# Unaudited results for the three months ended March 2012

**New capacity operational and ramping up, but nationwide gas supply problems affecting margins in the short term**

**Lagos, 9 May 2012**: Dangote Cement PLC (DANGCEM-NL, "the Group"), Nigeria's largest cement producer, announces unaudited results for the three months ended 31 March 2012.

**Financial highlights**

- Revenue up 17.6% to ₦64.1bn (Q1 2011: ₦54.5bn)
- EBIT up 13.7% to ₦31.6bn, 49.3% margin (Q1 2011: ₦27.8bn, 51.0% margin)
- Pre-tax profit up 8.9% to ₦30.3bn (Q1 2011: ₦27.4bn)
- Earnings per share up 11.3% to ₦1.97 (annualised ₦7.87)
- Adoption of International Financial Reporting Standards

**Operating highlights**

- Sales of locally produced cement up 38% as new capacity becomes operational
- Nationwide gas supply issues continuing, but resolution expected in second half
- Investments end need for imports, transforming Nigeria from deficit to export
- Senegal expected operational in Q3 2012

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

*"The first quarter of 2012 saw our new capacity at Obajana and Ibese become operational and both plants are ramping up towards higher levels of production.*

*"The nationwide gas problems affected margins in the first quarter, but we expect some resolution of the problem in the summer that will enable us to achieve the much higher margins associated with gas-fired plants.*

*"The significant investments we have made in Nigeria have helped the nation become self-sufficient in cement and we are confident that when local demand is satisfied, we will begin to export cement to neighbouring countries."*

*"Our expansion into Africa is progressing well and Dangote Cement is well on the way to becoming Africa's leading cement manufacturer."*

**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 an expected production capacity of 20mtpa in Nigeria by the middle of 2012, increasing to 32.25mtpa in 2015. The Group plans to build a further 19mtpa of production and import capacity across Africa by 2015.

Dangote Cement's Obajana plant in Kogi, Nigeria, is the largest in Sub-Saharan Africa with 10.25tpa capacity across three lines and a further 3mtpa capacity planned by 2015.

The Gboko plant in Benue state has 3mtpa capacity with an upgrade to 4mtpa expected by mid-2012.

The new 6mtpa Ibese plant in Ogun, near the key market of Lagos, was inaugurated in February 2012. An additional 6mtpa of capacity is planned for completion by 2015.

The Group has recently signed a memorandum of understanding for the construction of a 3mt plant in Calabar by 2015.

Through its recent investments, Dangote Cement has eliminated Nigeria's dependence on imported cement and will soon transform the nation into a net exporter serving other African states. The Group has plans to convert some of its import terminals into export terminals to support this aim.

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

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

**Analyst/investor conference call**

**A conference call for global analysts and investors will start at 16.00 Lagos/UK time today, 9 May 2012.**

A copy of the accompanying slide presentation can be found at www.dangote-group.com or by emailing caroline.marlen@fticonsulting.com

**Call details**
International: +44 203 140 0668
UK: 0800 368 1950
Conference ID: 204410#

**A replay facility will be available for seven days**
International: +44 20 3140 0698
UK: 0800 368 1890
Conference ID: 384723#

**Contact details**
**Dangote Cement**
Carl Franklin
Head of Investor Relations
& Corporate Communications

Nigeria mobile: +234 803 535 1383
UK office: +44 207 399 3070
UK mobile: +44 7713 634834
Carl.franklin@dangote-group.com

**Financial PR – London**
Ed Bridges / Richard Mountain
FTI Consulting
+44 20 7831 3113

**Financial PR – Africa**
Tim Newbold / Nick Chambers
Africa Practice
+234 (0)1812 0863

**Summary of key performance indicators**

| Three months to 31 March | **Jan-Mar 2011** | **Jan-Mar 2012** | **% change** |
|---|---|---|---|
| Cement sales (kt) | 2,128 | 2,364 | 11% |
| Sales of locally produced cement (kt) | 1,606 | 2,223 | 38% |
| Sales of imported cement (kt) | 522 | 141 | -73% |
| | | | |
| **Nigerian operations (Cement)** | Company | Company | |
| Revenue (₦bn) | 54.508 | 63.992 | 17.4% |
| Revenue per tonne (₦) | 25,614 | 27,075 | 5.7% |
| EBITDA (₦bn) | 31.4 | 37.6 | 15.6% |
| EBITDA margin | 57.7% | 58.7% | 1.0pp |
| EBITDA per tonne (₦) | 14,774 | 15,905 | 7.6% |
| | | | |

**Operating review**

**Robust GDP growth fuels rising demand for cement**

Nigeria's economy continued its rapid expansion in the latter part of 2011, with Real GDP growing by 7.68% in the fourth quarter according to the National Bureau of Statistics. The non-oil sector maintained its strong performance by achieving a 9.03% increase in final quarter, offsetting some weakness in the oil sector in the latter part of 2011.

Both the Building & Construction and Real Estate sectors continued their strong growth, fuelling high demand for cement in Nigeria. Building & Construction rose by 12.8% in Q4 2011 while the Real Estate sector achieved 11.0% growth.

Government infrastructure projects are a major demand driver for cement. In its recently published *2012-2015 Medium Term Expenditure Framework & Fiscal Strategy Paper* the Federal Government committed itself to higher spending on critical infrastructure projects, as well as an increase in PPP funding. Capital spending by the Federal Government is expected to rise from an estimated ₦1,147bn in 2011 to ₦1,644bn in 2015 – an annual increase of about 9.4%.

Furthermore, the imminent rebasing of the Nigerian economy is likely to reveal its true strength and highlight Nigeria's attractiveness as an investment destination.

**Strike and nationwide gas supply problems affect sales and margins**

As previously reported, the nationwide strike in January had an effect on sales of cement during its duration and this, combined with slower-than-anticipated ramp-up of new capacity at the Obajana plant, resulted in sales being lower than forecast at the beginning of the year.

Furthermore, as highlighted in the Group's 2011 results statement, the country has been experiencing gas supply problems that have affected margins at the Ibese and Obajana plants. Gas shortages have forced the Group to use furnace oil (LPFO) at much higher proportions than the 5% expected during normal operations. As a consequence, the Group's margins were lower than expected in the forecast filed at the Nigerian Stock Exchange in January.

**New capacity ramping up as imports fall away**

Overall sales of cement rose 11.1% to 2.36 million tonnes. Sales of cement produced by the Group's plants rose by 38% to 2.22 million tonnes, compared with 1.61 million tonnes in 2011.

Some imported cement was sold during the quarter, totalling 141,000 tonnes. This represents stock being cleared from terminals.

**Obajana expansion now operational**

Obajana is Dangote Cement's largest plant, contributing 59% of the Group's sales and 79% of its EBITDA in 2011.

Obajana produced 1.23 million tonnes of cement in the first quarter of 2012, up 7.8% on Q1 2011. As previously reported the 5 million tonne expansion of Obajana has taken longer than expected, with kiln operations on Line 3 commencing in the middle of February. In addition, kilns on lines 1 and 2 were taken offline for regular maintenance during the quarter.

The plant now has 10.25 million tonnes of capacity operational and is expected to reach high levels of utilisation in the next few months.

Obajana experienced gas supply problems that led to a sub-optimal fuel mix of about 33% LPFO, compared with around 5% in normal operations. This contributed to a fall in margins at the plant.

Throughout its working life, Obajana has supplied many regions of Nigeria including the key markets of Lagos and the South West. However, with the new lines at Ibese now providing 6 million tonnes of capacity less than 100km from Lagos, the Group will begin to distribute 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 creating markets where little or no cement was sold before.

The new capacity at Obajana is eligible for Pioneer Tax Status, with a tax exemption of five years starting 1 January 2013. Construction of a fourth line, of 3mt, will begin this year.

**Ibese ramping up well**

Ibese began commercial production in early January and is ramping up well. The plant produced 0.5 million tonnes of cement in the first quarter – a utilisation rate of 34% for the period. This is a commendable performance for a new plant, especially given the problems with the general strike and the gas supply issues. With ramp-up continuing well, the Group expects Ibese to achieve high levels of utlilisation in the second half of the year.

As with Obajana, Ibese made higher use than normal of LPFO, with a mix of about 20% over the quarter. This, too, contributed to margins being lower than anticipated for the quarter.

Ibese will serve the fast-growing markets of Lagos and the South West. However, its proximity to the border with Benin, as well as to the ports of Lagos, make it an excellent base for a longer-term export strategy.

**Gboko**

The Group's Gboko plant produced 0.47 million tonnes of cement, slightly up on the 0.46 million tonnes produced in the first quarter of 2011, at the utilisation rate of nearly 63%.

During the quarter, one kiln at Gboko was taken offline for scheduled maintenance. While Gboko is not powered by gas, it suffered knock-on effects of the gas supply problem when supplies of LPFO came under pressure because of the increased demand from Ibese and Obajana. The Group continues to increase supplies of LPFO to ensure continuous production across all plants. In addition, the Group is actively examining the feasibility of gas-fired production at the plant as an alternative to fuel oil.

Gboko will be upgraded to 4 million tonnes capacity in the summer, with the addition of a new grinding mill and other improvements.

## Senegal production expected in Q3 2012

Building work at Dangote Cement's new Senegal plant is almost complete, with some testing of equipment having already been completed. However, as already reported, the Group is building a coal-fired power station to power the plant, owing to the inability of the local electricity provider to supply power, as previously expected.

Commercial production at the 1.5 million tonne plant is expected to commence in August and given ramp-up times, the Group expects that it will make just a small contribution to the year's sales.

## African expansion projects are advancing

Sub-Saharan Africa is experiencing strong economic growth that is driving the need for substantial infrastructure investment. Dangote Cement aims to become the leading producer of cement across Africa and the Group is committing more than $2.5bn to build around 19mtpa production and import capacity across a further 13 countries where market conditions are favourable.

Contracts have already been signed on the planned manufacturing plants, totalling around 14mtpa in most cases with mobilisations to sites expected in 2012. With the current production schedule, which is subject to change, the Group expects all of its planned production facilities to be completed by the end of 2014.

Import terminals with total capacity of more than 4mtpa are also planned with site mobilisations expected this year. The terminals are expected to be completed by the middle of 2013.

As has been widely reported, disputes about land rights in Cameroon have delayed the start of work on a new clinker grinding plant in Doula, but the Group is confident that these disputes will be resolved by the Government of Cameroon and work is expected to begin shortly thereafter.

## Financial review

## Adoption of International Financial Reporting Standards

The Group's results are presented for the first time under International Financial Reporting Standards, the conversion to which was completed during the quarter. These include accounts for the 2011 financial year presented according to IFRS.

## Profits up but margins affected by gas supply issues

The Group achieved strong growth in revenues and profits in the first quarter of 2012. With cement sales up 11% and price per tonne up nearly 6%, revenues rose 17.6% to ₦64.1bn (Q1 2011: ₦54.5bn) including a contribution of ₦0.1bn from Ash operations at Sephaku in South Africa. Revenues included sales of 141,000 tonnes of imported cement being cleared from terminals following the Group's cessation of imports.

Gross profits rose 27.3% to ₦36.6bn, reflecting the higher proportion of locally produced cement (Q1 2011: ₦28.8bn).

Operating profits rose by 13.7% to ₦31.6bn at an operating margin of 49.3% (Q1 2011: ₦27.8bn, 51.0% margin). Despite the much smaller revenue contribution of lower-margin imports, the nationwide gas supply problems forced the Group to use a higher than normal amount of LPFO in its gas-fired plants, thus affecting margins.

After net finance costs of ₦1.3bn, the Group's profit before tax rose 8.9% to ₦30.3bn.

Earnings per share for the period were 1.97 naira (7.87 naira annualised) against 1.77 naira in Q1 2011 (7.07 naira annualised).

**Balance Sheet**

The Group's balance sheet is presented for the first time according to International Financial Reporting Standards.

Non-current assets rose slightly to ₦475bn, mostly as a result of investments in plant and machinery. Reclassifications of capital work in progress (₦85bn) related to the commissioning of Ibese. Prepayments rose from ₦24.4bn to ₦51.9bn as a result of advances to contractors.

The Group' cash at bank and short term deposits rose from ₦22.4bn at 31 December 2011 to ₦31.9bn, while the Group's overdraft increased from ₦4.1bn to ₦11.1bn. The Group invested ₦14.7bn during the quarter.

**Current trading and outlook**

Demand for cement remains strong in Nigeria and the cessation of imports is providing support for pricing as new capacity continues to ramp up.

As required by the Nigerian Stock Exchange, the Group has filed a forecast for the first six months of 2012. Revenues are expected to be approximately ₦150.3bn with operating profit (EBIT) of ₦80.9bn and pre-tax profits of ₦77.4bn. The forecast assumes an approximate volume of 5.5 million tonnes at pricing levels similar to those achieved in the first quarter, and that LPFO use declines across the gas-fired plants, Obajana and Ibese.

The Group believes that the outlook for second half of the year remains positive, with plants expected to be running at much higher capacities and gas availability at more normal levels.