

UNAUDITED RESULTS FOR THE QUARTER ENDED 31 DECEMBER 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 31st December 2023.

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 fourth 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 5.3% GDP growth in 2023. Despite a slight decline in the inflation rate to 3.0% (Q3 2023: 3.3%), 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 2024.

Financial and Operational Overview

During the fourth quarter of 2023, the company experienced a 17% decrease in sales revenue, amounting to TZS 45.7 billion. This contributed to a 22% reduction in gross margin. This was primarily attributed to diminished sales volumes resulting from an overall decrease in cement demand in the country and maintenance requirements to our major production units, which were necessitated by frequent electrical power disruptions and voltage fluctuations.

The Group's overall financial performance for the fourth quarter of 2023 reflected a loss before tax amounting to TZS 32.9 billion, compared to a loss of TZS 14.9 billion in the corresponding period of the previous year. The pre-tax loss is primarily attributed to interest expenses on term loans and adverse foreign exchange fluctuations, influenced by the weakening Tanzanian Shilling against the US Dollar. Cash generated from trading activities experienced a decrease of 33%, which can be attributed to the increased expenditure in maintenance and comparatively low sales volume during the quarter. Congruently, net cashflows used in financing activities increased by 538% due to the principal and interest repayment of

working capital loan 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 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.

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 QUARTER ENDED 31 DECEMBER 2023	Group Q4 2023 TZS'000	Group Q4 2022 TZS'000	Company Q4 2023 TZS'000	Company Q4 2022 TZS'000
Revenue from contracts with customers	45,684,534	55,308,012	45,684,534	55,308,012
Cost of sales	(52,778,785)	(51,733,724)	(52,778,785)	(51,733,724)
Gross (Loss)/ profit	(7,094,251)	3,574,289	(7,094,251)	3,574,289
Selling expenses	(1,680,224)	(936,659)	(1,680,203)	(936,659)
General and Administration expense	(17,711,182)	(12,519,505)	(17,556,580)	(12,460,485)
Operating loss	(26,485,658)	(9,881,875)	(26,331,034)	(9,822,855)
Interest expense	(4,444,960)	(5,685,396)	(4,438,154)	(5,688,591)
Finance and Other income	567,988	(20,411)	24,677	6,088
Foreign exchange and fair value losses	(2,561,410)	662,611	(2,563,259)	647,503
Loss before tax	(32,924,039)	(14,925,070)	(33,307,770)	(14,857,855)
Income tax charge	(263,598)	(3,344,909)	(263,598)	(3,324,600)
Loss for the period	(33,187,637)	(18,269,980)	(33,571,369)	(18,182,456)
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	(33,187,637)	(18,269,980)	(33,571,369)	(18,182,456)
Loss for the period attributable to:				
Owners of the parent	(33,187,637)	(18,269,980)	(33,571,369)	(18,182,456)
Non-controlling interests	-	-	-	-
Total comprehensive income for the year attributable to:				
Owners of the parent	(33,187,637)	(18,269,980)	(33,571,369)	(18,182,456)
Non-controlling interests	-	-	-	-
	(33,187,637)	(18,269,980)	(33,571,369)	(18,182,456)
	2023	2022		
	TZS/share	TZS/share		
'Basic and diluted loss per share	(521)	(287)		

Consolidated and separate statements of financial position AS AT 31 DECEMBER 2023	Group 2023 TZS'000	Group 2022 TZS'000	Company 2023 TZS'000	Company 2022 TZS'000
ASSETS				
Non-current assets				
Property, plant and equipment	274,611,947	287,733,513	273,856,484	286,976,855
Right-of-use assets	159,439	4,833,716	159,439	4,891,745
Investment property	492,300	515,028	-	-
Investment in subsidiary	-	-	420,995	420,995
Financial asset - Interest rate cap	6,466,718	7,492,379	6,466,718	7,492,379
Deferred tax asset	-	-	-	-
	281,730,404	300,574,636	280,903,636	299,781,974
Current assets				
Due from employees' share trust	-	-	1,490,682	773,466
Inventories	85,628,648	81,189,517	85,628,648	81,189,517
Trade and other receivables	5,363,776	11,281,955	5,041,091	11,272,589
Current income tax recoverable	8,788,711	8,965,262	8,252,525	8,517,329
Cash and bank balances	4,358,044	4,728,171	4,289,188	4,669,852
	104,139,179	106,164,905	104,702,134	106,422,753
Non-current assets held-for-sale	-	-	-	-
TOTAL ASSETS	385,869,584	406,739,541	385,605,770	406,204,727
EQUITY AND LIABILITIES				
Equity				
Issued capital	1,273,421	1,273,421	1,273,421	1,273,421
Translation reserve	-	-	-	-
Treasury shares	(1,490,682)	(773,466)	-	-
Retained earnings	54,236,371	116,271,898	53,328,570	114,880,468
Equity attributable to owners of the parent	54,019,110	116,771,853	54,601,991	116,153,889
Non-controlling interest	-	-	-	-
Total equity	54,019,110	116,771,853	54,601,991	116,153,889
Non-current liabilities				
Lease liabilities	238,112	4,350,041	238,112	4,249,513
Provision for site restoration	30,325	30,014	30,325	30,014
Term borrowings: Non-current portion	233,408,082	208,980,479	233,408,082	208,980,479
Deferred tax liability	950,783	950,783	950,783	950,783
	234,627,302	214,311,317	234,627,302	214,210,789
Current liabilities				
Lease liabilities	41,831	650,006	41,831	634,985
Trade and other payables	53,242,219	48,227,103	52,395,525	48,066,634
Contract liabilities	5,184,211	7,523,296	5,184,211	7,882,464
Bank overdrafts	38,754,910	19,255,966	38,754,910	19,255,966
	97,223,171	75,656,371	96,376,477	75,840,049
Total liabilities	331,850,474	289,967,688	331,003,779	290,050,838
TOTAL EQUITY AND LIABILITIES	385,869,584	406,739,541	385,605,770	406,204,727

Consolidated and separate statements of cash flows FOR THE YEAR ENDED 31 DECEMBER 2023	Group 2023 TZS'000	Group 2022 TZS'000	Company 2023 TZS'000	Company 2022 TZS'000
OPERATING ACTIVITIES				
Cash generated from operating activities	4,298,241	6,403,549	4,260,005	6,623,089
Interest income received	-	1,190	-	1,190
Income taxes paid	(953,786)	(4,652,870)	(926,332)	(4,652,045)
Net cash flows from operating activities	3,344,455	1,751,869	3,333,673	1,972,234
INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment	1,682,638	35,476	1,682,883	35,476
Purchase of property, plant and equipment	(6,906,441)	(6,732,056)	(6,906,441)	(6,732,056)
Net cash flows used in investing activities	(5,223,803)	(6,696,580)	(5,223,558)	(6,696,580)
FINANCING ACTIVITIES				
Principal repayments - lease liabilities	(417,223)	(567,166)	(417,223)	(694,193)
Lease liability interest paid	(473,676)	(589,227)	(473,676)	(596,929)
Interest paid - overdrafts	(1,929,889)	(1,664,822)	(1,929,889)	(1,664,822)
Interest paid - term borrowings	(2,495,570)	-	(2,495,570)	-
Principal repayments - term borrowings	(12,673,365)	-	(12,673,365)	-
Net cash flows used in financing activities	(17,989,723)	(2,821,215)	(17,989,723)	(2,955,944)
Net increase/(decrease) in cash and cash equivalents	(19,869,071)	(7,765,926)	(19,879,608)	(7,680,290)
Net foreign exchange differences	-	(50,997)	-	(129,951)
Cash and cash equivalents at 1 January	(14,527,795)	(6,710,872)	(14,586,114)	(6,775,873)
Cash and cash equivalents at 31 Dec	(34,396,866)	(14,527,795)	(34,465,722)	(14,586,114)

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

Hakan Gurdal
Chairman
2 APRIL 2024

Q Ganijee
Company Secretary

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