



CHAIRMAN'S STATEMENT

Fellow shareholders, invited guests, distinguished ladies and gentlemen. On behalf of the Board of Directors. I am pleased to welcome you all to this Thirty-Second Annual General Meeting (AGM) of our company and to present to you the Annual Report and Accounts for the year ended 31st December 2006. The business environment in 2006 was characterized by a mix of positive and negative factors. The positives include the continuation of a stable exchange rate regime, moderate inflation and domestic interest rates. It was also the year in which we commenced many improvement projects and capacity increase. However, on the negative side, the supply and quality of electric power has further deteriorated. The situation became worse towards the end of the year with acute scarcity of Low Pour Fuel Oil (LPFO) resulting in high production cost. Business activities were very much affected especially in the manufacturing sector as energy and infrastructural cost remained very high during the year.

In spite of the tough economic environment in 2006, I am pleased to inform you that your company has recorded improvements in its performance.

PERFORMANCE IN THE YEAR

Overall, AshakaCem has achieved a turnover of N16.77 billion and profit before tax of N4.95. At the beginning of the year demand for cement was good. However, the political activities towards the end of the year change the situation to that of low demand. The upsurge in demand for cement is likely to increase in 2007 when a new government is put in place. We are optimistic because of the clear signs of improvement in the overall national demand for cement and the fact that imports may rescue in 2007 in order to give way to the increased domestic production. However, we are hopeful that the reform programme of government would be accelerated and implemented in a manner that would minimize the associated business costs and risk.

This increase in cost of sales, which is not proportionate to increase in turnover, translated into decline in gross margin from 55.62% of 2005 to 47.57% in the year under review. Net margin equally declined from 41.22% in 2005 to 29.52% in 2006. The reduction in group margin resulted from increase in cost of kiln fuel consumed during the period under review, which amounted to N3.7 billion compared to N1.4 billion in 2005.

In line with your company's dividend policy of rewarding its shareholders with good returns on their investment, the Board of Directors has proposed for your approval a dividend of 150 kobo per ordinary Share in addition to a bonus issue of one new fully paid ordinary share of 50 kobo each for every six shares held despite the level of profitability in 2006. This would represent an appropriation of N2.19 billion out of the after tax profit of your company. However, we are confident that this level of dividend pay out will be sustained in the future barring any unforeseen circumstances.

Directors

Since the last Annual General Meeting no changes in the Board has taken place. Consequently, I would like to acknowledge the immense contributions made by my



colleagues on the Board who have worked tirelessly to see to the development of AshakaCem PLC.

Conclusion

On behalf of my colleagues on the Board of this great company, I acknowledge the efforts, loyalty and dedication of the management and Staff for committing themselves to the profitable running of this enterprise in a clean, safe and reliable way in 2006. Our profound gratitude goes to our shareholders who have stood by the company all these years. Your suggestions, both at the last Annual General Meeting and at other for a have been inspiring and have immense benefit to our great company.

Our goal always is continuous performance improvement by adding value to all our stakeholders while shinning brighter as the Star of the North.

Brig. E. E. Ikwue (Rtd)
CHAIRMAN