

# UNAUDITED RESULTS FOR THE QUARTER ENDED 30 JUNE 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 30th June 2023.

Amidst the escalating competitive dynamics prevalent in the industry, the inadequate electricity provisioning, and the scarcity of hard currencies, mainly USD and EUR, in the forex market, the operational performance of the group has exhibited a favourable enhancement compared to the corresponding period in the preceding year's second quarter. The group navigated through marketing and operational impediments stemming from recurrent power disruptions and an atypical season of heavy rainfall, both of which carried the potential to adversely influence the group's financial metrics during the quarter. The subsequent Financial and Operational Overview segment provides a comprehensive elaboration 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.

### 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 3.6% in the second quarter of 2023 from 4.7% in reported in March 2023.

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 to support 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 in 2023. The Group is confident with the initiatives that the Government has taken to combat the effects of increase in oil prices as well as the impact of the scarcity of major foreign currencies and commits to working together with the Government in growing the economy.

### Financial and Operational Overview

The company experienced a marginal decline of 5% in sales revenue, reaching TZS 55 billion in comparison to the TZS 58.3 billion achieved during the second quarter of 2022. Gross profit witnessed a substantial increase of 25% to TZS 14.1 billion, surpassing the TZS 11.2 billion attained in the corresponding period of the previous year. This growth was supported by the gross margin of 25%, which was a significant improvement from the 19% recorded in the first quarter of 2022. This upward trajectory is attributed primarily to the diligent implementation of cost containment strategies in our operations, in line with the company's drive for enhanced efficiency.

EBITDA exhibited a remarkable surge of 63%, reaching TZS 9.3 billion compared to the previous year's TZS 5.7 billion in the second quarter of 2022. This substantial improvement can be attributed to the intentional implementation of cost containment strategies by the management team. Despite challenges such as power outages and fluctuations leading to elevated

maintenance expenses, which management successfully navigated to effectively control both maintenance and administrative costs.

The Group reported a loss before tax of TZS 2.1 billion in Q2, 2023, showcasing an improvement from the prior year's loss before tax of TZS 2.4 billion in 2022. This decline in pre-tax loss can be primarily attributed to the impressive performance highlighted in the aforementioned metrics, specifically the gross profit and EBITDA.

Cash generated from trading activities increased by 438% from TZS 1.7bn recorded in June 2022 to TZS 9bn in June 2023. Net cash flows from operations increased by 558% from TZS 1.4bn recorded in June 2022 to TZS 9bn in June 2023. This increase was attributed to an improvement in the gross margin and EBITDA of 6% and 63% respectively as a result of management's adept execution of cost management and cashflow enhancement strategies.

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 global geopolitical 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 an interim dividend to shareholders in 2023 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 current cash generated to the operational commitments. The Board will evaluate the financial performance throughout the 2023 financial year when considering any further dividend declarations.

### Proposed acquisition by Scancem International DA

Shareholders are reminded of 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 most recent update on the transaction issued by the Company on 24 April 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 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 30 JUNE 2023	Group Jun-23 TZS'000	Group Jun-22 TZS'000	Company Jun-23 TZS'000	Company Jun-22 TZS'000
Revenue from contracts with customers	55,030,505	58,229,918	55,030,505	58,229,918
Cost of sales	(40,950,893)	(46,998,234)	(40,950,892)	(46,998,234)
<b>Gross profit</b>	<b>14,079,612</b>	<b>11,231,684</b>	<b>14,079,613</b>	<b>11,231,684</b>
Other income	49,965	588,793	47,863	586,693
Other expenses	-	-	-	-
Selling expenses	(843,964)	(781,605)	(843,964)	(781,605)
Administration expenses	(4,214,232)	(5,368,956)	(4,389,324)	(5,366,789)
Depreciation charge	(4,852,768)	(4,754,486)	(4,870,088)	(4,764,205)
Impairment and other charges	10,224	-	10,224	-
Decrease/ (increase) in expected credit losses	224,779	53,665	(26,101)	(1,834)
<b>Operating profit</b>	<b>4,453,616</b>	<b>969,095</b>	<b>4,008,223</b>	<b>903,944</b>
Interest expense	(6,341,771)	(3,930,427)	(6,344,028)	(3,931,821)
Finance income	10,774	48	10,774	48
Foreign exchange and fair value (losses)/gains	(242,244)	520,920	(251,409)	518,958
<b>Loss before tax</b>	<b>(2,119,625)</b>	<b>(2,440,364)</b>	<b>(2,576,440)</b>	<b>(2,508,871)</b>
Income tax (charge)/credit	(294,820)	481,223	(294,820)	481,223
<b>Loss for the period</b>	<b>(2,414,445)</b>	<b>(1,959,141)</b>	<b>(2,871,260)</b>	<b>(2,027,648)</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 income for the year, net of tax</b>	<b>(2,414,445)</b>	<b>(1,959,141)</b>	<b>(2,871,260)</b>	<b>(2,027,648)</b>
<b>Loss for the year attributable to:</b>				
Owners of the parent	(2,414,445)	(1,959,141)	(2,871,261)	2,027,648
Non-controlling interests	-	-	-	-
<b>(2,414,445)</b>	<b>(1,959,141)</b>	<b>(2,871,261)</b>	<b>2,027,648</b>	
<b>Total comprehensive income for the year attributable to:</b>				
Owners of the parent	(2,414,445)	(1,959,141)	(2,871,261)	(2,027,648)
Non-controlling interests	-	-	-	-
<b>(2,414,445)</b>	<b>(1,959,141)</b>	<b>(2,871,261)</b>	<b>(2,027,648)</b>	
	<b>Jun 23</b>	<b>Jun 22</b>		
Basic and diluted loss per share	<b>TZS/share</b>	<b>TZS/share</b>		
	<b>(38)</b>	<b>(31)</b>		

Consolidated and separate statements of financial position AS AT 30 JUNE 2023	Group Jun-23 TZS'000	Group Jun-22 TZS'000	Company Jun-23 TZS'000	Company Jun-22 TZS'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	281,560,529	293,680,789	280,828,827	292,871,613
Right-of-use assets	4,618,068	4,911,950	4,616,876	4,862,445
Investment property	503,664	549,120	-	-
Investment in subsidiary	-	-	420,995	552,564
Financial asset - Interest rate cap	7,864,730	4,643,018	7,864,730	4,643,018
Deferred tax asset	-	38,307	-	38,307
	<b>294,546,991</b>	<b>303,823,184</b>	<b>293,731,428</b>	<b>302,967,947</b>
<b>Current assets</b>				
Due from employees' share trust	-	-	773,467	773,467
Inventories	87,781,303	74,067,338	87,781,303	74,067,338
Trade and other receivables	4,973,101	11,573,978	5,151,031	11,553,878
Current income tax recoverable	8,689,931	6,232,000	8,186,454	6,232,000
Cash and bank balances	8,532,201	10,223,228	8,453,994	9,440,308
	<b>109,976,536</b>	<b>102,096,544</b>	<b>110,346,249</b>	<b>102,066,991</b>
Non-current assets held-for-sale	-	3,870	-	-
<b>TOTAL ASSETS</b>	<b>404,523,527</b>	<b>405,923,598</b>	<b>404,077,677</b>	<b>405,034,938</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	-	(67,490)	-	-
Treasury shares	(773,466)	(773,466)	-	-
Retained earnings	105,739,874	135,956,085	104,046,042	134,487,760
<b>Equity attributable to owners of the parent</b>	<b>106,239,829</b>	<b>136,388,550</b>	<b>105,319,463</b>	<b>135,761,181</b>
Non-controlling interest	-	-	-	-
<b>Total equity</b>	<b>106,239,829</b>	<b>136,388,550</b>	<b>105,319,463</b>	<b>135,761,181</b>
<b>Non-current liabilities</b>				
Lease liabilities	4,508,395	4,533,294	4,412,199	4,433,728
Provision for site restoration	30,014	29,637	30,014	29,637
Term borrowings: Non-current portion	221,398,551	199,533,377	221,398,551	199,533,377
Deferred tax liability	950,784	-	950,784	-
	<b>226,887,744</b>	<b>204,096,308</b>	<b>226,791,548</b>	<b>203,996,742</b>
<b>Current liabilities</b>				
Lease liabilities	673,668	655,638	659,294	767,518
Trade and other payables	43,084,354	37,653,438	43,308,995	37,019,388
Contract liabilities	8,636,370	8,019,035	8,996,815	8,379,480
Bank overdrafts	19,001,562	19,110,629	19,001,562	19,110,629
	<b>71,395,954</b>	<b>65,438,740</b>	<b>71,966,666</b>	<b>65,277,015</b>
<b>Total liabilities</b>	<b>298,283,698</b>	<b>269,535,048</b>	<b>298,758,214</b>	<b>269,273,757</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>404,523,527</b>	<b>405,923,598</b>	<b>404,077,677</b>	<b>405,034,938</b>

Consolidated and separate statements of cash flows FOR THE PERIOD ENDED 30 JUNE 2023	Group Jun-23 TZS'000	Group Jun-22 TZS'000	Company Jun-23 TZS'000	Company Jun-22 TZS'000
<b>OPERATING ACTIVITIES</b>				
Cash generated from operating activities	8,966,256	1,667,665	9,173,553	949,747
Interest income received	842,447	96	842,447	96
Income taxes paid	(805,679)	(300,106)	(788,637)	(300,106)
<b>Net cash flows from operating activities</b>	<b>9,003,024</b>	<b>1,367,655</b>	<b>9,227,363</b>	<b>649,737</b>
<b>INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(3,356,755)	(2,440,684)	(3,356,755)	(2,440,684)
<b>Net cash flows used in investing activities</b>	<b>(3,356,755)</b>	<b>(2,440,684)</b>	<b>(3,356,755)</b>	<b>(2,440,684)</b>
<b>FINANCING ACTIVITIES</b>				
Principal repayments - lease liabilities	(155,536)	(318,066)	(155,536)	(318,066)
Lease liability interest paid	-	(4)	-	(4)
Interest paid - overdrafts	(949,050)	(814,212)	(949,050)	(814,212)
<b>Net cash flows used in financing activities</b>	<b>(1,104,586)</b>	<b>(1,132,282)</b>	<b>(1,104,586)</b>	<b>(1,132,282)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,541,683</b>	<b>(2,205,311)</b>	<b>4,766,022</b>	<b>(2,923,229)</b>
Net foreign exchange differences	(483,249)	28,780	(727,476)	28,781
Cash and cash equivalents at 1 January	(14,527,795)	(6,710,870)	(14,586,114)	(6,775,873)
<b>Cash and cash equivalents at end of period</b>	<b>(10,469,361)</b>	<b>(8,887,401)</b>	<b>(10,547,568)</b>	<b>(9,670,321)</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  
25 AUGUST 2023

**R Swart**  
Managing Director

**Q Ganijee**  
Company Secretary

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