

February 14, 2017

The Chief Executive Officer
Dar es Salaam Stock Exchange Limited
P. O. Box 70081
DAR ES SALAAM.

Dear Sir,

**RE: DECLARATION OF FINAL DIVIDEND FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2016.**

The above captioned matter refers.

Please be advised that, at its 70th Board of Directors' Meeting held on February 14, 2017, the Board of Directors of Tanzania Cigarette Company Limited declared a final ordinary gross dividend of TZS 200 per share and special gross dividend of TZS. 100. The declared dividend will be paid to all Shareholders registered at the Dar es Salaam Stock Exchange at closure of the Register on March 9, 2017.

Dividends will be dispatched to Shareholders on or about April 13, 2017.

Enclosed herewith, please find copies of press release on audited financial results and Notice for the Annual General Meeting intended to be published in newspapers starting from February 15, 2017.

We would appreciate to receive your approval for publication of the financial results on the scheduled date.

Yours faithfully,
Tanzania Cigarette Company Limited.



Godson Kiliza
Director, Legal Affairs &
Company Secretary

Handwritten: TCC Assurance 14/02/2017



Audited financial results for the year ended December 31, 2016

Extracts of financial statements

It gives me great pleasure to share with you our financial performance for the year ended December 31, 2016. You will be pleased to know that, despite a tight economy in 2016 and a number of challenges in our export markets, we delivered good financial results for the year.

Results for the year

Overall sales volume declined by 5.6% year-on-year generally due to economic pressure across the African markets.

In particular, political instability in DRC and the operational challenges recently faced in Zambia negatively affected our export volume which fell 11.9% compared to 2015.

Domestic market continued to be undermined by the growing illicit trade, volume was 1.8% lower than prior year. This decline in volume was however off-set by pricing and further operational efficiencies; 11.6% operating expenses reduction versus 2015.

As a result gross turnover increased by 1% to TZS 499.5 billion in 2016 compared to TZS 496.7 billion in 2015; net sales remained flat at TZS 301.0 billion in 2016 compared to TZS 300.6 billion in 2015; and gross profit declined 4.5% to TZS 170.9 billion from TZS 179.0 billion in the prior year.

Nevertheless, our net profit grew by 4.5%. We achieved a net profit of TZS 68.7 billion in 2016 versus TZS 65.7 billion in 2015. Effective and efficient management of operating expenses was the main driver behind this growth.

Dividends

In view of the results achieved, the Board of Directors of TCC recommended a final ordinary gross dividend of TZS 200 per share (2015: TZS 200 per share) and a special gross dividend of TZS 100 per share (2015: TZS 100 per share). With the interim gross dividend of TZS 300 per share paid in November 2016, the total dividend for the year ended December 31, 2016 is TZS 600 per share (2015: TZS 600 per share).

The final gross ordinary and special dividends will be paid on or about April 13, 2017, subject to shareholders' approval at the Annual General Meeting to be held on March 17, 2017.

Prospects for the future

These results indicate that the Company is well positioned for future growth, subject to a more conducive business environment. Specifically: higher rates of economic growth that drive disposable income for the majority of the population; a low inflationary environment; stable currencies; and an expected reduction in illicit trade in tobacco products. Equally important will be a stable and predictable excise tax regime that: promotes domestic value addition of local raw material (Tanzanian tobacco); and reasonable excise tax increases. On this note, I commend the Government for the decision to increase excise tax by 5% in July 2016, consistent with inflation.

We appreciate the Government's bold initiatives to transform the economy, curb tax evasion and ensure a fair playing field. We recognize that in the short-term, these well intended measures will impact disposable income and consumer demand. However, we are quite optimistic that in the long-term, the benefits will be far greater.

Appreciation

I would like to extend my special thanks to all our employees for their dedication and hard work; to the Board of Directors for their farsighted guidance; to our customers, consumers, parent company – Japan Tobacco International, all shareholders and stakeholders for their continued support to our business.

Majd Abdou
Chairman and CEO

Tanzania Cigarette Company Ltd.			
Statement of profit or loss and other comprehensive income for the year ended 31 December, 2016			
(Audited)			
	2016 TZS M	2015 TZS M	Change %
Gross turnover	499,457	496,675	0.8%
VAT	(66,403)	(64,940)	2.3%
Revenue	433,054	431,735	0.3%
Excise duty	(132,092)	(131,185)	0.7%
Net sales	300,962	300,550	0.1%
Cost of sales	(130,070)	(121,553)	7.0%
Gross profit	170,892	178,997	-4.5%
Operating expenses	(72,259)	(81,701)	-11.6%
Profit before tax	98,633	97,296	1.4%
Income tax expense	(29,964)	(31,585)	-5.1%
Profit for the year	68,669	65,711	4.5%
Other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Defined benefit actuarial gain	5,296	304	
Tax relating to components of other comprehensive income	(1,589)	(91)	
Total comprehensive income, net of income tax	72,376	65,924	9.8%
Earnings per share:			
Basic and diluted (TZS per share)	687	657	

Tanzania Cigarette Company Ltd.		
Statement of cash flows for the year ended 31 December 2016		
(Audited)		
	2016 TZS M	2015 TZS M
Cash flows from operating activities		
Cash generated from operating activities	87,956	95,312
Defined benefit paid	(376)	(135)
Interest received	3,974	3,942
Interest paid	(116)	(80)
Income tax paid	(29,931)	(32,620)
Net cash generated by operating activities	61,507	66,419
Cash flows from investing activities:		
Purchase of property, plant and equipments	(14,787)	(8,361)
Proceeds from disposal of property, plant and equipments	526	826
Net cash used in investing activities	(14,261)	(7,535)
Cash flows from financing activities:		
Dividends paid to owners of the company	(60,000)	(70,000)
Net cash used in financing activities	(60,000)	(70,000)
Net decrease in cash and cash equivalents	(12,754)	(11,116)
Cash and cash equivalents at the beginning of the year	44,107	55,223
Cash and cash equivalents at the end of the year	31,353	44,107
Represented by:		
Cash & bank balances	31,353	44,107

Tanzania Cigarette Company Ltd.		
Statement of financial position as at 31 December 2016		
(Audited)		
	2016 TZS M	2015 TZS M
Assets:		
Non-current assets		
Property, plant and equipment	89,353	87,474
Intangible assets	-	-
Total non-current assets	89,353	87,474
Current assets:		
Inventories	123,175	90,034
Trade and other receivables	13,331	8,357
Cash and bank balances	31,353	44,107
Total current assets	167,859	142,498
Total assets	257,212	229,972
Equity and liabilities:		
Capital and reserves:		
Share capital	2,000	2,000
Defined benefit reserves	4,988	1,281
Retained earnings	179,728	171,059
Shareholders' equity	186,716	174,340
Non-current liabilities:		
Deferred tax liabilities	6,697	5,300
Defined benefit obligation	5,802	9,147
Total non-current liabilities	12,499	14,447
Current liabilities:		
Trade and other payables	53,794	37,207
Income tax payable	4,203	3,978
Total current liabilities	57,997	41,185
Total liabilities	70,496	55,632
Total equity and liabilities	257,212	229,972