DANGOTE CEMENT

Unaudited results for the nine months to 30 September 2014

Fuel shortages continue to weigh on sales and profitability
New lines commissioned at Obajana and Ibese, coal capabilities at Ibese
New pricing strategy dramatically increases affordability

Lagos, 3 November 2014: Dangote Cement PLC (DANGCEM-NL), Nigeria's largest cement producer, announces unaudited results for the nine months ended 30 September 2014.

Financial highlights

- Consolidated Group revenue up 7.3% to ₦310.2bn
- Nigeria revenue up 7.3% to ₦297.5bn
- Group gross profits up 1.4% to ₦199.7bn, 64.4% margin
- EBITDA up 4.5% to ₦189.2bn, 61.0% margin
- EBIT up 3.5% to ₦162.4bn, 52.4% margin
- PBT up by 1.5% to ₦154.1bn
- Earnings per share down 10.1% to ₦8.26 as some Nigerian operations become taxable

Operating highlights

- Disruption to gas and LPFO supplies constrains production and market growth
- Total Nigerian cement market grows by 1.3% to 16.2 million tonnes
- Nigerian sales volumes down 1.0% to 9.8 million tonnes
- Obajana sales volumes down 6.0%, Ibese down 6.5%, Gboko up 34.9%
- Successful launch of 3x brand of 42.5R cement in Nigeria
- Sephaku Cement becomes fully operational in South Africa

New cement pricing announced

- 32.5-grade reduced to ₦1,000 per 50kg bag (excl. VAT, ex-factory price)
- 42.5-grade reduced to ₦1,150 per 50kg bag (excl. VAT, ex-factory price)
- Will stimulate demand for cement in housing and infrastructure markets

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

"Fuel disruption has continued to challenge the business but we have successfully commissioned coal facilities at Lines 1+2 in Ibese and we are on the threshold of commissioning the coal facility at Obajana.

"Although it has been a challenging year so far we remain optimistic that the Nigerian market will continue its strong growth and we are best positioned to meet the market demands as we commission new lines at Ibese and Obajana to increase our capacity to 29 million tonnes in Nigeria. Our new pricing strategy will help to increase the consumption of cement across the Nigerian market."

"Sephaku Cement in South Africa is now fully operational following the commissioning of the Aganang integrated plant near Johannesburg. Although there will be delays in Sierra Leone and Liberia because of the Ebola crisis, we are making progress across our other African projects and continue working to become Africa's leading cement company."

About Dangote Cement

Dangote Cement is Africa'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 up to 29 million tonnes expected to be operational in Nigeria by the end of 2014 and new operations beginning to come onstream across the rest of Sub-Saharan Africa. The Group plans to have up to 42 million tonnes capacity by the end of this year and 50-60 million tonnes of production, grinding and import capacity in Sub-Saharan Africa by 2016.

Dangote Cement's 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 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 is investing several billion dollars to build manufacturing plants and import terminals across Africa. Current plans, apart from the plants mentioned earlier, are for integrated or grinding plants in Nigeria, Ethiopia, Senegal, Republic of Congo, Liberia, Tanzania, Kenya and Zambia, as well as Ivory Coast and Ghana.

Web: www.dangcem.com

Conference call details

A conference call for analysts and investors will be held on Tuesday 4 November at 16.00 Lagos time / 15.00 UK time

The dial-in details are as follows:

Participants: +44 203 139 4830
Pin code: 46957045#

A replay facility will be available for 30 days as follows:

Participants: +44 203 426 2807
Pin code: 651826#

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Operating review

Nigeria

Cement market constrained by continuing fuel disruption and seasonal rains

Continuing fuel disruption and seasonal third-quarter rains combined to constrain cement sales in Nigeria. In the nine months to September 2014 we estimate the market to have been 16.18 million tonnes, only about 1.3% higher than the 15.97 million tonnes sold in the same period of 2013.

As previously indicated, however, this should also be viewed in the context of an unusually strong first half in 2013, as building work recovered strongly after the floods of late 2012.

Nigeria's importation of cement remains low and we estimate that just 929kt of cement were imported during the first nine months of 2014, slightly higher than the 850kt imported in the same period last year.

In May 2014, Nigeria revised the national standards for cement with different strength grades of cement being required for different building purposes. The lowest strength, known as 32.5 may be used for basic work such as plastering, while higher-strength 42.5 grade cement is to be used for block-moulding and the casting of columns, beams and slabs. The highest grade, known as 52.5, is required for heavy load-bearing structures such as bridges. Dangote Cement is able to sell all three types of cement to meet the different needs of each market segment.

Nigerian cement sales down 1%, constrained by fuel shortages and maintenance

Sales of Dangote cement fell by 1% to 9.84 million tonnes in the first nine months of 2014, which we estimate to have been around 61% of total market sales.

Our production of cement was severely constrained by excessive shortages of gas at the Obajana plant, which is primarily gas fired. Gas shortages are caused by a general lack of investment in the gas distribution network serving the central regions of the country.

The problem of gas disruption was exacerbated by a lack of the low-pour fuel oil (LPFO) that we use as a back-up fuel, as we and other industries were forced to switch to it during gas shortages. Switching to LPFO *en masse* depleted national reserves and put refineries under considerable pressure, meaning we had to import LPFO in the spot market at extra cost. In addition, the shortages of gas forced us to use a much higher level of diesel than normal for power production. Overall, our gas utilisation has been 70% on a weighted average basis across Ibese and Obajana.

At the beginning of March, we increased the price of our 42.5-grade cement by 10% in Nigeria, to reflect its higher quality compared with similarly priced 32.5-grade products in the market. This was our first price adjustment in more than five years, despite annual increases in our input costs. The full benefit of this adjustment began to flow through from April. We are launching a lower-priced 32.5-grade product to cater for specific market needs.

Obajana sales down 6.0% as gas shortage affects production, Line 4 commissioning

Our flagship plant at Obajana, in Kogi state, suffered disruption to both its gas and LPFO supplies; as a result, sales fell by 6.0% to nearly 5.5 million tonnes in the first nine months of 2014. This represents a capacity utilisation rate of about 72%.

Obajana averaged 70% gas utilisation ratio during the period, with low gas supply compounded by some shortages of the back-up furnace oil (LPFO) we use to fuel the kilns. We are nearing the completion of commissioning of a coal mill on Line 3 to diversify our fuel sources thereby providing a cheaper alternative to LPFO.

In September we began commissioning Line 4 at Obajana.

Ibese sales down 6.5% but Lines 3+4 commissioning

Our 6.0 million tonne Ibese plant in Ogun state sold 2.9 million tonnes of cement during the first nine months of 2014, which was 6.5% lower than the previous year. This represents a capacity utilisation rate of about 64%. Gas utilisation averaged 94% at Ibese during the period. We have successfully commissioned coal mills at Ibese to provide an alternative back-up fuel to LPFO on Lines 1+2. In addition, Ibese experienced 18 days' downtime during the period for maintenance.

In September we started the commissioning of Lines 3+4 at Ibese, representing nearly US$540m of investment.

Gboko increases sales by 35%

Our Gboko plant in Benue state increased sales by 34.9% to 1.4 million tonnes, when compared to the first nine months of 2013, in which the plant was mothballed during January.

Gboko is entirely fuelled by LPFO and diesel and shortages of LPFO forced us to suspend production of cement at Gboko for a number of days during the period.

West & Central Africa

Ghana sales reduced as currency impact challenges importation

Devaluation of the Ghanaian Cedi made it unattractive to import cement into Ghana during the second quarter of 2014 and as a result, revenues fell from ₦11.3billion in the first nine months of 2013 to ₦4.9 billion in 2014. This represents sales of 240kt tonnes of cement, compared with around 550kt sold in the first nine months of 2013.

Senegal legal process resolved, plant being readied for operations

The opening of Dangote Cement's plant in Senegal was delayed by claims on land where the plant is situated. In 2013 the Supreme Court in Senegal gave orders to the effect that the claimants had no right or lawful interest in the property in dispute, which is on land where the plant is situated.

Furthermore, the Supreme Court ordered that the case be sent back to the Court of Appeal for the latter to issue a decision consistent with that ruling. Before the Court of Appeal could reissue the decision, the parties reached an amicable out-of-court settlement of the case.

Subsequently, the Administrative Closure Order was lifted by the authorities in Senegal and we began the process of returning workers to the site so that building work could be completed and commissioning could begin.

We experienced some delays in the commissioning process as the plant had been idle for one year. Now its power plant has been commissioned and the cement plant is under commissioning. We expect the production of clinker this month and cement in December.

Update on projects

Our 1.5mta grinding plant in Cameroon is expected to begin production of cement by the end of November.

Along the coast of West Africa, we plan to build import and grinding facilities to receive and process raw materials supplied from Nigeria, Senegal and elsewhere. We anticipate some delays in Sierra Leone and Liberia because of the worsening Ebola crisis, and Sierra Leone is now unlikely to open in 2014 unless there is a dramatic improvement in the Ebola situation.

We had delayed the commencement of work on the proposed 1.5 million tonnes grinding facility in Cote d'Ivoire, but we expect this to become operational in the second quarter of 2016.

East & South Africa

Sephaku Cement performing well, Aganang integrated plant now producing cement

Sephaku Cement, our joint venture with JSE-listed Sephaku Holdings, consists of a fully integrated cement plant in Lichtenburg (230km west of Johannesburg) and a grinding plant in Delmas (40km east of Johannesburg).

Cement production began at Delmas in January 2014 and Sephaku contributed ₦7.7bn in sales in the first nine months of 2014. This compares with ₦0.5bn generated by sales of fly ash in the first nine months of 2013.

In late August, clinker production began at the Aganang plant with some of its initial production being transported to Delmas for grinding into cement. In September 2014, Delmas reached an annualised production capacity utilisation of 80%, which is an indication of the increasing sales ramp-up rate since the beginning of the year.

Demand for the SepCem brand has increased significantly in both the bulk and retail (bag) markets, as reflected by its delivery to more than 1,000 points of sale in the targeted markets and the fact that approximately 500 order related calls are being received every day. Aganang began commercial sales of its own cement at the beginning of October 2014.

Update on projects

We are achieving steady progress with building projects in other countries in our East & Southern Africa region. In Ethiopia, work is well underway to build a 2.5mta plant at Mugher, with plant commissioning now expected to be completed late in 2014 or in the first quarter of 2015. In Zambia, work is underway on a 1.5mta plant at Ndola, with cement production expected late in H2 2014. In Tanzania, we have now begun work on a 3mta plant at Mtwara that is expected to be operational in late 2015.

We are reviewing plans for Kenya with a view to increasing the scale of our proposed factory from 1.5mta to 3.0mta. 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. In South Sudan, we have put our plans on hold owing to the unfavourable political and conflict situation that exists in the country at present.

Current trading and new pricing strategy

Today, on 3 November 2014, we are announcing significant cuts in the price of cement. Our 32.5-grade cement will sell for ₦1,000 per 50kg bag (excl. VAT, ex-factory pricing) and our 42.5-grade will sell for ₦1,150 per 50kg bag (excl. VAT, ex-factory pricing).

With new lines operational at Ibese and Obajana we are poised to increase our production of clinker and cement to serve the increased demand we believe will result from this decision to cut prices.

We have begun operating coal facilities for Lines 1&2 at Ibese and will soon be commissioning the coal mill at Line 3 at Obajana. These should improve our fuel security and margins, by displacing the use of LPFO as a secondary fuel in our kilns. Over the next 1-2 years we will invest an additional $190m in building coal facilities at the other lines at Ibese and Obajana, as well as in converting Gboko to run entirely on coal for both kilns and power. In the longer term we and our parent company Dangote Industries (DIL) are exploring the possibility of mining coal near to the Obajana and Gboko plants, to reduce our reliance on imported coal. In addition, DIL is also involved in bidding for gas assets in Nigeria as well as building up gas pipe line infrastructure, to improve the availability of gas in Nigeria.

Although growth in 2014 has been challenged by erratic fuel supplies affecting production, we believe that in the medium term, the Nigerian market will continue growing at a healthy rate. With our newly added 9mt of capacity we will be best positioned to cater to the burgeoning demand for cement.

We offer the following guidance for 2014 and beyond, based upon information available at present:

- In Nigeria, our average tax rate is likely to be around 8% - 10%for 2014.
- Capital expenditure will be more than US$1bn in 2014, with building work completing on Ibese 3&4, Obajana 4 and African projects progressing including Ethiopia, Tanzania, Zambia, Senegal, Cameroon, etc. Capital expenditure will ease as other projects come to completion in 2015 and 2016.

Financial review

Summary of financial performance

	30-Sep-14 ₦'000	30-Sep-13 ₦'000
Group Revenue	**310,214,307**	288,984,213
Revenue per tonne	**29,527**	**27,544**
EBITDA*	**189,243,823**	181,077,384
EBITDA* margin	**61.0%**	**62.7%**
EBIT**	**162,455,682**	**156,887,970**
EBIT margin	**52.4%**	**54.3%**
Net Profit	**140,476,507**	156,128,318
Earnings per Ordinary Share(basic)	**8.26**	9.19

* represents Earnings before interest, taxes, depreciation & amortisation
** represents Earnings before interest and taxes.

Physical Volume of cement sales in thousand tonnes	**30-Sep-14**	**30-Sep-13**
Cement sold from Nigeria	**9,843**	9,944
Cement sold from rest of West and Central Africa	**240**	548
Cement sold from East and South Africa	**423**	-
Total attributable volume of cement sales	**10,506**	10,492

Group revenues increased by 7.3% to ₦310.2bn (Jan-Sep 2013: ₦289.0bn). In Nigeria, revenues increased by 7.3% to ₦297.5bn (Jan-Sep 2013: ₦277.3bn), largely reflecting the impact of the 10% quality surcharge introduced in March.

Following the commissioning of its Aganang and Delmas plant in South Africa, Sephaku Cement contributed revenues of ₦7.7bn (Jan-Sep 2013: ₦0.5bn). As previously noted, Dangote Cement Ghana contributed ₦4.9bn of revenue, 56.2% down on the first nine months of 2013, following the decision to scale back imports in view of the volatility of foreign exchange rates.

Group gross profit was largely affected by gas and LPFO shortages and rose by just 1.4% to ₦199.7bn, at a margin of 64.4% (Jan-Sep 2013: ₦196.9bn, 68.1%). A higher proportion of sales from LPFO-fuelled Gboko also weighed on gross margins during the period under review.

Key manufacturing costs

The key components for manufacturing expenses are materials consumed, fuel & power, royalties, salaries and related staff costs, depreciation and amortisation and other production expenses as set out in the table below.

	30-Sep-14 ₦'000	30-Sep-13 ₦'000
Material Consumed	26,156,675	30,458,970
Fuel & Power Consumed	51,667,352	33,696,778
Royalty	344,250	370,100
Salaries and related staff costs	6,870,713	6,188,214
Depreciation & amortization	15,760,287	14,309,006
Other Production expenses	11,677,827	10,470,955
(Increase)/Decrease in finished goods and work in progress	(1,974,933)	(3,418,631)
Total manufacturing costs	**110,502,171**	92,075,392

Total manufacturing costs were mainly affected by the shortage of gas and LPFO. This affected gross profit which rose by just 1.4% to ₦199.7bn. The impact of the fuel shortages was partially offset by favourable movements in materials consumed mainly as a result of a fall in the price of gypsum, a key component in the production process

Total operating expenses fell by 2.8% to ₦39.9bn, on account of strict control of costs.

Net financial costs increased from ₦5.2bn in Jan-Sep 2013 to ₦8.4bn in the current period as a result of higher borrowings. Group profit before tax rose by 1.5% to ₦154.1bn (Jan-Sep 2013: ₦151.7bn).

Profit and earnings per share

As a result of the factors above, the Group posted an operating profit of ₦162.5bn, 3.5% higher than the ₦156.9bn generated for the same period last year. The operating margin fell from 54.3% in Jan-Sep 2013 to 52.4% in the first nine months of 2014.

Operating profits in the core Nigerian operations rose by 3.3% to ₦164.9bn while operating margin fell from 57.6% in Jan-Sep 2013 to 55.4% in the first nine months of 2014. Our operations in the rest of West and Central Africa sustained operating loss of ₦2.1bn (Jan-Sep 2013: ₦2.1bn) as a result of start-up costs in Senegal and losses in Ghana owing to conscious scaling down of operations in view of the challenges on the forex front. South African subsidiary, Sephaku Cement continue to ramp up its volume. However, our operations in East & South Africa posted an operating loss of ₦0.3bn (Jan-Sep 2013: ₦0.7bn), mostly related to Sephaku Cement in South Africa, which had been producing cement mainly from purchased clinker during the period under review. Non-capitalisable expenses were also higher.

With profits on operations at Obajana (Lines 1 & 2) and Gboko now subject to taxation, the Group had a tax charge of ₦13.6bn (Jan-Sep 2013: credit of ₦4.4bn) to leave profit for the year lower by 10.0% at ₦140.5bn (Jan-Sep 2013: ₦156.1bn). As a result, earnings per share were lower by 10.1% at ₦8.26 per share (Jan-Sep 2013: ₦9.19).

Balance sheet and cash flow remain strong

	30-Sep-14 ₦'000	31-Dec-13 ₦'000
Property, plant and equipment	704,659,469	581,465,116
Other Non-Current Assets	75,973,016	111,351,233
Goodwill and intangible assets	2,948,382	2,306,170
Current assets	109,211,203	78,801,211
Cash and Bank balances	35,594,720	70,501,583
Total Assets	**928,386,790**	844,425,313
Shareholders' equity	566,123,339	545,064,392
Non-Controlling Interest	4,771,637	5,028,878
Total Equity	**570,894,976**	**550,093,270**
Non-Current liabilities (excluding debt)	5,482,839	4,714,880
Current Liabilities (excluding debt)	122,691,934	108,477,383
Debt	229,317,041	181,139,780
Total Equity and liabilities	**928,386,790**	844,425,313
Capital Expenditure	**30-Sep-14 ₦'000**	31-Dec-13 ₦'000
Nigeria	105,250,317	108,109,888
West & Central Africa	12,963,416	9,218,235
East and South Africa	50,613,777	33,287,877
Total Assets	**168,827,510**	150,616,000

The balance sheet remained strong with non-current assets increasing from ₦695.1bn at the end of 2013 to ₦783.6bn at 30 September 2014, mostly as a result of increased capital expenditure, both within Nigeria and in other African countries. Total additions amounted to ₦168.8bn of which ₦105.3bn was spent in Nigeria, ₦13.0bn in West & Central Africa and ₦50.6bn in East & South Africa.

The gross capital expenditure was partially offset by a depreciation and amortisation charge of ₦26.8bn and the utilisation of capital allowances, which resulted in a ₦12.2bn fall in deferred tax assets and a ₦23.1bn fall in prepayments. This resulted in non-current assets increasing by ₦88.5bn.

The increase in current liabilities is mainly driven by a ₦17.2bn increase in trade payables.

The increase in equity represents the profit for the period of ₦140.5bn less dividend paid of ₦119,3bn and translation loss of ₦0.6bn.

Cash and cash equivalents (including bank overdrafts used for cash management purposes) decreased from ₦69.6bn at the start of the year to ₦33.6bn at the end of September. Net debt stood at ₦193.7bn, up from ₦110.6bn at the start of the year, reflecting an increase in short-term loans.

Total assets rose from ₦844.4bn at the start of 2014 to ₦928.4bn at the end of September.

Cash flows	**30-Sep-14** **₦'000**	30-Sep-13 **₦'000**
Net Cash generating by operating activities before working capital changes	**190,925,203**	181,527,306
Change in working capital	(17,777,283)	20,939,724
Gratuity Paid	(563,065)	(2,300)
Income tax paid	(225,937)	(1,681,803)
Cash flows from operating provisions	**172,358,918**	200,782,927

	30-Sep-14 **₦'000**	31-Dec-13 **₦'000**
Cash and Bank Balances	35,594,720	70,501,583
Debt	229,317,041	181,139,780
Net Cash/debt	**(193,722,321)**	(110,638,197)

The Group generated an EBITDA of ₦189.2bn during the nine months ended 30th September 2014. Out of this, after expending ₦17.8bn on incremental working capital, the net cash flow from operations was ₦172.4bn.

We invested ₦168.8bn in projects and normal capital expenditure (Jan-Sep 2013: ₦93.4bn).

Financing outflows were ₦81.4bn (Jan-Sep 2013: ₦70.4bn), reflecting additional loans taken of ₦97.4bn, loans repaid of ₦49.3bn, interest payments of ₦10.3bn and ₦119.3bn in dividends paid.