

UGANDA CLAYS LIMITED

MINUTES OF THE ANNUAL GENERAL MEETING OF UGANDA CLAYS LIMITED HELD PHYSICALLY AND ELECTRONICALLY AT THE KAMPALA SHERATON HOTEL, RWENZORI BALLROOM, ON 25 JULY 2025 AT 2: 30 PM

DIRECTORS PHYSICALLY PRESENT

- | | |
|------------------------------|-------------------|
| 1. Eng. Martin Kasekende | Chairman |
| 2. Mrs. Marion Adengo Muyobo | Director |
| 3. Mrs. Peninnah Tukamwesiga | Director |
| 4. Mr. Odongo Walter Ogwal | Director |
| 5. Mr. Milton Owor | Director |
| 6. Mr. Reuben B. Tumwebaze | Managing Director |

DIRECTORS ATTENDING ELECTRONICALLY

- | | |
|---------------------------|----------|
| 7. Mr. Henry Ngabirano | Director |
| 8. Mr. Bayo Folayan | Director |
| 9. Mr. Joseph Tukuratiire | Director |

IN ATTENDANCE PHYSICALLY

- | | |
|--------------------------|-----------------------------------|
| 1. Mr. Jones Muhumuza | Head of Finance |
| 2. Mr. Matthias Nalyanya | Lex Uganda Advocates, Secretary |
| 3. Mr. Ivan Senyonga | Ernest & Young, External Auditors |

LIST OF MEMBERS PRESENT

The list of members who attended the meeting is attached to the minutes.

The meeting started at 2: 30 pm.

ADOPTION OF AGENDA

The following agenda was adopted:

1. To receive and confirm the minutes of the meeting held on 21 June 2024.
2. To receive, consider and approve the Directors' report and audited financial statements for the year ended 31 December 2024, together with the report of the auditors.
3. To note that the Directors do not recommend payment of a dividend for the year ended 31st December 2024 because of the loss position.

4. To rotate and elect Directors in accordance with the Articles of Association of the Company and determine their remuneration.
 - Mr. Bayo Folayan retires by rotation and, being eligible for re-election, has expressed willingness to continue in office.
 - Mr. Henry Ngabirano retires by rotation and, being eligible for re-election, has expressed willingness to continue in office.
 - Mrs. Peninnah Tukamwesiga retires by rotation and, being eligible for re-election, has expressed willingness to continue in office.
5. To consider, and if deemed fit, appoint Ernst & Young, Certified Public Accountants, as external auditors of the Company for the year ending 31 December 2025 and authorize the Directors to fix their remuneration.
6. To consider any other business for which notice has been given to the Secretary at least 48 hours before the meeting.

MIN. 1/AGM/2025: MINUTES OF PREVIOUS ANNUAL GENERAL MEETING

The meeting considered the minutes of the Annual General Meeting held on 21st June 2024 and adopted them as a true record of the meeting.

MIN. 2/AGM/2025 TO RECEIVE, CONSIDER AND APPROVE THE DIRECTORS REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024, TOGETHER WITH THE REPORT OF THE AUDITORS

2.1 Chairman's Statement

The Chairman presented his statement on pages 16 to 19 of the Annual Report whose highlights were as follows:

- 2.1.1 He noted that in 2024 the country's economy demonstrated remarkable resilience and growth, supported by strong performance in the mortgage, construction, and real estate sectors as witnessed by an increase of 104.5% in commercial credit towards the building and construction materials sector. These developments signal a positive trajectory for the broader business environment and present clear opportunities for companies operating in the building materials industry.
- 2.1.2 The Company's financial performance in 2024 did not reflect the strength of the economy, and posted another annual loss. While external conditions were largely favorable, internal operational inefficiencies, ageing infrastructure, high energy costs,

and supply chain constraints significantly eroded the Company's ability to capitalize on market growth. Sales revenue grew marginally by 4% from Ushs. 30.4 billion in 2023 to Ushs. 31.6 billion in 2024, but this was offset by a notable rise in operational and financing costs. Consequently, the Company recorded a net loss of Ushs. 4.95 billion, compared to the Ushs. 2.85 billion loss reported in 2023. As a result, the Board did not recommend a dividend for the financial year 2024.

- 2.1.3 Despite the challenges, customer-centric focus remained strong and increasingly became visible in the market engagement. Customer Satisfaction Index (CSI) rose from 81% to a record 87%, and Net Promoter Score (NPS) improved dramatically from 13% to 57%, a clear reflection of customer loyalty and confidence in our brand.
- 2.1.4 The Company is proud to mark 75 years as a leading and trusted producer of high quality clay baked building materials in Uganda. Over the decades, the Company has weathered many economic cycles, but what has remained constant is the commitment to quality, innovation, and teamwork. These principles remain at the core of the Company's identity and will continue to guide transformation efforts.
- 2.1.5 The Board and management had developed a bold and forward-looking 10-year strategy anchored in three interdependent phases: Turnaround, Repair, and Aggressive Growth. Turnaround will focus on stabilizing operations, improving cost control, and re-establishing profitability. Repair will see the optimization of existing processes, investments in automation and skills, and the restoration of operational efficiency. Aggressive Growth envisages product diversification into complementary building materials and regional expansion across East Africa.
- 2.1.6 A key milestone in this strategy is the successful delivery of 90% of the Italian tile manufacturing line at the Kajjansi plant. A few remaining components are undergoing refurbishment in Italy, and installation is expected to commence later in 2025 or 2026. Once operational, this new line will significantly boost production capacity, enabling us to meet the increasing demand in the market with greater efficiency and product variety.
- 2.1.7 Looking ahead, the Board was scheduled to have a Board evaluation in May 2025, whose outcomes would inform the next phase of the governance agenda, including succession planning, strategic alignment, and Board development priorities.
- 2.1.8 He extended gratitude to the Company management and staff, professional advisers and contractors whose dedication had sustained operations throughout the year.
- 2.1.9 He also extended gratitude to the shareholders and partners for their continued support and patience. He noted that trust must be earned through results and

assured the shareholders that the Board and management were fully committed to returning the Company to profitability, restoring shareholder value, and writing a new, stronger chapter in the Company's proud 75-year legacy.

2.2 **Managing Director's Statement**

The Managing Director presented his statement on pages 20 to 22 of the Annual Report and the following were the key highlights:

- 2.2.1 He thanked the Board, management and the staff of the Company and noted their resilience and shared commitment to the future of the Company formed the bedrock of its collective success.
- 2.2.2 He pointed out that over the past four years, the Company had undergone a growth phase, although profitability remained elusive because costs consistently exceeded revenue. The Company had now embarked on an aggressive expansion phase that included revamping the old equipment and acquisition of new ones to increase product quality and volumes, and the turnaround time for customer orders. The Company had significantly increased its clay that will last over thirty (30) years at the current production levels. .
- 2.2.3 Through targeted investments in new equipment, infrastructure and technology, and disciplined execution, the Company had made significant strides in operational efficiency. Key operations at the Kamonkoli and Kajjansi factories had been revitalized. These efforts reaffirm a commitment to operational excellence and have improved product quality.
- 2.2.4 The improved installed capabilities and operational efficiencies will enable the Company return to profitability in 2025 and beyond. He reassured the shareholders that the turnaround of the Company had been achieved.

2.3 **Directors' Report**

The Company Secretary presented the Directors' report on pages 166 – 167 of the Annual Report as follows:

- 2.3.1 The directors submit their report and the audited financial statements for the year ended 31 December 2024 which disclose the state of affairs of the Company.
- 2.3.2 The principal activities of the Company are the production and sale of a wide range of clay baked building products.
- 2.3.3 The Company made a net loss of UGX 4,950,038,000 during the year under review compared to a net loss of UGX 2,851,250,000 in 2023.

- 2.3.4 The directors do not propose a dividend because of the loss position (2023: UGX nil dividend per share).
- 2.3.5 The directors who held office during the year had already been introduced by the Chairman at the start of the meeting.

2.4 **Financial Statements**

The Head of Finance presented the audited financial statements of the Company for the year ended 31st December 2024 whose performance highlights were as follows:

- (i) Sales revenue grew to UGX 31.6 billion, which was 4 % higher than the financial year 2023 that was UGX 30.4 billion. This increase was primarily driven by improved product availability and the company meeting market demand.
- (ii) Cost of sales rose to UGX 23.3 billion, representing a 7% increase compared to the UGX 21.8 billion in 2023. This was primarily driven by higher consumption of production inputs including consumables and labor.
- (iii) Gross profit was at UGX 8.3 billion representing a decline of 5% as a result of a 7% rise in cost of sales from the previous year
- (iv) Overhead costs were UGX 10.6 billion, which was an improvement than the budget and 21% lower than the previous year.
- (v) EBIDTA (Earnings before Interest, Depreciation, Tax, and Amortization) was UGX 1.9 billion, which was 8% lower than the same period last year that stood at UGX 2.1 billion in 2023. Subdued sales revenue were the main contributing factor.
- (vi) A loss position of UGX (4.95) billion, which was much lower than the same period last year (74%).
- (vii) The capex during the year was UGX 4.5 billion, representing a 43% decrease from the previous financial year which was a result of heightened focus on sustainable operations.
- (viii) Total Assets were flat at UGX 76.4 billion.

2.5 **Report and Opinion of External Auditors**

The Report and Opinion of the external auditors, M/s Ernst & Young, which was on pages 170 – 173 of the Annual Report, was presented by Mr. Ivan Senyonga.

According to the report and opinion which was unqualified:

- 2.5.1 The financial statements present fairly, in all material aspect, the financial position of Uganda Clays Limited as at 31 December 2024, and its performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Board and the requirements of the companies Act Cap. 106 of Uganda.
- 2.5.2 The external auditors had obtained all the information and explanations necessary for the audit and in their opinion, proper books of account had been kept by the Company and the Company's statement of financial position and statement of profit and loss were in agreement with the books of account.

2.6 **Reactions from Members**

Some members raised queries from the various reports presented which were answered as follows:

Query 1: Was there hope that the Company would return to profitability in 2025?

Answer: The Managing Director and the Head of Finance assured the members that given the investments made in machinery and operational efficiencies in places, there was optimism and confidence that the Company was course to return to profitability by the end of the financial year2025.

Query 2: Continued underperformance and losses had discouraged further investment in the Company. What was the Board's strategy for reversing the persistent year-on-year losses?

Answer: A Board member explained that the Company was undergoing a growth and transformation phase. Major projects were undertaken throughout the year such as acquisition and installation of new machinery, infrastructure repairs, staff training. With this groundwork completed, the Company was now in a turnaround and anticipates accelerated growth and profitability in 2025 and beyond.

Query 3: With the added financial flexibility provided by the three-year NSSF loan moratorium and the newly secured UGX 6 billion bank loan for plant investment and working capital, how was management ensuring that these funds are applied effectively to reverse the loss trend and deliver measurable improvements in profitability and operational efficiency within the next 12 to 24 months?

Answer: The Managing Director explained that funds from the NSSF moratorium were reinvested in operations, while the Housing Finance Bank loan facilitated the completion of payments for Italian line machinery at both factories. With improved operational capacity, the Company anticipates achieving profitability by December 2025.

Query 4: The Company has continued to report losses and profit warnings, despite repeated assurances of improved performance. Promises of turnaround longer inspire confidence and it is time for greater transparency and accountability to shareholders through demonstrable progress towards profitability.

Answer: The Managing Director acknowledged past production limitations but assured members that with the newly installed machinery and improved capacity, the Company expects stable operations going forward, and there will be no further excuses for underperformance.

Query 5: How was Company dealing with cheaper alternative building products on the market?

Answer: Management explained the Company's products are highly differentiated in quality. With increased production, prices may be reviewed downward, but the superior quality of the Company's products justifies the current pricing structure.

Query 6: Members raised several questions regarding payment of dividends, which were bundled and answered as one question.

Answer: The Company Secretary clarified that dividends can only be paid under two circumstances:

- (i) When the Company makes a profit, and the Board proposes a dividend.
- (ii) When there are distributable reserves, even in the absence of profits made.

Since the Company had not made a profit and had no cash reserves, no dividend can be paid at this time.

Query 7: Some members asked why the shareholders were not getting dividends and yet the directors were getting paid.

Answer: The Company Secretary clarified that the directors are appointed to oversee the business of the Company and are only paid remuneration approved by the shareholders in a general meeting. The remuneration structure of the directors was fully disclosed at page 163 of the Annual Report. He further emphasized

that the remuneration structure has remained unchanged since 2022, despite inflationary pressures.

Query 8: A member inquired if there was any special treatment for the original shareholders of the Company.

Answer: The Company Secretary explained that under Company law, all shares are equal regardless of the length of shareholding. However, a proposal can be tabled before the Board to recognize long-standing shareholders in a non-financial way, such as through honorary accolades.

Query 9: When does the Company intend to hold a physical Annual General Meeting (AGM)?

Answer: The Company was initially compelled to hold virtual AGMs due to the COVID-19 pandemic. After the pandemic, a shareholder survey conducted in 2023 showed preference for virtual or hybrid AGMs. The Company's Articles of Association and the guidelines of the Capital Markets Authority permit the holding of virtual AGMs.

The Company Secretary added that another shareholder survey may be considered to re-evaluate shareholder preferences, given that the last survey was conducted 2023.

Query 10: A member asked management to elaborate on the specific cost control measures being implemented to address the 14.2% increase in the cost of sales, particularly with regard to casual labor, which constitutes approximately 24.4% of total costs and rose by 27% year-on-year.

Answer: The Head of Finance explained that the Company was pursuing a cost leadership strategy focused on producing more efficiently. This involves enhancing production capacity, improving operational processes, and investing in automation to address the high cost of casual labor that majorly contributed to the total costs.

Query 11: A member inquired whether the current share price of the Company stock reflects the true value of the Company.

Answer: The Head of Finance explained that the stock exchange price is based on the market perception of the value of the Company may not reflect the true value of the Company.

Query 12: A member suggested the non-renewal of board members who had been in office when the Company was making losses, as a way taking the directors away from the comfort zone in which they appear to be.

Answer: The Company Secretary clarified that the election and removal of directors is governed by the Company's Articles of Association. He explained that the maximum tenure for a board member is nine (9) years, with each director eligible for re-election up to three (3) times only. This structure ensures board renewal and rotation. He concluded by stating that the proposal, while well-intentioned, may be considered radical and contrary to established corporate governance practices.

Query 13: A member noted that product sales appear low and sought assurances from marketing team about strategies to improve sales performance.

Answer: Management explained that enhanced operational capacity had stabilized production and product availability. There was a newly constituted marketing team which is dynamic and well-positioned to drive sales growth.

2.7 **Adoption of Financial Statements and Reports**

The meeting passed a resolution to adopt the financial statements for the year ended 31 December 2024 and the reports of the directors and external auditors thereon.

MIN. 3/AGM/2025: TO NOTE THAT THE DIRECTORS DO NOT RECOMMEND PAYMENT OF A DIVIDEND FOR THE YEAR ENDED 31ST DECEMBER 2024 BECAUSE OF THE LOSS POSITION.

The Company Secretary informed the meeting that dividends can only be paid under two circumstances:

- (i) When the Company makes a profit, and the Board proposes a dividend.
- (ii) When there are distributable reserves, even in the absence of profits made.

Since the Company had not made a profit and had no cash reserves, the directors had not recommended payment of a dividend.

MIN. 4/AGM/2025: TO ROTATE AND ELECT DIRECTORS IN ACCORDANCE WITH THE ARTICLES OF ASSOCIATION OF THE COMPANY AND DETERMINE THEIR REMUNERATION.

4.1 The Company Secretary informed the meeting that according to article 69 of the Company's Articles of Association, as amended:

- (i) One third of the Directors retire every year but are eligible for re-election.
- (ii) Those to retire are determined by a rotation rota.

Since there are nine Directors eligible for rotation, three directors retire and are rotated every year.

4.2 According to the rotation rota, the Directors to retire this year but eligible for re-election were:

- (1) Mr. Bayo Folayan
- (2) Mr. Henry Ngabirano
- (3) Mrs. Penninah Tukamwesiga.

4.3 Director Bayo Folayan, who is the current Chairman of the Board Administration and Technical Committee, and holds one of the two slots for National Insurance Corporation Ltd on the Board, had offered himself for re-election. His profile was contained on page 138 of the Annual Report.

4.4 Mr. Bayo Folayan was duly nominated and re-elected as a Director of the Company.

4.5 Director Henry Ngabirano holds one of the two slots for National Insurance Corporation Ltd on the Board, and has offered himself for re-election. His profile is contained on page 139 of the Annual Report.

4.6 Mr. Henry Ngabirano was duly nominated and re-elected as a Director of the Company.

4.7 Director Peninnah Tukamwesiga holds one of the three slots for National Social Security Fund on the Board, and had offered herself for re-election. Her profile is contained on page 139 of the Annual Report.

4.8 Mrs Peninnah Tukamwesiga was duly nominated and re-elected as a Director of the Company.

4.9 The Company Secretary informed the meeting that the remuneration of the Directors was last fixed in the AGM held on 29-6-2022, and there was no proposal to change it.

MIN. 5/AGM/2025: TO CONSIDER, AND IF DEEMED FIT, APPOINT ERNST & YOUNG, CERTIFIED PUBLIC ACCOUNTANTS, AS EXTERNAL AUDITORS OF THE COMPANY FOR THE YEAR ENDING 31 DECEMBER 2025 AND AUTHORIZE THE DIRECTORS TO FIX THEIR REMUNERATION.

5.1 The Company Secretary informed the meeting that:

5.2 According to the Company’s Articles of Association, external auditors were appointed annually in a general meeting.

5.3 The current auditors of the Company, Ernst & Young Uganda, were first appointed in the AGM held on 30-6-2023 and re-appointed in the last AGM of 21-6-2024. They have been in office for two years. They have expressed willingness to continue in office and the Board has recommended them for re-appointment.

5.4 The meeting resolved to re-appoint Ernst & Young as external auditors of the Company for the financial year ending 31st December 2025, and further resolved to authorize the Directors of the Company to negotiate and fix their remuneration.

MIN. 6/AGM/2025: ANY OTHER BUSINESS

There was no other business to discuss.

There being no other business to discuss, the meeting ended at 4:40 pm.

CONFIRMED this day of 2026 as a true record of the meeting.

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CHAIRMAN

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SECRETARY