

UNAUDITED RESULTS FOR THE QUARTER ENDED 31 MARCH 2024



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 31st March 2024.

Due to the escalating competitive dynamics prevalent in the industry, the inadequate electricity provisioning, and the scarcity of major foreign currencies like US Dollars and Euros in the money market, the operational performance of the group has taken an unfavourable turn compared to the corresponding period in the prior year's first quarter. The Financial and Operational Overview below provides a comprehensive overview of the group's performance.

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 having achieved 6.01 million continuous injury free hours up to 31 March 2024.

Macro-economic Overview

The Group's growth relies on the demand for cement in the Tanzanian construction industry, bolstered by improved economic performance. The construction sector growth is set to grow by 8% in 2024 whereas the GDP is expected to grow by an average of 5.1% (source: Fitch Solutions). Despite this expected growth, there was a decline in cement demand during the first quarter of 2024 leading to a decrease in sales volume. This decline can be attributed to excessive heavy rainfalls and a slight increase in the inflation rate to 3.9% (compared to 3.0% in Q4 2023) which reduced consumers' purchasing power. However, the Group is optimistic about the positive impact of Government's Development Vision 2025 program on infrastructure development, expecting an increased momentum during the remainder of 2024.

Financial and Operational Overview

In the first quarter of 2024 the company experienced a 27% decrease in sales revenue, totalling TZS 36.9 billion compared to TZS 50.8 billion in Q1 2023. Despite this revenue decline, the group achieved a 19% increase in gross margin. This increase can be primarily attributed to cost efficiency initiatives implemented by the management, resulting in lower maintenance and operational expenses.

The Group's financial performance in the first quarter of 2024 showed a loss before tax of TZS 45.5 billion, compared to a loss of TZS 8.1 billion for the same period in the prior year. The pre-tax loss was predominantly impacted by optimisation costs, as well as interest expenses on term loans and adverse foreign exchange fluctuations driven by the weakening Tanzanian Shilling against the US Dollar. Cash generated from trading activities decreased by 767%, attributed to increased inventory balances and payments of one-third for objections to tax assessments (as procedurally required by law). However, net cash flows from financing activities increased significantly due to proceeds from additional short-term working capital facilities. Despite these challenges, the Group remains committed to its sales, logistics, and cost optimisation initiatives, maintaining a positive outlook for 2024 amidst a competitive landscape and continued global geopolitical unrest.

Dividend

The company did not declare an interim dividend to shareholders in 2024 to remain prudent with available cash resources in order to remain sustainable through the global economic uncertainties and the high fuel prices coupled with pronounced scarcity of major foreign currencies affecting the local economy. The board has decided to continue committing available cash generated to operational commitments.

Proposed acquisition by Scancem International DA

Shareholders are reminded of the announcement on 17 November 2023 by Scancem International DA regarding the finalisation of the acquisition of 68.33% of the shares in Tanga Cement PLC from AfriSam Mauritius Investment Holdings Limited with effect from 27 November 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 will take advantage of the growth opportunities in the regional market.

For and on behalf of the Board

Hakan Gurdal

Chairman of the Board

	Group Mar-24 TZS'000	Group Mar-23 TZS'000	Company Mar-24 TZS'000	Company Mar-23 TZS'000
Consolidated and separate statements of profit or loss and other comprehensive income FOR THE PERIOD ENDED 31 MARCH 2024				
Revenue from contracts with customers	36,868,040	50,841,672	36,868,040	50,841,672
Cost of sales	(22,423,280)	(40,406,016)	(22,423,280)	(40,406,016)
Gross profit	14,444,760	10,435,656	14,444,760	10,435,656
Selling expenses	(673,385)	(765,274)	(673,385)	(765,274)
General and administration expense	(10,068,997)	(10,780,031)	(10,042,353)	(10,347,481)
Other expenses	(36,957,124)	-	(36,957,124)	-
Operating profit/(loss)	(33,254,746)	(1,109,648)	(33,228,102)	(677,099)
Interest expense	(8,004,210)	(5,793,099)	(8,004,210)	(5,795,820)
Finance and other income	120,568	836,423	120,568	834,323
Foreign exchange and fair value losses	(4,329,535)	(2,061,177)	(4,330,246)	(2,060,679)
Loss before tax	(45,467,923)	(8,127,501)	(45,441,990)	(7,699,275)
Income tax charge	(219,108)	(265,182)	(219,108)	(265,182)
Loss for the period	(45,687,031)	(8,392,683)	(45,661,098)	(7,964,457)
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	(45,687,031)	(8,392,683)	(45,661,098)	(7,964,457)
Loss for the year attributable to:				
Owners of the parent	(45,687,031)	(8,392,683)	(45,661,098)	7,964,457
Non-controlling interests	-	-	-	-
Total comprehensive income for the year attributable to:				
Owners of the parent	(45,687,031)	(8,392,683)	(45,661,098)	(7,964,457)
Non-controlling interests	-	-	-	-
	Mar-24 TZS/share (726)	Mar-23 TZS/share (133)		
Basic and diluted loss per share				
Consolidated and separate statements of financial position 31 MARCH 2024				
	Group Mar-24 TZS'000	Group Mar-23 TZS'000	Company Mar-24 TZS'000	Company Mar-23 TZS'000
ASSETS				
Non-current assets				
Property, plant and equipment	270,527,398	284,625,881	270,524,864	283,843,640
Right-of-use assets	213,084	4,725,891	213,084	4,754,506
Investment property	1,000,030	509,346	-	-
Investment in subsidiary	-	-	420,995	420,995
Financial asset - Interest rate cap	-	6,348,159	-	6,348,159
Deferred tax asset	-	4,520,423	-	4,520,423
	271,740,512	300,729,700	271,158,943	299,887,723
Current assets				
Due from employees' share trust	-	-	1,490,682	773,467
Inventories	61,571,707	82,873,059	61,571,707	82,873,059
Trade and other receivables	31,375,584	7,161,838	31,125,471	6,976,887
Current income tax recoverable	10,148,769	8,765,904	9,612,584	8,262,426
Cash and bank balances	16,569,390	4,381,818	16,506,806	4,390,590
	119,665,450	103,182,619	120,307,250	103,276,429
Non-current assets held-for-sale	-	3,870	-	-
TOTAL ASSETS	391,405,962	403,916,189	391,466,193	403,164,152
EQUITY AND LIABILITIES				
Equity				
Issued capital	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve	-	25,016	-	-
Treasury shares	(1,490,682)	(773,466)	-	-
Retained earnings	8,629,183	113,693,065	7,667,472	112,388,510
Equity attributable to owners of the parent	8,411,922	114,218,036	8,940,893	113,661,931
Non-controlling interest	-	-	-	-
Total equity	8,411,922	114,218,036	8,940,893	113,661,931
Non-current liabilities				
Lease liabilities	224,335	4,423,823	224,335	4,326,107
Provision for site restoration	30,325	30,014	30,325	30,014
Term borrowings: Non-current	243,828,940	214,342,936	243,828,941	214,342,936
Deferred tax liability	950,783	-	950,783	-
	245,034,383	218,796,773	245,034,384	218,699,057
Current liabilities				
Lease liabilities	36,393	661,031	36,393	646,430
Trade and other payables	63,516,046	43,658,754	63,047,305	43,214,694
Contract liabilities	5,748,437	7,278,657	5,748,437	7,639,102
Short-term facilities	44,698,707	-	44,698,707	-
Bank overdrafts	23,960,074	19,302,938	23,960,074	19,302,938
	137,959,657	70,901,379	137,490,916	70,803,164
Total liabilities	382,994,040	289,698,153	382,525,300	289,502,221
TOTAL EQUITY AND LIABILITIES	391,405,962	403,916,189	391,466,193	403,164,152

Consolidated and separate statements of cash flows FOR THE PERIOD ENDED 31 MARCH 2024

	Group Mar-24 TZS'000	Group Mar-23 TZS'000	Company Mar-24 TZS'000	Company Mar-23 TZS'000
OPERATING ACTIVITIES				
Cash generated from operating activities	(12,026,889)	1,152,710	(12,020,615)	1,437,503
Interest income received	-	831,673	-	831,673
Income taxes paid	(1,579,166)	54,903	(1,579,167)	52,879
Net cash flows (used in)/from operating activities	(13,606,055)	2,039,285	(13,599,782)	2,322,055

	Group Mar-24 TZS'000	Group Mar-23 TZS'000	Company Mar-24 TZS'000	Company Mar-23 TZS'000
INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(1,466,459)	(1,569,742)	(1,466,459)	(1,569,742)
Net cash flows used in investing activities	(1,466,459)	(1,569,742)	(1,466,460)	(1,569,742)

	Group Mar-24 TZS'000	Group Mar-23 TZS'000	Company Mar-24 TZS'000	Company Mar-23 TZS'000
FINANCING ACTIVITIES				
Principal repayments - lease liabilities	(131,172)	(84,777)	(131,172)	(84,777)
Lease liability interest paid	-	-	-	-
Interest paid - overdrafts	(1,562,193)	(434,884)	(1,562,193)	(434,884)
Proceeds from short-term working capital facilities	43,772,061	-	43,772,061	-
Net cash flows from/(used in) financing activities	42,078,696	(519,661)	42,078,696	(519,661)
Net increase/(decrease) in cash and cash equivalents	27,006,182	(50,118)	27,012,454	232,652
Net foreign exchange differences	-	(343,208)	-	(558,886)
Cash and cash equivalents at 1 January	(34,396,866)	(14,527,794)	(34,465,722)	(14,586,114)
Cash and cash equivalents at end of period	(7,390,684)	(14,921,120)	(7,453,268)	(14,912,348)


Hakan Gurdal
Chairman
31 MAY 2024


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