

# UNAUDITED RESULTS FOR THE QUARTER ENDED 31 MARCH 2023



## 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 quarter ended 31 March 2023.

Due to intensifying competitive landscape within the industry and the poor electricity supply, the group's performance has been subpar in comparison to the first quarter of the previous year. We were faced with marketing and operational challenges caused by the frequent power outages which had a negative impact on the performance of the group's key financial indicators during the quarter as 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. The forecasted average annual headline inflation rate decreased to 4.7% in the first quarter of 2023 from 4.8% in reported in December 2022.

Economic performance during the year has improved with annual GDP growth of 5.7% in 2023 compared to 5.2% in 2022 (as published by Fitch Solutions). 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 towards 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 throughout 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.

### Financial and Operational Overview

Group's sales revenue increased by 31%, to TZS 50.8bn compared to TZS 38.7bn achieved in the first quarter of 2022. Congruent to the increase in revenue, the gross profit also increased by 1% to TZS 10.4bn from TZS 10.3bn achieved the same period in the prior year. The gross margin, however, has decreased by 6% to 21% compared to 27% in the first quarter of 2022 mainly due to the higher maintenance and operational costs incurred in 2023 as a direct result of electrical power outages and power supply dips which increased the costs of production.

EBITDA decreased by 26% to TZS 3.6bn from TZS 4.9bn achieved in 2022 predominantly due to major plant maintenance expenditure 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 8.1bn compared to the loss before tax of TZS 0.8bn in 2022. The increase in loss 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.

Net cash flows from operations decreased by 7% from TZS 2.2bn recorded in 2022 to TZS 2.0bn in 2023. This decline was attributed to lower sales volumes caused by unanticipated high rainfall which limited access to some markets, and an 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 Russia-Ukraine unrest. 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.

### Dividend

The company did not declare interim dividends to shareholders in 2023 to remain prudent with available cash resources in order to remain sustainable through the current subdued global economic climate and the high fuel prices currently affecting the local economy. The board has decided to continue allocating available current cash generated to the operational commitments. The Board will evaluate the financial performance throughout the 2023 financial year when considering further dividend declarations.

### 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 24 April 2023 highlighting the unconditional approval of the transaction by the Tanzanian Fair Competition Commission.

### 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 PERIOD ENDED 31 March 2023	Group Mar-23 TZS'000	Group Mar-22 TZS'000	Company Mar-23 TZS'000	Company Mar-22 TZS'000
Revenue from contracts with customers	50,841,672	38,697,640	50,841,672	38,697,640
Cost of sales	(40,406,016)	(28,357,513)	(40,406,016)	(28,357,513)
<b>Gross profit</b>	<b>10,435,655</b>	<b>10,340,127</b>	<b>10,435,655</b>	<b>10,340,127</b>
Other income	4,750	21,657	2,650	14,260
Other expenses	-	-	-	-
Selling expenses	(765,274)	(695,072)	(765,274)	(695,072)
Administration expenses	(4,548,990)	(4,009,891)	(4,320,627)	(4,004,687)
Depreciation charge	(4,747,801)	(4,737,552)	(4,764,738)	(4,748,481)
Impairment and other charges	-	-	-	-
Decrease/ (increase) in expected credit losses	(1,483,240)	(727,129)	(1,262,116)	(727,588)
<b>Operating (Loss)/ Profit</b>	<b>(1,104,899)</b>	<b>192,140</b>	<b>(674,450)</b>	<b>178,559</b>
Interest expense	(5,793,099)	(3,176,847)	(5,795,820)	(3,177,443)
Finance income	831,673	47	831,673	47
Foreign exchange and fair value (losses)gain	(2,061,177)	2,200,168	(2,060,679)	2,210,742
<b>Loss before tax</b>	<b>(8,127,502)</b>	<b>(784,491)</b>	<b>(7,699,276)</b>	<b>(788,095)</b>
Income tax (charge)/credit	(265,182)	10,203	(265,182)	10,203
<b>Loss for the year</b>	<b>(8,392,684)</b>	<b>(774,288)</b>	<b>(7,964,458)</b>	<b>(777,891)</b>
<b>Other comprehensive income</b>				
"Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax)"				
Exchange differences on translation of foreign operations	-	-	-	-
<b>Other comprehensive income net of tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the year, net of tax</b>	<b>(8,392,684)</b>	<b>(774,288)</b>	<b>(7,964,458)</b>	<b>(777,891)</b>
<b>Loss for the year attributable to:</b>				
Owners of the parent	(8,392,684)	(774,288)	(7,964,458)	(777,891)
Non-controlling interests	-	-	-	-
<b>Total comprehensive loss for the year attributable to:</b>	<b>(8,392,684)</b>	<b>(774,288)</b>	<b>(7,964,458)</b>	<b>(777,891)</b>
Owners of the parent	(8,392,684)	(774,288)	(7,964,458)	(777,891)
Non-controlling interests	-	-	-	-
<b>Mar-23 TZS/share (133)</b>	<b>Mar-22 TZS/share (124)</b>	<b>Mar-23 TZS/share (126)</b>	<b>Mar-22 TZS/share (12)</b>	

Consolidated and separate statements of financial position AS AT 31 March 2023	Group Mar-23 TZS'000	Group Dec-22 TZS'000	Company Mar-23 TZS'000	Company Dec-22 TZS'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	284,625,881	287,786,031	283,843,640	286,976,855
Right-of-use assets	4,725,891	5,008,975	4,754,506	4,891,745
Investment property	509,346	515,028	-	-
Investment in subsidiary	-	-	420,995	420,995
Financial asset - Interest rate cap	6,348,159	7,492,379	6,348,159	7,492,379
Deferred tax asset	4,520,423	4,520,423	4,520,423	4,520,423
<b>Current assets</b>				
Due from employees' share trust	-	-	773,467	773,467
Inventories	82,873,059	81,189,517	82,873,059	81,189,517
Trade and other receivables	7,161,838	11,509,723	6,976,887	11,273,877
Current income tax recoverable	8,765,904	9,020,802	8,262,426	8,517,327
Cash and bank balances	4,381,818	4,728,172	4,390,590	4,669,852
<b>Non-current assets held-for-sale</b>	<b>3,870</b>	<b>3,870</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>403,916,189</b>	<b>411,774,920</b>	<b>403,164,152</b>	<b>410,726,437</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Issued capital	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve	25,016	(191,757)	-	-
Treasury shares	(773,466)	(773,466)	-	-
Retained earnings	113,693,065	122,085,749	112,388,510	120,352,458
<b>Equity attributable to owners of the parent</b>	<b>114,218,036</b>	<b>122,393,947</b>	<b>113,661,931</b>	<b>121,625,879</b>
Non-controlling interest	-	-	-	-
<b>Total equity</b>	<b>114,218,036</b>	<b>122,393,947</b>	<b>113,661,931</b>	<b>121,625,879</b>
<b>Non-current liabilities</b>				
Lease liabilities	4,423,823	4,350,040	4,326,107	4,249,512
Provision for site restoration	30,014	30,014	30,014	30,014
Term borrowings: Non-current portion	214,342,936	208,980,479	214,342,936	208,980,479
Deferred tax liability	-	-	-	-
<b>Current liabilities</b>				
Lease liabilities	661,031	650,006	646,430	635,500
Trade and other payables	43,658,754	48,591,173	43,214,694	48,066,634
Contract liabilities	7,278,657	7,523,295	7,639,102	7,882,452
Bank overdrafts	19,302,938	19,255,966	19,302,938	19,255,966
<b>Total liabilities</b>	<b>289,698,153</b>	<b>289,380,973</b>	<b>289,502,221</b>	<b>289,100,557</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>403,916,189</b>	<b>411,774,920</b>	<b>403,164,152</b>	<b>410,726,437</b>

Consolidated and separate statements of cash flows FOR THE PERIOD ENDED 31 March 2023	Group Mar-23 TZS'000	Group Dec-22 TZS'000	Company Mar-23 TZS'000	Company Dec-22 TZS'000
<b>OPERATING ACTIVITIES</b>				
Cash generated from operating activities	1,152,710	6,850,998	1,437,503	6,621,790
Interest income received	831,673	1,190	831,673	1,190
Income taxes paid	54,903	(4,652,870)	52,879	(4,652,045)
<b>Net cash flows from operating activities</b>	<b>2,039,285</b>	<b>2,199,317</b>	<b>2,322,055</b>	<b>1,970,935</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds from sale of property, plant and equipment	-	35,476	-	35,476
Purchase of property, plant and equipment	(1,569,742)	(6,270,548)	(1,569,742)	(6,270,548)
<b>Net cash flows used in investing activities</b>	<b>(1,569,742)</b>	<b>(6,235,072)</b>	<b>(1,569,742)</b>	<b>(6,235,072)</b>
<b>FINANCING ACTIVITIES</b>				
Principal repayments - lease liabilities	(84,777)	(1,155,878)	(84,777)	(1,290,606)
Lease liability interest paid	-	-	-	-
Interest paid - overdrafts	(434,884)	(1,664,822)	(434,884)	(1,664,822)
Interest paid - term borrowings	-	-	-	-
Principal repayments - term borrowings	-	-	-	-
Loan proceeds from the group	-	-	-	-
<b>Net cash flows used in financing activities</b>	<b>(519,661)</b>	<b>(2,820,700)</b>	<b>(519,661)</b>	<b>(2,955,428)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(50,118)</b>	<b>(6,856,454)</b>	<b>232,652</b>	<b>(7,219,565)</b>
Net foreign exchange differences	(343,208)	(960,470)	(558,886)	(590,676)
Cash and cash equivalents at 1 January	(14,527,794)	(6,710,870)	(14,586,114)	(6,775,873)
<b>Cash and cash equivalents at 31 March</b>	<b>(14,921,120)</b>	<b>(14,527,794)</b>	<b>(14,912,348)</b>	<b>(14,586,114)</b>

### 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

**Patrick Rutabanzibwa**  
Chairman  
29 May 2023

**R Swart**  
Managing Director

**Q Ganijee**  
Company Secretary

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