

# UNAUDITED RESULTS FOR THE QUARTER ENDED 30 SEPTEMBER 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 September 2023.

Amidst 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 exhibited a favourable improvement compared to the corresponding period in the prior year's third quarter. The group navigated through marketing and operational impediments stemming from persistent 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 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.

### Macro-economic Overview

The Group's growth hinges on Tanzanian construction industry demand for cement, supported by improved economic performance with a 5.7% GDP growth in 2023. Despite a slight decline in the inflation rate to 3.3% in Q3 2023, robust infrastructure investment and a growing consumer base are primary performance drivers. The Group is optimistic about the Government's Development Vision 2025 program's positive impact on infrastructure development, expecting continued momentum in 2023.

### Financial and Operational Overview

In the third quarter of 2023, the company demonstrated robust financial performance with a notable 12% increase in sales revenue compared to the same period in 2022, reaching TZS 63.5 billion. This growth was accompanied by a substantial 38% surge in gross profit over the same quarter in the prior year, reaching TZS 15.6 billion, attributed to improved gross margins resulting from the company's commitment to efficiency through marginal price adjustments and effective cost containment strategies. Despite challenges such as power outages impacting production, EBITDA also showed a remarkable 57% growth, reaching TZS 9.2 billion. The intentional implementation of cost containment strategies by the management played a pivotal role in achieving these positive results.

However, the Group reported an overall loss before tax of TZS 16.8 billion in Q3, 2023, compared to a loss of TZS 1.7 billion in the same period in 2022. This increase in pre-tax loss is primarily attributed to higher interest expenses on term loans and foreign exchange losses, influenced by the weakening Tanzanian Shilling against the US Dollar. On a positive note,

cash generated from trading activities and net cash flows from operations experienced significant increases of 220% and 470%, respectively, showcasing the effectiveness of the company's cashflow management and cost containment strategies in improving the overall financial metrics. Despite these challenges, the Group remains committed to its sales, logistics, and cost optimization initiatives, maintaining a positive outlook for 2023 amidst a competitive landscape and global geopolitical unrest.

### 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 cash generated to operational commitments. Having regard to the significant increase in Loss of Tax, it remains unlikely that the company will declare a final dividend for the 2023 financial year.

### 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 update issued by the Company on 24 April 2023.

On 10 November 2023 an Extraordinary Meeting of Shareholders approved the transaction by a significant majority vote and the parties have concluded the transaction with effect from 27 November 2023.

The resulting acquisition of the controlling shareholding in Tanga Cement PLC by Scancem International DA, a subsidiary of the Heidelberg Materials group will allow Heidelberg Materials to further strengthen its long-standing presence in the cement industry in Tanzania, unlocking value for our present and future shareholders, our employees, customers and other stakeholders.

### 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

### Hakan Gurdal

Chairman of the Board

Consolidated and separate statements of profit or loss and other comprehensive income FOR THE PERIOD ENDED 30 SEPT 2023	Group Sep-23 TZS'000	Group Sep-22 TZS'000	Company Sep-23 TZS'000	Company Sep-22 TZS'000
Revenue from contracts with customers	63,545,094	56,961,059	63,545,094	56,961,059
Cost of sales	(47,928,265)	(45,653,790)	(47,928,265)	(45,653,790)
<b>Gross profit</b>	<b>15,616,830</b>	<b>11,307,268</b>	<b>15,616,830</b>	<b>11,307,268</b>
Selling expenses	(1,056,838)	(787,510)	(1,056,838)	(787,510)
General and Administration expense	(10,011,717)	(9,354,979)	(9,960,209)	(9,355,670)
<b>Operating profit</b>	<b>4,548,276</b>	<b>1,164,780</b>	<b>4,599,783</b>	<b>1,164,088</b>
Interest expense	(6,943,833)	(4,816,869)	(6,945,661)	(4,820,540)
Finance and Other income	1,793,680	23,008	1,754,240	25,951
Foreign exchange and fair value (losses)/gains	(16,185,637)	1,968,943	(16,185,637)	1,959,732
<b>Loss before tax</b>	<b>(16,787,514)</b>	<b>(1,660,139)</b>	<b>(16,777,275)</b>	<b>(1,670,770)</b>
Income tax (charge)/credit	(367,536)	245,932	(367,536)	245,932
<b>Loss for the period</b>	<b>(17,155,050)</b>	<b>(1,414,207)</b>	<b>(17,144,811)</b>	<b>(1,424,838)</b>
<b>Total comprehensive income for the year attributable to:</b>				
Owners of the parent	(17,155,050)	(1,414,207)	(17,144,811)	(1,424,838)
Non-controlling interests	-	-	-	-
	<b>(17,155,050)</b>	<b>(1,414,207)</b>	<b>(17,144,811)</b>	<b>(1,424,838)</b>
	<b>Sep 23</b>	<b>Sep 22</b>		
Basic and Diluted loss per share	<b>(272)</b>	<b>(22)</b>		

Consolidated and separate statements of financial position AS AT 30 SEPT 2023	Group Sep-23 TZS'000	Group Sep-22 TZS'000	Company Sep-23 TZS'000	Company Sep-22 TZS'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	278,546,758	290,915,133	277,827,542	290,105,944
Right-of-use assets	4,510,244	4,904,924	4,477,927	4,817,032
Investment property	497,982	543,438	-	-
Investment in subsidiary	-	-	420,995	552,564
Financial asset - Interest rate cap	6,841,115	7,086,737	6,841,115	7,086,737
Deferred tax asset	(950,784)	-	(950,784)	-
	<b>289,445,315</b>	<b>303,450,231</b>	<b>288,616,794</b>	<b>302,562,277</b>
<b>Current assets</b>				
Due from employees' share trust	-	-	773,467	773,467
Inventories	94,927,062	73,200,801	94,927,062	73,200,801
Trade and other receivables	6,130,679	12,467,255	6,430,983	12,476,140
Current income tax recoverable	8,729,751	732,675	8,243,317	177,863
Cash and bank balances	9,395,718	8,003,520	9,354,786	7,729,596
	<b>119,183,210</b>	<b>94,404,250</b>	<b>119,729,616</b>	<b>94,357,868</b>
Non-current assets held-for-sale	-	3,870	-	-
<b>TOTAL ASSETS</b>	<b>408,628,525</b>	<b>397,858,351</b>	<b>408,346,410</b>	<b>396,920,145</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	88,584,823	134,465,366	86,899,944	133,062,927
<b>Equity attributable to owners of the parent</b>	<b>89,084,778</b>	<b>134,897,830</b>	<b>88,173,365</b>	<b>134,336,348</b>
Non-controlling interest	-	-	-	-
<b>Total equity</b>	<b>89,084,778</b>	<b>134,897,830</b>	<b>88,173,365</b>	<b>134,336,348</b>
<b>Non-current liabilities</b>				
Lease liabilities	4,059,448	4,193,853	3,964,842	4,386,852
Provision for site restoration	30,014	29,637	30,014	29,637
Term borrowings: Non-current portion	242,399,262	203,866,126	242,399,262	203,866,126
Deferred tax liability	-	(832,413)	-	(832,413)
	<b>246,488,724</b>	<b>207,257,202</b>	<b>246,394,117</b>	<b>207,450,202</b>
<b>Current liabilities</b>				
Lease liabilities	606,583	626,668	592,448	449,652
Trade and other payables	46,460,683	26,785,398	46,838,278	26,032,245
Contract liabilities	7,459,633	9,027,263	7,820,078	9,387,708
Bank overdrafts	18,528,124	19,263,991	18,528,124	19,263,991
	<b>73,055,023</b>	<b>55,703,319</b>	<b>73,778,928</b>	<b>55,133,595</b>
<b>Total liabilities</b>	<b>319,543,747</b>	<b>262,960,521</b>	<b>320,173,045</b>	<b>262,583,797</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>408,628,525</b>	<b>397,858,351</b>	<b>408,346,410</b>	<b>396,920,145</b>

Consolidated and separate statements of cash flows FOR THE PERIOD ENDED 30 SEPT 2023	Group Sep-23 TZS'000	Group Sep-22 TZS'000	Company Sep-23 TZS'000	Company Sep-22 TZS'000
<b>OPERATING ACTIVITIES</b>				
Cash generated from operating activities	12,217,220	3,822,110	12,479,600	3,275,288
Interest income received	2,585,419	1,190	2,585,419	1,190
Income taxes paid	(1,622,605)	(1,511,687)	(1,622,605)	(1,511,687)
<b>Net cash flows from operating activities</b>	<b>13,180,034</b>	<b>2,311,613</b>	<b>13,442,415</b>	<b>1,764,790</b>
<b>INVESTING ACTIVITIES</b>				
Proceeds from sale of property, plant and equipment	-	35,476	-	35,476
Purchase of property, plant and equipment	(5,188,574)	(4,136,339)	(5,188,574)	(4,136,339)
<b>Net cash flows used in investing activities</b>	<b>(5,188,574)</b>	<b>(4,100,863)</b>	<b>(5,188,574)</b>	<b>(4,100,863)</b>
<b>FINANCING ACTIVITIES</b>				
Principal repayments - lease liabilities	(836,373)	(945,921)	(836,373)	(945,921)
Lease liability interest paid	-	-	-	-
Interest paid - overdrafts	(1,415,259)	(1,221,588)	(1,415,259)	(1,221,588)
<b>Net cash flows used in financing activities</b>	<b>(2,251,632)</b>	<b>(2,167,509)</b>	<b>(2,251,632)</b>	<b>(2,167,509)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,739,828</b>	<b>(3,956,758)</b>	<b>6,002,209</b>	<b>(4,503,581)</b>
Net foreign exchange differences	(344,439)	(592,843)	(589,433)	(254,940)
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>(9,132,406)</b>	<b>(11,260,471)</b>	<b>(9,173,338)</b>	<b>(11,534,394)</b>

Hakan Gurdal  
Chairman  
01 DECEMBER 2023

R Swart  
Managing Director

Q Ganijee  
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