DANGOTE CEMENT

Unaudited results for the nine months ending 30 September 2013

Strong sales growth continues to outpace the Nigerian market

Lagos, 30 October 2013: Dangote Cement PLC (DANGCEM-NL), Nigeria's largest cement producer, announces unaudited results for the nine months ended 30 September 2013.

Financial highlights

- Consolidated Group revenue up 28.7% to ₦289.0bn
- Gross profits up 39.4% to ₦189.4bn, 65.5% margin
- EBITDA up 35.9% to ₦181.1, 62.7% margin
- EBIT up 36.4% to ₦156.9bn, 54.3% margin
- Pre-tax profit up 42.6% to ₦151.7bn
- Earnings per share up 46.1% to ₦9.19

Operating highlights

- Total Nigerian cement market grows by 13.6% to nearly 16 million tonnes
- Group's Nigerian sales volumes up 29.5% to 9.95 million tonnes
- Obajana sales volumes up 41.9%, Ibese up 46.8%
- Disruption to gas supply at Obajana, as previously indicated
- Direct-to-customer deliveries proving highly successful

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

"Demand for cement remains strong in Nigeria and with our sales nearly 30% higher than last year, Dangote Cement has grown at twice the market's rate of growth."

"As we predicted in July, the gas supply to Obajana was lower than desired during the third quarter and we are looking for additional sources of gas and other fuels such as coal to keep us fully supplied in the coming years."

"Our plant in Senegal will soon be producing cement and our South African venture, Sephaku Cement, is well on track to open in the early part of 2014. These two plants will be our first production ventures outside Nigeria as we aim to become Africa's leading supplier of 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-customer producer with production capacity of 20.25mta 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 more than 50mta 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 4mta capacity.

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 $3.4bn 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 grinding facilities in Ivory Coast and Ghana, and import/packing facilities in 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 31st October 2013, starting at 3:00pm UK time & 4:00pm Lagos time.

The dial-in details are as follows:

Participants: +44 203 139 4830
Pin code: 83845597#

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

Participants: +44 203 426 2807
Pin code: 643263#

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Summary of key performance indicators for Nigerian cement operations

(Excludes Sephaku and Ghana)

Nine months to 30 September **Nigerian cement operations only, including haulage revenue**	**2012**	**2013**	**% change**
Cement sales (kt)	7,679	9,945	29.5%
(Nigerian cement operations only)	(₦bn)	(₦bn)	
Revenue	214.4	277.3	29.3%
Revenue per tonne (₦)	27,921	27,882	-0.1%
EBITDA	134.2	182.9	36.3%
EBITDA margin	62.6%	66.0%	
EBIT	116.3	159.6	37.2%
EBIT margin	54.2%	57.6%	
	US $million	US $million	
Revenue	$1,340m	$1,733m	
EBITDA	$839m	$1,143m	

$1=₦160

Operating review

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

Nigeria's strong GDP growth continued in the second quarter of 2013, recording a gain of nearly 6.2% according to the National Bureau of Statistics (NBS). Although the Oil sector declined by 1.15%, the non-Oil sector rose by 7.36% in the same period.

Growth in the Building and Construction sector remained strong at nearly 14.9%, which is consistent with the 14.2% increase in consumption of cement in Nigeria seen across the first six months of 2013.

The Real Estate sector maintained its steady growth, up nearly 10.9% in the second quarter of 2013 and consistent with growth across much of 2012.

The outlook for Nigeria remains strong and we believe that its economy is capable of sustaining double-digit growth in cement sales as investments are made in infrastructure and housing.

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. Furthermore the construction of large industrial sites, such as the oil refinery proposed by Dangote Industries, will generate additional demand for cement in the coming years. The impact of such a large-scale industrial complex will boost the Nigerian economy and make the country a more attractive investment destination, which in turn will fuel demand for more cement.

Cement sales remain at record levels

Consumption of cement in Nigeria remains robust and we estimate that sales in the first nine months of 2013 rose by about 13.6% to nearly 16 million tonnes. Demand for cement is growing across all sectors and there is no 'stand-out' project driving sales.

Cement sales are typically seasonal, with third-quarter rains easing demand compared with the drier first half of the year. As a result, we believe that about 4.9 million tonnes of cement was sold across Nigeria from July to September, compared with 5.44 million tonnes in the first quarter and 5.55 million tonnes in the second.

Nigeria's importation of cement continues to fall away and we estimate that just 820,000 tonnes were imported in the first nine months, less than half the 1.66 million tonnes imported in the first nine months of 2012. This reduction in importation is an opportunity for local producers to satisfy demand that was previously addressed with imports.

Gas supply falls as previously expected; additional suppliers being secured

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.

At the time of the interim results in July we stated that our gas supply was likely to fall and indeed the gas utilisation at Obajana fell to 67% in the third quarter of the year, although Ibese was unaffected. Across the first nine months of 2013, the two plants had a combined gas ratio of about 85%, compared with about 87% in the first six months of the year, with Obajana at about 78% and Ibese at nearly 99%.

Obajana is supplied by pipelines that also supply some recently privatised power stations and as they ramp up generation their offtake of gas from those pipelines will increase. Disruption of our supply will continue until more suppliers are able to feed the pipelines with enough gas to satisfy the needs of the power stations and the Obajana plant. We are in active discussions with potential new suppliers.

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. Furthermore, we believe we will have far greater control over coal supplies than we do over gas. We have already built a coal mill for Ibese and construction is under way for a coal mill for Obajana Line 3.

Cement sales up 29.5% with nearly 63% market share

Dangote Cement increased cement sales in Nigeria by 29.5% to 9.95 million tonnes in the first nine months 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 13.6% in the same period. We estimate our market share to have been nearly 63% across the first nine months of 2013. Ex-factory pricing has remained steady across our operations throughout the year.

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.

Obajana sales up 41.9%

Our flagship 10.25 million tonne plant at Obajana, in Kogi state, increased cement sales by 41.9% to nearly 5.9 million tonnes in the first nine months of 2013. This represents a capacity utilisation rate of about 77%.

Ibese performing strongly

Our 6.0 million tonne Ibese plant in Ogun state sold more than 3.04 million tonnes of cement during the first nine months of 2013, up 46.8%% on the 2.07 million tonnes sold in the same period of 2012. This represents a capacity utilisation rate of about 68%. Ibese serves the fast-growing regions of Lagos and the South West.

Gboko upgrade now being commissioned

Following its temporary closure in early December 2012, we reopened our Gboko plant at the end of January. Gboko sold 1.02 million tonnes of cement in the first nine months of 2013, down nearly 23% on the prior year’s 1.32 million tonnes, reflecting in part its mothballing and re-commissioning times. Gboko is entirely fuelled by LPFO and diesel and was therefore unaffected by gas supply problems. We are in the process of commissioning a new grinding mill at Gboko, which should help to increase its capacity by up to a million tonnes per year.

Ghana and South Africa

GreenView International in Ghana contributed revenue of nearly ₦11.3 billion in the first nine months of 2013, from sales of 543,000 tonnes of cement. This is a 21.4% increase on the 447,000 tonnes sold in the same period of 2012.

Sephaku Cement in South Africa has yet to begin operations, although sales of fly ash generated revenues of nearly ₦0.5bn in the first nine months of 2013.

Senegal legal process approaching completion

Dangote Cement’s plant in Senegal has been delayed by claims on land where the plant is situated. The Supreme Court in Senegal has given orders to the effect that the claimants have no right or lawful interest in the property in dispute, which is on land where the plant is situated. Furthermore, the Supreme Court has ordered that the case be sent back to the Court of Appeal for the latter to issue a decision consistent with that ruling. Subsequently, the Administrative Closure Order was lifted by the authorities in Senegal. As such, we are free to resume project work and normal operations in Senegal.

Sephaku well on track in South Africa

A joint venture with JSE-listed Sephaku Holdings, Sephaku Cement consists of a fully integrated cement plant in Lichtenburg (230km west of Johannesburg) and a grinding plant in Delmas (40km east of Johannesburg). The Delmas plant has a cement capacity of 1.4mta is on schedule to commence production in January 2014. The Lichtenburg (Aganang) Plant has a 6000tpd clinker capacity and 1.1mta cement capacity is scheduled to be in production by mid-2014.

South African demand for cement is currently around 12.5mta and production capacity is approximately 14mta. A large portion of the existing production capacity is old and inefficient with an average plant age in excess of 35 years.

Sephaku Cement will enter the market with a strategy of focusing on a geographic area containing around 65% of the total South Africa cement market, which is well away from the ports through which imports arrive from the Far East. Benefiting from the latest and most efficient production technologies, which will reduce the cost of production compared with the older plants of other operators, Sephaku will compete in all segments of the market, offering both bagged and bulk cement with the likelihood of being able to deliver to 95% of its targeted customers.

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 integrated facility in Kenya.

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 or in early 2014. 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. We have recently announced our intention to build an integrated 1.5mta plant in Niger, the details of which have yet to be finalised.

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. 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

Dangote Cement's strong growth continued into the third quarter of 2013, with sales volumes up nearly 30% at more than twice the market's rate of growth.

Group revenues rose by 28.7% to ₦289.0bn (Jan-Sep 2012: ₦224.5bn). Revenue from Nigerian cement operations (including haulage revenue) rose by 29.3% to ₦277.3bn (Jan-Sep 2012: ₦214.4bn), as a result of a 29.5% increase in volumes.

GreenView International in Ghana contributed revenue of nearly ₦11.3bn in the first half of 2013, an increase of 16.8% on the first nine months of 2012.

Gross profits rose by 39.4% to ₦189.4bn, despite the expected drop in the gas supply in the third quarter. Gross margin was 65.5%, ahead of the 60.5% achieved in the first nine months of 2012.

Administrative expenses rose by 46.4% to ₦15.9bn as a result of higher depreciation, salaries and CSR investments.

Selling and Distribution expenses rose by 67.5% to ₦17.7bn as a result of higher volumes and increased direct deliveries.

Group operating profit rose by 36.4% to ₦156.9bn, at a margin of 54.3% (Jan-Sep 2012: ₦115.0bn, 51.2%). After net financial costs of ₦5.2bn (Jan-Sep 2012: costs of ₦8.6bn), Group profit before tax was ₦151.7bn, up 42.6% on the ₦106.4bn achieved last year.

Following a deferred tax credit of ₦4.4bn, profit for the year was ₦156.1bn. Earnings per share rose by 46.1% to ₦9.19 per share, compared with ₦6.29 per share in the first nine months of 2012.

Balance sheet and cash flow remain strong

Non-current assets rose to ₦636.9bn, 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 ₦782.6bn at the end of September.

Cash and cash equivalents have increased from ₦44.4bn at the start of the year to ₦69.1bn at the end of September, after a dividend payment of ₦51.1bn in the second quarter. Net debt stood at ₦89.3bn compared with ₦112.9bn at the end of June 2013.

From a profit before tax of ₦151.7bn the Group generated cash from operations of ₦168.5bn and invested ₦75.2bn. Financing outflows of ₦71.2bn included the ₦51.1bn dividend already mentioned.

Current trading and outlook

Demand for cement in Nigeria continues to be strong. The rainy season has been much more normal, compared with the unusually poor weather in 2012 and as a result we expect a better performance in the final quarter of the year, particularly given the lower base of Q4 2012.

As required by the Nigerian Stock Exchange we have filed a forecast for Q4 2013 that includes revenue of ₦102.4bn, operating profit of ₦54.7bn and pre-tax profit of ₦53.3bn. These figures are estimates and the final results are subject to market conditions in the final quarter of 2013.