Unaudited results for the six months ending 30 June 2013

Strong first-half performance underpins confidence for the full year as revenue increases 28.5% and pre-tax profit increases 52.1%

Lagos, 26 July 2013: Dangote Cement PLC (DANGCEM-NL), Nigeria's largest cement producer, announces unaudited results for the six months ended 30 June 2013.

Financial highlights

- Consolidated Group revenue up 28.5% to ₦198.5bn
- Gross profits up 43.8% to ₦132.1bn, 66.6% margin
- EBITDA up 41.2% to ₦127.3bn at 64.1% margin
- EBIT up 45.4% to ₦111.1bn at 56.0% margin
- Pre-tax profit up 52.1% to ₦107.7bn
- Earnings per share up 51.8% to ₦6.33

Operating highlights

- Total Nigerian cement market grows by 14% to nearly 11 million tonnes
- Group's Nigerian sales volumes up 29.4% to 6.76 million tonnes
- Obajana volumes up 46.0%, Ibese up 51.5%
- Gas supply remains at about Q1 levels
- Direct-to-customer deliveries proving highly successful

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

"Nigeria's demand for cement remained robust across the first six months of 2013 however the 29.4% increase in shipments we achieved was more than double the market's rate of growth. Customers are increasingly asking for direct deliveries, which I am pleased to report will soon account for half of our cement sales in Nigeria.

"We are making good progress in Africa and investors will see good returns on our investments in new capacity across the continent. Dangote Cement is well on the way to becoming a major force in global cement production."

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-customer producer with production capacity of 19.25mta in Nigeria, with plans to increase to at least 29mta in 2015. The Group plans to build more integrated, grinding and import facilities across Africa, bringing its total capacity to 55mta by the end of 2016.

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

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

The Gboko plant in Benue state has 3mta capacity, with an upgrade of 1mta underway.

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, Republic of Congo, Senegal, South Africa, Tanzania, Kenya, South Sudan and Zambia, as well as import/packing facilities in Ivory Coast, Ghana, 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 29 July 2013, starting at 16.00 UK & Lagos time.

The dial-in details are as follows:

Participants: +44 203 139 4830
Pin code: 23628428#

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

Participants: +44 203 426 2807
Pin code: 641105#

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Summary of key performance indicators for Nigerian cement operations

(Excludes Sephaku and Ghana)

Six months to 30 June **Nigerian cement operations only, including haulage revenue**	**2012**	**2013**	**% change**
Cement sales (kt)	5,225	6,761	29.4%
(Nigerian cement operations only)	(₦bn)	(₦bn)	
Revenue	147.7	190.8	29.1%
Revenue per tonne (₦)	28,267	28,220	-0.2%
EBITDA	87.7	127.8	45.8%
EBITDA margin	59.3%	67.0%	7.7pp
EBIT	77.0	111.8	45.2%
EBIT margin	52.1%	58.6%	6.5pp
	US $million	US $million	
Revenue	$948m	$1,224m	
EBITDA	$562.9m	$820.9m	

$1=₦155.75

Operating review

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

Nigeria continued its strong economic growth, recording Real Growth of nearly 6.6% in the first quarter of 2013, according to the National Bureau of Statistics (NBS).

Despite the Crude Petroleum and Natural Gas sector declining by 0.5% during the first quarter, robust growth of 7.9% across the non-oil sectors continued to drive the Nigerian economy.

Growth in the Building and Construction sector accelerated sharply in the first quarter of 2013, up nearly 15.7% and well ahead of the 12.6% growth achieved across 2012. The Real Estate sector maintained its steady growth, up nearly 10.1% in the first quarter of 2013 and consistent with growth across much of 2012.

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 2013-2016.

Infrastructure and housing driving long-term cement growth

Nigeria's strong economic growth and its commitment to improving infrastructure and housing make it an attractive long-term market for cement. Despite growth of just 7% in 2012, when demand was reduced by flooding, the country has increased consumption by an average of 10.2% since 2004.

This is, of course, strong growth from a low base. In 2012, with a population of 168 million and cement consumption of 18.3 million tonnes, Nigeria's consumption of cement was around 109kg per person, which is low by global standards. By comparison, industry estimates suggest that North African economies such as Egypt and Algeria are consuming around 600kg and 550kg respectively.

We believe that Nigeria's expanding economy is capable of sustaining per-capita consumption many times higher than it is today. We think the same is true in Nigeria's neighbours in West Africa, many of which lack the limestone necessary to make cement. This drives our investment to build factories in Nigeria that will not only help to satisfy Nigeria's growing demand for cement, but also enable us to export clinker and finished cement to neighbouring countries.

At present, most of our neighbours are importing cement from the Far East. We are confident that Nigerian cement will prove more attractive than these imports, particularly within the 15-member Economic Community of West African States (ECOWAS), which offers favourable incentives for trade between member countries.

First half of 2013 sees record cement sales in Nigeria

Nigeria's cement market achieved record volumes in the first six months of 2013. We estimate that nearly 11 million tonnes of cement were shipped, compared with an estimated 9.6 million tonnes in the first six months of 2012. This represents a growth rate that we estimate to be around 14% for the first half of 2013.

March recorded the highest-ever monthly sales of cement in Nigeria, with nearly 2.0 million tonnes being sold. Overall, our estimates suggest that the second quarter was stronger with 5.55 million tonnes of cement being shipped, compared with 5.44 million tonnes in the first quarter. The first quarter of the year is traditionally the best, given the usually good weather conditions that are normally experienced and the particularly strong rise in demand this year illustrates increased building activity following the disruption caused by the unprecedented floods of 2012.

Nigeria's importation of cement has fallen significantly. We estimate that around 630,000 tonnes of cement were imported in the first six months of 2013, less than half of the 1.3 million tonnes imported in the same period last year. As imports fall away, the demand they previously satisfied is being replaced by locally produced cement.

Gas supply remains at about Q1 levels

The availability of gas is a major driver of margins at our Obajana and Ibese plants, which together account for 16.25 million tonnes of the capacity that we operate in Nigeria. Gas is substantially cheaper per tonne of cement than alternatives such as low-pour fuel oil (LPFO), being about 7x cheaper at Obajana and around 5x cheaper at Ibese.

Across the first six months of 2013 our gas supply remained at about the same level as the first quarter, with Obajana at 83% gas and Ibese at 98.8%. We do not expect these levels to be maintained in the third quarter owing to recent vandalism of pipelines in the South of Nigeria. As a result we are maintaining our cautious guidance of an 80% / 20% mix of gas and LPFO for the whole of 2013.

As an alternative to fuelling kilns with LPFO we will continue to adapt our plants to use coal, which is cheaper than LPFO per tonne of clinker produced. Our coal mill at Ibese is expected to begin operations in the coming months and construction is under way for a coal mill for Line 3 at Obajana.

Cement sales up 29.4% with good gains in market share

Dangote Cement increased cement sales in Nigeria by 29.4% to 6.76 million tonnes in the first half of 2013. We believe this is more than double the growth rate of the overall Nigerian cement market, which we estimate to have been around 14.2% in the same period. We estimate our market share to have remained at about 62% across the first half of 2013. Pricing remains steady across our operations.

The strong growth we achieved was satisfied by additional output from the Ibese plant, which opened in the first quarter of 2012, and higher output from Obajana (the new Line 3 came onstream in the first quarter of 2012). Furthermore we achieved this strong rate of growth despite the fact that our Gboko plant was mothballed during January.

At the same time we are increasing our commitment to deliver cement directly to our customers and all of our plants substantially increased direct-to-customer deliveries during the period. Direct-to-customer deliveries are approaching nearly half of all dispatches.

Obajana operating at nearly 80% capacity utilisation

Our flagship 10.25 million tonne plant at Obajana, in Kogi state, increased cement sales by 46.0% to nearly 4.1 million tonnes in the first half of 2013. This represents a capacity utilisation rate of 79% during the first half.

The plant substantially reduced its stockpiles of surplus cement and clinker, which had been built up in the latter part of 2012 following local flooding.

Obajana continues to experience disruption to its gas supply and was obliged to use 17% LPFO in its kilns during the period.

Ibese performing strongly

Our 6.0 million tonne Ibese plant in Ogun state sold more than 2.0 million tonnes of cement during the first half of 2013, up 51.5% on the 1.35 million tonnes sold in the same period of 2012 and representing a capacity utilisation rate of about 68%.

Like Obajana, Ibese quickly reduced its stockpiles of clinker and cement as demand rose in the quarter. The gas supply was much more robust at Ibese, with the plant running on nearly 99% gas across the first half.

Gboko reopens after mothballing

Following its temporary closure in early December 2012, we reopened our Gboko plant at the end of January. Gboko sold 649,000 tonnes of cement in the first quarter, down nearly 32% on the prior year's 947,000 tonnes, reflecting in part its mothballing and re-commissioning times.

Ghana and South Africa

GreenView International in Ghana contributed revenue of nearly ₦7.4 billion in the first half of 2013, from sales of 359,000 tonnes of cement.

Sephaku Cement in South Africa has yet to begin operations, although sales of fly ash generated revenues of ₦0.3bn in the first half of 2013.

Senegal legal case remains ongoing

Title to the land on which part of our plant in Senegal is located is still in dispute and therefore the plant was unable to begin operations in H1, 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.

We remain 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, our 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 additive, with the ash being sourced in large quantities from a power station close to Delmas.

Other African projects progressing steadily

We are achieving steady progress with building projects in other African countries and have recently outlined detailed plans and assumptions to investors, the details of which can be found on our website (www.dangcem.com).

In Ethiopia, work is well underway to build a 2.5mta plant at Mugher, with production expected early in 2015. In Tanzania, we have now begun work on a 3mta, gas-fired plant at Mtwara that is expected to be operational in October 2015. In Zambia, work is underway on a 1.5mta plant at Ndola, with cement production expected in mid-2014.

Building work is progressing with a 1.5mta grinding plant in Cameroon, with completion expected in the first half of 2014. In Congo, we will build an integrated plant of 1.5mta, expected to begin production in the second quarter of 2016.

In addition, we have recently announced our intention to build a 1.5mta plant in South Sudan, to become operational in 2016, as well as a 1.5mta grinding facility scheduled to open in Kenya in 2015.

Along the coast of West Africa, we plan to build import facilities to receive and bag bulk cement produced in Nigeria and Senegal. 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 early 2015. In Ivory Coast, we plan to build a 1.5mta grinding plant in Abidjan, with operations projected to begin in early 2015. In Ghana, we plan to open 1.5mta grinding plants in Tema and Takoradi by early 2015.

The projects above will be served by exports of cement from our Nigerian plants, shipped by sea through a new export facility planned at Apapa. Work is expected to begin in the next few months and exports will be possible in the second half of 2014.

Financial review

Our accounts for 2013 include the performance of GreenView International Ltd in Ghana, which was consolidated for the first time into the 2012 Group accounts with effect from 31 December 2011, on the basis of effective control. As such, it did not appear in the unaudited quarterly results presented during 2012. We have restated our 2012 comparatives accordingly.

Financial performance

The Group's strong revenue growth continued to outpace the market's growth in the first half of 2013. Consolidated revenue increased by 28.5% to ₦198.5bn (H1 2012: ₦154.5bn). Revenue from Nigerian cement operations (including haulage revenue) rose by 29.1% to ₦190.8bn (H1 2012: ₦147.8bn), as a result of a 29.4% increase in volumes.

GreenView International in Ghana contributed revenue of nearly ₦7.4 billion in the first half of 2013, an increase of 13.9% on H1 2012.

Compared with the first half of 2012, a significant improvement in our gas supply helped to drive Group gross profits up 43.8% to ₦132.1bn at a gross margin of 66.6% (H1 2012: ₦91.9bn, 59.5% margin). The gross margin for Nigerian operations was 69.0% in the same period, compared with 61.9% in the first half of 2012.

Administrative expenses rose by just 5.3% to ₦8.9bn, while Selling and Distribution expenses rose by 73.4% to ₦12.9bn as a result of higher volumes and increased direct deliveries.

Group operating profit rose by 45.4% to ₦111.1bn, at a margin of 56.0% (H1 2012: ₦76.4bn, 49.5%). After net financial costs of ₦3.4bn (H1 2012: costs of ₦5.6bn), the Group's profit before tax was ₦107.7bn, up 52.1% on the ₦70.8bn achieved last year.

Earnings per share rose by 51.8% to ₦6.33 per share, compared with ₦4.17 per share in the first half of 2012.

Balance sheet and cash flow remain strong

Non-current assets rose to ₦609.7bn, mostly as a result of investments in plant and machinery, both within Nigeria and in other African countries.

Total assets rose from ₦673.7bn at the start of 2013 to ₦742.3bn at the end of June.

Cash and cash equivalents have increased from ₦44.4bn at the start of the year to ₦48.7bn at the end of June, after a dividend payment of ₦51.1bn in the second quarter. Net debt stood at ₦112.9.4bn compared with ₦76.4bn at the end of March 2013.

From a profit before tax of ₦107.7bn the Group generated cash from operations of ₦142.3bn and invested ₦80.9bn. Financing outflows of ₦62.9bn included the ₦51.1bn dividend already mentioned.

Current trading and outlook

Demand for cement in Nigeria continues to be strong. The rainy season is well underway and in line with seasonal trends we expect a reduction in demand in the third quarter.

As required by the Nigerian Stock Exchange we have filed a forecast for Q3 2013 that includes revenue of ₦97.1bn, operating profit of ₦51.0bn and pre-tax profit of ₦49.6bn.

This is based on the assumption that we sell about 3.3 million tonnes of cement and that the use of gas decreases as repairs and upgrades are carried out on long-distance gas infrastructure that supplies the regions in which we operate.