

## **Cement Mill 2 Inauguration – Tanga, 28<sup>th</sup> May 2010**

### **Welcome Address by the Chairman of the Board**

Your Excellency, Jakaya Mrisho Kikwete, the President of the United Republic of Tanzania;  
Honorable Mary Nagu, Minister for Industries, Trade and Marketing; Tanga Regional  
Commissioner, Board Members of Tanga Cement; Management and Staff of Tanga Cement;  
Ladies and gentlemen. Welcome to Tanga Cement.

We are delighted and honoured that you can join us today to celebrate the inauguration of our new Cement Mill and Packing Plant.

Your Excellency, let us step back in time and look at Tanga Cement to see what has been achieved since it was founded. The cement plant was commissioned in 1980 with the Government of Tanzania as the sole shareholder. In 1996 a very successful privatization was done and Holcim, one of the largest cement companies in the world acquired 60% of the shares and the Government held the remaining 40%. In 2002 the company listed on the stock exchange and today the majority shareholder is AfriSam South Africa through its subsidiary in Mauritius. AfriSam is the leading black controlled building materials company in South Africa. The rest of the shares are held by Tanzanian institutions and approximately 13 000 Tanzanian private investors. Employees of Tanga Cement hold shares in the company via the Employee Share Trust.

Over the years Tanga Cement has performed very well and today it is a world class cement company. I believe it is a success story created by the visionary actions of the Government of the United Republic of Tanzania and made possible by the ongoing efforts of the investors, employees and customers of the company. All stakeholders can be proud of their involvement in the success that has been achieved.

In the last 5 years Tanga Cement has paid direct and indirect taxes of about 170 billion Tzs. The company also has a social investment programme where it spends 1% of pretax profits on community related projects. Your Excellency, in that context we are proud to present today to you our contribution to build a dining hall and toilets in a very remote Maasai village of Saunyi in the Kilindi district amounting to 98million Tanzania shillings to help facilitate Maasai Girls education.

Your Excellency, we are here today to celebrate the inauguration of our new Cement Mill and Packing Plant. This is the biggest investment since the construction of the original plant. This investment will increase the milling capacity of Tanga from 700 000 tons per annum to 1.2 million tons of cement per annum. Why did AfriSam decided to invest in Tanzania and more specifically in Tanga Cement?

Tanzania has a stable political situation with good governance. It has one of the fastest growing economies in the region and is rich in natural resources. There is thus big potential for growth. With specific cement consumption of less than 50kg per capita per year there is also huge potential for growth in cement demand.

AfriSam as its name suggests (Afri – Africa and Sam - cement) wants to become a true African player and contribute to the growth and prosperity of Tanzania and Africa.

There are however, a few issues which concern us as an investor in Tanzania. These are unreliable supply of electric power, and poor road, railway and port infrastructure which makes energy and distribution costs very expensive. **We are aware that the Government is working on these areas. We look forward to successful implementation, which would have a positive bearing on our costs.**

**We are also concerned about the unpredictability of the investment policy in the context of the EAC Customs Union. In particular, the removal of the sensitive product status of cement in 2008 has led to an influx of dumped and subsidized cement into Tanzania from countries that have lower input costs. This has caused severe under utilization of the new investment. Unfortunately, Tanga Cement does not have control over many of its input costs, and therefore, the playing field is not level. This has a major impact on the return of our shareholders (including 13 000 Tanzanians) and in the taxes paid to the Government.**

**During the year 2009, a total of 250,000 tons of cement was imported into Tanzania as per the TRA statistics. This represents about 12% of the total market. Cement produced in Tanzania generates US\$ 90 per ton to the economy, half of which is in the form of direct and indirect taxes paid by the cement manufacturers. On the other hand, imported cement generates only US\$ 27 in import taxes. There is widespread tax evasion on imported cement by way of under invoicing and under declaration of quantities. We are of the view that imports of cement should not be encouraged at a time when the domestic installed capacity of 3 million tons per annum is more than adequate to meet**

the demand of around 2 million tons. New projects are under implementation, which would further enhance the domestic capacity. We seek the support of the Government to reinstate the sensitive product status of cement with a duty rate of 35% or US\$ 50 per metric ton, whichever is higher.

The Board of Tanga Cement has already considered further expansion plans which will require investments but I believe it is important that some of the concerns I mentioned are addressed to facilitate further investments to be made.

Your Excellency, I am proud of the Management and Staff of Tanga Cement, the Project Team and the supplier of the equipment CBMI for the successful construction and commissioning of the new Cement Mill and Packing Plant. I am grateful that the plant maintained a very good safety record during the project and that the work was achieved with only one injury. I believe that the new mill will add to the future success of Tanga Cement and Tanzania. Today is a momentous day in the history of Tanga Cement and we are honoured that His Excellency and our other Honourable guests have been able to join us here today. I welcome you to Tanga Cement and your presence here today will make it even more memorable.

Charles Naude  
**Chairman of the Board of Directors**  
**Tanga Cement Company Ltd**