926,078	405,034,938	406,434,920
EQUITY AND LIABILITIES				
Equity				
Issued capital	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve	(67,490)	(67,490)	-	-
Treasury shares	(773,466)	(773,466)	-	-
Retained earnings	135,956,085	137,915,226	134,487,760	136,515,408
Equity attributable to owners of the parent	136,388,550	138,347,691	135,761,181	137,788,829
Non-controlling interest	-	-	-	-
Total equity	136,388,550	138,347,691	135,761,181	137,788,829
Non-current liabilities				
Lease liabilities	4,533,294	4,562,963	4,433,728	4,286,252
Provision for site restoration	29,637	29,637	29,637	29,637
Term borrowings: Non-current portion	199,533,377	195,522,503	199,533,377	195,522,503
Deferred tax liability	-	745,510	-	745,510
204,096,308	200,860,613	203,996,742	200,583,902	
Current liabilities				
Lease liabilities	655,638	364,707	767,518	417,672
Trade and other payables	37,653,438	41,921,163	37,019,388	41,852,168
Contract liabilities	8,019,035	6,163,931	8,379,480	6,524,376
Bank overdrafts	19,110,629	19,267,973	19,110,629	19,267,973
65,438,740	67,717,774	65,277,015	68,062,189	
Total liabilities	269,535,048	268,578,387	269,273,757	268,646,091
TOTAL EQUITY AND LIABILITIES	405,923,598	406,926,078	405,034,938	406,434,920

Consolidated and separate statements of cash flows FOR THE QUARTER ENDED 30 JUNE 2022	Group Jun 2022 TZS'000	Group Mar 2022 TZS'000	Company Jun 2022 TZS'000	Company Mar 2022 TZS'000
OPERATING ACTIVITIES				
Cash generated from operating activities	1,667,665	(3,653,573)	949,747	(3,526,094)
Interest income received	96	47	96	47
Income taxes paid	(300,106)	(195,068)	(300,106)	(195,068)
Net cash flows from/ (used in) operating activities	1,367,655	(3,848,594)	649,737	(3,721,115)
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(2,440,684)	(2,005,276)	(2,440,684)	(2,005,276)
Net cash flows used in investing activities	(2,440,684)	(2,005,276)	(2,440,684)	(2,005,276)
FINANCING ACTIVITIES				
Principal repayments - lease liabilities	(318,066)	(223,579)	(318,066)	(223,579)
Lease liability interest paid	(4)	-	(4)	-
Interest paid - overdrafts	(814,212)	(420,706)	(814,212)	(420,706)
Net cash flows used in financing activities	(1,132,282)	(644,285)	(1,132,282)	(644,285)
Net decrease in cash and cash equivalents	(2,205,311)	(6,498,155)	(2,923,229)	(6,370,676)
Net foreign exchange differences	28,781	199,792	28,781	39,141
Cash and cash equivalents at 1 January	(6,710,870)	(6,710,870)	(6,775,873)	(6,775,873)
Cash and cash equivalents at 30 June	(8,887,400)	(13,009,233)	(9,670,321)	(13,107,408)

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 Dar es Salaam Stock Exchange on +255 (0)22 2123983 or on +255 (0)22 2128522 for information on how to have the dividends deposited directly into their bank


L Masha
Chairman
9 September 2022


R Swart
Managing Director


Q Ganijee
Company Secretary

Tanga Cement Public Limited Company
P O Box 5053
Tanga
Tanzania
info@simbacement.co.tz

