



## Unaudited results for the three months ended 31st March 2015

### **Good revenue growth as African factories come online, earnings boosted by improved gas supply and reallocation of production to tax-free facilities**

**Lagos, 5<sup>th</sup> May 2015:** Dangote Cement PLC (DANGCEM-NL), Nigeria's largest cement producer, announces unaudited results for the three months ended 31<sup>st</sup> March 2015.

#### **Financial highlights**

- Revenue up 10.8% to ₦114.7bn with maiden Q1 contributions from non-Nigerian factories
- Gross profit up 10.5% to ₦74.7bn, 65.1% margin
- EBITDA up 13.9% to ₦72.0bn, 62.8% margin
- Net profit up 44.1% to ₦68.6bn
- Earnings per share up 45.7% to ₦4.09
- Net debt reduced to ₦180.7bn from ₦222.0bn at 31<sup>st</sup> December 2014

#### **Operating highlights**

- Group cement sales volumes up 3.4% to 3.8 million tonnes
- Contributions from South Africa, Senegal, Cameroon and new lines in Nigeria
- Nigeria margins increased by new pricing, improved gas supply and more use of coal
- Zambia, Ethiopia now in production, commercial sales expected from this month
- Gboko reopened in April 2015 to meet local demand

#### **Onne van der Weijde, Chief Executive, said:**

*"Our African projects are now beginning to deliver revenue growth for the Group and even at this early stage we are seeing good potential in all the countries into which we are expanding. Senegal has made an excellent start, Cameroon is poised for a strong entry into an exciting growth market and Sefaku Cement is clearly shaking up the South African market as the first new entrant in many years."*

*"Although sales fell in Nigeria, we improved both revenues and margins thanks to pricing actions in December following the collapse of the oil price and currency devaluation. We are making a significant investment to improve our logistical capabilities and I am pleased to report a much more favourable fuel supply in the first quarter of 2015."*

*"We have invested for growth in Africa and each new factory that opens will generate good returns for shareholders as we deliver on our promise to become Africa's leading cement company."*

## About Dangote Cement

Dangote Cement is Africa's leading cement producer with three plants in Nigeria and recently opened factories in South Africa, Senegal and Cameroon.

We are a fully integrated quarry-to-customer producer with production capacity of 29 million tonnes in Nigeria at the end of 2014. Our Obajana plant in Kogi state, Nigeria, is the largest in Africa with 13.25 million tonnes capacity across four lines. The Ibese plant in Ogun State has four cement lines with a combined installed capacity of 12 million tonnes. The Gboko plant in Benue state has 4 million tonnes capacity. Through our recent investments, Dangote Cement has eliminated Nigeria's dependence on imported cement and is transforming the nation into an exporter serving neighbouring countries.

In addition, we are investing several billion dollars to build manufacturing plants and import/grinding terminals across Africa. We have operational facilities in Senegal (1.5mt), South Africa (3mt), Cameroon (1.5mt) and Ghana (1mt import facility), and are building integrated plants in Ethiopia (2.5mt), Zambia (1.5mt), Tanzania (3mt), Rep. Congo (1.5mt) and Kenya (TBC). We plan to build import or grinding facilities in Sierra Leone (0.7mt), Ghana (1.5mt), Cote D'Ivoire (1.5mt) and Liberia (0.7mt)

Web: [www.dangcem.com](http://www.dangcem.com)

## Conference call details

A conference call for analysts and investors will be held on Tuesday 5 May at 16.00 Lagos/UK time

The dial-in details for participants are as follows:

Pin code: 121890#

Nigeria Toll Free: 0800 1234 646

Nigeria Local: +234 (0) 1440 5158

UK Local: +44 (0) 207 043 4129

UK Toll free: 0800 327 7280

USA Local: +1 646 663 7922

USA Toll Free: +1 866 840 9752

South Africa Toll Free: 0800 982 759

A replay facility will be available on the same numbers for 30 days:

Playback code: 461938 #

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## Operating review

### Group performance

Group sales of cement rose by 3.4% to nearly 3.8 million tonnes in the first quarter of 2015. Sales in of cement in Nigeria accounted for 81.8% of all Group volumes shipped, following the commissioning of new plants in South Africa, Senegal and Cameroon.

#### Summary of Group sales

<b>Regional revenues</b>	31/3/15 ₦bn	31/3/14 ₦bn
Nigeria	101.4	99.8
West & Central Africa	4.7	3.0
South & East Africa	8.7	0.8
<b>Total revenues</b>	<b>114.7</b>	<b>103.6</b>
<b>Volumes</b>	31/3/15 '000 tonnes	31/3/14 '000 tonnes
Nigeria	3,103	3,473
West & Central Africa	227	154
South & East Africa	462	39
<b>Total cement sold</b>	<b>3,792</b>	<b>3,666</b>

### Nigeria

#### Market relatively stable despite election delay

We estimate the total market for cement in Nigeria to have been approximately 5.4 million tonnes in the first quarter of 2015, slightly lower than the 5.5 million tonnes sold in the same period of 2014. We believe that the delay to the General Election was a significant factor causing some uncertainty that in turn affected decisions to buy cement for building.

Nigeria's importation of cement remains low and we estimate that just 352,000 tonnes of cement were imported during Q1 2015, only slightly higher than the 338,000 tonnes imported in the same period last year.

In March, we raised the ex-factory price of cement to ₦1,630 per bag of 42.5-grade cement (excluding VAT), which equates to ₦32,600 per tonne. For most of the first quarter, pricing was at ₦1,537/bag, following a realignment of pricing in December 2014 that helped to protect margins in Nigeria from the additional cost of importing materials and fuel following devaluation of the Naira.

Almost all sales of cement during the quarter were from Obajana and Ibese. Volumes of cement shipped to customers fell by 10.7% to 3.1 million tonnes in Q1 2015, which represents approximately 58% of total Nigerian market sales. The fall is attributable to delayed price increases by a competitor, following our own price increase in December, which resulted in a temporary shift in market share in the first few weeks of the year. In addition, we experienced some logistical issues, particularly in the South region, that hindered shipments to customers. We have already invested in new vehicles and expertise to ensure more efficient distribution in the coming months.

#### Obajana improves sales slightly as gas supply improves

Our flagship plant at Obajana, in Kogi State, achieved sales of 2.0 million tonnes (Q1 2014: 1.9mt).

The gas supply to Obajana was substantially improved at 92% in the first quarter of 2015, compared with 68% in the previous year. We expect a much more stable gas supply at Obajana in 2015. The improved gas supply as well as new coal facilities at Obajana helped reduce LPFO use from 32% to

7%, with a beneficial impact on margins at the plant. We expect to complete coal facilities for lines 1, 2 and 4 later in 2015 and this will eliminate the plant's need to use the more expensive LPFO as a back-up fuel to gas.

### **Ibese sales increase**

All four lines are operational at Ibese and the plant sold more than 1.1 million tonnes of cement in the first quarter of 2015, a 19% increase on Q1 2014.

Although gas utilisation fell slightly from 92% in Q1 2014 to 85% in the first quarter of 2015, the new coal facilities reduced LPFO use to zero in the quarter. We have begun work on coal grinding facilities for Ibese's new Lines 3&4 and expect this work to be completed in the second half of 2015.

### **Gboko reopens to serve local market**

In November 2014, having brought onstream nine million tonnes of new capacity at the gas-fired Ibese and Obajana plants, we took the decision to mothball the plant and shift its production to those higher-margin factories. The plant sold just 13,000 tonnes of cement during the quarter, from existing stocks.

To meet the growing demand in its catchment area, the Gboko plant was re-opened in April 2015.

### **Update on switch of back-up fuel to coal**

Although gas remains our primary fuel of choice at Obajana and Ibese, we are continuing to build coal mills at both plants so that we can substantially reduce and even end our dependence on Low-Pour Fuel Oil (LPFO) as a back-up fuel. LPFO is four times more expensive than gas per tonne of finished cement, but imported coal is only 2x more expensive than gas per tonne of finished cement.

In the final quarter of 2014 we commissioned coal facilities to serve Lines 1&2 at Ibese and Line 3 at Obajana. As has been reported, these new facilities helped us to reduce the use of back-up LPFO in the first quarter of 2015. We are continuing to build coal facilities at Ibese Lines 3&4 and Obajana Lines 1,2&4 so that they too can switch to coal in the event that the gas pressure drops. We expect this work to be completed by November 2015.

Our Gboko plant is also being converted to run using coal as the primary fuel, instead of the LPFO used at present, because there is no gas supply anywhere near the factory. Again, we expect this work to be completed in November 2015, substantially improving Gboko's profitability upon conversion. In addition we are installing 3x30MW coal-fired power plants so that by 2016, Gboko will be able to operate at much more competitive cost levels.

To date the coal we have used at all plants has been imported. However, we are developing a strategy to mine coal near the Obajana and Gboko plants and we believe this locally mined coal will be very competitive with gas in terms of pricing.

## **West & Central Africa**

### **Solid starts in Senegal and Cameroon**

Our West & Central Africa region sold a total of 227,000 tonnes from its facilities in Ghana, Senegal and Cameroon (Q1 2014: 154,000).

The new 1.5mt factory in Senegal has made a solid start and we expect it to ramp up production and sales in the coming months. Its 42.5-grade cement has been received well by the market, which has previously been served with mostly 32.5-grade cement, and we have seen a good increase in demand since the quarter ended.

Ghana remains a challenging market because of currency devaluation and competitor imports, although the country returned more than half of regional sales during the quarter. We are continuing to improve facilities at our import and bagging facility in Tema and have appointed a new Plant Director, Mr Tor

Nygaard, who has many years' experience in the West African cement market, notably spending ten years as Managing Director of Ghacem. The improvements at Tema include larger storage siloes and additional packing lines to enable more throughput of trucks. We expect the facility's upgrade to be completed in July. In addition, we have now finalised the contract to build the 1.5 million tonne grinding plant that will be established at Takoradi, further along the coast.

Our new 1.5 million tonne cement-grinding facility in Cameroon began operation in March and therefore made a small contribution to regional volumes sold during the quarter. However, we are pleased with the demand we have experienced so far and the positive response to our 42.5-grade cement. In 2014, Cameroon banned the importation of bulk cement and this leaves a potential shortfall of a million tonnes that can be substituted with locally ground product made from imported clinker.

Initially the plant has been using purchased clinker but our intention is to supply it with clinker from Nigeria. We believe clinker supplied from our own plants will be of much higher quality than purchased clinker, thereby enabling us to use less clinker to make the same amount of finished cement, when compared with imported clinkers. This will in turn improve margins at the plant.

## **South & East Africa**

### **Sephaku continues to make good progress**

All regional revenues came from the sale of more than 460,000 tonnes of cement in South Africa, following a strong entry into the market by Sephaku Cement. This represents a good increase on the final quarter of 2014, in which about 370kt of cement were sold.

Our 1.5 million tonne plant at Ndola in Zambia has ignited its kiln and is undergoing production trials. Because of heavy rains in the area we have experienced some waterlogging at Nodola's quarry but have secured ample limestone from other Zambian sources in the meantime. Our 42.5-grade cement has achieved local Standards compliance and will be ready for dispatch to customers later this month. We are building our own logistical capabilities in Zambia and have also received substantial interest from local distributors.

At Muger in Ethiopia our 2.5 million tonne plant is also undergoing commissioning, with the milestone of kiln ignition having been achieved in April. The plant is connected to grid electricity and stockpiles of limestone have been built up from our quarry, 4km away. As with Zambia we are building our logistical and marketing capabilities in advance of commercial sales, which are expected to begin later this month.

Work continues on our 3.0 million tonne plant at Mtwara, Tanzania, which is now expected to open in the third quarter of this year. The plant will be fuelled by coal, owing to its low cost and ease of import. As in other countries in the region we will focus on sales of 42.5-grade cement in Tanzania, where per-capita consumption is very low at 46kg, according to Global Cement Report Edition X, but which has been growing at nearly 8% from 2010 to 2013.

We are reviewing plans for Kenya with a view to increasing the scale of our proposed factory from 1.5 to 3.0 million tonnes. This is because we are confident there will be sufficient demand both in Kenya and neighbouring countries. We have secured a prospecting license and are now in the process of upgrading it to a mining license.

### **Outlook for 2015**

With uncertainty around the General Election now behind us we are confident that good growth will return in Nigeria as building work picks up. Our gas supply is significantly better than in 2014 and we are making substantial investments to improve logistics and back-up fuel capabilities for our plants.

In Africa we will soon enter the Zambian and Ethiopian markets with highly cost competitive factories that produce superior-quality products for their respective markets. Later this year we will open new facilities that will strengthen our position as Africa's leading cement company.

## Financial review

### Summary of financial performance

<b>Group</b>	31/3/15 ₦bn	31/3/14 ₦bn
Revenue	114.7	103.6
EBITDA	72.0	63.2
<i>EBITDA margin</i>	<i>62.8%</i>	<i>61.0%</i>
Operating profit	58.4	54.6
<i>EBIT margin</i>	<i>50.9%</i>	<i>52.7%</i>
Profit before tax	70.2	53.0
Net profit	68.6	47.6
<b>Earnings per ordinary share (naira)</b>	<b>4.09</b>	<b>2.80</b>
	31/3/15 ₦bn	31/12/14 ₦bn
Total assets	1,063.7	984.7
Total liabilities	401.4	392.8
Net debt	180.7	222.0
	31/3/15 ₦bn	31/3/14 ₦bn
<b>Regional revenues</b>		
Nigeria	101.4	99.8
West & Central Africa	4.7	3.0
South & East Africa	8.7	0.8
<b>Total revenues</b>	<b>114.7</b>	<b>103.6</b>
	31/3/15 '000 tonnes	31/3/14 '000 tonnes
<b>Volumes</b>		
Nigeria	3,103	3,473
West & Central Africa	227	154
South & East Africa	462	39
<b>Total cement sold</b>	<b>3,792</b>	<b>3,666</b>

### Revenues

The Group's cement sales volume increased by 3.4% as compared to the 2014 first quarter, with volumes from Senegal in the West and Central Africa region and Sephaku Cement in the South & East Africa region offsetting the decrease in volumes in Nigeria. Group revenues increased by 10.8% to ₦114.7bn (2014: ₦103.6bn), mainly due to higher revenues in South Africa and Senegal.

Nigerian cement volumes declined by 10.7% during the first quarter of 2015, but average prices increased by about 13%. Consequently revenues from Nigeria increased by 1.6% from ₦99.8bn during Q1 2014 to ₦101.4bn for the first quarter of 2015.

In West & Central Africa, Ghana contributed ₦3.1bn, Senegal contributed ₦1.3bn and Cameroon contributed ₦0.3bn resulting in increased revenue for the region as compared to the 2014 first quarter revenue all of which was from the Ghana operations.

In South & East Africa, our South African subsidiary Sephaku Cement began production at its Delmas milling plant in early 2014, with production at the Aganang integrated plant later in the year. Sephaku accounted for all ₦8.7bn of revenue from the South & East Africa region in the first quarter of 2015, compared with ₦0.8bn in the first quarter of 2014.

## Manufacturing costs

	31/3/15 ₦bn	31/3/14 ₦bn
Materials consumed	9.8	7.4
Fuel & Power	10.5	15.9
Royalties	0.1	0.1
Salaries & related staff costs	2.8	1.7
Depreciation & amortisation	9.3	5.3
Plant maintenance	3.5	2.3
Other production expenses	3.3	1.2
Decrease in finished goods and WIP	0.7	2.0
<b>Total manufacturing costs</b>	<b>40.0</b>	<b>35.9</b>

Material costs increased in line with increased production and sales volumes as a result of our subsidiaries in South Africa and Senegal starting operations during 2014 and 2015 respectively.

Although total production for the group increased, there was a reduction in the fuel & power costs as a result of improved gas availability at the Obajana plant as well as conversion of some power plants to run on coal, both of which are cheaper sources of energy compared to the LPFO that was used during the gas shortages during 2014.

Staff costs increased across the Group as a result of increased staff numbers and the commencement of operations at Sephaku and our subsidiary in Senegal.

## Administration and Selling expenses

	31/3/15 ₦bn	31/3/14 ₦bn
<b>Administration and selling costs</b>	<b>17.6</b>	<b>14.6</b>

Total operating expenses rose by 20.1% to ₦17.6bn, mostly as a result of Sephaku Cement and our factory in Senegal now being fully operational, as well as non-capitalisable expenses incurred for projects under construction.

## Profitability

Group	31/3/15 ₦bn	31/3/14 ₦bn
<b>EBITDA</b>	<b>72.0</b>	<b>63.2</b>
Depreciation, amortisation & impairment	(13.6)	(8.6)
<b>Operating profit</b>	<b>58.4</b>	<b>54.6</b>
Regional operating profit	31/3/15 ₦bn	31/3/14 ₦bn
Nigeria	57.3	55.6
West & Central Africa	0.4	(0.6)
South & East Africa	0.8	(0.4)
<b>Total operating profit</b>	<b>58.4</b>	<b>54.6</b>

The Group posted an operating profit of ₦58.4bn, 7.1% higher than the ₦54.6bn generated in 2014, with both non-Nigerian regions achieving profitability. The operating margin fell from 52.7% in 2014 to 50.9% in 2015.

Operating profits in the Nigerian operations increased by 3.0% to ₦57.3bn while the operating margin increased from 55.7% in 2014 to 56.5% in 2015. Manufacturing costs of goods sold decreased by 5.2%. The decrease was mainly driven by improved gas availability and the use of coal, a much cheaper source of energy as compared to LPFO used in 2014 due to poor availability of gas.

In South & East Africa, Sephaku Cement relied on purchased clinker until the commissioning of the Aganang plant in Q4 2014. Sephaku Cement posted an operating profit of ₦1.3bn. This contributed to a regional operating profit of ₦0.8bn in South & East Africa, compared to its operating loss of ₦0.4bn in the first quarter of 2014.

In West & Central Africa, the operating profit of ₦0.4bn in the first quarter of 2015 mainly represents the results of operations in Senegal, Cameroon and Ghana. Our operations in Senegal started contributing to revenue during the first quarter of 2015.

## Finance income and expense

	31/3/15 ₦bn	31/3/14 ₦bn
Interest income	0.7	1.6
Exchange gain	27.3	0.0
<b>Total finance income</b>	<b>28.0</b>	<b>1.6</b>
Interest expense	6.3	3.9
Exchange loss	10.1	0.0
Less capitalised interest	(0.1)	(0.7)
<b>Total finance costs</b>	<b>16.3</b>	<b>3.2</b>

The Group's interest income decreased due to a reduction in investible surplus funds. Interest expense increased by 61.5% compared to Q1 2014 due to higher average borrowings. The average effective interest during the period was 10% (Q1 2014:10%).

The Nigerian Naira fell in value significantly during the first quarter of 2015 resulting in high exchange gains from assets denominated in foreign currency and losses from liabilities denominated in foreign currencies including gains from inter-Group assets and liabilities that do not eliminate in full on consolidation.

The profit before tax was ₦70.2bn, compared with ₦53.0bn for Q1 2014. The reallocation of production from Gboko to Obajana helped to reduce our tax charge by 71.3% to ₦1.5bn during the quarter, with a consequent improvement in earnings.

The Group's profit for the quarter was ₦68.6bn (2014: ₦47.6bn) resulting in earnings per share of ₦4.09 (2014: ₦2.80).

## Financial position

### Assets and liabilities

	31/3/15 ₦bn	31/12/14 ₦bn
Property, plant & equipment	789.8	747.8
Other non-current assets	88.2	96.1
Intangible assets	4.0	3.7
Current assets	132.7	116.5
Cash & Bank Balances	49.0	20.6
<b>Total assets</b>	<b>1,063.7</b>	<b>984.7</b>
Non-current liabilities	27.8	27.9

Current liabilities	143.9	122.3
Debt	229.7	242.6
<b>Total liabilities</b>	<b>401.4</b>	<b>392.8</b>

The balance sheet continues to remain strong with non-current assets increasing from ₦847.6bn at the end of 2014 to ₦882.0bn at 31 March 2015. This was mainly as a result of increased capital expenditure, both within Nigeria and in other African countries. Total additions to property, plant and equipment amounted to ₦58.1bn, of which ₦12.9bn was spent in Nigeria, ₦13.8bn in West & Central Africa and ₦31.4bn in South & East Africa. The gross capital expenditure was partially offset by a depreciation charge of ₦13.5bn and a fall in prepayments of ₦8.2bn. This resulted in non-current assets increasing by ₦34.4bn

The increase in current assets was mainly driven by the increase in the stock of spares and fuel as well as trade and other receivables driven by the new production lines in Nigeria, Senegal and South Africa and a build-up of inventory for projects nearing completion and about to start production.

The increase in current liabilities was mainly due to a ₦20.8bn increase in trade and other payables. The increase was mainly attributable to increased advances from customers and trade payables due to the expansion of our operations.

The increase in equity represents the profit for the period of ₦68.6bn plus a translation gain of ₦1.8bn.

#### **Movement in net debt**

	<b>Cash ₦bn</b>	<b>Debt ₦bn</b>	<b>Net debt ₦bn</b>
<b>As at 31<sup>st</sup> December 2014</b>	20.6	(242.6)	(222.0)
Cash generated from operations before changes in working capital	89.1	-	89.1
Changes in working capital	3.6	-	3.6
Income tax paid	-	-	-
Capital expenditure	(58.1)	-	(58.1)
Other investing activities	(0.3)	-	(0.3)
Change in non-current prepayments	8.2	-	8.2
Net interest payments	(3.7)	-	(3.7)
Net loans paid	(16.3)	16.3	-
Other cash and non-cash movements	5.9	(3.4)	2.5
<b>As at 31<sup>st</sup> March 2015</b>	<b>49.0</b>	<b>(229.7)</b>	<b>(180.7)</b>

The Group generated cash of ₦89.1bn before changes in working capital. After working capital adjustment of ₦3.6bn, the net cash flow from operations was ₦92.7bn.

Financing outflows were ₦20.8bn (2014: ₦9.1bn), reflecting additional loans taken of ₦2.5bn, loans repaid of ₦18.9bn and interest payments of ₦4.4bn. Our borrowings are from financial institutions as well as from Dangote Industries Limited.

Cash and cash equivalents (including bank overdrafts used for cash management purposes) increased from ₦16.4bn at the start of the year to ₦44.7bn at the end of the first quarter for 2015. Net debt stood at ₦180.7bn, a decrease of ₦41.3bn from ₦222bn at 31<sup>st</sup> December 2014.

We invested ₦58.1bn in projects and normal capital expenditure (2014: ₦37.8bn). The capital expenditure was mainly associated with the new coal facilities we are building in Nigeria, as well as expenditure on the production plants under construction in the various African countries.