DANGOTE CEMENT

Unaudited results for the nine months ended 30th September 2015

Strong performance across African operations offsets softness in Nigerian market

Lagos, 26th October 2015: Dangote Cement PLC (DANGCEM-NL), Nigeria's largest cement producer, announces unaudited results for the nine months ended 30th September 2015.

Financial highlights

- Revenue up 17.8% to ₦365.5bn on strong performance of non-Nigerian factories
- Gross profit up 13.5% to ₦226.8bn, 62.0% margin
- EBITDA up 12.6% to ₦213.1bn, 58.3% margin
- Pre-tax profit up 8.4% to ₦166.9bn
- Earnings per share up 18.6% to ₦9.80
- Net debt increased to ₦240bn from ₦222bn at 31st December 2014

Operating highlights

- Group cement sales volumes up 24% to 13.0 million tonnes (Mt)
- 29% of Group cement volumes, or 3.7Mt, shipped outside Nigeria ytd; 39% in Q3
- Senegal, South Africa, Ethiopia now running at close to maximum output, with Zambia and Cameroun also performing strongly
- Nigeria fuel bill falls by 35% on better fuel supply
- New pricing strategy to secure long-term and sustainable success in Nigeria
- Export drive begins
- New projects announced, including first venture beyond Africa, in Nepal

Onne van der Weijde, Chief Executive, said:

"Our new operations have made strong starts right across Africa and this has helped to offset the impact of a subdued economy in Nigeria. We remain optimistic that our home market of Nigeria will recover and this will restore growth and improve overall profitability. We hope our new pricing strategy will contribute to the country's economic recovery and particularly urge the Government to begin building more robust roads using concrete instead of imported asphalt.

I am pleased to report that sales from outside Nigeria have contributed nearly 29% of volumes so far this year and 39% in the third quarter, which demonstrates that we are diversifying successfully and quickly gaining market share in new countries. Our strategy to be the cost and quality leader in all markets has already delivered strong gains in market share in key territories such as South Africa, Ethiopia and Senegal. These were countries that were supposedly oversupplied, but our strong entries in each have proved that new factories producing high-quality products will disrupt cement markets where incumbents have older, less efficient technologies and lower quality products.

Despite the challenges we are facing in Nigeria, our achievements and continued growth cross Africa should reassure investors that we are delivering on our promise to become the continent's largest cement producer."

About Dangote Cement

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

We are a fully integrated quarry-to-customer producer with production capacity of 29.25Mta in Nigeria. Our Obajana plant in Kogi state, Nigeria, is the largest in Africa with 13.25Mta of capacity across four lines. The Ibese plant in Ogun State has four cement lines with a combined installed capacity of 12Mta. The Gboko plant in Benue state has 4Mta. 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 operations in Senegal (1.5Mta), South Africa (2.7Mta), Cameroon (1.5Mta), Ghana (1Mta import facility), Ethiopia (2.5Mta) and Zambia (1.5Mta). We are also building plants in Tanzania (3Mta), Republic of Congo (1.5Mta), Kenya (TBC), Nepal (TBC) and Zimbabwe (TBC). We plan to build import or grinding facilities in Sierra Leone (0.7Mta), Ghana (1.5Mta), Cote D'Ivoire (1.5Mta), Liberia (0.7Mta).

Web: www.dangcem.com

Conference call details

A conference call for analysts and investors will be held on Monday 26th October at 16.00 Lagos time/15.00 UK time.

The dial-in details for participants are as follows:

Pin code: 309612#

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: 233287#

Contact details

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Operating review

Group performance

Group sales of cement rose by 24% to slightly more than 13.0 million tonnes in the first nine months of 2015. The increasing geographic diversification of the business is demonstrated by the fact that sales from factories outside Nigeria rose from 6% of Group sales in the first nine months of 2014, to nearly 29% this year. This reflects the fact that more than 3.7 million tonnes of cement were sold from our recently commissioned factories in South Africa, Senegal, Cameroun, Ethiopia and Zambia.

Summary of Group sales

Regional revenues	30/9/15 ₦bn	30/9/14 ₦bn	% change
Nigeria	295.4	297.5	-0.7%
West & Central Africa	28.8	4.9	482%
South & East Africa	41.3	7.7	434%
Total revenues	**365.5**	310.2	**17.8%**
Volumes	30/9/15 '000 tonnes	30/9/14 '000 tonnes	
Nigeria	9,296	9,843	(5.6%)
West & Central Africa	1,473	240	513%
South & East Africa	2,258	423	434%
Total cement sold	**13,027**	**10,506**	**24.0%**

Nigeria

Economic and other pressures subdue cement market

We estimate the total market for cement in Nigeria to have been approximately 15.7Mt in the first nine months of 2015, slightly lower than the 16.2Mt sold in the same period of 2014. The delay to the General Election was a significant factor in the first quarter of 2015, causing some uncertainty that in turn affected decisions to buy cement for building. Although April showed an upturn in demand, the fuel strikes of May caused significant problems for production and distribution of cement. Continuing pressure on the Naira and the price of oil, as well as an absence of policy statements on the Government's infrastructure plans, have contributed to the decline in demand this year, as GDP growth fell below 3% for the first time in many years.

Nigeria's importation of cement remains low and we estimate that about 0.9Mt of cement were imported during the first nine months of 2015. We expect importation to become even more unattractive in the wake of new regulations governing the use of foreign currency to fund importation of specific goods including bagged cement.

Volumes down as economy slows

Almost all sales of cement during the first nine months of 2015 were from Obajana and Ibese. Volumes of cement shipped to customers fell by 5.6% to 9.3Mt in the first nine months of 2015, which represents approximately 60% of total Nigerian market sales. Our market share improved towards the end of the period, standing at nearly 64% in September, following three consecutive months of growth in share.

The fall in volumes in the early part of the year 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. In common with other manufacturers, we have experienced a fall in demand in the past few months, given the economic pressures already detailed above, but remain optimistic that demand will recover in the coming months.

New pricing strategy

On 3rd September we announced a realignment of prices in Nigeria, with the ex-factory price being reduced by ₦300 per 50Kg bag (excluding VAT). As we explained in our global investor call on 3rd September, we took this action knowing that we could continue to achieve a healthy and sustainable level of profitability even at the lower price. We hope that the price reduction will help to stimulate demand across Nigeria, especially when economic conditions become more favourable. The ex-factory price has remained steady since then at ₦1,366/bag, excluding VAT (₦1,435/bag including VAT).

The new pricing strategy is being supported by marketing initiatives to raise awareness of the quality of our products and increase our retail presence across the country.

Fuel supply improves

Supplies of gas improved to an average of 88% across our large, gas-fired facilities at Obajana and Ibese, compared with 78% in the first nine months of 2014. Our use of coal increased to more than 9% in the first nine months of 2015, from nothing in the same period last year. Use of expensive LPFO has fallen significantly, to about 3%. As a result, our fuel bill in Nigeria fell by 35.2% in the first nine months of 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 marginally more expensive than gas per tonne of finished cement and may become competitive with gas as the price falls.

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 half 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 Q2 2016.

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.

Export drive begins

We have taken delivery of more than 2,000 new trucks to help improve our logistical capabilities and to enable us to export cement from Nigeria to neighbouring countries. The impact of these exports will become apparent in the coming months. Our key target will be Ghana, where we already have an import terminal that is at present supplied from outside the ECOWAS region.

West & Central Africa

Good starts in Senegal and Cameroon

Our West & Central Africa region sold nearly 1.5Mt in the first nine months of 2015, from facilities in Ghana, Senegal and Cameroon (Jan-Sep 2014: 240Kt). This accounts for 11.3% of all Group volumes sold.

The 1.5Mta factory in Senegal, which opened in January, has made an excellent start, particularly in the second quarter, and we now estimate it provides around 40% of cement sold in Senegal. We attribute this to sales of a high-quality product at competitive prices, although pricing remains soft in Senegal at just over $70/tonne. Almost all of our sales in Senegal were into the domestic market, although export markets offer good potential. In September we announced plans to expand the factory in Senegal, with a second line to produce clinker for export to neighbouring countries, notably Mali.

Our new 1.5Mta cement-grinding facility in Cameroun began operation in late March. We are pleased with the demand we have experienced so far and the positive response to our 42.5-grade cement. The plant has achieved as much as 65% utilisation in recent months. In 2014, Cameroon banned the importation of bulk cement, which will become properly effective in 2016, and this leaves a potential shortfall of a million tonnes that can be substituted with locally ground product made from imported clinker. We plan to build a second grinding facility in Cameroun, as announced in September 2015.

Although Ghana was a challenging market in the earlier part of the year, because of currency devaluation, competitor imports, erratic electricity supplies and the onset of the rainy season, sales have picked up as the year progressed, with September's volumes more than double those sold in January. We have recently begun the process of exporting cement from Nigeria to Ghana, thereby substituting third-party cement with our own. We have already announced our intention to build a 1.5Mta grinding facility at Takoradi.

South & East Africa

New factories make excellent progress

Our South & East Africa region sold nearly 2.3Mt of cement in the first nine months of 2015, a significant increase over the 423Kt sold in the same period last year. This represents 17.3% of all Group volumes sold so far this year.

Sales from the newly opened plants in Ethiopia and Zambia augmented a strong performance at Sephaku Cement in South Africa, whose integrated plant at Aganang opened in the second half of 2014.

Sephaku has made a strong entry into the South African market and we estimate that it has achieved a share of about 15% in less than a year of full operations. This is despite some stoppage time for kiln maintenance during the period.

Our 2.5Mta plant in Mugher, Ethiopia, was formally inaugurated in June and has made an excellent start to operations, reaching almost full utilisation within months. The plant has several advantages in the Ethiopian market, which is characterised by a large number of sub-scale operators using older, less efficient technologies. With a single large kiln located less than 90km from Addis Ababa, we are confident we can supply key markets with high-quality 32.5 and 42.5-grade cements produced at lower costs than our competitors. We have confirmed our intention to build a second line at Mugher, given the success of our entry into this growth market.

Our 1.5Mta plant at Ndola in Zambia began operations in June and output rose quickly to around 65% on a monthly basis. We expect it to increase production and sales in the second half of the year. Its key markets will be domestic sales and exports to the Katanga region of the Democratic Republic of Congo. We expect to double our capacity in Zambia in the coming years.

On 10th October we inaugurated our 3.0Mta plant at Mtwara, Tanzania, which is now expected to commence production in December 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 (2013), but which has been growing at nearly 8% from 2010 to 2013.

Corporate matters

In August 2015 the Nigerian Stock Exchange established a Premium Board for what it describes as an 'elite group of issuers that meet the Exchange's most stringent corporate governance and listing standards'. Following an extensive review of our governance, Dangote Cement was admitted as one of the first three companies on the Premium Board.

Outlook for 2015

We have made strong entries into other African markets, notably South Africa, Senegal and Ethiopia and expect to gain good market shares in all territories in the coming months and years. More than a third of our capacity is now outside of Nigeria and non-Nigerian sales are already making a strong contribution to total volumes sold. This strong growth in Africa has helped to offset the softness we have been experiencing in the Nigerian market so far in 2015, although devaluation of currencies in Zambia and South Africa may impact on earnings from those countries.

However, we remain optimistic that our home market will recover in due course and, with the start of our export drive, we are confident of an increase in sales from our Nigerian factories in the coming months.

Financial review

Summary of financial performance

Group	30/9/15 ₦bn	30/9/14 ₦bn
Revenue	365.5	310.2
EBITDA	213.1	189.2
EBITDA margin	*58.3%*	*61.0%*
Operating profit	173.5	162.5
EBIT margin	*47.5%*	*52.4%*
Profit before tax	166.9	154.0
Net profit	158.0	140.5
Earnings per ordinary share (naira)	9.80	8.26
	30/9/15 ₦bn	**31/12/14 ₦bn**
Total assets	1,097.0	984.7
Total liabilities	470.1	392.8
Net debt	240.0	222.0

Revenues

The Group's cement sales volume increased by 24% as compared to the first nine months of 2014, with volumes from Senegal & Cameroon (West and Central Africa Region) and Sephaku Cement, Ethiopia and Zambia (South & East Africa Region) offsetting the decrease in volumes in Nigeria. Group revenues increased by 17.8% to ₦365.5bn (2014: ₦310.2bn), mainly due to higher revenues in non-Nigerian operations.

Nigerian cement volumes declined by 5.6% during the first nine months of 2015 due to logistical challenges in shipping cement arising from fuel shortages in the first half of the year, as well as a general softening in the market. However this was partially offset by an increase in average selling price, with revenues from Nigeria falling by just 0.7% from ₦297.5bn during the first nine months of 2014 to ₦295.4bn for the first nine months of 2015.

West & Central Africa contributed ₦28.8bn from the sale of 1.5Mt of cement in Senegal, Ghana and Cameroon.

In South & East Africa, where Sephaku Cement was already operating in South Africa, we added contributions from Ethiopia and Zambia in the second and third quarters. The Region contributed ₦41.3bn revenues from the sale of 2.3Mt, the majority of which was sold in South Africa.

Manufacturing costs

	30/9/15 ₦bn	30/9/14 ₦bn
Materials consumed	37.8	26.1
Fuel & Power	45.1	51.7
Royalties	0.6	0.3
Salaries & related staff costs	11.0	6.9
Depreciation & amortisation	28.2	15.8
Plant maintenance	11.6	7.5
Other production expenses	7.1	4.2
Decrease in finished goods and WIP	(2.7)	(2.0)
Total manufacturing costs	**138.7**	**110.5**

Material costs increased in line with increased production and sales volumes as a result of our subsidiary in South Africa ramping up production, an increase in sales in Ghana as well as the commencement of operations during 2015 in Senegal, Cameroon, Zambia and Ethiopia.

The increase in cost of sales due to new operations outside of Nigeria was partially offset by a reduction in the fuel and power costs in Nigeria 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 shortages in 2014. Lower production at Gboko, which runs on higher-cost LPFO, also helped to reduce the overall fuel bill.

Staff costs increased across the Group due to increased staff numbers and the commencement of operations in Senegal, Zambia, Ethiopia and Cameroon as well is our subsidiary in South Africa ramping up production.

Administration and Selling expenses

	30/9/15 ₦bn	30/9/14 ₦bn
Administration and selling costs	56.8	39.9

Total operating expenses rose by 42.1% to ₦56.8bn, mostly as a result of commencing operations in our subsidiaries in Senegal, Cameroon, Ethiopia and Zambia, as well as an increase in volumes sold in South Africa. In addition we incurred non-capitalisable expenses for projects still under construction.

Profitability

Group	30/9/15 ₦bn	30/9/14 ₦bn
EBITDA	213.1	189.2
Depreciation, amortisation & impairment	(39.6)	(26.7)
Operating profit	**173.5**	**162.5**
Regional operating profit	30/9/15 ₦bn	30/9/14 ₦bn
Nigeria	162.7	164.9
West & Central Africa	2.9	(2.1)
South & East Africa	7.4	(0.3)
Elimination/Adjustments	0.5	-
Total operating profit	**173.5**	**162.5**

The Group posted an operating profit of ₦173.5bn, 6.8% higher than the ₦162.5bn generated in 2014, with both the non-Nigerian regions achieving profitability at operating level. The operating margin fell from 52.4% in 2014 to 47.5% in 2015, because of the increasing share of non-Nigerian operations in our revenue mix – these being in ramp-up phase and operating in less profitable markets than Nigeria.

Operating profits in our Nigerian operations decreased by 1.3% to ₦162.7bn while the operating margin decreased from 55.4% in 2014 to 55.1% in 2015. Manufacturing costs of goods sold decreased by 9.8%. The decrease was principally 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, as well as a reduction in volumes sold from Gboko. The decrease in manufacturing costs was offset by increase in selling and administration expenses.

With operations now onstream in Senegal and Cameroon, as well as Ghana, West & Central Africa posted a nine months operating profit of ₦2.9bn, compared with a loss of ₦2.1bn in the first nine months of 2014.

A good performance in South Africa helped the South & East Africa region achieve an operating profit of ₦7.4bn, compared to the loss of ₦0.3bn reported last year.

Finance income and expense

	30/9/15 ₦bn	30/9/14 ₦bn
Interest income	1.4	3.6
Exchange gain	30.3	1.0
Total finance income	**31.7**	**4.6**
Interest expense	25.5	15.6
Exchange loss	13.4	0.4
Less capitalised interest	(0.6)	(3.0)
Total finance costs	**38.3**	**13.0**

The Group's interest income decreased due to a reduction in investible surplus funds. Interest expense increased by 63.4% compared to the first nine months of 2014, due to higher average borrowings.

The Nigerian Naira fell in value significantly during the first nine months of 2015 resulting in 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 ₦166.9bn, compared with ₦154.0bn for the first nine months of 2014.

The Group's net profit for the nine months was ₦158.0bn (2014: ₦140.5bn) resulting in earnings per share increasing by 18.6% to ₦9.80 (2014: ₦8.26).

Financial position

Assets and liabilities

	30/9/15 ₦bn	31/12/14 ₦bn
Property, plant & equipment	881.2	747.8
Other non-current assets	27.5	96.1
Intangible assets	7.3	3.7
Current assets	142.4	116.5
Cash & Bank Balances	38.6	20.6
Total assets	**1,097.0**	**984.7**
Non-current liabilities	35.2	27.9
Current liabilities	156.3	122.3
Debt	278.6	242.6
Total liabilities	**470.1**	**392.8**

Our balance sheet continues to remain strong with non-current assets increasing from ₦847.6bn at the end of 2014 to ₦916,0bn at 30 September 2015. This was mainly as a result of capital expenditure, both within Nigeria and in other African countries. Total additions to property, plant and equipment amounted to ₦199.6bn, of which ₦61.7bn was spent in Nigeria, ₦31.1bn in West & Central Africa and ₦106.8bn in South & East Africa. The gross capital expenditure was partially offset by a depreciation charge of ₦39.2bn and a fall in prepayments of ₦70.7bn. This resulted in non-current assets increasing by ₦68.4bn.

The increase in current assets was mainly driven by the increase in the stock of spares, finished goods, work in progress as well as trade and other receivables driven by the new production lines in Nigeria, Senegal, Zambia, Ethiopia, Cameroon and South Africa.

The increase in current liabilities was mainly due to a ₦24.2bn 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 ₦158.0.0bn less translation losses of ₦20.7bn less dividend paid of ₦102.2bn.

Movement in net debt

	Cash ₦bn	**Debt ₦bn**	**Net debt ₦bn**
As at 31st December 2014	20.6	(242.6)	(222.0)
Cash generated from operations before changes in working capital	226.7	-	226.7
Changes in working capital	3.7	-	3.7
Income tax paid	(2.2)	-	(2.2)
Capital expenditure	(199.6)	-	(199.6)
Other investing activities	(4.3)	-	(4.3)
Change in non-current prepayments	71.6	-	71.6
Net interest payments	(17.3)	-	(17.3)
Net loans obtained	39.4	(39.4)	-
Other cash and non-cash movements	2.2	3.4	5.6
Dividend paid	(102.2)	-	(102.2)
As at 30th September 2015	**38.6**	**(278.6)**	**(240.0)**

The Group generated cash of ₦226.7bn before changes in working capital. As a result of a ₦3.7bn movement in net working capital and tax payment of ₦2.2bn, the net cash flow from operations was ₦228.2bn.

Financing outflows were ₦81.5bn (2014: ₦81.4bn), reflecting additional loans taken of ₦123.6bn, loans repaid of ₦84.1bn, interest payments of ₦18.7bn and dividend paid of ₦102.2bn. 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 ₦35.0bn at the end of the first nine months of 2015. Net debt stood at ₦240.0bn, an increase of ₦18.0bn from ₦222.0bn at 31st December 2014.

We invested ₦199.6bn in projects and normal capital expenditure (2014: ₦168.8bn). The capital expenditure was mostly associated with the new plant and coal facilities we are building in Nigeria, as well as expenditure on the production plants under construction in the various African countries.