

UNAUDITED QUARTERLY RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 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 September 2022.

Due to seasonality in the cement industry, the third quarter of 2022 showed a promising improvement over the second quarter. Despite various marketing and operational challenges such as frequent power outages, the Group has performed well on its key financial indicators during the third 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 increased to 4.0% in the third quarter of 2022, up from the forecasted 3.8% in quarter two.

Economic performance forecast by analysts in quarter three has slightly improved to an annual forecasted GDP growth of 5.4% in quarter three compared to 5.2% forecasted in quarter two. 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 continues to support the 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

The Group's sales revenue decreased by 1% to TZS 57.96bn from the TZS 58.23bn achieved in Q2 ending 30 June 2022. The decline is attributed to lower production output and sales due to an inadequate power supply with frequent power dips and power rationing. However, despite the decline in sales, the Group continued to perform well for the quarter. The Group's gross profit increased by 1% to TZS 11.31bn from TZS 11.23bn achieved in Q2. This increase is attributed to cost-saving initiatives adopted by management and increased operational efficiency.

We are proud to report that EBITDA has improved by 7% to TZS 6.07bn from TZS 5.67bn achieved in June 2022 driven by improved operational efficiencies and cost controls.

The Group recorded a lower loss before tax of TZS 1.66bn in the third quarter compared to the loss before tax of TZS 2.44bn recorded in the second quarter.

Cash generated from trading activities increased by 129% from TZS 1.67 bn recorded in June 2022 to TZS 3.82 bn in September 2022. Net cash flows from operations increased by 69% from TZS 1.37 bn recorded in June 2022 to TZS 2.31 bn in September 2022. This increase was attributed to stringent working capital management strategies deployed by 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 volatile economy resulting from fluctuations in fuel prices and disruptions in the supply chain caused by the Russia-Ukraine conflict.

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 quarter 3 of 2022 and remains prudent with available cash resources to remain sustainable through the global economic recovery post Covid-19 and the drastic fuel price increases currently affecting the local economy. The board has decided to continue committing available cash generated to the operational commitments and will evaluate the financial performance throughout the remainder of the 2022 financial year when considering the final dividend declaration.

Proposed acquisition by Scancem International DA

Shareholders are referred to the initial 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 most recent announcement by TCPLC issued on 7 October 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 SEPTEMBER 2022	Group Sep-22 TZS'000	Group Jun-22 TZS'000	Company Sep-22 TZS'000	Company Jun-22 TZS'000	Consolidated and separate statements of cash flows FOR THE QUARTER ENDED 30 SEPTEMBER 2022	Group Sep-22 TZS'000	Group Jun-22 TZS'000	Company Sep-22 TZS'000	Company Jun-22 TZS'000
Revenue from contracts with customers	56,961,059	58,229,918	56,961,059	58,229,918					
Cost of sales	(45,653,790)	(46,998,234)	(45,653,790)	(46,998,234)					
Gross profit	11,307,269	11,231,684	11,307,269	11,231,684					
Other income	21,914	588,793	24,857	586,693					
Other expenses*	35,476	-	35,476	-					
Selling expenses	(787,510)	(781,605)	(787,510)	(781,605)					
Administration expenses	(4,506,629)	(5,368,956)	(4,441,963)	(5,366,789)					
Depreciation charge	(4,702,322)	(4,754,486)	(4,732,457)	(4,764,205)					
(increase)/Decrease in expected credit losses	(181,504)	53,665	(216,727)	(1,834)					
Operating profit	1,186,694	969,095	1,188,945	903,944					
Interest expense	(4,816,869)	(3,930,427)	(4,820,540)	(3,931,821)					
Finance income	1,094	48	1,094	48					
Foreign exchange and fair value gains	1,968,943	520,920	1,959,732	518,958					
Loss before tax	(1,660,138)	(2,440,364)	(1,670,769)	(2,508,871)					
Income tax credit	245,932	481,223	245,932	481,223					
Loss for the period	(1,414,206)	(1,959,141)	(1,424,837)	(2,027,648)					
Other comprehensive loss									
"Other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax):"									
Exchange differences on translation of foreign operations	-	-	-	-					
Other comprehensive loss net of tax									
Total comprehensive loss for the period, net of tax	(1,414,206)	(1,959,141)	(1,424,837)	(2,027,648)					
Loss for the period attributable to:									
Owners of the parent	(1,414,206)	(1,959,141)	(1,424,837)	(2,027,648)					
Non-controlling interests	-	-	-	-					
Total comprehensive loss for the period attributable to:	(1,414,206)	(1,959,141)	(1,424,837)	(2,027,648)					
Owners of the parent	(1,414,206)	(1,959,141)	(1,424,837)	(2,027,648)					
Non-controlling interests	-	-	-	-					
Total comprehensive loss for the period attributable to:	(1,414,206)	(1,959,141)	(1,424,837)	(2,027,648)					
Basic and diluted loss per share	(22)	(31)	(23)	(32)					
*Gain on disposal of fixed assets									
Consolidated and separate statements of financial position AS AT 30 SEPTEMBER 2022	Group Sep-22 TZS'000	Group Jun-22 TZS'000	Company Sep-22 TZS'000	Company Jun-22 TZS'000					
ASSETS									
Non-current assets									
Property, plant and equipment	290,915,133	293,680,789	290,105,944	292,871,613					
Right-of-use assets	4,904,924	4,911,950	4,817,032	4,862,445					
Investment property	543,438	549,120	-	-					
Investment in subsidiary	-	-	552,564	552,564					
Financial asset - Interest rate cap	7,086,737	4,643,018	7,086,737	4,643,018					
Deferred tax asset	-	38,307	-	38,307					
	303,450,232	303,823,184	302,562,277	302,967,947					
Current assets									
Due from employees' share trust	-	-	773,467	773,467					
Inventories	73,200,801	74,067,338	73,200,801	74,067,338					
Trade and other receivables	12,467,256	11,573,978	12,476,142	11,553,878					
Current income tax recoverable	732,675	6,232,000	177,863	6,232,000					
Cash and bank balances	8,003,520	10,223,228	7,729,596	9,440,308					
	94,404,252	102,096,544	94,357,869	102,066,991					
Non-current assets held-for-sale	3,870	3,870	-	-					
TOTAL ASSETS	397,858,354	405,923,598	396,920,146	405,034,938					
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	134,465,366	135,956,085	133,062,927	134,487,760					
Equity attributable to owners of the parent	134,897,831	136,388,550	134,336,348	135,761,181					
Non-controlling interest	-	-	-	-					
Total equity	134,897,831	136,388,550	134,336,348	135,761,181					
Non-current liabilities									
Lease liabilities	4,193,853	4,533,294	4,386,852	4,433,728					
Provision for site restoration	29,637	29,637	29,637	29,637					
Term borrowings: Non-current portion	203,866,126	199,533,377	203,866,126	199,533,377					
Deferred tax liability	(832,413)	-	(832,413)	-					
	207,257,203	204,096,308	207,450,202	203,996,742					
Current liabilities									
Lease liabilities	626,668	655,638	449,652	767,518					
Term borrowings: Current portion	-	-	-	-					
Trade and other payables	26,785,398	37,653,438	26,032,245	37,019,388					
Contract liabilities	9,027,263	8,019,035	9,387,708	8,379,480					
Bank overdrafts	19,263,991	19,110,629	19,263,991	19,110,629					
	55,703,320	65,438,740	55,133,596	65,277,015					
Total liabilities	262,960,523	269,535,048	262,583,798	269,273,757					
TOTAL EQUITY AND LIABILITIES	397,858,354	405,923,598	396,920,146	405,034,938					

Consolidated and separate statements of cash flows FOR THE QUARTER ENDED 30 SEPTEMBER 2022	Group Sep-22 TZS'000	Group Jun-22 TZS'000	Company Sep-22 TZS'000	Company Jun-22 TZS'000
OPERATING ACTIVITIES				
Cash generated from operating activities	3,822,110	1,667,665	3,275,288	949,747
Interest income received	1,190	96	1,190	96
Income taxes paid	(1,511,687)	(300,106)	(1,511,687)	(300,106)
Net cash flows from operating activities	2,311,613	1,367,655	1,764,791	649,737
INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment	35,476	-	35,476	-
Purchase of property, plant and equipment	(4,136,339)	(2,440,684)	(4,136,339)	(2,440,684)
Net cash flows used in investing activities	(4,100,863)	(2,440,684)	(4,100,863)	(2,440,684)
FINANCING ACTIVITIES				
Principal repayments - lease liabilities	(945,921)	(318,066)	(945,921)	(318,066)
Lease liability interest paid	-	(4)	-	(4)
Interest paid - overdrafts	(1,221,588)	(814,212)	(1,221,588)	(814,212)
Net cash flows used in financing activities	(2,167,509)	(1,132,282)	(2,167,509)	(1,132,282)
Net decrease in cash and cash equivalents	(3,956,759)	(2,205,311)	(4,503,581)	(2,923,229)
Net foreign exchange differences	(592,842)	28,780	(254,940)	28,781
Cash and cash equivalents at 1 January	(6,710,870)	(6,710,870)	(6,775,873)	(6,775,873)
Cash and cash equivalents at end of period	(11,260,471)	(8,887,401)	(11,534,394)	(9,670,321)

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 (CSDR) on +255 (0) 746 160 516 or on +255 (0) 677 070 414 for information on how to have the dividends deposited directly into their bank

L Masha
Chairman
25 Nov 2022

R Swart
Managing Director

Q Ganjee
Company Secretary

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