

FINANCIAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020



Chairman's statement

Dear Shareholders,

On behalf of the Board of Directors of Tanzania Cigarette Public Limited Company (TCC Plc), I am pleased to report on the performance of the Company for the period ended December 31, 2020.

The COVID-19 pandemic and distribution challenges significantly impacted profit for the year.

Profit before tax (PBT) declined by 30.8% from TZS 78.2 billion in 2019 to TZS 54.1 billion in 2020. And profit after tax (PAT) decreased by 29.9% from TZS 51.2 billion in 2019 to TZS 35.9 billion in 2020. This decline was due to a 12.2% drop in sales volume.

Pandemic-related health restrictions and precautionary behaviors by firms and consumers impacted general consumer spending, sales mix, and volume. Distribution challenges in the domestic market compounded the situation. And a lockdown in the Democratic Republic of Congo (DRC) in the second quarter of 2020, a key export market, impacted export volume.

Despite the above challenges, business fundamentals remained strong

Profitability ratios remained sound, reflecting a healthy and profitable business. Current assets were 2.23 (2019: 2.55) times greater than current liabilities, reflecting the Company's ability to meet its short-term obligations with ease. Total assets were 2.78 (2019: 3.30) times greater than total liabilities, indicating that the Company remains highly solvent. And cash at year-end was TZS 25.1 billion (2019: TZS 27.8 billion).

Given the strong cash position, the Board of Directors has recommended a final gross dividend of TZS 300 per share for the year ended December 31, 2020 (2019: TZS 250 per share). This will be paid out to all shareholders on or about May 11, 2021, subject to shareholders' approval at the AGM on April 16, 2021.

The future will depend on sound domestic policies to accelerate recovery

The emergence of the COVID-19 coronavirus in early 2020 disrupted supply and demand chains and plunged the global economy into a 4.3% recession in 2020.

Thanks to Government Authorities' combined measures - such as limited mobility restrictions, fiscal and monetary measures to inject liquidity into the economy and sustain economic activities - Tanzania avoided a recession. However, the pandemic induced global economic shock slowed Tanzania's economic growth to 5.5% in 2020 compared to 7% in 2019.

A return to pre-pandemic growth rates will depend on sound domestic policies to accelerate the recovery of economic activities. We are very encouraged by the level of public-private dialogue (PPD) to discuss some of these policy measures through formal PPD platforms. We remain optimistic about the future.

In conclusion, I want to thank all our stakeholders for their support in a challenging year

I want to thank my fellow board members for their effective oversight of the Company and wise counsel during the year. To the Management and employees of TCC Plc, thank you for ensuring business continuity under very challenging circumstances in 2020. Finally, I wish to extend a note of appreciation to all our customers, consumers, business partners, and our parent company - Japan Tobacco International (JTI). Thank you for your continued support of the business.

With kind regards,

Paul D. Makanza

Chairman of the Board of Directors
March 18, 2021

Extracts of the financial statements

Summary Statement of cash flows for the year ended 31 December 2020

	2020 TZS M	2019 TZS M
Cash flows from operating activities		
Cash generated by operating activities	80,078	97,589
Defined benefit paid	(795)	(98)
Interest received	1,122	2,081
Interest paid	(14)	(143)
Income tax paid	(23,619)	(25,154)
Net cash generated by operating activities	56,772	74,275
Cash flows from investing activities:		
Purchase of property, plant and equipments	(9,434)	(14,098)
Proceeds from disposal of property, plant and equipments	656	2,290
Net cash used in investing activities	(8,778)	(11,808)
Cash flows from financing activities:		
Dividends paid	(50,000)	(55,000)
Lease rentals paid	(626)	(47)
Net cash used in financing activities	(50,626)	(55,047)
Net (decrease)/ increase in cash and cash equivalents	(2,632)	7,420
Cash and cash equivalents at the beginning of the year	27,771	20,351
Cash and cash equivalents at the end of the year	25,139	27,771
Represented by:		
Cash & bank balances	25,139	27,771

Summary Statement of profit or loss and other comprehensive income for the year ended 31 December, 2020

	2020 TZS M	2019 TZS M	Change %
Revenue	279,354	309,771	(-9.8%)
Cost of sales	(128,622)	(133,875)	(-3.9)
Gross profit	150,732	175,896	(-14.3%)
Operating expenses	(96,642)	(97,712)	(-1.1%)
Profit before tax	54,090	78,184	(-30.8%)
Income tax expense	(18,166)	(26,936)	(-32.6%)
Profit for the year	35,924	51,248	(-29.9%)
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
- Defined benefit actuarial (loss)/gain	(1,629)	999	
- Tax (credit)/(expense) relating to components of other comprehensive income	489	(300)	
Total comprehensive income, net of income tax	34,784	51,947	(-33.0%)
Earnings per share:			
Basic and diluted (TZS per share)	359	512	

Summary Statement of financial position as at 31 December 2020

	2020 TZS M	2019 TZS M
Assets:		
Non-current assets		
Property, plant and equipment	93,555	97,754
Right-of-use assets	577	70
Intangible assets	-	-
Total non-current assets	94,132	97,824
Current assets:		
Inventories	112,701	103,610
Income tax asset	540	-
Trade and other receivables	35,494	39,131
Cash and bank balances	25,139	27,771
Total current assets	173,874	170,512
Non-current asset held for sale	615	291
Total assets	268,621	268,627
Equity and liabilities:		
Capital and reserves:		
Share capital	2,000	2,000
Defined benefit reserves	4,732	5,872
Retained earnings	165,193	179,269
Shareholders equity	171,925	187,141
Non-current liabilities:		
Deferred tax liabilities	5,904	6,577
Defined benefit obligation	12,700	8,076
Lease liability	175	31
Total non-current liabilities	18,779	14,684
Current liabilities:		
Trade and other payables	72,768	57,147
Provisions	4,979	4,922
Lease liability	170	4
Income tax liability	-	4,729
Total current liabilities	77,917	66,802
Total liabilities	96,696	81,486
Total equity and liabilities	268,621	268,627