SIMBA CEMENT
STRENGTH WITHIN

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

CHAIRMAN'S STATEMENT

Introduction

Tanga Cement PLC hereby presents its financial performance for the six months ended 30 June 2017. The first half of 2017 was challenging. We however 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".

Macro-Economic Overview

The growth in our cement sales volumes was anchored to the economic progress of Tanzania. The Tanzanian economy has shown resilience amid flagging growth in other Sub-Saharan African countries and is projected to grow at an annual rate of seven percent (7%). Tanzania remains an enduring interest as it presents strong growth in infrastructure, mining, manufacturing and financial sectors.

Tanzania's construction industry is projected to have a positive growth trajectory informed by a steady population growth and a younger profile that increases demand for infrastructure, housing and commercial buildings, emerging middle-class, increased consumer activity and access to financial services (banking, mortgages and commercial credit). Anticipated infrastructure projects such as the Standard Gauge Railway, Uganda-Tanzania oil pipeline, development and upgrade of various ports and natural gas pipeline from Mtwara are expected to see cement demand increase.

Despite the challenges faced, we are optimistic that the robust developments in the country will establish an atmosphere that allows us to deliver value to stakeholders. The political stability in the country is encouraging for business especially the government's commitment to support local industries. We are supportive of the efficient tax regime, upcoming infrastructure projects and conducive financial environment which will ensure our products are competitively available and affordable within the country as well as across the East Africa Community.

Financial and Operational Overview

Guided by a revamped strategy to focus on sales growth and market share, our revenue grew by 2.1% year on year to Tzs 78.8bn from Tzs 77.2bn, driven by higher sales volumes. The competitive environment persisted in the period under review leading to lower prices of cement in the market. In response, Tanga Cement PLC changed its pricing strategy. As a result, we experienced a significant increase in sales volumes and our market share has improved, placing us among the top two producers of cement in Tanzania.

Cost of sales increased from Tzs 50.8bn to Tzs 64.8bn year on year in line with higher sales volumes, leading to a gross profit margin of 17.7% in 2017 down from a gross margin of 34.1% in 2016. Distribution costs were efficiently managed through the use of lower third party transportation costs primarily driven by the use of more cost effective distribution solutions like rail and ex-gate sales. Operating EBITDA for the half year to June 2017 decreased by 71.8% to Tzs 5.1bn on the back of lower cement prices.

Our second integrated production line (TK2) continues to provide production cost saving benefits as a result of higher efficiencies and ensuring sufficient supply of own clinker, and no requirement for imported clinker. We anticipate additional operational efficiency optimisation from the line as well as an ability to produce in excess of the current cement demand in the medium and long term in both real estate and public infrastructure development. Accordingly, the capital investment impacted our operating profit with a depreciation charge of Tzs 9.4bn compared to the previous half year depreciation of Tzs 3.5bn.

Net Finance Costs increased to Tzs 15.1bn from Tzs 0.6bn for the comparative period in 2016 as a result of debt raised to finance capital expansion projects. The group incurred a Net Loss After Tax of Tzs 14.6bn for the six months to June 2017 (2016: Tzs 11.1 bn Net Profit).

Despite challenging market conditions in the first half of 2017, management remains positive for the medium term outlook with our highly focused sales strategy and improvement in market share. Market competition is expected to remain high and management is actively engaged in innovative sales initiatives to maximise sales volumes and prices to improve margins

Dividend

A final dividend of Tzs 25 per share amounting to Tzs 1.59 billion (2015: Tzs 25 per share totalling Tzs 1.59 billion) was declared and paid during the period.

In view of the financial performance for the first half of the year, the board has decided not to declare an interim dividend for 2017. This position will be reviewed once the full year trading results have been finalised.

Conclusion

Tanga Cement PLChas grown its market share in the past six months and is grateful to its business partners and staff for their dedication. With a leading brand, capable workforce, mutual partnerships and efficient systems, we expect to retain our position in the market. We are cognisant of recent changes in local regulations but we do not expect significant negative impacts to our business. We will continue to work with the Government and local communities to achieve mutual benefits for all. Our latest capital investments will guarantee sustained long term value for stakeholders and our ability to meet cement demand in the long term while capitalising on our position as a dominant cement and clinker supplier in Tanzania and East Africa.

For and on behalf of the Board

Advocate Lau Masha
Chairman of the Board

Consolidated Statement of Comprehensive Income
for the six months ended 30 June 2017

	Group Jun 2017 TZS'000	Group Jun 2016 TZS'000	Company Jun 2017 TZS'000	Company Jun 2016 TZS'000
Revenue	78,788,330	77,155,642	69,324,206	71,175,075
Cost of sales	(64,834,047)	(50,831,635)	(56,124,342)	(45,993,842)
Gross profit	**13,954,283**	**26,324,007**	**13,199,864**	**25,181,233**
Selling and administration expenses	(8,842,520)	(8,184,941)	(8,848,401)	(7,015,535)
Depreciation and amortization	(9,406,979)	(3,463,602)	(9,360,592)	(3,392,400)
Operating (loss)/profit	**(4,295,216)**	**14,675,464**	**(5,009,129)**	**14,773,298**
Other income	-	2,276,741	-	2,216,584
Net finance costs	(15,097,701)	(606,150)	(15,094,638)	(554,647)
Net (loss)/profit before taxation	**(19,392,917)**	**16,346,055**	**(20,103,767)**	**16,435,235**
Current income tax	(211,608)	(1,192,135)	-	(1,192,135)
Deferred tax credit/(charge)	4,996,227	(3,757,534)	4,996,227	(3,757,534)
Net (loss)/profit for the year	**(14,608,298)**	**11,396,386**	**(15,107,540)**	**11,485,566**
Exchange differences on translation of foreign operations	(6,602)	(291,295)	-	-
Total comprehensive (loss)/income	**(14,614,900)**	**11,105,091**	**(15,107,540)**	**11,485,566**
Attributable to:				
Owners of the parent	(14,614,900)	11,105,091	(15,107,540)	11,485,566
Non-controlling interest	-	-	-	-
Total comprehensive (loss)/income	**(14,614,900)**	**11,105,091**	**(15,107,540)**	**11,485,566**
Weighted average number of shares in issue less treasury shares	**62,967,893**	**63,124,445**	**62,967,893**	**63,124,445**
Earnings per share (Tzs)	**-232**	**176**	**-240**	**182**
Dividends per share (Tzs)	**25**	**55**	**25**	**55**

Consolidated Statement of Financial Position
as at 30 June2017

	Group June 2017 TZS'000	Group Dec 2016 TZS'000	Company June 2017 TZS'000	Company Dec 2016 TZS'000
ASSETS				
Non-current assets				
Property Plant and Equipment	365,797,253	373,366,218	364,077,071	371,599,649
Investment in subsidiary	-	-	1,746,976	1,746,976
Investment in associate	100	100	100	100
Financial asset - Interest rate cap	5,363,698	7,152,393	5,363,698	7,152,393
	371,161,051	**380,518,711**	**371,187,845**	**380,499,118**
Current assets				
Due from employees' share trust		-	1,489,871	1,506,571
Inventories	42,456,577	32,673,142	41,783,699	32,018,334
Trade and other receivables	16,081,803	15,568,106	18,451,916	15,185,452
VAT recoverable	9,843,934	9,494,637	9,843,934	9,469,854
Current income tax recoverable	2,463,507	2,557,299	2,129,325	2,129,325
Cash and bank balances	17,687,233	9,503,431	15,627,753	8,485,755
	88,533,054	**69,796,615**	**89,326,498**	**68,795,291**
TOTAL ASSETS	**459,694,105**	**450,315,326**	**460,514,343**	**449,294,409**
EQUITY AND LIABILITIES				
Capital and Reserves				
Issued share capital	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve	16,167	22,769		-
Treasury shares	(1,489,871)	(1,506,571)		-
Retained earnings	173,750,838	189,884,783	173,396,315	190,095,631
Equity attributable to owners of the parent	173,550,555	189,674,402	174,669,736	191,369,052
Total equity	**173,550,555**	**189,674,402**	**174,669,736**	**191,369,052**
Non-current Liabilities				
Provision for site restoration	21,364	21,364	21,364	21,364
Deferred tax liability	11,761,224	16,757,451	11,761,224	16,757,451
Term borrowings: Non-current portion	215,227,385	189,212,984	215,227,385	189,212,984
	227,009,973	**205,991,799**	**227,009,973**	**205,991,799**
Current liabilities				
Trade and other payables	36,236,048	34,507,286	35,937,105	31,791,719
Term borrowings: Current portion	11,934,544	13,157,583	11,934,544	13,157,583
Bank overdrafts	10,962,985	6,984,256	10,962,985	6,984,256
	59,133,577	**54,649,125**	**58,834,634**	**51,933,558**
TOTAL EQUITY AND LIABILITIES	**459,694,105**	**450,315,326**	**460,514,343**	**449,294,409**

Consolidated Statement of Cash Flows
for the six months ended 30 June 2017

	Group Jun 2017 TZS'000	Group Jun 2016 TZS'000	Company Jun 2017 TZS'000	Company Jun 2016 TZS'000
Cash (used in)/generated from operating activities				
Operating (loss)/profit	(4,295,216)	14,675,464	(5,009,129)	14,773,298
Depreciation	9,406,979	3,463,602	9,360,592	3,392,400
Gain on disposal of investment	-	-	-	(25,424)
Gain on disposal of assets	-	(25,424)	-	-
Other non cash items	1,770,532	284,318	**1,788,695**	106,028
Cash generated from trading	**6,882,295**	**18,397,960**	**6,140,158**	**18,246,302**
Increase in inventories	(9,716,987)	(283,688)	(9,765,365)	(469,130)
(Increase)/Decrease in accounts receivable	(513,697)	889,211	(3,266,464)	1,360,418
Increase in VAT recoverable	(349,297)	-	(374,080)	-
Increase/(Decrease) in accounts payable	1,728,762	(19,468,346)	4,145,386	(19,674,220)
Cash flow from operations	**(1,968,924)**	**(464,863)**	**(3,120,365)**	**(536,630)**
Other expenses	-	(320,271)	-	(374,766)
Interest expense paid	(15,097,701)	(897,446)	(15,094,638)	(554,647)
Income tax paid	(106,574)	(1,460,927)	-	(1,443,797)
Net cash flows from operations	**(17,173,199)**	**(3,143,507)**	**(18,215,003)**	**(2,909,840)**
Investing activities				
Proceeds on disposal	-	127,010	-	127,010
Purchase of fixed assets	(1,838,014)	(14,667,552)	(1,838,014)	(14,667,552)
Net cash flows used in investing activities	**(1,838,014)**	**(14,540,542)**	**(1,838,014)**	**(14,540,542)**
Financing activities				
Employee's share trust	16,700	16,700	16,700	16,700
Proceeds from borrowings	24,791,362	-	24,791,362	-
Ordinary dividend paid	(1,591,776)	(1,591,776)	(1,591,776)	(1,591,776)
Net cash flows from/(used in) financing activities	**23,216,286**	**(1,575,076)**	**23,216,286**	**(1,575,076)**
Net Increase/(Decrease) in cash and cash equivalents	**4,205,073**	**(19,259,125)**	**3,163,269**	**(19,025,458)**
Cash and cash equivalents at 1 January	2,519,175	18,292,591	1,501,499	17,250,164
Cash and cash equivalents at 30 June	**6,724,248**	**(966,534)**	**4,664,768**	**(1,775,294)**

Information to Members

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

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 accounts.

L Masha
Chairperson
24 April 2017

R Swart
Managing Director

Q Ganijee
Company Secretary

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SYSTEM CERTIFICATION ISO 14001 SGS

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