DANGOTE CEMENT

# Audited Results for the year ending 31 December 2012

**New capacity delivers strong increase in revenue and profitability despite gas supply problems and unprecedented flooding**

**Lagos, 24 April 2013**: Dangote Cement PLC (DANGCEM-NL, "the Group"), Nigeria's largest cement producer, announces audited results for the financial year ended 31 December 2012.

**Financial highlights**

- Consolidation of African entities (including Sephaku Cement and GreenView International Ltd, Ghana) with effect from 1 January 2012
- Consolidated Group revenue up 23.6% to ₦298.5bn
- Nigerian revenue up 18.3% to ₦285.6bn
- EBITDA UP 30.1% to ₦174.1bn at 58.3% margin
- EBIT up 24.4% to ₦146.5bn at 49.1% margin
- Pre-tax profit up 19.2% to ₦135.6bn
- Earnings per share up 25.1% to ₦8.92
- Proposed dividend of ₦3.00 per share

**Operating highlights**

- New capacity delivers 19.9% increase in sales to 10.4 million tonnes
- Nearly 100% of sales were locally produced cement; Group ends importation
- Market affected by unprecedented flooding in second half

**D.V.G. Edwin, Chief Executive, said:**

*"Dangote Cement achieved a strong increase in revenues and profitability in 2012 despite severe flooding that affected demand and a shortage of gas that affected margins."*

*"The Group achieved several key objectives in 2012. In the first half of the year we launched 11 million tonnes of new capacity that brought Nigeria to self-sufficiency in cement production. Because of our investments there is no more need for Nigerians to buy foreign cement."*

*"By the end of 2012 we were preparing to make Nigeria an exporter of cement to neighbouring countries and in the first quarter of 2013 we realised that goal, to the benefit of the Nigerian economy. Soon, we hope to be manufacturing cement in Senegal as we expand into other African countries to supply a basic but profitable commodity that is vital to Africa's growth."*

*"Current trading is strong. We estimate that demand for cement in Nigeria increased by almost 16% in the first quarter of 2013 and I am pleased to report that our volumes rose by substantially more than the market's growth rate in the same period. Such a strong start gives us confidence that 2013 will be a good year for Dangote Cement."*

**About Dangote Cement**

Dangote Cement is Nigeria's leading cement producer with three plants in Nigeria and plans to expand in 13 other African countries. The Group is a fully integrated quarry-to-depot producer with production capacity of 19.25mmtpa in Nigeria at the end of 2012, with plans to increase to at least 29mmtpa in 2015. The Group plans to build a further 19mmtpa of production, grinding and import capacity across Africa, which is expected to be operational by the end of 2015.

Dangote Cement's Obajana plant in Kogi state, Nigeria, is the largest in Sub-Saharan Africa with 10.25mmtpa capacity across three lines and a further 3mmtpa capacity currently being built.

The new 6mmtpa Ibese plant in Ogun state, near the key market of Lagos, was inaugurated in February 2012. Building is underway to add 6mmtpa of capacity.

The Gboko plant in Benue state has 3mmtpa capacity with an upgrade to 4mmtpa planned in 2013.

Through its recent investments, Dangote Cement has eliminated Nigeria's dependence on imported cement and is transforming the nation into an exporter serving neighbouring countries.

Dangote Cement has announced an investment of more than $2.5bn to build manufacturing plants and import terminals across Africa. Current plans are for integrated or grinding plants in Cameroon, Ethiopia, Gabon, Republic of Congo, Senegal, South Africa, Tanzania and Zambia, as well as import/packing facilities in Ivory Coast, Ghana, Guinea, Liberia and Sierra Leone.

The Group listed on the Nigerian Stock Exchange in October 2010.

Web: www.dangcem.com

**Conference call details**

A conference call for analysts and investors will be held on Thursday 25 April at 14.00 UK / Lagos time.

The dial-in details are as follows:

| | |
|---|---|
| International participants: | +44 203 139 4830 |
| UK participants: | 0808 237 0030 |
| Pin code: | 12567200# |

A replay facility will be available for seven days as follows:

| | |
|---|---|
| International participants: | +44 203 426 2807 |
| UK participants: | 0808 237 0026 |
| Pin code: | 638791# |

**Contact details**
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**Summary of key performance indicators**

Nigerian cement operations only (excludes Sephaku and Ghana)

| Year to 31 December *(Nigerian cement operations only)* | **2011** | **2012** | **% change** |
|---|---|---|---|
| Cement sales (kt) | 8,662 | 10,382 | 19.9% |
| Sales of locally produced cement (kt) | 6,814 | 10,239 | 50.3% |
| Sales of imported cement (kt) | 1,848 | 143 | -92.3% |
| | | | |
| *(Nigerian cement operations only)* | (₦bn) | (₦bn) | |
| Revenue | 241.4 | 285.6 | 18.3% |
| Revenue per tonne | 27,870 | 27,513 | -1.3% |
| EBITDA | 133.9 | 175.4 | 31.0% |
| EBITDA per tonne (₦) | 15,456 | 16,893 | 9.3% |
| EBITDA margin | 55.5% | 61.4% | 5.9pp |
| EBIT | 117.7 | 148.1 | 25.8% |
| EBIT per tonne (₦) | 13,593 | 14,265 | 4.9% |
| EBIT margin | 48.8% | 51.9% | 3.1pp |
| | | | |
| | US $million | US $million | |
| Revenue | $1,550m | $1,835m | |
| EBITDA | $860m | $1,126m | |

$1=₦155.7

**Operating review**

**GDP growth remains strong, Building and Housing sectors see double-digit growth**

Nigeria continued its strong economic growth, recording Real Growth of 6.6% in 2012, according to the National Bureau of Statistics (NBS).

Despite the Crude Petroleum and Natural Gas sector declining by 0.9% during the year, robust growth of 7.9% across the non-oil sectors continued to drive the Nigerian economy. This growth was achieved in spite of the week-long national strike in the first quarter of 2012 and the unprecedented flooding that affected much of the country in the second half of the year.

Growth in the Building and Construction sector remained strong at nearly 12.6% across 2012, ahead of the 12.1% increase achieved in 2011. The sector is the third-fastest growing in Nigeria, behind Telecommunications and Solid Minerals.

The Real Estate sector grew at 10.4% during 2012, slightly lower than the 10.6% growth achieved in 2011, but still an indication of continuing robust demand for cement amongst the larger house builders.

In its *Economic Outlook for the Nigerian Economy (2013-2016)* the NBS predicts a slight acceleration in GDP growth to nearly 6.8% in 2013 and an average of 6.9% through to 2016. The Group believes that this growth in GDP, and especially in the Building and Real Estate sectors, is capable of supporting double-digit growth in demand for cement in the coming years, assuming there are no major floods on the scale of those in 2012. Indeed, flood repair work and longer-term infrastructure and flood-defence projects may provide strong underpinning for demand in 2013 and beyond.

Government infrastructure projects are a major demand driver for cement. In its recently published Budget for 2013, the Federal Government has allocated ₦1,620 billion for capital spending, of which ₦497 billion will be allocated to Critical Infrastructure (including Power, Works, Transport, Aviation, gas pipelines and the Federal Capital Territory). This represents an increase in capital spending as a share of total expenditure from 25.6% in 2011 to 32.5% in 2013.

The Federal Government is prioritising infrastructure investments, including the second Niger Bridge and will augment domestic resources with a $1 billion Eurobond and extensive use of Public-Private Partnerships. In the Housing sector the Federal Government has committed itself to improving the availability of mortgage financing through the Nigerian Mortgage Refinance Company.

On inflation, the NBS forecasts a decrease in the inflation rate from around 12% in 2012 to less than 10% between 2013 and 2016.

## Nigeria achieves self-sufficiency in cement, but imports still persist

Investments made by Dangote Cement have largely brought Nigeria to self-sufficiency in cement production. In the first quarter of 2012 the Group opened six million tonnes of new capacity at its new Ibese plant in Ogun state, and added a further five million tonnes of new capacity at its flagship Obajana plant in Kogi.

Overall, demand for cement rose by about 7% to approximately 18.3 million tonnes in 2012. Of this, an estimated 16.4 million tonnes of cement was produced in Nigeria, with imports of around 1.9 million tonnes making up the remainder. This compares with around 12 million tonnes of locally produced cement in 2011, supplemented by about 5 million tonnes of imports.

Importation through the South Western ports of Lagos ceased in the first half of the year, but continued through Southern ports such as Port Harcourt throughout the year.

Demand for cement was badly affected by the unprecedented flooding experienced in the second half of the year. Building work slowed down, distribution became very challenging on roads affected by rain and flooding, and a national shortage of sand all had an impact on sales across the industry.

The Group was particularly hard hit because its Obajana (10mt) and Gboko (3mt) plants are respectively in Kogi and Benue states, both of which were designated in the most affected "Category A" states in terms of their disruption. Demand at the Ibese plant was also affected as Ogun state was designated "Category C" in terms of its disruption.

Like the rest of Nigeria's cement industry, the Group continued production of cement during the flooding in anticipation of a quicker upturn in demand than subsequently transpired. The temporary surplus that resulted led to stockpiles of clinker and cement building up in the final quarter of 2012. It was this surplus that prompted the Group's decision in early December to mothball its Gboko plant until the surplus could be cleared. Gboko was reopened at the end of January as demand for cement picked up strongly.

With the increase in local manufacturing capacity, Nigeria is capable of meeting all its own needs for cement. While in a deficit, imports were a useful augmentation of local production, the Group considers them damaging and unnecessary now that sufficient capacity exists to meet the Country's needs. The Group believes that imported cement diverts revenues from Nigerian factories that have cost billions of dollars to build, and which are significant employers in the communities in which they operate. Money spent on imports is money lost to the Nigerian economy.

## Nationwide gas problems impact industry efficiency

Throughout 2012 Nigeria suffered from disruption to normal gas supplies as an overstretched distribution infrastructure was upgraded. With gas as their primary fuel, the Group's Obajana and Ibese plants were both affected by the disruption and had to rely on supplies of imported Low-Pour Fuel Oil (LPFO) as a back-up fuel for their kilns. Normally the Group budgets for a mix of 95% gas and 5% LPFO. The cost of LPFO per tonne of clinker produced is approximately 5x the cost of gas at Ibese and around 7x the cost of gas at Obajana.

Gas levels fell to less than 40% at Ibese in April, but recovered sufficiently for the plant to run above 90% gas from July to November, after major improvements were made to the distribution infrastructure. At Obajana the plant ran between 50%-80% until July, rising to well over 90% in October before falling back in the last two months of the year.

The Group is taking steps to diversify its fuel sources and is close to completing a coal mill to provide kiln fuel at Ibese. In addition, the Group is considering coal as a fuel source for Gboko. The Group believes in the longer term it could prove economic to source coal from Nigerian coalfields.

**Cement sales up 19.9% with good gains in market share**

Dangote Cement achieved strong 19.9% growth in cement sales in 2012, increasing its market share as its new capacity at Ibese and Obajana came onstream.

In its Nigerian operations, Dangote Cement sold nearly 10.4 million tonnes of cement in 2012, of which all but 143,000 tonnes was produced domestically at the Group's own plants. This represents a 19.9% increase in total sales compared to 2011, with sales of locally produced cement rising by 50%. Sales of imported cement represented the clearing of stocks imported in late 2011.

In Nigeria the Group increased market share steadily during the year, averaging an estimated 57.1% in 2012 compared with the 50.5% achieved in 2011. During the last three months of 2012 the Group's market share exceeded 60%. During 2012 Dangote Cement consistently outperformed the growth of the Nigerian cement market, as well as outperforming the Building and Real Estate sectors of the Nigerian economy for much of the year.

On average the ex-factory price of cement sold by the Group was about ₦27,500 per tonne, slightly lower than the equivalent in 2011.

**Extending direct-to-customer deliveries**

The Group has extended its ability to deliver cement directly to customers with its investments in several hundred new trucks and a call centre to deal with customer orders. The Group believes such a distribution model will help it to increase its market share as customers increasingly opt for direct deliveries rather than picking up cement themselves.

**Obajana's new capacity making steady progress**

The Group's flagship plant at Obajana commissioned an additional five million tonnes of capacity in the first half 2012 and this helped the plant to increase sales by 13.2% to more than 5.7 million tonnes. The new capacity at Line 3 contributed around 1.8 million tonnes of cement sold by Obajana during the year. The plant sold nearly 1.6 million tonnes of cement in the final quarter of the year, up 17% on the previous year.

Situated in Kogi state near the confluence of the Niger and Benue rivers, Obajana's catchment area was badly affected by the flooding in the second half of the year, with major distribution routes such as the Lokoja-Abuja Highway experiencing serious flooding.

As with other plants, Obajana built up a surplus of clinker and cement during the flooding and this surplus was a contributing factor in the decision to mothball the smaller, LPFO-fuelled plant at nearby Gboko, where clinker is substantially more expensive to produce. Following temporary closure of Gboko, its fleet of trucks was transferred to Obajana, which was able to satisfy demand in the smaller plant's normal catchment area using higher-margin, gas-produced cement. Obajana's highest shipments during the year were thus achieved during December, when more than 625,000 tonnes of cement were dispatched.

As previously mentioned, Obajana suffered from disruption to its gas supplies for most of 2012, running at 50%-80% until July and rising above 90% in October and November. In December the gas ratio fell to 40% as some maintenance problems returned in the distribution network that serves the region. On average, Obajana ran at an average of 72% gas across the full year.

Obajana has always supplied many regions of Nigeria including the key markets of Lagos and the South West. However, with the new lines at Ibese now providing six million tonnes of capacity less than 100km from Lagos, the Group is distributing cement from Obajana into other regions where its extensive distribution network will provide a competitive advantage. The Group believes this may have the effect of revealing previously unsatisfied demand in the country, thus opening markets where little or no cement was sold before.

Following the commissioning of the new Line 3 in June by His Excellency Dr. Goodluck Ebele Jonathan, GCFR, President of the Federal Republic of Nigeria, the President laid the foundation stone for the new 3 million tonne Line 4, construction of which is now underway. Upon completion in 2015, Obajana will be among the largest cement factories in the world.

**Ibese makes strong inroads in Nigeria's largest market**

The Group's Ibese plant near Lagos began commercial production in early January and ramped up steadily to dispatch more than 2.8 million tonnes in 2012. The plant dispatched 776,000 tonnes of cement in the fourth quarter.

As with Obajana, Ibese suffered from gas pressure problems but was able to run on almost 100% gas from September to November, before dropping below 90% in December. On average, Ibese ran a mix of 79% gas – 21% LPFO during the full year. The cost of gas at Ibese is higher than at Obajana and furthermore, the limestone mined at Ibese has a higher moisture content and therefore requires more energy to produce a tonne of clinker.

Ibese serves the fast-growing markets of Lagos and the South West. In addition, its proximity to the border with Benin and major roads to Togo and Ghana make it an excellent base for an interim road export strategy, before the Group completes the building of an export terminal in Lagos to enable much more cost-effective exports by sea.

Building work on the new Lines 3 & 4 is well underway and these will add a further 6 million tonnes of capacity when they become operational in late 2014 or early 2015.

**Gboko temporarily mothballed after flooding affects demand and distribution**

The Group's Gboko plant in Benue state shipped more than 1.6 million tonnes of cement in 2012. This is 5.1% down on shipments in 2011 and reflects the serious flooding that affected the Benue catchment area as well as the related and temporary closure of the plant in December. Fourth-quarter shipments were 329,000 tonnes, down 29% on shipments in 2011.

Although Gboko is not powered by gas, it experienced knock-on effects of the gas supply problem when supplies of LPFO came under pressure because of the increased demand for fuel at Ibese and Obajana.

Owing to the heavy rain and flooding, as well as the temporary closure, the Group decided to postpone the upgrade of the Gboko plant until 2013. This will increase capacity by up to a million tonnes a year with the addition of a new grinding mill and other improvements.

The Group reopened Gboko at the end of January 2013 and both lines have since returned to normal operations.

**Consolidation of GreenView International Ltd, Ghana**

The 2012 accounts consolidate operations at GreenView International Ltd in Ghana (GreenView) for the first time. GreenView imports and packages cement, predominantly from the Far East, through existing import contracts.

In 2012 GreenView imported around 573,000 tonnes of cement to serve a market of approximately six million tonnes per annum.

**Senegal legal case remains ongoing**

Title to the land on which part of the Group's plant in Senegal is located is still in dispute and therefore the plant was not able to commence operations in 2012, as had been hoped. Furthermore, an interim Administrative Order was served by the local authorities to cease construction work until the land issues are resolved. The Group believes the closure order was unlawful and unnecessary, given the plant's potential to create jobs and prosperity in the local area.

The Group remains committed to achieving an acceptable resolution of the land dispute. Once such a resolution has been achieved, the commissioning process can begin in earnest and the plant could be operational and producing cement within weeks.

**Sephaku well on track in South Africa**

After Senegal, the Group's South African joint venture, Sephaku Cement, is the next plant expected to come onstream. Building work is well advanced and commercial production is expected in Q1 2014.

A joint venture with JSE-listed Sephaku Holdings, Sephaku Cement will have the ability to produce up to three million tonnes of cement across its integrated plant at Aganang and its clinker grinding plant at Delmas. The plants will use fly ash as an extender, with the ash being sourced in large quantities from the power station close to Delmas.

**Other African projects progressing steadily**

The Group is achieving steady progress with building projects in other African countries.

In Ethiopia, work is well underway at a proposed 2.5mmtpa plant at Mugher, with production expected early in 2015.

In Tanzania, the Group has now begun work on a 3mmtpa plant at Mtwara that is expected to be operational in mid-2015.

In Zambia, work is underway on a 1.5mmtpa plant at Ndola, with cement production expected in late 2014. The Group is considering the merits of building a second 1.5mmmtpa plant in Lusaka, Zambia, but no contracts have yet been signed.

Building work is progressing with a 3,000t/day grinding plant in Cameroon, with completion expected in the first half of 2014. In Gabon, the Group has decided to build a grinding plant, rather than a fully-integrated plant, and is in the process of acquiring suitable land.

In Congo, the Group is tendering for an integrated plant of 1.5mmmtpa, expected to begin production in the latter half of 2015.

Along the coast of West Africa, the Group plans to build import facilities to receive and bag bulk cement produced in Nigeria. Work has begun on import facilities in Sierra Leone, with operations expected to begin towards the end of 2013.

In Liberia, plans are advancing and orders for equipment have been made for an import facility in Freeport Monrovia. Imports into Liberia are expected to commence in the third quarter of 2014.

In Ivory Coast, the Group is evaluating two possible options, to set up a grinding unit and a packing terminal. The Group believes such facilities in Ivory Coast could also serve markets in Burkina Faso and Mali. Work is expected to begin in the second quarter of 2013, with operations expected in 2015.

In Ghana, work is in progress on the expansion of the existing terminal in Tema, 20km from Accra, with plans at an advanced stage for a second facility, a grinding unit, in Takoradi.

In due course, the West African projects above will be served by exports of cement from the Group's Nigerian plants, shipped through a new export facility planned at Apapa. Work is expected to begin in the next few months and shipboard exports should be possible from mid-2014. In the meantime, to the extent that the Group has excess supply after satisfying the increasing demand in Nigeria, exports will be made to neighbouring countries by road.

## Financial review

The Group is presenting results for the year ended 31 December 2012, in accordance with International Financial Reporting Standards (IFRS), which are adopted for the first time. The Group's interests in its African projects (including Sephaku Cement) have been consolidated from 31 December 2011, on the basis that the transfers of interest from Dangote Industries Limited were all common control transactions and, under IFRS, have been accounted prospectively as of the date that common control was established.

In addition, operations at GreenView International Ltd, the Group's import business in Ghana, are consolidated into the Group's accounts for the first time, on the basis of effective control.

## Financial performance

The Group's strong revenue growth continued in 2012, with consolidated revenue increasing by 23.6% to ₦298.5bn (2011: ₦241.4bn). Revenue from Nigerian cement operations rose by 18.3% to ₦285.6bn (2011: ₦241.4bn), reflecting a 19.9% increase in volumes of cement sold at an average ex-factory, per-tonne price slightly lower than that achieved in 2011.

GreenView International Ltd contributed revenue of ₦12.3bn in 2012 (2011: nil).

Sales of fly ash at Sephaku Cement in South Africa contributed ₦0.6bn in 2012 (2011: nil).

Gross profit rose by 25.4% to ₦180.1bn at a margin of 60.4% (2011: ₦143.7bn, 59.5%). The gross margin has increased slightly on account of a mixture of positive and negative factors. In 2012 the Group imported 143,000 tonnes of cement, compared with 1.8 million tonnes in 2011; this reduction of substantially lower-margin imports and their replacement with higher-margin, locally produced cement helped to improve gross margins. However, these gains were in part offset by the higher cost of fuel as the Group used higher-than usual amounts of low-pour fuel oil (LPFO) in 2012, together with additional depreciation being charged as a result of commissioned fixed assets at Ibese and Obajana.

Administrative expenses rose by 56.7% to ₦22.9bn (2011: ₦14.6bn), mainly as a result of the addition of new capacity at Ibese and Obajana together with an increase in the level of CSR spending.

Selling and Distribution expenses rose by 26.3% to ₦15.1bn (2011: ₦11.9bn) mainly as a result of increased depreciation arising from the increased size of the truck fleet for the Ibese and Obajana expansion.

Increased operating costs were offset in part by a significant increase in Other Income from ₦0.6bn to ₦4.4bn, of which ₦2.9bn related to the write-back of an old creditor balance.

Operating profit rose 24.4% to ₦146.5bn at 49.1% margin (2011: ₦117.7bn, 48.8%).

After net financial costs of about ₦10.8bn (2011: costs of ₦3.9bn), the Group achieved a profit before tax of ₦135.6bn, up 19.2% on the previous year (2011: ₦113.8bn). The increased financial cost represented interest on loans that had been capitalised during 2011 and which has now been charged to the Profit & Loss account following the commissioning of new capacity at Ibese and Obajana.

The Group received a tax credit of ₦16.3bn (2011: ₦7.6bn), primarily resulting from deferred tax assets that were recognised during the year in relation to the pioneer tax exemptions available for the new capacity at Ibese and Obajana. A five-year pioneer exemption has been availed for both new production facilities until 2016 and the deferred tax asset arises on the difference between the net book value and the tax written down value plus unused capital allowances at the end of the pioneer period.

The profit for the period was ₦151.9bn (2011: ₦121.4bn).

Earnings per share rose 25.1% to ₦8.92 (2011: ₦7.13, adjusted for the 1-for-10 bonus share issue in 2012).

**Balance sheet and cash flow remain strong**

Non-current assets rose to ₦549.8bn, mostly as a result of investments in plant and machinery, both within Nigeria and in other African countries.

Total assets rose from ₦526.5bn at the start of 2012 to ₦673.7bn at the end of the year. Advances to contractors rose from ₦49.3bn to ₦58.0bn, reflecting the ongoing build-out of capital projects in Nigeria and Africa.

Cash and cash equivalents (including overdrafts) increased from ₦18.3bn at the start of the year to ₦43.2bn at the end of December. Net debt stood at ₦119.7bn, compared with ₦128.9bn on 1 January 2012.

The Group generated ₦152.4bn of net cash from operations in 2012 and invested ₦115.8 bn in the same period. Dividends of ₦19.4bn were paid during the year.

**Sephaku Cement raises R1.95bn (₦35.5bn) in debt to fund development**

In October the Group's South African subsidiary Sephaku Cement raised R1.95bn (₦35.5bn, $225m) in debt to fund the completion of building work and preparation for its entry into the expanding South African market. Sephaku is expected to begin operations in early 2014. The agreement, with Standard Bank and Nedbank, is for 10 years.

**Dividend of ₦3.00 per share**

The Board of Dangote Cement has declared a dividend of ₦3.00 per 50 kobo share for 2012, subject to approval at its Annual General Meeting.

If approved, the dividend will be payable to shareholders on the Register at close of business on Friday 3 May 2012. The payment date will be Monday 3 June.

**Current trading and outlook**

Current trading is strong and the Group estimates that demand for cement in Nigeria rose by 15.7% in the first three months of 2013.

The Group is budgeting for its Gas / LPFO ratio to be in the region of 80% / 20% during 2013.