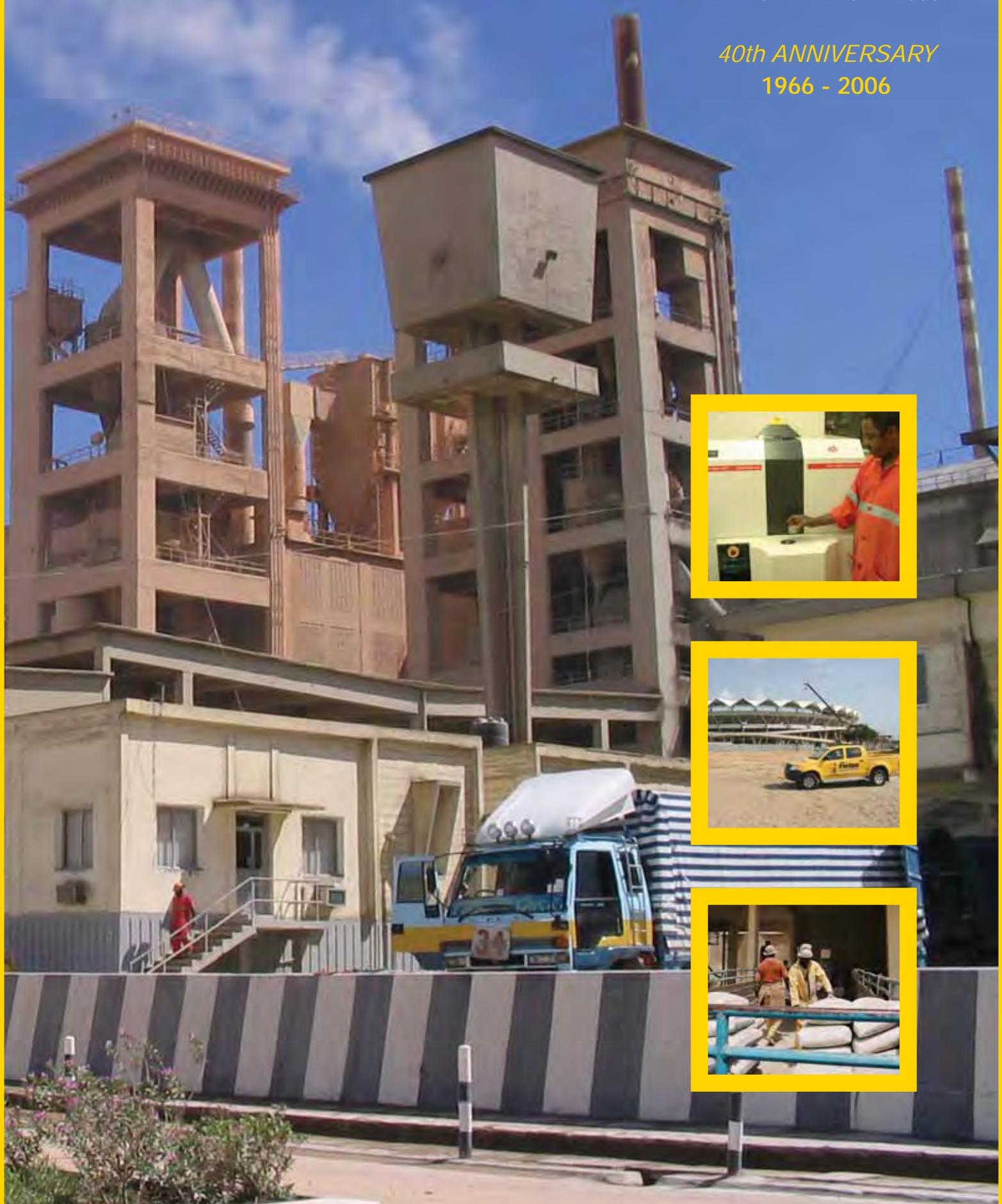


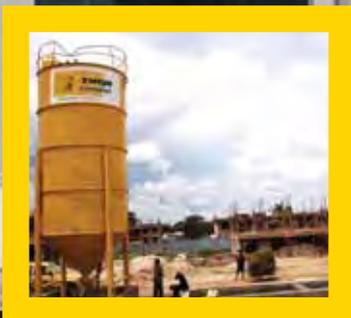


HEIDELBERGCEMENT Group

ANNUAL REPORT 2006

40th ANNIVERSARY
1966 - 2006







Chairman's Statement

The Company had a satisfactory year in 2006. Revenue increased by 16% while net result increased by 25% to TZs 19.5 billion.

While overall growth in cement demand was affected by adverse macro developments, notably draught and power supply problems, the Company successfully defended its market position as the dominant actor in the Dar es Salaam region, the country's most important cement market. Continued focus on our customers' needs, quality, operational efficiency, and cost control have led to increased profit.

Managing a situation with power shedding, poor transport infrastructure and depreciating shilling has been a challenge. The mentioned factors have impacted output and costs negatively.

Initial public offer (IPO)

The initial public offer (IPO) on the Dar es Salaam Stock Exchange (DSE) of the Government's 30% stake in the company was successfully completed in September, 2006. The IPO was oversubscribed three times and the Company's share has remained the most actively traded share on DSE since it was listed on 29 September.

Prospects

As the macro economic situation improves, cement demand is expected to resume on a high level in 2007 and coming years. The Company has received approval for investing more than 100 million USD in a new state-of-art 2,500 t/d factory. The project officially started 1 March 2007 and the new production capacity will come on line in stages in 2008 and 2009.

The expansion project will make the Company the leading cement producer in Tanzania, equipped with modern and environmentally friendly technology.

Appreciation

The Board would like to thank all its stake holders for their support during the past year and looks forward to continued good co-operation in the years to come.

Dividends

In light of the financial requirement of the approved expansion project, the Board proposes a dividend of Tzs 28 per share. This corresponds to 26% of the Company's net result.

The Register of Members will close on 16 May 2007. The last day of trading cum dividend will be 10 May 2007. Dividends will be paid on or about 31 May 2007.

Jean-Marc Junon
Chairman of the Board





Managing Director's Statement

The fiscal year of 2006 was yet another successful one for Tanzania Portland Cement Company Ltd.

The economy

Tanzania's economy has substantially picked up since the start of this millennium with real GDP growth averaging 7% for the period 2002-04. In 2005-06 the draught in combination with power crisis hampered the economy resulting in a GDP growth below the Government's target.

Market development

The total consumption of cement in Tanzania reached an estimated 1,480,000 tons of which 1,450,000 tons were supplied from domestic sources. The consumption corresponded to a growth of a healthy 4.8% excluding import.

Cement sales in distribution zone south increased by a staggering 23% followed by Zanzibar and the North both with approximately 11%. Dar es Salaam and Central Corridor saw market growth of 7% and 5% respectively, while cement sales in the Lake Zone contracted by more than 40% mainly due to adverse developments in availability of transportation network opening up for import from north.

Production and Expansion Programmes

The Company started development of new mining areas in the quarry in addition to mining of clay bound sand for tests in the raw mix preparation. Tests have also been carried out with added gypsum and iron ore in order to optimize on the raw material. The total Clinker production reached an all time high level but due to power supply shortages and outages the production losses were around 26,000 tons of Clinker.

Following a successful year and visits by Dr. Bernd Scheifele, President of HeidelbergCement to His Excellency Jakaya Kikwete, President of the United Republic of Tanzania the company will invest more than USD 100 million in a new integrated cement manufacturing plant during the coming two years.

Human Resources

During the year the company had a labor turnover of ten employees. A considerable number of our staff attended training sessions in-house and from external trainers on issues pertaining to labor laws, IT, civil engineering and quality control. It was not experienced any fatal accidents and cases on non fatal injuries were promptly attended to.

Company Social Responsibility

TPCC donated a total of 470 tons of cement in Corporate Social Responsibility commitments. The donation was exclusively for secondary school projects, the latter being a priority area for the 4th phase Government.

Outlook 2007

With normal rainfall cycle and the normalization of power supply the Government foresees a real GDP growth to rebound to around 7% in the next two years.

The year ahead will also challenge the company in many ways. In addition to the low quality on the supply of electrical power which will continue to cause operational problems and additional costs the physical execution of the expansion program is due to start mid 2007.

However, the Management of Tanzania Portland Cement Company Ltd. is confident that the year ahead of us will be another successful year for all the stakeholders of the Company.

Klaus Hvassing
Managing Director



| INCOME STATEMENT | 2006 Tzs'000 | 2005 Tzs'000 |
|--|-------------------|-------------------|
| Revenue | 80,203,239 | 69,038,626 |
| Cost of sales | <u>37,192,018</u> | <u>35,848,135</u> |
| Gross Profit | 43,011,222 | 33,190,490 |
| Other income | (115,134) | (995,940) |
| Interest income | (290,721) | (895) |
| Gain on sale of property, plant and equipment | (9,328) | (22,262) |
| Staff costs | 1,584,729 | 2,160,388 |
| Sales and administrative costs | 5,523,839 | 5,406,066 |
| Depreciation and amortisation | 2,768,886 | 2,581,541 |
| Other expenses | 901,298 | 481,561 |
| Stock write-down | 4,105,855 | - |
| Exchange loss | 264,192 | 341,346 |
| Financial charges | 345,275 | 828,524 |
| | <u>15,078,890</u> | <u>10,780,329</u> |
| Profit before tax | 27,932,331 | 22,410,161 |
| Tax | 8,432,293 | 6,781,775 |
| Profit for the year | 19,500,038 | 15,628,386 |
| Earnings per share (TZS) | 108.38 | 86.86 |

| BALANCE SHEET | 2006 Tzs'000 | 2005 Tzs'000 |
|---|-------------------|-------------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 29,172,977 | 26,703,616 |
| Intangible asset | 28,408 | 69,046 |
| Leasehold land | 209,622 | 211,126 |
| Other long-term operating receivables | - | 34,901 |
| | <u>29,411,008</u> | <u>27,018,688</u> |
| Current assets | | |
| Leasehold land | 5,440 | 5,440 |
| Cash and bank balances | 8,149,852 | 10,239,222 |
| Inventories | 13,177,260 | 11,100,990 |
| Trade receivables | 2,510,930 | 2,027,030 |
| Other short-term operating receivables | 14,630,972 | 1,636,071 |
| Tax recoverable | 953,369 | - |
| | <u>39,427,823</u> | <u>25,008,753</u> |
| TOTAL ASSETS | 68,838,831 | 52,027,442 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | |
| Shareholders' equity | | |
| Share capital | 3,598,462 | 3,598,462 |
| Retained earnings | 50,218,032 | 33,842,681 |
| | <u>53,816,494</u> | <u>37,441,143</u> |
| Non-current liabilities | | |
| Deferred tax provision | 7,180,050 | 7,177,783 |
| Long-term financial liabilities | 629,548 | 679,912 |
| Gratuity | 481,985 | 408,495 |
| | <u>8,291,583</u> | <u>8,266,189</u> |
| Current liabilities | | |
| Long-term financial liabilities (current portion) | 85,464 | 81,477 |
| Trade and other payables | 6,645,290 | 5,776,716 |
| Tax payable | - | 461,917 |
| | <u>6,730,754</u> | <u>6,320,109</u> |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 68,838,831 | 52,027,442 |

These financial statements were approved by the Board of Directors for issue on _____ 2007 and signed on its' behalf by:

Name: _____ Title: _____ Signature: _____

Name: _____ Title: _____ Signature: _____

| CHANGES IN EQUITY | SHARE CAPITAL Tzs'000 | RETAINED EARNINGS Tzs'000 | PROPOSED DIVIDEND Tzs'000 | TOTAL Tzs'000 |
|---------------------------------------|-----------------------------|---------------------------------|---------------------------------|-------------------|
| At 01 January 2006 | 3,598,462 | 31,342,681 | 2,500,000 | 37,441,143 |
| Proposed dividend | - | - | - | - |
| Additional dividend proposed for 2005 | - | (624,688) | 624,688 | - |
| Dividends paid | - | 0 | (3,124,688) | (3,124,688) |
| Profit for the year | - | 19,500,038 | - | 19,500,038 |
| At 31 December 2006 | 3,598,462 | 50,218,032 | - | 53,816,494 |
| At 01 January 2005 | 3,598,462 | 18,214,295 | 1,800,098 | 23,612,855 |
| Proposed dividend | - | (2,500,000) | 2,500,000 | - |
| Dividends paid | - | - | (1,800,098) | (1,800,098) |
| Profit for the year | - | 15,628,386 | - | 15,628,386 |
| At 31 December 2005 | 3,598,462 | 31,342,681 | 2,500,000 | 37,441,143 |

Financial Results

as at the year end 31 December 2006.

| CASH FLOW STATEMENTS | Note | 2006 Tzs'000 | 2005 Tzs'000 |
|--|------|--------------------|--------------------|
| Cash flow from operating activities | | | |
| Profit before tax | | 27,932,331 | 22,410,161 |
| Adjustment for: | | | |
| Depreciation and amortisation | | 2,768,886 | 2,581,541 |
| Interest expenses | | 345,275 | 828,524 |
| Profit on disposal of plant and equipment | | (9,328) | (22,262) |
| Operating profit before changes in working capital items | | <u>31,037,164</u> | <u>25,797,965</u> |
| Changes in working capital items | | | |
| Increase in inventories | | (2,076,270) | (583,153) |
| Increase in trade receivables | | (483,900) | (14,432) |
| Decrease/(Increase) in other short-term operating receivables | | (12,994,901) | 372,202 |
| Decrease in other long-term operating receivables | | 34,901 | 52,505 |
| Increase in gratuities provision | | 73,491 | 408,495 |
| Increase/(decrease) in trade and other payables | | 868,575 | (2,302,105) |
| Cash flow from operations | | 16,459,059 | 23,731,477 |
| Corporation tax paid | | (9,845,312) | (4,401,884) |
| Interest paid | | (341,287) | (845,155) |
| Net cash flow from operating activities | | 6,272,460 | 18,484,438 |
| Cash flow used in investing activities | | | |
| Proceeds from disposal of plant and equipment | | 223,099 | 23,330 |
| Capital works-in-progress and rehabilitation expenses | | (13,625,712) | (966,258) |
| Acquisition of intangibles | | (15,461) | (97,477) |
| Acquisition of plant and equipment | | 8,231,295 | (2,060,883) |
| Net cash flow used in investing activities | | (5,186,778) | (3,101,288) |
| Cash flow used in financing activities | | | |
| Dividends paid | | (3,124,688) | (1,800,098) |
| Long-term loan paid | | (50,364) | (50,364) |
| Net cash flow used in financing activities | | (3,175,051) | (1,850,462) |
| Net increase in cash and cash equivalents | | (2,089,369) | 13,532,688 |
| Cash and cash equivalents at the beginning of the year | | 10,239,222 | (3,293,466) |
| Cash and cash equivalent at the end of the year | | 8,149,852 | 10,239,222 |

STOCK WRITE-DOWN – TZS 4,105,855,000

HeidelbergCement has introduced a new policy for valuation of spare-part inventory. The new policy is applicable from 2006 and shall be adopted by all consolidated companies including Tanzania Portland Cement Company Limited. The new policy aims to limit balance sheet risk by bringing spare-part valuation in line with International Reporting Standard (IFRS), more specifically International Accounting Standard No. 2 (IAS 2).

First time adoption of the new inventory valuation policy in Tanzania Portland Cement Company Limited results in a write-down of TZS 4,105,855,000, which is reported as a non-operating and non-recurring item in the Income Statement.

OTHER SHORT-TERM OPERATING RECEIVABLES TZS – 14,630,972,000

The above amount includes the Tanzania Shilling equivalent of USD 10,800,000 paid to Scancem International ANS to meet the advance payment obligation to the supplier of machinery for the TPCC Expansion Project. The TPCC Expansion Project is budgeted to cost USD 108,000,000 in total upon completion and the advance payment upon contract signing is 10% of budgeted cost.



Proxy Form

For use at the Annual General Meeting of the Tanzania Portland Cement Company Ltd

I/We _____

of (Address) _____

a shareholder/shareholders of the above-named Company, hereby appoint note 1

Of (Address) _____

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at Zanzibar Room, Kilimanjaro Kempinski Hotel, Dar es Salaam

On 12th April 2007 At 14:30 Hrs and at any adjournment thereof

Signature _____ note 1 & 2 Dated: _____

Notes

1. If the appointor is a corporation, this proxy form must be executed under its seal or under the hand of some officer, attorney or other or so authorised to sign the same in that behalf.
2. In the case of joint holders, the signature of any one holder will be sufficient, but the names of all the joint holders should be stated.
3. To be valid, the form of proxy, must be lodged at the offices of the Company's Register, namely Cad securities Ltd not less than 48 hours before the time appointed for meeting or adjourned meeting and must be accompanied by any power of attorney or other authority under which it is signed or by an officially certified copy of such power or authority. Completion and return of a form of proxy will not preclude a member from attending and voting in person if he so wishes.

Form to be returned to:

CAD Securities Limited
3rd Floor
Mwalimu Nyerere Pension Tower
Bibi Titi/ Morogoro Road
P. O. Box 23226
Dar-es-salaam
Tel: 2123030
Fax: 2127622
Email: info@cadsecurities.com

Tanzania Portland Cement Company Limited

PO Box 1950, Dar es Salaam, Tanzania

Tel: +255 22 2630130 . Fax: +255 22 2630139

www.twigacement.com







Nazir Karamage, the Honorable Minister of Industry, Trade and Marketing, as MP being presented with a donation.

*Celebrating
40 years*