



TRINIDAD CEMENT LIMITED

CONDENSED CONSOLIDATED UNAUDITED INTERIM FINANCIAL REPORT

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020



CONDENSED CONSOLIDATED INCOME STATEMENT

TT\$'000	UNAUDITED				AUDITED
	Three Months Jul to Sep		Nine Months Jan to Sep		Year Jan to Dec
	2020	2019	2020	2019	2019
Revenue	483,258	414,057	1,258,809	1,281,329	1,670,883
Cost of sales	(326,380)	(300,008)	(863,799)	(885,737)	(1,204,872)
Gross profit	156,878	114,049	395,010	395,592	466,011
Operating expenses	(58,623)	(69,630)	(175,952)	(202,387)	(243,397)
Impairment of trade receivables	269	83	611	(238)	847
Operating earnings before other expenses, net	98,524	44,502	219,669	192,967	223,461
Other expenses, net	(2,943)	(21,243)	(13,684)	(49,065)	(73,702)
Operating earnings	95,581	23,259	205,985	143,902	149,759
Financial expense	(30,624)	(37,285)	(94,676)	(93,150)	(97,204)
Financial income and other items, net	30	12	44	60	666
Earnings (loss) before taxation	64,987	(14,014)	111,353	50,812	53,221
Taxation charge	(26,514)	(9,298)	(62,445)	(40,737)	(38,295)
Net earnings (loss) from continuing operations	38,473	(23,312)	48,908	10,075	14,926
Net earnings from discontinued operations	-	-	-	-	423
NET INCOME (LOSS)	38,473	(23,312)	48,908	10,075	15,349
Non-controlling interest	(15,721)	(1,166)	(28,877)	(21,682)	(25,730)
CONTROLLING INTEREST	22,752	(24,478)	20,031	(11,607)	(10,381)
Basic and diluted earnings (loss) per share - cents (Note 3):	6.1	(6.6)	5.4	(3.1)	(2.8)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

TT\$'000	UNAUDITED				AUDITED
	Three Months Jul to Sep		Nine Months Jan to Sep		Year Jan to Dec
	2020	2019	2020	2019	2019
NET INCOME (LOSS)	38,473	(23,312)	48,908	10,075	15,349
Items that will not be reclassified subsequently to the income statement					
Net actuarial gains from remeasurements of defined benefit pension plans	-	-	-	-	53,783
Taxation recognised directly in other comprehensive income	-	-	-	-	(16,459)
	-	-	-	-	37,324
Items that are or may be reclassified subsequently to the income statement					
Effects from derivative financial instruments designated as cash flow hedges	1,660	-	1,568	-	(697)
Currency translation results of foreign subsidiaries	(3,502)	(10,054)	(31,159)	(27,834)	(16,774)
	(1,842)	(10,054)	(29,591)	(27,834)	(17,471)
	(1,842)	(10,054)	(29,591)	(27,834)	19,853
TOTAL COMPREHENSIVE INCOME (LOSS)	36,631	(33,366)	19,317	(17,759)	35,202
Non-controlling interest	(15,435)	4,249	(20,820)	(12,292)	(52,574)
CONTROLLING INTEREST	21,196	(29,117)	(1,503)	(30,051)	(17,372)
Out of which:					
COMPREHENSIVE INCOME FROM DISCONTINUED OPERATIONS	-	-	-	-	423
COMPREHENSIVE INCOME (LOSS) FROM CONTINUING OPERATIONS	21,196	(29,117)	(1,503)	(30,051)	(17,795)

DIRECTORS' STATEMENT

The TCL Group set three main priorities in response to the unprecedented COVID-19 pandemic conditions: 1) ensuring the safety of our employees, their families and our communities; 2) serving our customers while implementing stringent safety protocols and 3) protecting the future of our company. We believe we have executed on all three priorities in the quarter. We are happy to report that due to our operating protocols we were able to produce and deliver product to customers without any operational disruptions.

In terms of financial performance for Q3 2020, the TCL Group recorded revenue of \$483 million, a 17% increase over Q3 2019. Cement sales volumes increased by 30% in Jamaica, 20% in Barbados and 3% in Trinidad & Tobago when compared to Q3 2019 as some COVID-19 restrictions were lifted by some governments. The TCL Group recorded revenue of \$1.259 billion for the first 9 months of 2020, a 2% decrease versus the comparable period of 2019. The TCL Group's adjusted EBITDA of \$135 million in Q3 2020 reflected an increase of 66% compared with Q3 2019. This growth reflects the contribution of the new higher margin business segments in Trinidad and the positive impact of cost reduction strategies executed to stabilise our business in this period of uncertainty due to COVID-19. Adjusted EBITDA increased 8% year-over-year to \$329 million.

In Q3 2020, financial expenses of \$31 million reflected an 18% decrease compared with Q3 2019, primarily due to the reduction in debt, the exchange rate movement of the Jamaican Dollar and lower USD-denominated debt. In the last three years, the Company has made significant efforts to better align the currency of its debt with operating earnings, thereby reducing foreign exchange risk. The TCL Group earned net income from operations of \$39 million for Q3 2020 compared with a loss of \$23 million in Q3 2019. The TCL Group recorded net income of \$49 million for the first nine months of 2020 compared with \$10 million recorded in the same period of 2019, mainly resulting from a reduction in other operating expenses.

During Q3 2020, the TCL Group generated \$168 million in cash from operations, a 101% increase from the prior year. The improved cash flow results from the increase in operating income, efficient working capital management and stringent management of all other discretionary cash flow items. Capital expenditure during the quarter was restricted to essential maintenance and projects, with all other projects deferred for the time being. The TCL Group used \$150 million in the quarter to reduce debt, in keeping with its deleveraging goal. Year to date, the TCL Group generated \$292 million in cash from operations and repaid \$239 million of debt. As a result of these efforts, net debt to adjusted EBITDA stood at 1.4 at the end of Q3 2020.

Outlook

The impact of the ongoing COVID-19 pandemic on the economies in which we operate as well as the TCL Group is still uncertain. While we believe we have seen the worst in terms of government mandated lockdown measures the short-term outlook for the business will depend on the trajectory of the outbreak as well as the depth of the economic slowdown and the timing of the recovery. Additionally, the arrival of COVID-19 only adds to the challenges to our business that existed prior to the start of the pandemic in the region. These include weak economic growth in many of our local economies over the last few years and imports of cement into the region. Management and the Board have developed plans to address possible scenarios and continue to respond to the pandemic as we gain more visibility on near term outlook.

David Inglefield
Chairman
October 19, 2020

Jose Luis Seijo Gonzalez
Managing Director
October 19, 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TT\$'000	UNAUDITED		AUDITED
	30.09.20	30.09.19	31.12.19
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	91,100	80,375	87,453
Trade accounts receivable, net	66,919	93,390	87,940
Other accounts receivable	48,414	64,870	47,284
Taxation receivable	4,590	5,885	5,871
Inventories, net	234,870	272,052	253,103
Total current assets	445,893	516,572	481,651
NON-CURRENT ASSETS			
Investments	1	1	1
Property, machinery and equipment, net	1,686,385	1,759,609	1,826,491
Deferred taxation assets	123,130	143,245	251,394
Employee benefits	48,350	9,922	54,793
Other accounts receivable	362	-	-
Total non-current assets	1,858,228	1,912,777	2,132,679
TOTAL ASSETS	2,304,121	2,429,349	2,614,330
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES			
Short-term debt	433,132	18,000	18,000
Other financial obligations	5,854	4,334	6,421
Trade payables	255,194	250,361	247,507
Taxation payable	23,127	6,473	4,526
Other current liabilities	243,579	276,834	256,386
Total current liabilities	960,886	556,002	532,840
NON-CURRENT LIABILITIES			
Long-term debt	211,765	836,352	865,182
Other financial obligations	19,040	13,342	20,524
Employee benefits	179,828	178,884	176,503
Deferred taxation liabilities	203,883	188,744	309,477
Other non-current liabilities	2,372	1,956	2,774
Total non-current liabilities	616,888	1,219,278	1,374,460
TOTAL LIABILITIES	1,577,774	1,775,280	1,907,300
STOCKHOLDERS' EQUITY			
Controlling interest:			
Stated capital	827,732	827,732	827,732
Unallocated ESOP shares	(20,019)	(20,019)	(20,019)
Other equity reserves	(313,472)	(266,799)	(291,938)
Retained earnings	131,297	109,987	141,678
Net (loss) income	20,031	(11,607)	(10,381)
Total controlling interest	645,569	639,294	647,072
Non-controlling interest	80,778	14,775	59,958
TOTAL STOCKHOLDERS' EQUITY	726,347	654,069	707,030
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	2,304,121	2,429,349	2,614,330

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

TT\$'000	UNAUDITED				AUDITED
	Three Months Jul to Sep		Nine Months Jan to Sep		Year Jan to Dec
	2020	2019	2020	2019	2019
OPERATING ACTIVITIES					
Net income (loss)	38,473	(23,312)	48,908	10,075	15,349
Discontinued operations	-	-	-	-	(423)
Net income (loss) from continuing operations	38,473	(23,312)	48,908	10,075	14,926
Non-cash items:					
Depreciation and amortisation of assets	36,278	36,794	109,298	110,539	143,195
Financial expense, net	30,594	37,273	94,632	93,090	96,538
Pension plan and other post-retirement benefit	(1,684)	3,455	11,747	18,603	26,298
Other items, net	(1,304)	(471)	(5,016)	(3,710)	2,314
Taxation charge	26,514	9,298	62,445	40,737	38,295
Changes in working capital, excluding taxation	55,970	41,785	32,642	(57,199)	(25,292)
Net cash flows provided by operating activities from continuing operations before financial expense, taxation and post employment benefits paid	184,841	104,822	354,656	212,135	296,274
Financial expense paid	(10,847)	(14,768)	(35,283)	(45,953)	(66,422)
Taxation paid	(1,714)	(1,895)	(15,714)	(5,838)	(16,707)
Pension plan contributions and other post-retirement benefit paid	(3,975)	(4,232)	(11,266)	(11,417)	(15,814)
Net cash flows provided by operating activities from continuing operations	168,305	83,927	292,393	148,927	197,331
Net cash flows provided by operating activities	168,305	83,927	292,393	148,927	197,331
INVESTING ACTIVITIES					
Property, machinery and equipment, net	(15,616)	(33,319)	(45,378)	(71,181)	(139,742)
Net cash flows used in investing activities	(15,616)	(33,319)	(45,378)	(71,181)	(139,742)
FINANCING ACTIVITIES					
Repayment of debt, net	(150,465)	(42,678)	(239,441)	(71,081)	(48,820)
Other financial obligations, net	(1,872)	486	(2,051)	(2,559)	1,730
Net cash flows used in financing activities	(152,337)	(42,192)	(241,492)	(73,640)	(47,090)
Increase in cash and cash equivalents from continuing operations	352	8,416	5,523	4,106	10,499
Cash conversion effect, net	(3)	(657)	(1,876)	(1,468)	(783)
Cash and cash equivalents at beginning of period	90,751	72,616	87,453	77,737	77,737
CASH AND CASH EQUIVALENTS AT END OF PERIOD	91,100	80,375	91,100	80,375	87,453
Changes in working capital, excluding taxation:					
Trade accounts receivable, net	3,914	11,842	21,021	5,210	10,660
Other accounts receivable and other assets	(312)	(16,813)	(1,492)	7,195	12,455
Inventories, net	(6,092)	11,505	18,233	(33,549)	(23,921)
Trade payables	41,669	15,563	7,687	20,914	21,835
Other current and non-current liabilities	16,791	19,688	(12,807)	(56,969)	(46,321)
Changes in working capital, excluding taxation	55,970	41,785	32,642	(57,199)	(25,292)



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FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

TT\$'000	CONTROLLING INTEREST			NON-CONTROLLING INTEREST		
	UNAUDITED		AUDITED	UNAUDITED		AUDITED
	Nine Months Jan to Sep		Year Jan to Dec	Nine Months Jan to Sep		Year Jan to Dec
	2020	2019	2019	2020	2019	2019
Balance at beginning of period	647,072	669,345	669,345	59,958	2,483	2,483
Net income (loss)	20,031	(11,607)	(10,381)	28,877	21,682	25,730
Total other items of comprehensive income, net	(21,534)	(18,444)	(6,991)	(8,057)	(9,390)	26,844
Change in non-controlling interest	-	-	(4,901)	-	-	4,901
Balance at end of period	645,569	639,294	647,072	80,778	14,775	59,958

NOTES:

1. Basis of Preparation

These condensed consolidated financial statements are prepared in accordance with established criteria developed by management and disclose the condensed consolidated statement of financial position, condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in stockholders' equity and condensed consolidated statement of cash flows.

2. Accounting Policies

These condensed consolidated financial statements have been prepared in accordance with the accounting policies set out in Note 2 of the December 31, 2019 audited consolidated financial statements consistently applied from period to period. The Group has adopted all the new and revised accounting standards that are mandatory for annual accounting periods on or after January 1, 2020 and which are relevant to the Group's operations.

3. Earnings Per Share

Earnings per share (EPS) is calculated by dividing the net income or loss attributable to controlling interest by the weighted average number of ordinary shares outstanding during the period. The weighted average number of ordinary shares in issue for the period has been determined by deducting from the total number of issued shares of 374.648 million, the weighted average of 2.845 million shares that were held as unallocated shares by the Employee Share Ownership Plan (ESOP).

4. Cost of Sales, Operating Expenses and Other Expenses, Net

Cost of sales represents the production cost of inventories at the moment of sale. Cost of sales includes depreciation, amortisation and depletion of assets involved in production, expenses related to storage in production plants and freight expenses of raw material in plants and delivery expenses of the Group's ready-mix concrete business.

Operating expenses comprise administrative, selling, distribution and logistics expenses. Administrative expenses represent expenses related to managerial activities and back office for the Group's management. Selling expenses represent the expenses associated with sales activities. Distribution and logistics expenses refer to expenses of storage at points of sale, as well as freight expenses of finished products between plants and points of sale and freight expenses between points of sale and the customers' facilities.

Other expenses, net consist primarily of income and expenses not directly related to the Group's main activities, or which are of an unusual and/or non-recurring nature, including results on disposal of assets and restructuring costs, among others.

SEGMENT INFORMATION

TT\$'000	CEMENT	CONCRETE	PACKAGING	CONSOLIDATION ADJUSTMENTS	TOTAL
UNAUDITED NINE MONTHS JAN TO SEP 2020					
Revenue					
Total	1,362,900	49,112	70,160	-	1,482,172
Intersegment	(154,520)	(2,646)	(66,197)	-	(223,363)
Third party	1,208,380	46,466	3,963	-	1,258,809
Earnings before taxation	99,905	7,957	3,491	-	111,353
Depreciation	102,243	5,469	1,586	-	109,298
Segment assets	3,053,063	107,953	102,590	(959,485)	2,304,121
Segment liabilities	2,254,248	47,933	31,200	(755,607)	1,577,774
Capital expenditure	43,962	1,361	55	-	45,378
UNAUDITED NINE MONTHS JAN TO SEP 2019					
Revenue					
Total	1,423,649	52,905	56,439	-	1,532,993
Intersegment	(197,413)	(1,700)	(52,551)	-	(251,664)
Third Party	1,226,236	51,205	3,888	-	1,281,329
Earnings (loss) before taxation	66,360	(17,212)	1,664	-	50,812
Depreciation	102,684	6,128	1,727	-	110,539
Segment assets	3,059,841	110,419	98,375	(839,286)	2,429,349
Segment liabilities	2,334,581	60,308	30,933	(650,542)	1,775,280
Capital expenditure	66,684	3,742	821	(66)	71,181
AUDITED YEAR JAN TO DEC 2019					
Revenue					
Total	1,842,551	72,807	73,483	-	1,988,841
Intersegment	(247,020)	(3,089)	(67,849)	-	(317,958)
Third Party	1,595,531	69,718	5,634	-	1,670,883
Earnings (loss) before taxation	67,079	(17,220)	880	2,482	53,221
Depreciation	136,177	7,958	2,326	(3,266)	143,195
Segment assets	3,104,293	111,722	97,603	(699,288)	2,614,330
Segment liabilities	2,403,080	53,026	29,502	(578,308)	1,907,300
Capital expenditure	134,979	3,468	1,295	-	139,742