Unaudited results for the six months ended 30th June 2020

Resilient H1 2020 results amidst impact of COVID-19

Continuous increase of Pan-African EBITDA margin

Fulfilling our export strategy

Lagos, 24th July 2020: Dangote Cement PLC (DANGCEM-NL), Africa's largest cement producer, announces unaudited results for the six months ended 30th June 2020.

Financial highlights

- Group revenue up 2.0% to ₦476.9B
- Group EBITDA slightly up to ₦218.1B; 45.7% margin
- Pan-Africa EBITDA up 31.6% to ₦31.5B; 21.7% margin
- Profit before tax up 4.7% to ₦162.9B
- Earnings per share up 6.3% to ₦7.45
- Net debt of ₦372.1B

Operating highlights

- Group sales volumes down 1.5%
- Lockdown in South Africa, Congo, Ghana and Nigeria in most of April affected our operations
- Pan-African volumes up 0.7% to 4.7Mt
- Nigerian domestic volumes up 1.8%

Export Strategy

- Maiden clinker shipment from Nigeria via the Apapa Export Terminal to Senegal in June
- On track to ship more vessels of clinker to West and Central Africa in H2 2020

Michel Puchercos, Group Chief Executive Officer, said:

"I am humbled by the fact that we continue to be in a strong position despite the economic downturn that the world is facing due to COVID-19. Although April was greatly impacted by lockdowns and restrictions across our operations, we experienced a strong quarter. We achieved a record high volume and EBITDA margin in Pan-Africa of 4.7Mt and 21.7%, respectively. Group EBITDA was up slightly despite the impact of COVID-19.

I am particularly pleased to announce that Dangote Cement shipped its first clinker cargo to Senegal from our new cement terminal in Apapa, Lagos. It has been a long journey for Nigeria, from being one of the largest bulk importers of cement, to being self-sufficient in cement production, and now an exporter of clinker.

We are on track to ensure West and Central Africa are cement and clinker independent, with Nigeria as the main supply hub. We want to continue developing regional and continental trade between the ECOWAS countries and beyond.

We are committed to protecting our team members and communities by being fully compliant with health and safety measures. We remain focused on adapting to the rapidly evolving markets in which we operate. We continue to deploy our efforts to maintain our cost competitiveness while ensuring that our balance sheet is resilient.

About Dangote Cement

Dangote Cement is Africa's leading cement producer with nearly 48.6Mta capacity across Africa. A fully integrated quarry-to-customer producer, we have a production capacity of 32.25Mta in our home market, Nigeria. Our Obajana plant in Kogi state, Nigeria, is the largest in Africa with 16.25Mta of capacity across five lines; our Ibese plant in Ogun State has four cement lines with a combined installed capacity of 12Mta and 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 an exporter of cement serving neighbouring countries.

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 details

A conference call for analysts and investors will be held on Monday 27th July at 2:00pm Lagos/UK time. Please register using the link below.

Dangote Cement H1 2020 Results Conference Call

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

Playback Code: **569183#**
(UK) +44 (0)20 7043 4129
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Operating review

Summary

Sales volumes	**6M 2020 '000 tonnes**	**6M 2019 '000 tonnes**	**% change**
Nigeria			
Cement	7,382	7,595	(2.8%)
Clinker	28	-	
Nigerian volumes	**7,410**	**7,595**	**(2.4%)**
Pan-Africa			
Cement	4,672	4,687	(0.3%)
Clinker	60	12	400%
Pan-African volumes	**4,732**	**4,699**	**0.7%**
Inter-company sales	(28)		
Group volumes**	**12,114**	**12,294**	**(1.5%)**
Regional revenues			
Nigeria	332,377	328,287	1.2%
Pan-Africa	145,025	140,088	3.5%
Inter-company sales	(550)	(645)	
Total revenues	**476,852**	**467,730**	**2.0%**
EBITDA			
Nigeria	194,423	200,597	(3.1%)
Pan-Africa	31,507	23,939	31.6%
Central costs & eliminations	(7,859)	(6,592)	19.2%
Total EBITDA	**218,071**	**217,944**	**0.1%**
EBITDA margins			
Nigeria*	58.5%	61.1%	(2.6pp)
Pan-Africa*	21.7%	17.1%	4.6pp
Group EBITDA margins	**45.7%**	**46.6%**	**(0.9pp)**
Profit before tax	**162,851**	**155,488**	**4.7%**
Group net profit	**126,143**	**119,240**	**5.8%**
Earnings per share	**7.45**	**7.01**	**6.3%**

* Excluding central costs / eliminations
** Group volumes include cement and clinker

Nigerian operations

Nigeria's economy was hit by the double external effect of the COVID-19 pandemic and a significant drop in oil prices in the first half of the year. As such, the International Monetary Fund (IMF) revised its estimates downwards for Nigeria, now forecasting that the economy will go into recession in 2020.

Due to the COVID-19 pandemic, the government enforced full lockdown in Lagos state, Abuja (FCT) and Ogun state from 31 March 2020 to 4 May 2020. As a result, April volumes were heavily impacted and 28% lower than the volumes realised during the same period last year. Other states joined with complete or partial lockdown during the month.

Following lockdown and the relaxation of restrictions, we are witnessing an increase in construction activities.

We estimate that Nigeria's cement market was up 2% compared to H1 2019. Overall, our Nigerian operations sold 7.382Mt of cement in the first half of 2020, with the absence of land exports. Domestic volumes were up 1.8% as most of the losses in April were recouped by June 2020.

Nigeria's total sales volumes for H1 2020 was 7,410Mt which includes cement and clinker.

Revenues for the Nigerian operations increased by 1.2% to ₦332.4B, due to the reduced level of rebates. We recorded an EBITDA of ₦194.4 at a margin of 58.5% excluding central costs and eliminations (2019: ₦200.6, 61.1%).

Export Strategy - Cementing Africa's Economic Independence

Our maiden shipment of 27.8Kt of clinker from Nigeria to Senegal left the Apapa Export Terminal on 12 June 2020. We are on course to sell more clinker across West Africa and commence shipment to Central Africa in H2 2020. Our vision is for West and Central Africa to be cement and clinker independent, with Nigeria the main export hub. This will contribute to the improvement of regional trade within the ECOWAS region.

Pan-African operations

In Pan-Africa, most COVID-19 lockdown measures started at the end of March and peaked in April. The response by the authorities varied in nature from specific temporary restrictions in some countries to a complete temporary lockdown for non-essential businesses. Our operations in South Africa, Congo and Ghana were shut down due to full or partial lockdown in most of April. By early May, lockdown had eased, and all our businesses were operational.

Pan-Africa sales volume was 4,732Kt in H1 2020, up 0.7% despite various lockdown and restrictions across our operations. The total Pan-African volume represents 39.1% of Group volumes

Pan-African revenues of ₦145.0B were 3.5% higher than H1 2019 and represented 30.4% of total Group revenues. The region achieved a record high EBITDA of ₦31.5B (before central costs and eliminations), up 31.6%, supported by strong performance in Ethiopia and Senegal. This represents a record EBITDA margin of 21.7% in H1 2020 versus 17.1% in H1 2019. The higher profitability was mainly attributable to volume growth in 5 of our 9 operations; cash cost reduction is 6 of our 9 operations; as well as higher pricing in Zambia.

Cameroon

We estimate the total market for cement in Cameroon to have been about 1.8Mt in the first six months of 2020. The market is primarily driven by individual construction projects and government housing estate.

Our 1.5Mta clinker grinding facility in Douala sold approximately 687kt of cement in H1 2020, a 15% increase compared to H1 2019. We estimate our market share to have been 38% during the period.

Our plant was fully operational in the quarter with no COVID-19 imposed lockdown.

Congo

We estimate the total market for cement in Congo to have been about 386Kt in the first six months of 2020. Our 1.5Mta integrated plant in Mfila sold just under 136Kt of cement in H1 2020, up 10% compared to H1 2019. The growth was notably supported by our new depot in the Northern region. Our market share for H1 2020 came in at 35%.

COVID-19 full lockdown began on 30 March and was extended to 10 May. It impacted all economic sectors.

Ethiopia

We estimate the total market for cement in Ethiopia to have been about 3.7Mt in the first six months of 2020. The market remains predominantly retail as most major projects are government funded and the government has curtailed spending as part of its austerity measures. Sales at our 2.5Mta factory in Mugher, Ethiopia, were 1.1Mt in H1 2020, up 16% year on year, with a market share of about 30%.

The key driver for increased sales is the improved plant performance which resulted in more product being available in the market. There was a partial lockdown owing to COVID-19, but our production and product deliveries were not affected.

Ghana

Dangote Cement Ghana sold 208Kt of cement in H1 2020, down 17% compared to H1 2019. We were able to sell all available stock due to high demand before the lockdown was announced by the government at the end of March 2020. The closure of our plant from the end of March to 19 April affected our sales volumes.

Our market share for H1 2020 came in at 6%.

Senegal

Senegal continues to be one of our best performing markets. The market continues to grow supported by the construction sector growth and infrastructure projects across the country.

Sales from our 1.5Mta plant in Pout increased by 7% to just over 850Kt for H1 2020, with the plant's output continuing to exceed its rated capacity. Our market share improved to 25% in H1 2020. Senegal received 27.8Kt of clinker from our Nigerian operations.

The COVID19 measures deployed in Senegal did not impact our operations.

Sierra Leone

Sierra Leone's cement market continues to improve with increased infrastructure spending, more foreign aid being made available and the resumption of building projects in the corporate sector. Sierra Leonean cement market consumed about 429Kt in the first half of 2020. Our market share was 29% in H1 2020 while our volumes increased by 6% to 127Kt.

Despite six days of full lockdown, followed by partial lockdown, there was no significant impact of COVID–19 on our operations in Sierra Leone.

South Africa

The subdued state of South Africa's cement market reflects the country's muted economy. Lower spending in large scale infrastructure projects and depressed demand for new residential construction led to a low growth cement market.

Our sales volume for H1 2020 decreased by 9% YoY mainly due to low growth in the cement market and the country's lockdown.

The government announced a total lockdown across the country owing to the COVID-19 pandemic from 27 March 2020. The impact of the lockdown has been negative on the cumulative H1 volumes. During the national alert level 5 lockdown from 27 March to 30 April 2020, our South African operation complied fully with the government directive and closed all operations to safeguard the health of all its employees. We resumed operations at 50% manufacturing capacity during alert level 4 in May and full capacity at alert level 3 from 1 June 2020.

Tanzania

Tanzania's robust economy has driven growth in infrastructure and housing, with major government projects including roads, railways and airports. We estimate the total market for cement in Tanzania to have been about 2.7Mt in the first six months of 2020.

Our 3.0Mta factory at Mtwara sold 526Kt volumes during the period, 4% lower than the same period last year. Production challenges and dispatch limitations encountered in H1 2020 reduced our daily production volume. We estimate our market share to have been 17% during the period.

Owing to the COVID-19 pandemic and limitation to international air travel, our power plant commissioning has been delayed. There were no lockdown restrictions declared by the government.

Zambia

The cement market in Zambia decreased by 18% in H1 2020 due to a depressed macro-economic environment. Infrastructure investments have significantly reduced. The Ndola factory sold 346kt of cement in H1 2020, down 30% compared to the same period last year. However, there were price increases in local currency compared to H1 2019 which supported profitability. We estimate our market share to have been 31% during the period.

There were no lockdown restrictions imposed by the government and our business operated normally.

Debt and liquidity

In the second quarter we successfully completed the issuance of ₦100B series 1 fixed rate 5-year bond at a rate of 12.5%; and ₦100B series 15 and 16 Commercial Paper Notes at attractive rates. Both issuances were oversubscribed, demonstrating our track record of accessing the local debt market.

As at June 2020, we had access to available liquidity from our undrawn debt programmes and cash balance - this can cover short-term debt obligations and capital requirements. In addition, all non-strategic capital expenditure has been deferred while dividend has been paid.

Financial review

Summary

Six months ended 30th June **Volume sold****	**2020** **'000 tonnes**	**2019** **'000 tonnes**
Nigeria	7,410	7,595
Pan-Africa	4,732	4,699
Intercompany sales	(28)	-
Total volume sold**	**12,114**	**12,294**

Revenues	**2020** **₦m**	**2019** **₦m**
Nigeria	332,377	328,287
Pan-Africa	145,025	140,088
Intercompany sales	(550)	(645)
Total revenues	**476,852**	**467,730**
Group EBITDA*	**218,071**	**217,944**
EBITDA margin	**45.7%**	**46.6%**
Operating profit	173,479	170,496
Profit before tax	162,851	155,488
Tax charge	(36,708)	(36,248)
Net profit	126,143	119,240
Earnings per ordinary share (Naira)	**7.45**	**7.01**
	As at **30/06/2020** **₦m**	**As at** **31/12/2019** **₦m**
Total assets	1,805,198	1,741,351
Net debt	372,088	227,531

* Excluding central costs / eliminations
**Volumes include cement and clinker

Revenue increased by 2% from ₦467.7 in H1 2019 to ₦476.9B in H1 2020 driven by better average net prices realised in Nigeria and Pan Africa as well as increased volumes in Pan Africa. Net revenue per tonne in Nigeria amounted to ₦44,855 in H1 2020 as compared to ₦43,224 in H1 2019 representing an increase of 3.8%.

Volumes sold by our core Nigerian operations decreased by 2.4% from 7.6Mt to 7.4Mt mainly as a result of the COVID restrictions that occured during Q2 as well as border closures that resulted in reduced export sales.

Pan-African volumes increased by 0.7% from 4.699Mt in H1 2019 to 4.732Mt. Increased volumes in Ethiopia, Senegal, Cameroon, Sierra Leone and Congo were partially offset by the reduction in Zambia, South Africa & Ghana. The fall in South Africa and Ghana was mainly driven by the COVID restrictions that existed during Q2 2020.

Manufacturing and operating costs

Six months ended 30th June	2020 ₦m	2019 ₦m
Materials consumed	64,058	60,412
Fuel & power consumed	64,497	62,224
Royalties	628	704
Salaries and related staff costs	17,465	16,410
Depreciation & amortization	31,571	32,539
Plant maintenance costs	14,249	16,579
Other production expenses	7,268	2,448
Decrease in finished goods and work in progress	2,684	1,856
Total manufacturing costs	**202,420**	**193,172**

In total, manufacturing costs increased by 4.8% from ₦193.2B in H1 2019 to ₦202.4B in H1 2020. This was mainly as a result of an increase in the Nigeria manufacturing costs from ₦93.6B to ₦101.1B.

The increase in Nigeria manufacturing costs was mainly driven by energy costs due to unfavourable fuel mix which resulted in the use of more gas whose price increased compared to H1 2019. The general increase in salaries also pushed the Nigeria manufacturing costs up as compared to H1 2019.

Pan Africa manufacturing costs increased by 1.8% due to the increase in Pan Africa sales as well as the depreciation of the Naira which would result in higher values in Nara when the local currencies are converted to Naira.

Administration and selling expenses

Six months ended 30th June	2020 ₦m	2019 ₦m
Administration and selling costs	103,693	105,290

Total selling and administration expenses decreased by 1.5% to ₦103.7B in H1 2020. Administration costs increased by ₦1.1B driven by general inflation and salary increments. The increase in administrations costs was offset by a decrease of ₦2.7B in selling and distribution costs.

Although the total volumes sold in Nigeria went down by 2.4%, we delivered cement to further locations using our trucks resulting in increased haulage costs. In addition, various promotion schemes were deployed in Nigeria which drove the increase in advertising and promotion costs. Selling and distribution costs in Nigeria increased from ₦54.3B in H1 2019 to ₦59.1B in H1 2020.

The increase in Nigeria selling and distribution costs was offset by the decrease in Pan Africa selling costs mainly as a result of reduced haulage costs in Tanzania and Zambia due to the reduced volumes as compared to H1 2019. In addition, there is reduced depreciation charges in Pan Africa mainly in Ethiopia as some of our trucks approach the end of their useful lives. This resulted in overall selling and distribution decreasing by ₦2.7B.

Profitability

Six months ended 30th June	2020 ₦m	2019 ₦m
EBITDA	218,071	217,944
Depreciation, amortization & impairment	(44,592)	(47,448)
Operating profit	**173,479**	**170,496**
EBITDA by operating region		
Nigeria	194,423	200,597
Pan-Africa	31,507	23,939
Central administrations costs and inter-company sales	(7,859)	(6,592)
Total EBITDA	**218,071**	**217,944**

Group earnings before interest, tax, depreciation and amortisation (EBITDA) for the half year remained broadly constant at of ₦218B at a margin of 45.7% (H1 2019: 46.6%).

Excluding eliminations and central costs, Nigeria EBITDA decreased by 3.1% to ₦194.4B at a margin of 58.5% (H1 2019: 61.1%). The fall in Nigeria EBITDA is mainly as a result of the increase in energy costs and selling and distribution expenses referred to above in addition to the COVID 19 restrictions in Q2.

Pan-African EBITDA increased by 31.6% to ₦31.5B, at 21.7% margin (H1 2019: 17.1%), notably driven by increased volumes and better prices in Ethiopia coupled with good performance in Senegal.

Operating profit of ₦173.5B was 1.7% higher than the ₦170.5B for H1 2019 at a margin of 36.4% (H1 2019: 36.5%).

Interest and similar income/expense

Six months ended 30th June	2020 ₦m	2019 ₦m
Interest income	5,226	4,611
Exchange gain/(loss)	5,000	(4,032)
Interest expense	(20,854)	(15,587)
Net finance cost	**(10,628)**	**(15,008)**

Interest income increased 13.3% mainly as a result of increased interest earning cash balances in Ethiopia.

During H1 2020, the Nigerian Naira was devalued from about ₦365/1US$ to ₦387/1US$. This resulted in net exchange gains from inter-Group assets and liabilities that do not eliminate in full on consolidation in the Nigerian operations. Part of the exchange gains are reclassified to Other Comprehensive income on Consolidation resulting in a net exchange gain of ₦5B after taking into accounts exchange losses from Pan Africa operations that use different currencies.

The effective interest rate on borrowings was 9.45% compared to 11.19% in H1 2019.

Taxation

Six months ended 30th June	**2020** **₦m**	**2019** **₦m**
Tax charge	36,708	36,248

A portion of the 2020 performance is impacted by the tax exemption arising from the Pioneer Status Incentive scheme for Ibese lines 3 & 4 and Obajana Line 4 which ended in February 2020. The amendment to the commencement rules as per the new Finance Act resulted in reduced effective tax rate for H1 2020 as compared to 2019 profits which were subjected to the commencement rules under the old regime. The effective tax rate for the Nigeria operations is 16.4%.

The Group's effective tax rate is higher at 22.5%, mainly because of intercompany exchange gains reported in Other Comprehensive income for the group and Pan-African subsidiaries making losses that reduced the Group's profit without direct tax benefits for those losses.

The Group's profit for H1 2020 increased by 5.8% to ₦126.1B (H1 2019: ₦119.2B). As a result, earnings per share increased by 6.3% to ₦7.45 (H1 2019: ₦7.01).

Financial position

	30th June 2020 **₦m**	**31st December 2019** ₦m
Property, plant and equipment	1,251,857	1,206,749
Other non-current assets	113,293	124,203
Intangible assets	4,548	3,663
Total non-current assets	**1,369,698**	**1,334,615**
Current assets	332,181	282,833
Cash and bank balances	103,319	123,903
Total assets	**1,805,198**	**1,741,351**
Non-current liabilities	112,292	105,341
Current liabilities	478,132	386,639
Debt	475,407	351,434
Total liabilities	**1,065,831**	**843,414**

Non-current assets increased from ₦1,334.6B at the end of 2019 to ₦1,369.7B at 30th June 2020. This was mainly as a result of additions to Property, Plant & Equipment which were partially offset by depreciation.

Additions to property, plant and equipment were ₦83.2B, of which ₦72.5B was spent in Nigeria and ₦10.7B in Pan Africa operations.

The increase in current assets is mainly due to amounts owed by related parties.

Current liabilities increased mainly due to current tax charges, amounts owed to related parties for trucks and the exchange impact due to the depreciation of the Naira from ₦365/1US$ to ₦3871US$ during H1 2020.

All production lines in Nigeria are out of the Pioneer tax exemption and the deferred tax charge for H1 resulted in the increase in Non-current liabilities.

Movement in net debt

	Cash ₦m	Debt ₦m	Net debt ₦m
As at 31st December 2019	123,903	(351,434)	(227,531)
Cash from operations before working capital changes	217,790	-	217,790
Change in working capital	35,858	-	35,858
Income tax paid	(2,792)	-	(2,792)
Additions to fixed assets	(83,162)	-	(83,162)
Other investing activities	(30,056)	-	(30,056)
Change in non-current prepayments and supplier credit	18,015	-	18,015
Net interest payments	(21,995)		(21,995)
Net loans obtained (repaid)	120,234	(120,234)	-
Dividend paid	(272,648)	-	(272,648)
Other cash and non-cash movements	(1,828)	(3,739)	(5,567)
As at 30th June 2020	103,319	(475,407)	(372,088)

Cash of ₦217.8B was generated from operations before changes in working capital. After net movement of ₦35.9B in working capital, the net cash flow from operations was ₦254.7B.

Financing outflows excluding overdrafts of ₦220.0B (H1 2019: ₦238.9B) reflected net loans received of ₦79.7B, dividend paid of ₦272.6B and interest paid of ₦26.1B.

Cash and cash equivalents (net of bank overdrafts used for cash management purposes) decreased from ₦112.1B at the end of 2019 to ₦51.0B at 30th June 2020. With net loans received including overdrafts at ₦120.2B and decrease in cash balances of ₦20.6B, net debt increased by ₦144.6B from ₦227.5B at the end of 2019 to ₦372.1B at 30th June 2020.

Capital Expenditure by region

	Nigeria ₦m	Pan-Africa ₦m	Total ₦m
Fixed assets additions	72,452	10,710	**83,162**

Capital expenditure was mainly comprised of the construction of new plants in Nigeria and acquisition of distribution trucks.