Unaudited results for the six months ended 30th June 2019

Group volumes maintained against difficult conditions in key markets

Lagos, 29th July 2019: Dangote Cement PLC (DANGCEM-NL), Africa's largest cement producer, announces unaudited results for the six months ended 30th June 2019.

Financial highlights

- Group revenue down 3.0% to ₦467.7B
- Group EBITDA down 11.4% to ₦217.9B, 46.6% margin
- Nigeria EBITDA down 11.6% to ₦200.6B, 61.1% margin
- Pan-African EBITDA down 7.5% to ₦23.9B, 17.1% margin
- EPS up 6.2% to ₦7.01 on lower tax charge
- Net debt of ₦318.6B after dividend payment of ₦272.6B

Operating highlights

- Group volumes maintained at 12.3 million tonnes
- Nigerian volumes down 2.8% to 7.6 million tonnes, affected by election delays and competition
- Pan-African volumes up 2.7% to nearly 4.7 million tonnes, despite challenges in South Africa and Ethiopia

Joe Makoju, Group Chief Executive Officer, said:

"Group sales volumes were only slightly down on last year and this was a solid performance against the impact of delayed elections and increased competition from new capacity in Nigeria, as well as operational and economic challenges in key territories such as Ethiopia and South Africa. However, we saw a stronger performance from Tanzania, which is now running on gas turbines, and also from Senegal, where our sales volumes are more than 100% of our rated capacity.

Our variable costs continue to be affected by foreign exchange effects as well as higher fuel and distribution costs. In response, we have taken action to enhance margins in Nigeria and are confident that our increased promotional activity in our home market will help to drive sales volume growth in the second half of the year, helped by an increase in infrastructure investment that we believe will be a major focus for government in the coming months.

Our financial strength was demonstrated by the generous dividend payment we made in June and the continuing success of our Commercial Paper programme, which raised a total of ₦91B in the second quarter. This financial strength continues to underpin our position as Africa's leading cement company, despite the challenging conditions we have seen so far in 2019, and our actions have positioned us strongly for growth when economic conditions recover in key markets."

About Dangote Cement

Dangote Cement is Africa's leading cement producer with nearly 46Mta capacity across ten countries in Sub-Saharan Africa. A fully integrated quarry-to-customer producer, we have a production capacity of 29.25Mta in our home market, Nigeria. Our Obajana plant in Kogi state, Nigeria, is the largest in Africa with 13.25Mta of capacity across four lines; our Ibese plant in Ogun State has four cement lines with a combined capacity of 12Mta, while our Gboko plant in Benue state has 4Mta. Through our recent investments, Dangote Cement has eliminated Nigeria's dependence on imported cement and has transformed the nation into a net exporter, serving neighbouring countries that lack the limestone necessary for cement manufacturing.

In addition, we have operations in Cameroon (1.5Mta clinker grinding), Congo (1.5Mta), Ghana (1.5Mta import), Ethiopia (2.5Mta), Senegal (1.5Mta), Sierra Leone (0.5Mta import), South Africa (2.8Mta), Tanzania (3.0Mta), Zambia (1.5Mta).

Website: www.dangotecement.com

Twitter: @DangoteCement

Conference call

A conference call for analysts and investors will be held on Tuesday 30th July at 14.00 Lagos/UK time.

Please register using the link below.

Dangote Cement - Unaudited results for the six months ended 30th June 2019

A replay facility will be available after the call has finished. Please find playback details below:

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Operating review

Summary

Cement volumes sold	Q1 2019 '000 tonnes	Q2 2019 '000 tonnes	6M 2019 '000 tonnes	6M 2018 '000 tonnes	% change
Nigeria	3,991	3,604	**7,595**	7,810	(2.8%)
Pan-Africa	2,347	2,340	**4,687**	4,565	2.7%
Inter-company sales	-	-	-	(13)	
Total cement sold	**6,338**	**5,944**	**12,282**	**12,362**	**(0.6%)**
Regional revenues	**₦m**	**₦m**	**₦m**	**₦m**	
Nigeria	169,885	158,402	**328,287**	344,104	(4.6%)
Pan-Africa	70,272	69,816	**140,088**	138,685	1.0%
Inter-company sales	-	(645)	**(645)**	(350)	
Total revenues	**240,157**	**227,573**	**467,730**	**482,439**	**(3.0%)**
EBITDA	**₦m**	**₦m**	**₦m**	**₦m**	
Nigeria	103,380	97,217	**200,597**	226,875	(11.6%)
Pan-Africa	11,854	12,085	**23,939**	25,894	(7.5%)
Central costs & eliminations	(3,473)	(3,119)	**(6,592)**	(6,762)	
Total EBITDA	**111,761**	**106,183**	**217,944**	**246,007**	**(11.4%)**
EBITDA margins	**%**	**%**	**%**	**%**	
Nigeria*	60.9%	**61.4%**	**61.1%**	65.9%	(4.8pp)
Pan-Africa*	16.9%	**17.3%**	**17.1%**	18.7%	(1.6pp)
Group	**46.5%**	**46.7%**	**46.6%**	**51.0%**	**(4.4pp)**
Nigeria per tonne	**₦**	**₦**	**₦**	**₦**	**%**
Revenue	42,567	43,952	43,224	44,059	(1.9%)
EBITDA	25,903	26,975	26,412	29,049	(9.1%)
	₦m	**₦m**	**₦m**	**₦m**	**%**
Group net profit	**60,254**	**58,986**	**119,240**	**113,164**	**5.4%**
	₦	**₦**	**₦**	**₦**	**%**
Earnings per share	**3.54**	**3.47**	**7.01**	**6.60**	**6.2%**

* Excluding central costs / eliminations

Nigerian operations

Nigeria's economy remained subdued entering 2019, with forecasts published by the World Bank and International Monetary Fund in July 2019 suggesting GDP growth of 2.3% for 2019 and 2.6% in 2020, lower than its forecasts of 3.4% and 3.6% growth across Sub-Saharan Africa as a whole.

We estimate Nigeria's total market for cement to have been approximately 11.5Mt in H1 2019, up 3.2% on the 11.2Mt we estimate to have been sold in H1 2018. Despite a strong increase in January volumes, H1 2019 sales were affected by the delayed national and local elections and growth slowed across the market in February and March. In addition, torrential rains affected sales in June.

Overall, our Nigerian operations sold nearly 7.6Mt of cement in the first half of 2019, including 346Kt of exports to neighbouring countries. This represents 61.8% of total Group volumes before inter-company adjustments. Second quarter sales in 2019 were 3.6Mt, compared to nearly 4.0Mt in the traditionally higher first quarter. In Nigeria, Dangote Cement sold nearly 7.3Mt of cement, representing nearly 64% market share.

The average realised price on Nigerian sales was about ₦43,224 per tonne ($120) (H1 2018: ₦44,059). In early April we raised prices by ₦150 per bag, or ₦3,000 per tonne (before discounts) with the revenue impact being felt from mid-May because of the dispatch of pre-sales at the previous price. The impact of this was an average realised price of ₦43,952 ($122) in the second quarter. However, the discounting that began in H2 2018, as a response to new capacity and price cutting by competitors, continued in 2019, thus offsetting some of the price increase we implemented in April.

Nigerian operations saw revenues 4.6% lower at ₦328.3B (H1 2018: ₦344.1B) with EBITDA 11.6% lower at ₦200.6B, at a margin of 61.1% excluding central costs and eliminations (H1 2018: ₦226.9, 65.9%). Margins were reduced by lower volumes, price discounting, higher input and distribution costs and higher fuel and power costs in the first half of 2019.

Pan-African operations

Pan-African operations sold nearly 4.7Mt of cement in H1 2019, up 2.7% on the 4.6Mt sold in H1 2018. Second-quarter sales volumes were slightly more than 2.3Mt. The total Pan-African volume represents 38.2% of Group sales volumes before inter-company adjustments.

Pan-African revenues of ₦140.1B were 1.0% higher than H1 2018 and represented 29.9% of total Group revenues, while the region's EBITDA contribution of ₦23.9B (before central costs and eliminations), representing 10.7% of Group EBITDA, at a regional margin of 17.1%, compared to a margin of 18.7% in the first half of 2018. The fall in profitability was mainly attributable to depressed economic conditions as well as competition in South Africa, Zambia and Ethiopia.

Cameroon

We estimate the total market for cement in Cameroon to have been about 1.5Mt the first six months of 2019. The market is primarily driven by individual construction projects, government housing estate projects.

Our 1.5Mta clinker grinding facility in Douala sold approximately 0.6Mt of cement in H1 2019, a 7.1% decrease on the 0.64Mt sold in H1 2018. We estimate our market share to have been 40% during the period.

The decrease in our sales can be attributed to the continuous security challenges in the North West and South West regions, resulting in reduced activity, as well as 1.6Mta new competitor capacity.

Congo

The economy remains under pressure with little significant public spending on infrastructure or housing so far this year. The country has yet to finalise an aid programme with the International Monetary Fund.

Our 1.5Mta integrated plant in Mfila, Republic of Congo sold 123Kt of cement in the first half of 2019, up 40% compared to the first half of 2018. We estimate our market share to have been 30% during the first six months of the year.

The increase in our sales can be attributed to the introduction of the new grade 32.5R, sales price promotions, the opening of cement sales depots in Brazzaville and Pointe-Noire and small volumes of clinker export to Dangote Cement Cameroon.

Ethiopia

Sales at our 2.5Mta factory in Mugher, Ethiopia, were down slightly to 945Kt in H1 2019 from the 973Kt sold in H1 2018, with a market share of about 21%. Manufacturing in Ethiopia has been affected by electricity rationing, particularly in the second quarter, during which our sales volumes fell by approximately 21% compared to Q2 2018. This was because the plant could only take 50% of the electrical power it normally needs for production, with a significant impact on both volumes and margins. However, recent rains have begun to normalise water levels in the region, which is largely fed by hydroelectric power.

We continue to improve our efficiency with improvement in transport logistics, increase use of local coal and the commissioning of a new factory to support our requirement for cement bags, although operation of this has been affected by lack of foreign currency. In general, the cement market in Ethiopia is driven by demand for large government infrastructure projects. However, the shortages of foreign exchange are impacting infrastructure projects as well as dampening general economic activity.

Ghana

Dangote Cement Ghana sold approximately 251Kt of cement in H1 2019, down 36.9% compared to H1 2018, due to lower supplies of cement. We estimated a market share of nearly 10% during the period. We aim to increase volumes with a high focus on turnaround time for trucks and increased self-collection.

Senegal

Sales from our 1.5Mta plant in Pout increased by 6.7% to 796Kt in H1 2019 as compared to the 746Kt achieved in H1 2018. Because of a higher proportion of 32.5-grade cement being sold, the plant's output was effectively over 100% of its rated capacity in the first half of 2019.

Our market share increased to 24% in H1 2019 as a result of the new product launch and greater reliability for customers. Demand growth is mainly from local construction, with good demand from both government and commercial building. The market is benefiting from infrastructure projects including the Dakar Airport Railway, a highway project and various road and urban infrastructure projects. In addition, we continue to export good quantities to Mali, where recent price increases have been absorbed by local buyers.

Sierra Leone

Sierra Leone's cement market continues to improve with increased infrastructure spending, more foreign aid being made available and the resumption of previously abandoned building projects in the corporate sector. Major infrastructure projects include road, high-way and bridge construction work. The government has removed import duties on bagged cement in order to support increased building activity, which includes road projects and the restart of several infrastructure projects that had previously been halted.

Our 0.5Mta import and bagging facility sold 119Kt of cement, representing 89.1% growth on the first half of 2018. We estimate that our market share increased to 32% during the quarter.

South Africa

Dangote Cement South Africa sold 19% less cement than the same period last year, owing to a lack of infrastructure spending and a depressed and competitive market, as well as a higher-than usual Q1 2018 because of competitor downtime. The construction industry remains subdued with the absence of major investments.

The South African government introduced a carbon tax on 1st June 2019 for all manufacturing industries. Based upon our carbon emissions from cement production, we expect to pay approximately ZAR40 million per annum. We will offset this through price increases implemented in July as part of our usual cycle of price adjustments.

Tanzania

Tanzania's strong economy and GDP growth is supporting a number of large infrastructure projects that are driving construction activity in the country, including the Dar es Salaam-Morogoro Railway, the Kenya-Tanzania Railway, major road and bridge building projects and commercial housing. We are seeing an increase in cement demand from the southern region as well as an increase in government infrastructure spending.

Our 3.0Mta factory at Mtwara sold 543Kt of cement during the six-month period to 30th June, including 262Kt in the second quarter. This was approximately 172% higher than the 200Kt sold in the first half of 2018, when the plant was partially mothballed because of the excessive cost of fuel for the diesel generators. We estimate our market share to have been nearly 22% up from 7% last year.

Our higher volumes were supported by higher prices across the market, as demand increased across the country, particularly the southern region.

Zambia

Zambia's market demand is expected to grow due to infrastructure projects in the country, some of which are supported by the Chinese and Indian governments. Major infrastructure projects include improvements to the Lusaka and Ndola airports, as well as water, road, school and bridge construction projects.

Our 1.5Mta factory in Ndola sold 490Kt of cement in H1 2019, which was 12.8% higher than the 434Kt sold in H1 2018, helped by more attractive pricing in February to compete with a new entrant, a less severe rainy season, better logistics and aggressive brand marketing. We estimate our domestic market share to have been about 42%.

We have introduced numerous efficiency initiatives, including the use of sawdust as an alternative fuel to coal in our on-site power station. In addition, we increased prices in the second quarter to enhance margins.

Financial review

Summary

Six months ended 30th June **Volume of cement sold**	**2019 '000 tonnes**	**2018 '000 tonnes**
Nigeria	7,595	7,810
Pan-Africa	4,687	4,565
Inter-company sales	-	(13)
Total cement sold	**12,282**	**12,362**

Revenues	**2019 ₦m**	**2018 ₦m**
Nigeria	328,287	344,104
Pan-Africa	140,088	138,685
Inter-company sales	(645)	(350)
Total revenues	**467,730**	**482,439**
Group EBITDA*	**217,944**	**246,007**
EBITDA margin	46.6%	51.0%
Operating profit	170,496	200,517
Profit before tax	155,488	185,538
Tax charge	(36,248)	(72,374)
Net profit	119,240	113,164
Earnings per ordinary share (Naira)	**7.01**	**6.60**
	As at 30/6/2019 ₦m	**As at 31/12/2018 ₦m**
Total assets	1,656,431	1,694,463
Net debt	318,642	168,405

*Earnings before interest, taxes, depreciation and amortisation

Total cement volumes sold across the Group decreased by about 80Kt to nearly 12.3Mt, with Nigerian volumes about 215Kt lower at nearly 7.6Mt. Pan Africa volumes increased by 2.7% to almost 4.7Mt mainly due to increased volumes in Tanzania, which were partially offset by the decreased volumes in South Africa, Ghana and Ethiopia driven by the socio-economic or power generating challenges in these countries.

Overall Group revenue decreased by 3.0% from ₦482.4B to ₦467.7B, attributable mainly to lower volumes and lower net average prices in Nigeria. The fall in Nigerian revenues was partly offset by a 1.0% increase in Pan-African revenues, driven by a 2.7% increase in sales volumes.

Manufacturing costs

Six months ended 30th June	**2019 ₦m**	**2018 ₦m**
Materials consumed	60,412	61,802
Fuel & power consumed	62,224	67,093
Royalties	704	545
Salaries and related staff costs	16,410	15,491
Depreciation & amortisation	32,539	31,797
Plant maintenance costs	16,579	17,105
Other production expenses	2,448	7,853
Increase/(decrease) in finished goods and work in progress	1,856	(4,091)
Total manufacturing costs	**193,172**	**197,595**

In general, manufacturing costs decreased as a result of the decrease in volumes in Nigeria. Manufacturing costs in Nigeria decreased by 1.6% from ₦95.2B to ₦93.6B. Pan-African manufacturing costs fell by 2.8% from ₦102.4b to ₦99.5B, mainly due to the reduced sales volumes in South Africa and Ghana, the effect of which was partially offset by the increase in costs of sales due to increased volumes in Tanzania.

Administration and selling expenses

Six months ended 30th June	**2019 ₦m**	**2018 ₦m**
Administration and selling costs	105,290	86,863

General administration costs remained broadly flat at nearly ₦25B for H1 2019 and H1 2018 while selling expenses rose by 29.2% from ₦62.1B to ₦80.3B resulting in total administration and selling costs increasing by 21.2% to ₦105.3B. The increase in selling costs is mostly as a result of 33% higher distribution costs, mostly from Nigeria. Although Nigerian volumes declined by 2.8%, there was an increase in the size of our truck fleet as well as the proportion of sales we distribute by truck to our customers, as opposed to sales by self-collection. This resulted in higher depreciation and haulage costs, which included AGO costs, related staff costs, maintenance and spares. The increase in these distribution costs was mitigated by the additional revenues recovered on deliveries performed.

Profitability

Six months ended 30th June	**2019 ₦m**	**2018 ₦m**
EBITDA	217,944	246,007
Depreciation and amortisation	(47,448)	(45,490)
Operating profit	**170,496**	**200,517**
EBITDA by operating region		
Nigeria	200,597	226,875
Pan-Africa	23,940	25,894
Central administration costs and inter-company	(6,592)	(6,762)
Total EBITDA	**217,945**	**246,007**

Group earnings before interest, tax, depreciation and amortisation (EBITDA) for the period decreased by 11.4% to ₦217.9B at a margin of 46.6% (H1 2018: ₦246.0B, 51.0%) as a result of the increased discounts in Nigeria and reduced margins in Pan-Africa. Excluding eliminations and central costs, EBITDA decreased by 11.6% in Nigeria, to ₦200.6B, at a margin of 61.1% (H1 2018: ₦226.9B, 65.9%). Pan-African EBITDA decreased by 7.5% to ₦23.9B, at 17.1% margin (H1 2018: ₦25.9B, 18.7%) driven by reduced profitability in South Africa and Zambia due to the market conditions in these economies.

Group operating profit of ₦170.5B was 15.0% lower than the ₦200.5B for H1 2018, at a margin of 36.5% (H1 2018: 41.6%).

Interest and similar income/expense

Six months ended 30th June	**2019 ₦m**	**2018 ₦m**
Interest income	4,611	6,551
Net exchange (loss)/gain	(4,032)	(2,965)
Interest & other finance costs	(15,587)	(18,565)
Net finance cost	**(15,008)**	**(14,979)**

During the first half of 2019, the Nigerian Naira depreciated slightly from about ₦359/US$1 to ₦361/US$1 as compared to H1 2018 when it depreciated from ₦331/US$1 to ₦345/US$1. The ₦4.0B exchange loss in H1 2019 represents the net of exchange gains in Nigeria arising from inter-company balances and the exchange loss in Pan-Africa mainly driven by the depreciation of the Ghana Cedi. The devaluation of the Naira in H1 2019 was much lower, resulting in lower exchange gains that were outweighed by exchange losses in Pan-African operations, thereby creating a net exchange loss for H1 2019.

The average interest rate on borrowings was 11.19%.

Taxation

Six months ended 30th June	**2019 ₦m**	**2018 ₦m**
Tax charge	36,248	72,374

In prior years, we made a provision for tax charge on profits earned from Ibese production lines 3 & 4 and Obajana production line 4 on the basis that we were yet to receive the approval for tax exemption under the Pioneer Status Incentive. This resulted in a 32% effective tax rate (ETR) in Nigeria.

We received the certificates of approval for the first three years in Q4 2018. We believe that these lines are entitled to an additional two-years extension, resulting in a reduced ETR of 19% for H1 2019, which represents a mix of production lines that are out of Pioneer status and lines that are still entitled to the tax exemption.

The Group's effective tax rate was higher at 23%, mainly because of Pan-African subsidiaries making losses that reduced the Group's profit without any tax benefits for those losses.

The Group's profit for the period was up 5.4% to ₦119.2B (H1 2018: ₦113.2B). As a result, earnings per share increased by 6.2% to ₦7.01 (H1 2018: ₦6.60).

Financial position

	30th June 2019 ₦m	**31st December 2018 ₦m**
Property, plant and equipment	1,185,340	1,171,864
Other non-current assets	90,732	87,792
Intangible assets	5,757	5,969
Total non-current assets	**1,281,829**	**1,265,625**
Current assets	281,547	261,942
Cash and bank balances	93,055	166,896
Total assets	**1,656,431**	**1,694,463**
Non-current liabilities	99,542	86,619
Current liabilities	313,951	285,930
Debt	411,697	335,301
Total liabilities	**825,190**	**707,850**

Non-current assets increased from ₦1,265.6B at the end of 2018 to ₦1,281.8B at 30th June 2019. This is mainly due to the adoption of a new standard (IFRS 16), which resulted in leases amounting to ₦12B previously classified as off-balance-sheet being reflected on the balance sheet. This also had a corresponding effect on non-current liabilities.

Current assets increased mainly due to prepayments done to contractors. Current liabilities increased mainly due to the provision for income tax payable for lines that are out of the pioneer tax holiday in Nigeria.

Movement in net debt

	Cash ₦m	**Debt ₦m**	**Net debt ₦m**
As at 1st January 2019	166,896	(335,301)	(168,405)
Cash generated from operations before working capital changes	218,263	-	218,263
Change in working capital	(4,943)	-	(4,943)
Income tax paid	(1,782)	-	(1,782)
Additions to fixed assets	(66,712)	-	(66,712)
Other investing activities	(39)	-	(39)
Change in non-current prepayments and payables	(4,631)	-	(4,631)
Net interest payments	(16,928)	-	(16,928)
Net loans received including overdraft	76,724	(76,724)	-
Dividend paid	(272,648)	-	(272,648)
Other cash and non-cash movements	(1,145)	328	(817)
As at 30th June 2019	**93,055**	**(411,697)**	**(318,642)**

Cash generated from operations before changes in working capital amounted to ₦218.3B. After changes in working capital of ₦4.9B, lease receipts of ₦1.7B and tax paid of ₦1.8B the net cash flow from operations was ₦213.3B. Excluding short-term overdrafts, financing outflows of ₦238.9B (H1 2018: ₦155.2B) reflected net loans paid of ₦55.2B, interest paid of ₦20.9B and lease payments of ₦0.6B

Cash and cash equivalents (net of bank overdrafts used for cash management purposes) decreased from ₦159.0B at the end of 2018 to ₦63.7B at 30th June 2019 mainly due to the dividend payment. Closing net debt at ₦318.6B was ₦150.2B higher than the opening net debt of ₦168.4B.

Commercial Paper programme

During the first half of 2019 the Company successfully issued ₦100B of Series 5 to Series 10 Commercial Paper as detailed in the table below. The high demand for these issuances reflects the Company's financial strength and strong credit rating.

Series	**Face value**	**Tenor**	**Discount rate**	**Issue date**	**Maturity**
Series 5	₦ 4,776,783,000	93 days	12.00%	27/05/2019	28/08/2019
Series 6	₦ 4,652,585,000	178 days	12.40%	27/05/2019	21/11/2019
Series 7	₦ 40,570,632,000	269 days	12.65%	27/05/2019	20/02/2020
Series 8	₦ 3,038,401,000	90 days	12.36%	14/06/2019	12/09/2019
Series 9	₦ 2,873,658,000	180 days	12.53%	14/06/2019	11/12/2019
Series 10	₦ 44,087,941,000	270 days	12.69%	14/06/2019	10/03/2020

Capital expenditure by region

	Total ₦m
Nigeria	46,605
Pan-Africa	20,107
Total	**66,712**

Capital expenditure during the period was mainly invested to increase the number of operational trucks for cement deliveries, increase production and export capabilities in Nigeria as well as to support ongoing work at the grinding stations being constructed in West Africa.