# Dangote Cement Plc

Annual Report 2018

DANGOTE CEMENT

DANGOTE CEMENT

Dangote Cement Plc is Sub-Saharan Africa's leading cement company, with operations in ten countries.

In this Annual Report for 2018, we present a comprehensive account of our financial and operational performance during the last financial year.

For the first time, we have structured our Annual Report around the 7 Sustainability Pillars of what we call "The Dangote Way". We hope it will provide a deeper insight into how we are building a sustainable business for the benefit of all our stakeholders.

Find out more at **dangotecement.com**

# Highlights

# 2018: A year of record performance

## Financial highlights

Read more on pages **64–69**

### Revenue up 11.9%

**₦901.2B**

| | |
|---|---|
| 2018 | ₦901.2B |
| 2017 | ₦805.6B |
| 2016 | ₦615.1B |

### Dividend up 52.4%

**₦16.00 per share**

| | |
|---|---|
| 2018 | ₦16.00 |
| 2017 | ₦10.50 |
| 2016 | ₦8.50 |

### EBITDA up 12.1%

**₦435.3B**

| | |
|---|---|
| 2018 | ₦435.3B |
| 2017 | ₦388.1B |
| 2016 | ₦257.2B |

### Net debt/EBITDA

**0.39x**

| | |
|---|---|
| 2018 | 0.39x |
| 2017 | 0.52x |
| 2016 | 0.94x |

## Operational highlights

Read more on pages **26–47**

**Group sales volumes up 7.4% to 23.5Mt**

**Gas turbines now operating in Tanzania**

**Nigeria sales volumes up 11.4% to 14.2Mt**

**Innovative new products gaining market share in Nigeria**

**Pan-African sales volumes level at 9.4Mt**

**Enhanced Group-wide sustainability drive implemented**

## At a glance

# Our purpose

To be the partner of choice for those who are building Africa, creating sustainable value for all our stakeholders.

**"I'm proud to work for a company with a clear vision for a successful and sustainable future."**

**Echigeme Grant**
Shift Manager
Ibese

Read more on pages **48–57**

## Vision

Our vision is to be a global leader in cement production, respected for the quality of our products and services and for the way we conduct our business.

## Mission

Our mission is to deliver strong returns to shareholders by selling high-quality products at affordable prices, backed by excellent customer service.

## Values

Service

Leadership

Entrepreneurship

Excellence

Building prosperity

**26,281 staff**
**13 sites**
**10 countries**

Read more on pages **18–25**

## Investment highlights

- Leading cement producer in diverse regional markets with excellent growth prospects
- Industry-leading margins drive excellent returns and strong balance sheet, with low net debt
- 45.6Mta capacity with modern, efficient factories
- Robust governance, with five Independent Directors
- Significant competitive advantages, operating in local markets
- Fully committed to sustainable growth that benefits all stakeholders
- One of the largest companies in Sub-Saharan Africa by revenue and market capitalisation
- A unique investment opportunity offering exposure to Sub-Saharan Africa's growth potential

## **At a glance** continued

# The Dangote Group
# 7 Sustainability Pillars
# The Dangote Way

Our 7 Sustainability Pillars support our unique approach to creating a world-class enterprise.

Driven by the goal of achieving the highest levels of governance, the 7 Sustainability Pillars are embedded in our corporate culture and guide our approach to building a prosperous and sustainable business.

**Cultural**
Embody our core values into the way we do business, embracing respect, teamwork, empowerment, inclusion, integrity, learning and meritocracy within our organisation.

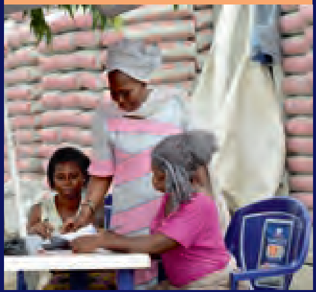
Read more on pages
**10–17**

**Economic**
Promote inclusive economic benefits, self-reliance and self-sufficiency through the sustainable industrialisation of Africa's key markets for the benefit of all our stakeholders.

Read more on pages
**18–25**

**Operational**
Deploy cost-effective, state-of-the-art production and distribution facilities and work with our partners to produce high-quality products that satisfy the needs of local markets.

Read more on pages
**26–47**



**"The Dangote Way reflects our commitment to building a sustainable business for all stakeholders."**

**Aliko Dangote, GCON**
Group President/CEO,
Dangote Industries Ltd.

## Social

Nurture the growth and wellbeing of our employees and host communities, ensure they share in our success and enjoy high standards of health, safety and environmental care.

Read more on pages
**48–57**

## Environmental

Take care of our environment by creating sustainable practices to address the challenges of climate change, optimising our energy efficiency, water usage and emissions control.

Read more on pages
**58–63**

## Financial

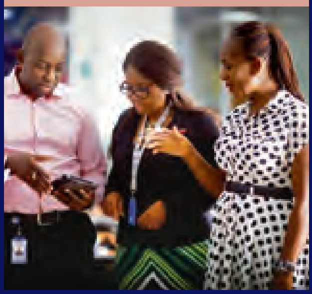
Achieve sustainable financial growth by selling high-quality products at affordable prices, so we can deliver strong returns to shareholders and create value in our host economies.

Read more on pages
**64–69**

## Institutional

Build a world-class company based upon strong governance, sustainable growth, transparency, dialogue and compliance with laws and regulations.

Read more on pages
**70–79**



## Where we operate

# Truly Pan-African

Dangote Cement has production capacity of 45.6 million tonnes per year across ten countries in Sub-Saharan Africa. We have integrated factories in seven countries, a clinker grinding plant in Cameroon and import and distribution facilities for bulk cement in Ghana and Sierra Leone. Together, these operations make us the largest cement producer in Sub-Saharan Africa.


### Serving our continent

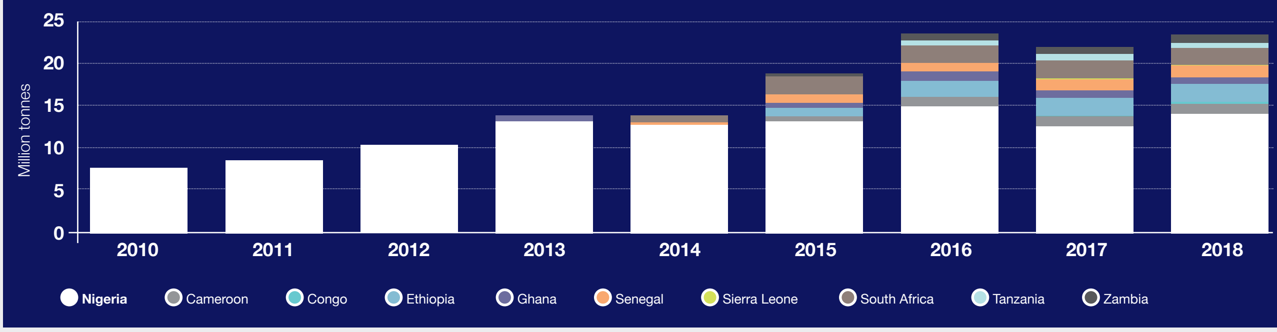
Based in Nigeria, we operate in many of Sub-Saharan Africa's key markets for cement, helping the continent become self-sufficient in this most basic commodity.

### Our regional strategy

We look for markets that have ample limestone, thriving economies, growing populations and a pressing need for housing and infrastructure.

Read more on pages **26–47**

### A track record of growth



**Type of operations**

Integrated | Import | Clinker grinding

## 01 Nigeria

Revenue
**₦618.3B**

| | |
|---|---|
| 2018 | ₦618.3B |
| 2017 | ₦552.4B |
| 2016 | ₦426.1B |

Capacity
**29.3Mta**

## 02 Tanzania

Revenue
**₦19.5B**

| | |
|---|---|
| 2018 | ₦19.5B |
| 2017 | ₦16.7B |
| 2016 | ₦12.0B |

Capacity
**3.0Mta**

## 03 South Africa

Revenue
**₦59.0B**

| | |
|---|---|
| 2018 | ₦59.0B |
| 2017 | ₦57.3B |
| 2016 | ₦41.4B |

Capacity
**2.8Mta**

## 04 Ethiopia

Revenue
**₦51.4B**

| | |
|---|---|
| 2018 | ₦51.4B |
| 2017 | ₦54.5B |
| 2016 | ₦40.1B |

Capacity
**2.5Mta**

## 05 Cameroon

Revenue
**₦48.7B**

| | |
|---|---|
| 2018 | ₦48.7B |
| 2017 | ₦43.2B |
| 2016 | ₦31.2B |

Capacity
**1.5Mta**

## 06 Congo

Revenue
**₦7.5B**

| | |
|---|---|
| 2018 | ₦7.5B |
| 2017 | ₦1.0B |

Capacity
**1.5Mta**

## 07 Ghana

Revenue
**₦25.4B**

| | |
|---|---|
| 2018 | ₦25.4B |
| 2017 | ₦28.1B |
| 2016 | ₦32.9B |

Capacity
**1.5Mta**

## 08 Senegal

Revenue
**₦35.0B**

| | |
|---|---|
| 2018 | ₦35.0B |
| 2017 | ₦28.8B |
| 2016 | ₦19.9B |

Capacity
**1.5Mta**

## 09 Zambia

Revenue
**₦33.1B**

| | |
|---|---|
| 2018 | ₦33.1B |
| 2017 | ₦25.1B |
| 2016 | ₦17.0B |

Capacity
**1.5Mta**

## 10 Sierra Leone

Revenue
**₦3.7B**

| | |
|---|---|
| 2018 | ₦3.7B |
| 2017 | ₦3.0B |

Capacity
**0.5Mta**

### Future projects

In the coming years we will open export facilities in Nigeria so we can export clinker and cement to our existing facilities both in Cameroon and the new import facilities we plan to build in West Africa. In addition, we plan to build new integrated factories in Nigeria and Niger that will strengthen our position as Africa's leading cement producer.

## Chairman's statement

**Aliko Dangote GCON**
Chairman

# Building a prosperous and sustainable future

### Dear fellow stakeholders

Before I reflect on what was our most successful year to date, I wish to pay tribute to three of our colleagues whose deaths particularly shocked our Company in May.

Our Chief Executive for Ethiopia, Deep Kamra, his Assistant, Beakal Alelign, and Driver, Tsegaye Gidey were brutally killed in an unprovoked act of violence on the road from our plant in Mugher to the capital, Addis Ababa.

May the peace and blessings of God be upon them and all other colleagues who sadly passed away in 2018. My thoughts and prayers are with all their families.

This heartbreaking incident followed months of engagement with our local community about our relationship with them and working to assure them we would collaborate more closely with them as one of our many groups of stakeholders.

Recognising that a business has many responsibilities, we have focused this 2018 Annual Report on our commitment to building a sustainable future for all our stakeholders, including the local communities that host our operations across Africa.

### The year in review

Turning to our business performance, 2018 was our most successful year ever, with 7.4% growth in Group cement sales to 23.5 million tonnes (Mt) and 11.9% growth in revenues to ₦901.2B, with EBITDA up 12.1% to ₦435.3B, at a margin of 48.3%.

Following the confirmation of our Pioneer Tax entitlement for 2015–18, net profit stood at ₦390.3B with earnings of ₦22.83 per share.

As a result of this strong performance the Board has recommended for your approval a dividend of ₦16.00 per ordinary 50 kobo share.

Read more on pages **64–69**

This dividend payment represents a 52.4% increase on the ₦10.50 per share we paid with respect to the 2017 financial year. If approved at the Annual General Meeting on 17th June, it will be payable to shareholders whose names are on the Company's register at the close of business on 3rd June 2018.

## Operating performance

Sales of cement from our Nigerian plants increased by 11.4% to 14.2Mt in 2018.

Our Pan-African operations contributed 9.4Mt, level on 2017, with strong performances in Cameroon, Senegal and Zambia helping to offset weaknesses in Ethiopia and Tanzania. With improving local conditions in Ethiopia and gas turbines now operating in Tanzania, we expect these two large plants to improve their performance in 2019, further increasing profitability.

## Sustainability initiatives

The year included Dangote Cement's first ever Sustainability Week, full of educational and community events designed to raise our collective awareness about how we can build a more sustainable business.

I am delighted to report that it was a huge success, taken up with great enthusiasm by staff across our ten countries, who took part in initiatives such as educational workshops, litter clearing and donations to local community hospitals.

In November, we adopted the Sustainability Charter of the Global Cement and Concrete Association, of which we are a member. It commits us to standardised and externally verified sustainability reporting in five areas: health and safety, climate change and energy, social responsibility, environment and nature and the circular economy.

These align with the efforts we are pursuing in our 7 Sustainability Pillars approach.

We are committed to bringing our sustainability efforts very quickly up to the levels that our international cement industry peers achieved after many years of work.

## Board changes

Olusegun Olusanya has resigned from the Board after having been with our organisation since its early days in 2004, when he was on the Board of our predecessor company, Benue Cement Company, before its merger with Dangote Cement Plc.

His hard work played an important role in deliberations and developing strategy regarding growth of our Company. We thank him for his long dedicated service with the Company.

We also bid farewell to our Group Chief Financial Officer and Board member, Brian Egan, who has resigned effective 28th February 2019 and is returning to Ireland after five years with Dangote Cement Plc.

He plans to spend some time with his family who remained back home in Ireland during that period. His impact on our business and its finance function has been significant and we wish him well for the future.

In the interim, Guillaume Moyen, who recently joined Dangote Cement as Group Chief Finance Officer (Operations) will be Acting Group Chief Financial Officer from 1st March 2019.

## Other matters

During 2018, we announced a commercial paper programme of up to ₦150B and soon after raised ₦100B in the first two tranches issued.

The success of these issuances, which were the largest ever by a Nigerian company, can be attributed to our excellent performance and strong balance sheet, which is reflected in our international and local credit ratings.

## Outlook

The outlook for Dangote Cement is exciting. Our Board continues to consider all strategic and financial options for the Company.

As an organisation, we are focused upon improvement in all areas and I wish to pay tribute to all our staff for their constant efforts towards achieving the vision of our Board and Executive team.

We will continue to improve our efforts in sustainability by applying The Dangote Way to the 7 Sustainability Pillars of our business culture and operations.

You will recall that only a few years ago, Nigeria was one of the world's largest importers of cement. Thanks to the efforts that you have supported as shareholders, we are continuing its transformation into an exporter of this basic but vital commodity.

Later in 2019 we will open export facilities in Lagos and Port Harcourt that will enable us to export clinker, initially to our grinding facility in Cameroon and then to new grinding plants we are building in West Africa.

Not only will these generate useful foreign currency for Dangote Cement to support other expansion projects outside of Nigeria, they will also help to increase the output of our Nigerian plants.

These will help to improve job creation and increase prosperity in Nigeria, something of which all stakeholders can be proud.

As our stakeholders, I hope you will enjoy reading our Annual Report for 2018 and thank you for your continuing support.

**Aliko Dangote**
Chairman
25th February 2019

Culture

# Building a culture of sustainability

# Q&A with Dr Ndidi Nnoli Edozien

## Group Chief, Sustainability and Governance

**Q**

**How do you build a culture of sustainability in Dangote Cement?**

**A**

The Sustainability and Governance Function is mandated to embed sustainability at all levels of the Company, from the Board Chairman to the most junior employee. We have based our efforts around the 7 Sustainability Pillars described in this report, which is an initiative across all the companies in our Group. Dangote Cement has pioneered our efforts in adopting this holistic approach to sustainable growth that considers financial, operational and institutional sustainability, as well as the more traditional notions of sustainability including environment, social and economic impact with special emphasis on building a culture of sustainability around our community outreach, health and safety.

**Q**

**How did the 7 Sustainability Pillars come about?**

**A**

They were the result of us asking what sort of company we wanted to be and how best to achieve it. We conducted internal workshops and consulted with external stakeholders and advisers and once we had considered all of this feedback we embedded our thinking as measurable KPIs across these seven areas, which embrace all aspects of our doing business in a way that would make us proud and allow us to demonstrate an innovative and unique approach to thinking about and achieving sustainable business development.

**Q**

**What did you achieve with this approach in 2018?**

**A**

Commencing in 2017, we established our baseline in sustainability reporting by benchmarking our performance across the 7 Sustainability Pillars against various global standards including the United Nations Global Compact's Sustainable Development Goals, the World Business Council for Sustainable Development's Cement Sustainability Initiative and the Global Reporting Initiative. We built on this in 2018 by measuring and reporting our performance against global industry leaders and conducting a materiality assessment through extensive stakeholder engagement to achieve GRI certification and compliance with every relevant national and international standard for sustainability reporting in 2018.

A more "on the ground" achievement was our first Sustainability Week, in September 2018, that encompassed lots of educational workshops, awareness programmes and empowerment initiatives in the communities in which we operate. I'm very proud to say we've engaged and educated 500 Sustainability Champions across Africa who are responsible for motivating our efforts across the Company, from the Executive Management to the doormen who greet you at HQ. These Sustainability Champions were responsible for our successful Sustainability Week, during which over 500 employees mobilised resources to impact 13 communities across six countries. This also won us the 2018 AFRICA SERAS Awards, which is the most reputed CSR and Sustainability award on the continent.

**Q**

**What are the benefits for Dangote Cement?**

**A**

The 7 Sustainability Pillars guide us to achieve our vision to be respected for the way we conduct our business and I believe they enable us to feel more united in our vision to drive positive change and build sustainable local economies in the countries where we operate.

# Culture

### The central pillar of our sustainability efforts

Culture is at the heart of our 7 Sustainability Pillars approach. We actively aspire to embody our core values in the way we do business, including our respect for cultural diversity and giving back to the societies in which we operate. To achieve this, we actively encourage teamwork, empowerment, inclusion, respect, integrity and meritocracy within our organisation. We call this approach "The Dangote Way".

Given the diversity of our workforce and host communities, our efforts have been to build on this to better integrate global and local best practices into the 7 Sustainability Pillars adopted in 2017 as our methodology to embed sustainable business practices in our day to day operations.

To actively ensure we live "The Dangote Way", the Group Sustainability and Governance function, partly in collaboration with the Sustainable Business Initiative of the University of Edinburgh, facilitated training and mentoring programs reaching a network of 500 Sustainability Champions across Africa.

In 2018, our inaugural Sustainability Week aligned with the United Nations "Day of Action" to support the implementation of the Sustainable Development Goals by uniting more than 500 of our employees across six countries and 13 communities over a common purpose and shared values to positively impact our host communities.

### Key performance indicators

We have adopted new KPIs that we believe enhance our commitment to employee-driven sustainability thinking and doing, The Dangote Way.

These KPIs are as set out by the Global Reporting Initiative and we are committed to monitoring and publishing our performance on them as we progress:

#### 1. Percentage of staff hired from the local community to work at major locations

At significant locations of operation we preferentially draw upon the local community for employment at the plants.

In 2018, some Nigerian locations recorded more than 90% local hires. In South Africa's Aganang plant, more than 99% of employees are South African, of whom 86% are from the local community. In our Senegalese operations, local employees make up about 95% of the total and this figure is still increasing, compared to around 60% in 2015.

#### 2. Staff volunteering

We are building a culture that encourages and supports active staff involvement in our sustainability initiatives and programmes. This is reflected in the unprecedented level of staff participation in the 2018 Sustainability Week.

### Sustainability Week

Our first Sustainability Week, held in September 2018, provided a Group-wide opportunity to engage with internal stakeholders on the importance of sustainability, as laid out in the 7 Sustainability Pillars of The Dangote Way.

Thirteen business locations participated in the exercise. Highlights of activities during the week-long event included a staff volunteering scheme, educational workshops, tree planting, cleaning up of hospitals, litter clearing, visits to schools and many other local community projects.

At our Obajana factory in Kogi State, for example, our Sustainability Champions rehabilitated and donated clinical equipment to Obajana Community Clinic.

At Ibese, in Ogun State, the Sustainability team at Ibese engaged in the donation of cash and equipment to local women entrepreneurs in the agrarian host community of Ajibawo, 3km away from the Ibese Cement Plant.

Sustainability Week will become an annual event, designed to promote awareness of the 7 Sustainability Pillars of The Dangote Way. It is built on our committed belief that sustainability must be owned and practised at every level of the organisation.

### Sustainability Champion training

During the year we trained more than 500 Sustainability Champions across the Group in programmes held in April, July and August, in partnership with the University of Edinburgh.

This has created a pool of sustainability enthusiasts who are committed to championing the new sustainable business culture we are introducing.

The training programmes enlightened participants on the 7 Sustainability Pillars and the roles that individual staff can play towards achieving the goals of sustainable business growth.

More than 500 employees volunteered their time, skills, energy and other resources towards various projects in host communities across six countries, including environmental clean-ups, teachings in public schools, donation of medical equipment to community healthcare centres, and other projects.

### 3. Number of Sustainability Champions trained in 2018

During the year we trained 500 people as Sustainability Champions to consolidate sustainability thinking and awareness across the Company.

Across all our training efforts, we devoted 1,083 staff hours to in-house training in sustainability awareness and implementation. This represented 0.3% of our total staff hours devoted to training.

## Promoting diversity

To create a working environment in which diversity is valued, we promote a culture of inclusiveness, providing everyone with opportunities to develop skills and talents consistent with our values and essential to support our business and sustainability objectives.

We are committed to building the business case for an organisational culture in which Dangote Cement's employees, contractors and stakeholders share common values towards a more responsible approach to doing business across the 7 Sustainability Pillars.

Ensuring employees have a strong sense of involvement, mutual respect and belonging within our organisation allows us to benefit from the wealth of their collective knowledge and experience. This gives insightful perspectives when taking business decisions and a diverse array of skills to execute these decisions so that Dangote Cement continues to grow globally and sustainably.

Sometimes, our high cultural diversity leads to contrasting views. Conflicts may arise with external stakeholders, either during the ordinary course of operations or during stakeholder engagement. We are developing grievance redressal systems that allow us to better address conflicts and protect the rights of involved parties.

## Protection of brand values

Dangote Cement aims to be Africa's brand of choice, through our Company values of leadership, based upon the excellence of our products and services that reflects our entrepreneurial drive.

We are committed to reflecting core values in the way we do business, producing high-quality products that sell at reasonable prices. We are supported by excellent supply chain management and we enable positive impacts for our staff, customers, suppliers, host communities and local economies.

Our Sustainability Report, published alongside the Annual Report for the first time in 2018, also establishes our baseline performance in order to responsibly track our performance and transparently improve this year on year.

We recognise that building a culture of sustainability is central to living these brand values and that a successful corporate culture requires us to continuously attract staff whose capabilities are aligned with our aspirations in integrity, transparency, anti-corruption and sustainability, including health, safety, social and environmental best practices.

## 2018 stakeholder inclusion strategy

We understand the critical role played by our stakeholders as well as the value they bring to our business.

We realise that by paying close attention to their concerns and interests we are building a relationship that is mutually rewarding.

This is why we ensure our stakeholders are constantly consulted and their feedback is built into our decisions.

By adopting a pragmatic stakeholder management approach that guides the way we identify and engage with our stakeholders, we are able to listen and identify their key concerns and develop strategies for addressing them while maximising our positive impacts.

L-R Musa Rabiu (Group Chief Human Resources Officer DCP), Dr Ndidi Nnoli Edozien (Group Chief Sustainability Officer DIL), Fatima Wali-Abdulrrahman (Senior Adviser to the President, Dangote Industries Limited) & Eunice Sampson (GM Sustainability DCP) with the Supply Chain Management award won by Dangote Cement at the 2018 Sustainability, Enterprise and Responsibility Awards in Lagos, December 2018.

# **Culture** continued

## Internal stakeholder engagement

In 2018, our approach primarily centred on collecting internal stakeholders' feedback on aspects of our business processes, operations and activities that were material to them and deciding how we can best plug observed gaps.

This strategy is critical because our internal stakeholders directly enable our operations and processes and also interact with our host communities for critical feedback about our impacts on local people, their economy and their physical environment.

In 2018, we extensively engaged our internal stakeholders, with the aspiration to engage external stakeholders across all tiers for more comprehensive feedback in 2019.

In May 2018, we commenced our internal stakeholder engagement with a comprehensive survey across all of our locations in Africa.

As GRI recommends that qualitative analysis, quantitative assessment and discussion be used to determine if a topic is material, we targeted a diverse group of employees for a representative sampling of Dangote Cement across Africa, with a total of 1,170 participants across twelve locations.

Through this survey, we were able to identify the main topics that Dangote Cement's employees consider to be material for our reporting.

## Identifying key topics

In addition, an external benchmarking of topics reported by manufacturers in both the cement and non-cement industries was carried out, looking at our competitors and our South African joint venture Sephaku Cement.

This enabled us to identify key topics considered material by others, so we could create a meaningful and high-quality Sustainability Report for Dangote Cement this year and on which we can improve in 2019.

## Materiality assessment, peer review and benchmarking exercise

In 2018, the Nigerian Stock Exchange released its Sustainability Guidelines. We achieved NSE compliance and a GRI-Certified Sustainability Report (separate to this Annual Report), with limited assurance by PWC, was published in 2018. This is well ahead of our originally projected 2020 timeline.

Through a transparent process of assessing materiality, we worked with Deloitte, PricewaterhouseCoopers and CSR-in-Action, building on the benchmarking exercise and employee survey, to identify those topics that reflect our organisation's significant economic, environmental and social impacts, as well as those that significantly influence our stakeholders, in accordance with the GRI Sustainability Reporting Guidelines.

## Media survey

We are aware that public and shareholder feedback is crucial within the guidelines set by the GRI board and therefore must be factored into every action we take in our journey towards GRI compliance.

This belief culminated in a media survey in which our team identified key topics frequently being reported, in order to identify the direction of public interest and subsequently factor this insight into the topics we chose as material this year.

## Materiality matrix

From the work described above, a list of prioritised indicators was then created on a materiality matrix and shared with both the data owners identified at Dangote Cement as well as members of the Board for validation.

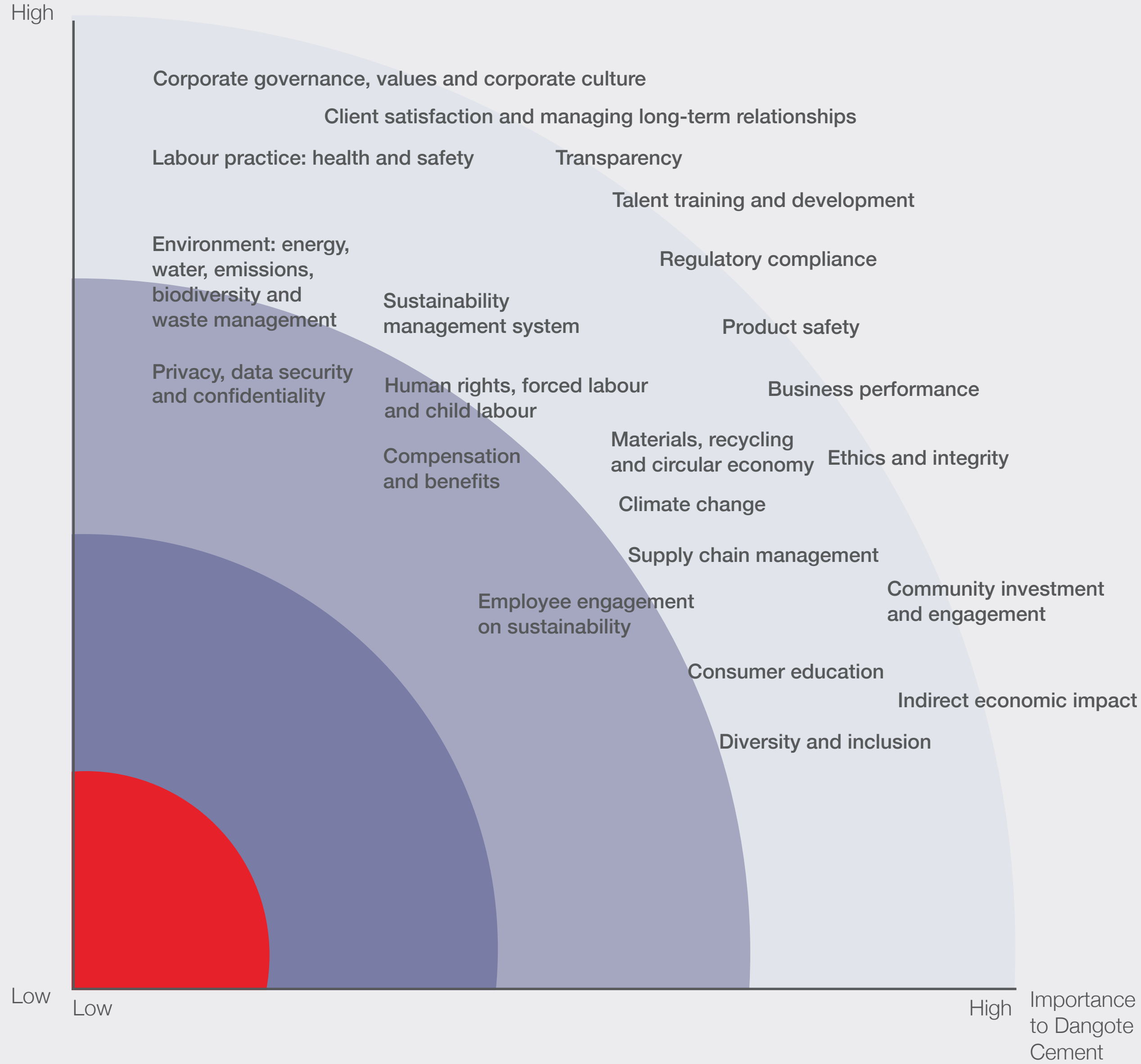
These individuals were asked to rate each indicator's level of importance from their perspective where they disagreed with the proposed placement on the matrix.

Once the matrix was updated we presented it once more for a final validation and conclusion. The result is shown on the opposite page.

# Dangote Cement's materiality matrix

### Resources used to identify material topics

- External benchmark of topics reported by the cement and non-cement industries
- Review of our employee survey
- Review of our media survey
- GRI sector supplements

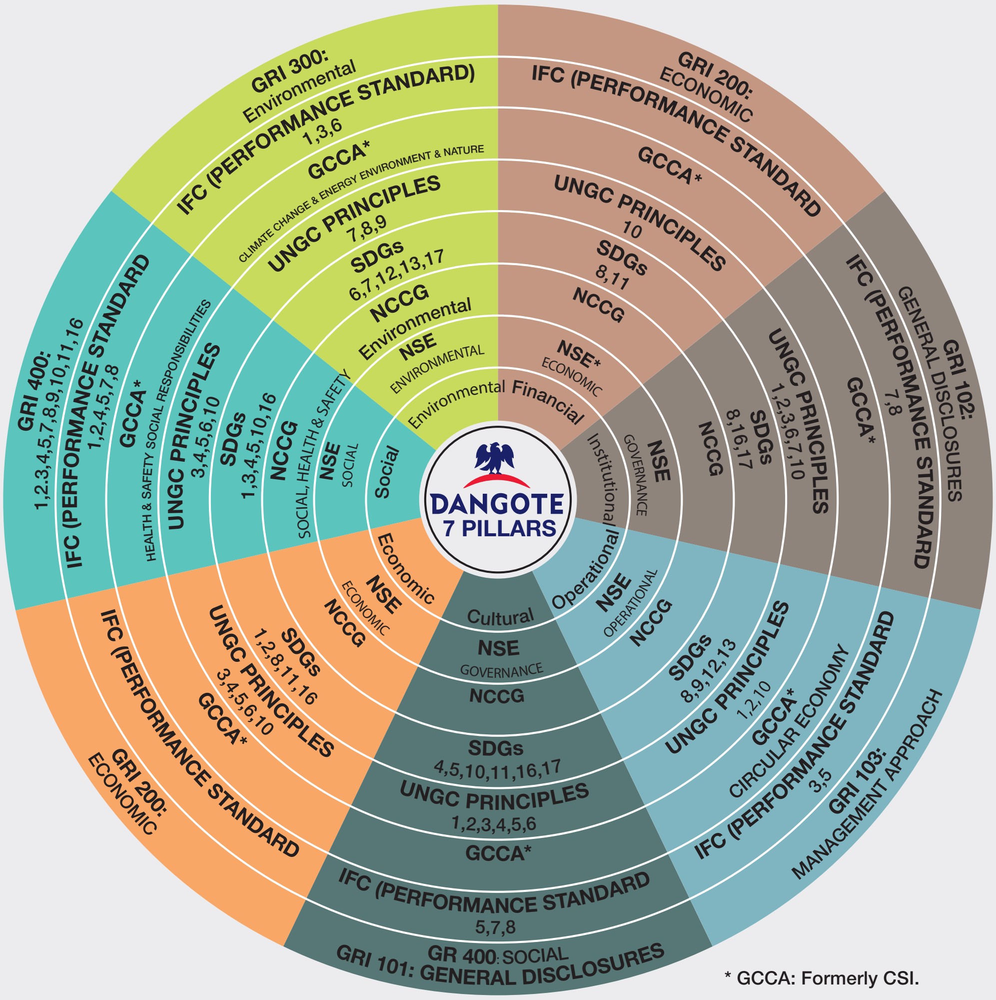



- The topics shown on the materiality matrix are indicators that have been identified by stakeholders as material in 2018.
- They also reflect issues that we have identified as material to our business operations.

**Key**

Less important · Moderately important · Important · Very important

# How the 7 Sustainability Pillars of The Dangote Way align with global sustainability initiatives




* GCCA: Formerly CSI.


**GRI** - Global Reporting Initiative
**IFC** - International Financial Corporation
**UNGC** - United Nations Global Compact
**SDG** - Sustainable Development Goals
**NCCG** - Nigerian Code of Corporate Governance
**NSE** - Nigerian Stock Exchange

## Next steps

The chart above shows how Dangote's unique 7 Sustainability Pillars align with global initiatives such as GRI and the Sustainability Charter of the GCCA.

We consider it to be a work in progress and recognise that the opinions of our stakeholders, both internal and external, are critical in assessing our sustainability impact and materiality.

In addition to improving on our internal stakeholder engagement in the forthcoming year, we will increase our scope to include the participation of external stakeholders.

This will enable us to understand in more depth what aspects of Dangote Cement and its operations are the most material for them and ensure that we are always living The Dangote Way across the 7 Sustainability Pillars of our business, in an authentic and responsive way.

**Dr Ndidi Nnoli Edozien**
Group Chief, Sustainability and Governance
25th February 2019


★BESSIE★

## Economic

# Creating long-term value for local and national economies that host our operations

## KPIs

**Value added**

**₦504.1 billion**

This represents the additional wealth created by Dangote Cement in 2018.

**Headcount**

**26,281**

Across its operations and transport, Dangote Cement directly employed 18,312 people in 2018, with a further 7,969 third-party contractors.

**Household income**

**₦29.6 billion**

In 2018, Dangote Cement contributed ₦29.6B to direct household income in Nigeria, with an additional indirect impact of ₦32.0B

Cement provides the strength upon which Africa's infrastructure is being built. Using locally sourced materials and services, our products help nations become self-sufficient, enable people to build homes and places of work and enable us to support families and communities through the creation of jobs that provide a decent wage and good working conditions.

**4,100Mt**

**Cement consumed by the world's 7.7 billion people**
Source: CemNet.com estimates.

**247Mt**

**Cement consumed by Africa's 1.3 billion people**
Source: CemNet.com estimates.

**"I'm not just making cement, I'm helping to build a sustainable future for my family, my country and the whole of Africa."**

**Elvis Akalusi**
Head of Safety, Ibese Cement Plant

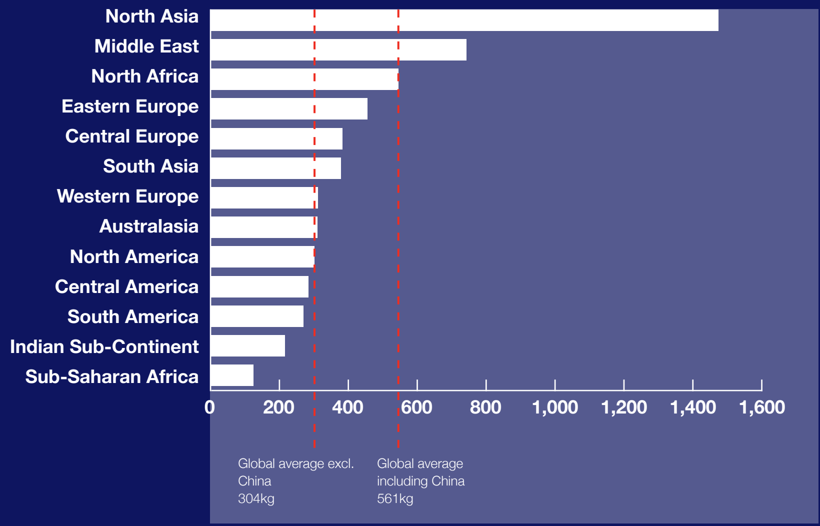
# Markets

## African cement market

**Catching up with the rest of the world**

After China and India, Sub-Saharan Africa will be the next growth market for cement as its economies emerge from poverty and enter a "build-out" phase that will drive strong demand.

### Per-capita cement consumption (kg)




**Source:** CemNet.com estimates.

### Positive long-term mega trends

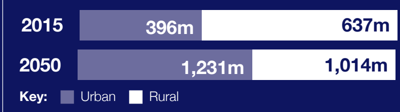
Cement demand will be driven by economic prosperity, political stability, increasing investment in homes and infrastructure, population growth and improved access to finance for building.

All of these trends will ensure that per-capita consumption of cement grows strongly across Africa in the coming decades, as countries develop and their people create wealth and enjoy greater prosperity.

### Rapid urbanisation presents a significant opportunity

Between 2015 and 2050, the urban population of Africa could grow by more than 800 million people.

### Population growth 2015–2050




## Infrastructure investment is a priority

### G20 report highlights urgent need for growth

In July 2018, the Global Infrastructure Hub, a G20 initiative, estimated that US$2.4 trillion of investment was needed for Africa to bring its infrastructure up to global standards by 2040. This includes meeting the UN Sustainable Development Goals of providing universal access to drinking water, sanitation and electricity for a growing population, as well as developing transport and telecommunications infrastructure across the African continent.

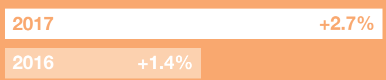
**$2.4 trillion**

**Investment needed between 2016–2040**

## Developing markets

### SSA economic growth

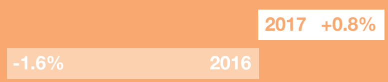
**+3.1%**




Estimates: IMF Regional Economic Outlook, October 2018.

### Nigerian GDP recovering

**+1.9%**




Source: Nigerian National Bureau of Statistics, February 2019.

- Nigeria's economy is the largest in Sub-Saharan Africa and the most important to Dangote Cement
- Estimated at US$411B in 2018 (Source: Trading Economics)
- IMF forecasts GDP growth of 2.3% for 2019
- Oil sector contributes nearly 9% of GDP, while agriculture contributes approximately 23%
- Higher oil price, less pipeline disruption, increased agricultural output helping recovery after recent recession

Read more on the Interview with the Chief Executive on pages **34–36**

## The 2018 business landscape for Dangote Cement

Dangote Cement operates in ten countries across Sub-Saharan Africa, a region that the International Monetary Fund estimated would increase GDP by 3.1% in 2018. This compares favourably with other regional growth rates such as the 2.2% growth estimated for the European Union and 2.2% for the G7 group of countries.

All our ten countries of operation have growing economies, ranging from just 0.8% growth in South Africa to an estimated 7.5% in Ethiopia. Most of the economies in which we operate are growing at between 2% and 5%; the key Nigerian economy is still recovering from recession and the Nigerian National Bureau of Statistics estimated 1.9% growth in 2018, with IMF forecasts of 2.3% for 2019.

This economic growth was reflected in the fact that most of our host countries increased consumption of cement during the year. Our largest market, Nigeria, saw an 11% increase in cement consumption, from 18.6 million tonnes in 2017 to 20.7 million tonnes in 2018.

Although its core business is dependent on the Nigerian economy, Dangote Cement is a diversified business and this reduces the impact of economic and political uncertainties across our theatre of operations, as well as the impact of seasonal factors such as rainfall.

Cement demand is driven by GDP and population growth and this anchors our belief that we have strong potential for growth in the coming decades as countries bring infrastructure and housing up to international standards.

Cement is an attractive product to sell in the build-out phase of a region's economic growth because it can be considered to act as a "GDP multiplier". For example, when roads are built they require significant amounts of cement; the road itself improves logistics, reduces industry's transportation costs and generates the need for buildings along its length, all of which can have positive impacts on GDP growth. This, in turn, feeds back into higher demand for cement. Likewise, buildings such as factories will use cement and create jobs and prosperity that enable people to buy, build or extend their homes.

All Dangote Cement's integrated factories are modern, fuel-efficient plants that use the latest technology to produce high-quality cement.

This enables us to compete very effectively in a Sub-Saharan cement industry that is fragmented and characterised by smaller-scale operators with older technologies, some even using legacy technologies such as wet-process production, which is highly energy demanding.

As a result, we can operate as the lowest-cost producer and support our cement manufacturing with strong investment in marketing and logistics.

We avoid competing on price, preferring to offer a better-quality product at the same price as rival offerings. This has enabled us to gain good market shares very quickly when we have entered new markets across the region.

Given recent financial pressures at other manufacturers in the region, it is obvious that our strategy has disrupted Sub-Saharan Africa's cement markets.

By contrast, we strengthened our market leadership in 2018 and believe our strategy will enable us to continue growing and consolidating our position in Sub-Saharan Africa.

The opportunity is enormous. The United Nations estimates that the region's population will grow to more than two billion people by 2050, with the urbanised population growing by 800 million over the same time.

Providing housing, infrastructure and workplaces for them will be like building Europe and America afresh within Africa. That is a truly exciting opportunity for Dangote Cement and its stakeholders.

# Business model

## A well-resourced industry disruptor with a clear strategy for value creation

### Relationships and resources

**Financial strength**
Strong balance sheet and excellent credit ratings give us good access to finance at favourable terms from leading local and international lenders.

**Business partnerships**
Long-term and constructive partnerships with key suppliers and resellers in each market.

**Innovation**
Product innovation through strong industry expertise and excellent market knowledge, enabled by the most modern technologies.

**Natural resources**
Access to key natural resources such as limestone close to our plants, nearby sources of fuel and our use of own-mined coal in Nigeria.

**Human capital**
Strong commitment to staff development through Dangote Academy's extensive training programme to create the engineers and managers we need to sustain our business success.

**Social licence**
A constant commitment to work with local communities to offer jobs, procure services and provide other benefits such as housing, water and healthcare.

### How we create value

#### Market selection and plant procurement

**Competitive advantages**
- Able to negotiate good investment incentives
- Financial strength enables us to negotiate discounts on plant procurement
- Innovative plant construction techniques reduce build costs

#### Quarries and mining

**Competitive advantages**
- New mines enable optimal extraction of limestone
- Strong emphasis on quality control before transport of raw materials to factory
- Factories always near mines

#### Premium product

**Competitive advantages**
- Lower cost of production
- Strong focus on quality
- Higher-grade cements serve need for stronger products as building height increases
- Product innovation for specialist needs, e.g. rapid-setting cement for block makers

#### Sales and distribution

**Competitive advantages**
- Large investment in logistics
- Good relationships with key market dealers
- Rapid loading of trucks using automated systems
- FMCG approach to sales
- Strong assistance programme for resellers

## Competitive advantages and business integration

### Production

**Competitive advantages**

- Modern, energy-efficient plants reduce costs and improve product quality
- Large size of plants enables significant economies of scale; at 13Mta, our Obajana plant alone has more capacity than many African countries
- Plants designed to operate at high standards of environmental care in an increasingly regulated industry
- High degree of automation

**The importance of integration**
Dangote Cement operates with a high degree of business integration that addresses many of the challenges of doing business in Africa, for example:

**Power and fuel**
Kiln fuel and power represent major costs in the production of cement, and shortages of either will disrupt production at great cost. We generate our own electricity in countries such as Nigeria, Senegal and Zambia. Our use of locally mined coal in Nigeria has reduced our dependence on imported coal, in addition to improving fuel security.

**Logistics**
Third-party logistics are not so well developed in many of our markets, including Nigeria, so we prefer to operate our own fleets to ensure efficient deliveries to customers.

**Training**
We have a strong commitment to training our staff at the Dangote Academy, to augment Africa's educational system and produce the specialist cement engineers we need.

## Outcomes in 2018

**Cultural**
Sustainability Champions trained
**500**

**Economic**
Value of exports from Nigeria
**$76 million**

**Operational**
Local procurement
**57%**

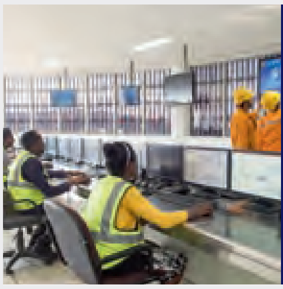
**Social**
Social investment in Nigeria
**₦1.4 billion**

**Environmental**
Decrease in $CO_2$ emissions per tonne
**2%**

**Financial**
Dividends paid to shareholders
**₦178.9 billion**

**Institutional**
Board composition
Independence, diversity and international outlook of the Board strengthened with new directors

# Strategy

| | Strategic objectives | Description | Performance |
|---|---|---|---|
|  | **01**<br>Focus on optimising the efficiency of our existing assets, to increase output and lower costs | We aim to be the lowest-cost producer in each market, by increasing output and thereby diluting our fixed costs. This enables us to improve margins, strengthen our balance sheet and increase returns for our shareholders. | • EBITDA margin of 48.3%<br>• Increased use of own-mined coal in Nigeria<br>• Higher output from key Nigerian plants<br>• Gas turbines in Tanzania |
|  | **02**<br>Increase our leadership of existing markets and be the number one or two supplier with at least 30% market share | We aim to increase market share through higher cement production, backed by excellent logistics, marketing and customer service. By doing so, we improve margins as we increase capacity utilisation. | • Increased output in five countries including Nigeria<br>• New product launches in Nigeria to address wider local market needs<br>• Several plants now close to capacity |
|  | **03**<br>Tap into high-value export markets, generating useful foreign currency that we can deploy outside Nigeria | We have not only made Nigeria self-sufficient in cement, but also turned it into a net exporter. In addition, we are exporting cement from countries including Senegal, Cameroon, Congo, Zambia and Tanzania. | • 0.8Mt cement exported from Nigeria, generating $76 million in FX<br>• 0.4Mt exported from Senegal<br>• Clinker export facilities being built in Nigeria |
|  | **04**<br>Expand prudently into attractive and high-growth cement markets across Sub-Saharan Africa | We will continue to look for attractive markets characterised by good economic growth, large and growing populations and a small or fragmented cement industry that is ripe for disruption. | • Constructing additional clinker grinding plants in Côte d'Ivoire, Ghana, Liberia, Cameroon, to feed from Nigeria<br>• New 1.5Mt plant planned for Niger |
|  | **05**<br>Adhere to high standards of corporate governance and improve our efforts in sustainability | Strong corporate governance provides reassurance that we are committed to building a sustainable company for the benefit of all our stakeholders and for the environment in which we exist. | • Increased independence of Board by appointing Cherie Blair and Sir Michael Davis<br>• Group-wide sustainability initiative drives improvements in reporting |

## Economic impact of Dangote Cement
## **Employment in Nigeria**

| 17,447 | 11,414 | 7,936 |
|---|---|---|
| **Employees** | **Employees** | **Employees** |
| Direct impact | Indirect impact | Induced impact |

**36,797 jobs**
Sustained by Dangote Cement in Nigeria

**2.11x***
Every job provided directly by Dangote Cement's operations in Nigeria sustains a total of 2.11 jobs in the Nigerian economy.

**41%**
The nearly 37,000 jobs sustained by Dangote Cement in the Nigerian economy is equal to 41% of the 89,000 civil service jobs in the Federal Government.

* Presented multiplier refers to the impact generated among suppliers and sub-suppliers (indirect impact) as well as economy as a whole through household spending (induced impact). It does not account for impact generated across distributors and retailers.

## Economic impact of Dangote Cement
## **Household incomes in Nigeria**

| ₦29.6B | ₦32.0B | ₦11.1B |
|---|---|---|
| Direct impact | Indirect impact | Induced impact |

**₦72.7B**
Total household income supported by Dangote Cement in the Nigerian economy in 2018

**2.45x**
Every ₦1.00 of household income generated directly by Dangote Cement's operations in Nigeria generates a total of ₦2.45 in the Nigerian economy.

**24,000**
₦72.7B would fund the building of 24,000 average-sized, three-bedroom bungalows in a rural area of Kogi State.

### Contribution to job creation

As the largest cement manufacturer in Nigeria, and one of the larger employers in Sub-Saharan Africa, we have created jobs throughout our operations for many thousands of Nigerians and Africans in nine other countries.

Aside from our direct job creation, our activities support thousands more jobs in our supplier chain and elsewhere, by way of indirect and induced impact.

In an era when unemployment, particularly amongst youth, has been a huge challenge confronting many African economies, the jobs we create help to alleviate unemployment and poverty.

In Nigeria, we estimate that the more than 17,000 jobs we sustain directly have a multiplier effect in the economy well beyond our operations.

In fact, we believe that nearly 37,000 jobs are sustained in Nigeria because of our operations, which makes a significant economic impact.

Across Africa, we believe our operations sustain nearly 58,000 direct and indirect jobs in the ten countries in which we operate.

### Contribution to income generation

By creating jobs across Africa we also drive income generation in host communities and others that benefit directly and indirectly from our presence.

This helps to increase local and national prosperity to the benefit of many more people than our headcount.

We estimate that in Nigeria, our contribution to household income is nearly ₦73B, including direct, indirect and induced impacts.

## Operational

# Modern, efficient factories producing the highest quality cement for local market needs

## KPIs

### Group volumes

**+7.4%**

| | |
|---|---|
| 2018 | 23.5Mt |
| 2017 | 21.9Mt |
| 2016 | 23.6Mt |

Group volume growth was mostly driven by a good recovery in Nigeria, where building activity recovered after recession.

### Nigerian volumes

**+11.4%**

| | |
|---|---|
| 2018 | 14.2Mt |
| 2017 | 12.7Mt |
| 2016 | 15.1Mt |

Nigerian sales grew strongly, helped by the launch of the new Falcon and BlocMaster products and supported by improved marketing and distribution.

### Pan-African volumes

**+0.0%**

| | |
|---|---|
| 2018 | 9.4Mt |
| 2017 | 9.4Mt |
| 2016 | 8.6Mt |

Pan-African volumes were affected by stoppages in Ethiopia and Tanzania, but Zambia and Senegal achieved good growth.

Our focus on operational sustainability demands that we maximise the addition of value to raw materials and local resources, whilst being mindful of health and safety and our impact on the environment. We strive to improve efficiency at every stage of the production process, from mining to distribution, and have demonstrated our commitment to innovation by launching new products in our key market, Nigeria. We are exploring ways to improve our use of alternative fuels in our kilns and researching how we can recycle by-products such as fly ash for use as extenders when we grind clinker into cement.

**₦418.7B**

**Total value of bought-in materials and services across all Dangote Cement operations in 2018**

**51.1%**

**Capacity utilisation across our integrated factories, which produced 21.5Mt of cement**

**"We don't just make cement, we support many businesses that participate in the supply chain and help them thrive and build prosperity."**

**Esther Oluwatomiyin Mohammed**
IT Specialist

# Operating review

We serve market needs by working with partners to deliver the best products and services for our valued customers and stakeholders, through continuous innovation, operational excellence, extensive logistics and a "consumer goods" approach to selling one of the world's most basic products.

**Product innovation**
In 2018 we launched two new products into our main market, Nigeria: Falcon and BlocMaster. Falcon is a 32.5-grade cement that addresses needs at the lower end of the market, where strength is less of a requirement. As such, it is ideal for applications such as single-storey houses, walls, mortaring and driveways.

BlocMaster is a premium 42.5R cement, setting rapidly to provide excellent early strength after one day, and superior strength after 28 days.

It is ideal for block makers, enabling them to turn their moulds quicker than with other products. Both Falcon and BlocMaster were developed after extensive in-house research and feedback from the market.

We will continue to drive product innovation to meet the needs of local builders across the ten markets in which we operate.

***FALCON***
**Suitable for low-load building needs**

**BlocMaster**
**A stronger, more rapidly setting cement for multiple applications**

“Efficient operations are good for the environment and for our bottom line. All stakeholders should be happy with our efforts to improve efficiency.”

**Armando Martinez**
Managing Director
Ibese Cement Plant

### Innovation in manufacturing

We have begun to explore the use of alternative fuels in our kilns to reduce carbon emissions across the Group. One possibility we are examining is to use discarded tyres as a kiln fuel.

As Nigeria’s largest fleet operator, we have plenty of waste tyres from our trucks. By shredding them and using them as fuel, we can improve our waste management, reduce our use of coal and gas and thereby help to improve our operating margins.

**7,423**
**Cement delivery trucks available in our largest market, Nigeria**

### Evolving needs

Africa’s cement market is moving our way. Our plants are designed to produce high-quality, stronger grades of cement that will increasingly be needed as Africa’s housing needs move from low-rise homes towards multi-storey developments and countries invest in large infrastructure projects such as bridges and dams.

**Total demand in our markets**

**65.8Mt**

Source: CemNet.com, estimates.

### Future investments

We will continue to invest in product development and improvements in our efficiency. By gathering customer feedback that drives constant innovation and improvement, we aim to maintain leadership in our key markets across Sub-Saharan Africa.

“Good quality control is essential to ensure the strength and durability of our cement. Our customers and their buildings depend on it.”

**Shaleen Dhagat**
Manager
Ibese Cement Plant

### Using high technology to assure quality

Quality control begins at the quarry, where we use gamma ray analysers to optimise the mixture of raw materials heading to the plant on conveyor belts. In the factories, samples are collected along the production line and tested at our robotic laboratories shown below.

# Health and safety

As the leading cement company in Africa, we understand the importance of health and safety for our workers, visitors and host communities.

We are continuously improving our processes to enhance safety, minimise harmful incidents and achieve our "Goal Zero" on fatalities and recordable injuries by implementing the best health and safety practices across all our sites. These ensure compliance with all applicable laws, regulations and Dangote Cement's own HSE policies and standards.

We document, track and report on plant fatalities, lost-time injuries and lost-time injury frequency. Unfortunately, our fatality rate increased to six in 2018, from two in 2017, while lost-time injuries increased from 22 to 26. Our accident frequency rate was 30 in 2018. These incidents were promptly reported to management and immediate action was taken.

We have strengthened our accident investigation processes and competencies. We closely monitor implementation of all corrective actions arising from all incidents and HSE audits. We try to ensure that no accident is repeated.

We are also being more proactive in our HSE risk management processes and practices, with HSE being promoted as a key performance indicator.

During 2018, we emphasised to our employees the benefits of reporting all incidents, promoted compliance with the Group's 15 Golden Safety Rules and strengthened our safety reporting format.

We also introduced our Safe System of Work initiative, including job hazard analysis, pre-work inspections, HSE meetings and a Permit to Work system. We implemented corrective actions from all near misses reported, accident investigations and HSE audits.

Dangote Cement has also developed an annual HSE Plan & Objectives, which will enable us manage HSE the way we manage our core business. All operating countries will set leading indicators with specific action plans by completing the Year 2019 HSE Plan & Objectives.

Leaders at all levels of the Company are responsible and accountable for HSE affairs in their areas of operations. In 2019, we will develop and implement an integrated HSE management system in line with the newly introduced ISO 45001. This will help us maintain our status as a world-class HSE performer.

We trained a total of 24 HSE professionals across Obajana, Ibese and Gboko (plant and transport) up to the UK NEBOSH International General Certificate standard. This is a significant investment in capacity building with expected long-term positive impact on the Group's HSE records and performance.

We continuously train our employees on best practices in health and safety in the workplace and emergency response procedures. We also ensure that we provide the required personal protective equipment they require to carry out their jobs safely.

Our Health and Safety Policy is championed by the Chief Executive Officer and is designed to achieve continuous improvement in safety practices for Dangote Cement's employees, contractors, suppliers, customers, host communities, visitors and other stakeholders.

**Fatalities**

**6**

**2017: 2**

**Lost-time injuries**

**26**

**2017: 22**

**Accident frequency rate**

**30**

# Executive team

**Engr. Joseph Makoju Mni, OFR.**
Group Chief Executive Officer

Joseph was appointed to the Board of Dangote Cement in 2010, as a Non-Executive Director. He has substantial experience of the cement industry in Nigeria and became Acting Group Chief Executive Officer in January 2018 and permanent CEO in April 2018.

He has worked in several world-class corporations including Shell, BP, Blue Circle (UK) and WAPCO (now Lafarge Africa), which he led as Managing Director/CEO for a decade before taking up the appointment as Managing Director/CEO of National Electric Power Authority. He also served as Special Adviser (Electric Power) to the President, Federal Republic of Nigeria, under two separate administrations.

He has a BSc and an MPhil in Mechanical Engineering.

**Brian Egan**
Group Chief Financial Officer

Brian joined Dangote Cement as Group Chief Financial Officer in 2014, having previously been an Executive Director and Chief Financial Officer of Petropavlovsk PLC and of Aricom PLC, both of which were listed on the Main Market of the London Stock Exchange.

Prior to joining Aricom, he was Chief Financial Officer of Gloria-Jeans Corporation, a leading Russian apparel manufacturer and retailer. He has more than 20 years' international experience in senior financial roles with Associated British Foods PLC, Georgia-Pacific Ireland Limited and Coca-Cola HBC.

He also trained as an accountant with KPMG and is a member of the Institute of Chartered Accountants in Ireland.

**Arvind Pathak**
Chief Operating Officer

Arvind was appointed Chief Operating Officer in January 2018 after previously being Regional CEO of Dangote Cement Nigeria. He has more than 30 years' experience in the cement industry.

Before joining Dangote Cement, Arvind worked at Reliance Cement as CEO.

He was previously the Regional CEO in ACC Limited, having worked most of his tenure in operations and maintenance of plant as well as leading important greenfield projects for the company.

He holds a degree in Electrical Engineering and a postgraduate degree in Industrial Engineering and Management. He has also been trained in a number of international management colleges.

**Adeyemi Fajobi**
Head of Sales and Marketing

Adeyemi joined Dangote Cement in September 2011 as Regional Sales Director and was subsequently deployed to head depot operations.

He took over the biggest market/region, Lagos, in Nigeria in 2015 from where he was elevated to National Sales Director, responsible for looking after Dangote Cement's sales in Nigeria. He has worked in several companies such as PWC, KPMG, BJ Services, Globacom and Westcom on different roles and assignments.

He obtained a First Class BA in Mathematics from Obafemi Awolowo University, Ile Ife, Osun State in 1992 and an MBA from Aston Business School, Birmingham, UK.

**Juan-Carlos Rincon**
Head of Transport

Juan-Carlos joined Dangote Cement in 2012 and has 24 years' experience in the cement industry, having worked in multinational cement groups such as Diamante, Cemex, Asamer, and the Austrian engineering consultancy firm Austroplan.

He brings to the Group a high degree of managerial knowledge and international experience gained from working in the global cement industry at sites in different countries.

He has held Senior Management positions in different parts of the world, including time as Chief Executive Officer of the Libyan Cement Company, as President of Dalmatia Cement in Croatia, and as Regional Human Resources Director for Cemex in South-East Asia.

**Kashinath Bhairappa**
Director of Projects

Kashinath joined Dangote Cement in February 2001 as a General Manager and was subsequently elevated to Deputy Director of Projects, responsible for looking after Dangote Cement's projects.

He previously worked with different cement manufacturers in India, including BK Birla Group (Cement), Ambuja Cements and Grasim Industries Limited at different levels in project management and execution.

He obtained a BA in Mechanical Engineering from Karnataka University, Karnataka State, in 1973.

**Knut Ulvmoen**
Supply Chain Director

Knut joined Dangote Industries Limited in 1996 as Finance Director. He previously had extensive finance experience in companies including Norcem, Bulkcem and Scancem.

As Group Managing Director of Dangote Cement, from 2002 to 2007, he was instrumental in Dangote Cement's transition from importing cement to becoming Nigeria's leading manufacturer.

As part of this expansion, he was a key figure in the acquisition of Benue Cement Company and in the development of plans to build the Obajana Cement factory in Kogi State.

In addition to his work in cement, he was also involved in the development of Dangote Industries Limited's flour and sugar operations.

**Mahmud Kazaure**
Group Chief Legal Counsel and Company Secretary

Mahmud joined Dangote Cement in 2011 and has broad legal experience including commercial law, international business and civil litigation as well as contractual and legislative drafting.

He is licensed to practise law in Nigeria, in the States of Maryland and New York in the United States of America, and also before the Supreme Court of the United States.

He obtained a Bachelor of Laws degree from Ahmadu Bello University, Zaria, in 1986 and was called to the Nigerian Bar in 1987.

He also obtained a Master of Comparative Jurisprudence degree from Howard University School of Law, Washington DC, in 1994.

**Musa Rabiu**
Group Chief Human Resources Officer

Musa joined Dangote Cement in March 2017 as Group Chief Human Resources Officer. He is a strategic management professional with over 30 years' experience acquired while working for a number of leading companies in the country including the Nigerian National Petroleum Corporation (NNPC).

He also worked for Shell Petroleum Development Company, between 1990 and 2008, in various capacities. He was previously Registrar/CEO, Chartered Institute of Personnel Management (CIPM), and a Fellow of the Institute.

He holds a BSc in Economics and an MSc in Economics, with specialisation in Econometrics, both from Ahmadu Bello University, Zaria. He also gained the degree of Doctor of Business Administration at Leeds Beckett University, in the United Kingdom.

**Oliver Obu**
Group Financial Controller Designate

Oliver joined Dangote Industries as a management trainee in 2012, specialising in finance. After substantial in-house training he was assigned to Dangote Cement in 2015, as Head of Internal Reporting and Planning.

He is a key member of the Company's Finance team, shaping its internal reporting and planning framework as well as working on the development of financial models for numerous projects undertaken by the Group.

Oliver holds a BA in Economics and Statistics from the University of Benin and an MBA from the Lagos Business School in Nigeria.

**Dr Ravi Sood**
Director of Operations, Nigeria

Ravi was appointed Director of Operations, Nigeria in June 2018. He has over 34 years of success in managing cement manufacturing units in different countries. He was Plant Director Tabuk Cement Co., Saudi Arabia, Technical Director, with Holcim in Eastern Europe and Relation Director with Lafarge, Austria.

Previously, he was the Director of Research & Development at Dangote Cement, during which he made substantial contribution to Dangote Cement product development (42.5R, 3X brand). He holds a PhD in Materials Science from the Indian Institute of Technology, Delhi.

**K R Rao**
Director of Operations, Pan-Africa

Rao joined Dangote Cement in 2006 to manage some of the Group's expansion projects. His experience in project management spans 30 years holding senior positions in management consultancy and industrial engineering.

He is currently the Director of Operations for the Pan-African region, with responsibility for all operations outside Nigeria.

He holds a BTech in Electrical Engineering which he obtained at JN Technological University, India, in 1977 and an MTech in Industrial Engineering and Operations Research from the Indian Institute of Technology.

# Interview with the Chief Executive

**Engr. Joseph Makoju Mni, OFR.**
Group Chief Executive Officer

# A successful year and a strategy for sustainable growth

**Revenue up 11.9%**

## ₦901.2B

| | |
|---|---|
| 2018 | ₦901.2B |
| 2017 | ₦805.6B |
| 2016 | ₦615.1B |

**EBITDA up 12.1%**

## ₦435.3B

| | |
|---|---|
| 2018 | ₦435.3B |
| 2017 | ₦388.1B |
| 2016 | ₦257.2B |

**Cement volumes up 7.4%**

## 23.5Mt

### How would you summarise Dangote Cement's performance in 2018?

It was a very good year for the Group as a whole, despite a number of local challenges that emphasised the importance of having a diversified business. We increased our overall sales volumes by 7.4% to 23.5 million tonnes, with revenues increasing by 11.9% to ₦901.2B and EBITDA rising by 12.1% to ₦435.3B. Our Group margin was 48.3%, which is very good for our industry and keeps us well ahead of our competitors, putting us at the top of the global cement industry.

### What were the highlights for Dangote Cement?

If we look at the whole year, we had a very good recovery in Nigeria and it was supported by much stronger performances in Zambia, where we increased volumes by 28.0%, and in Senegal, up 9.3% and where we were operating almost at full capacity. But there were other highlights too, like new product launches in Nigeria, demonstrating our capability for innovation and responsive customer service, and our Group-wide Sustainability Week in September.

## Key strategic aims

- Optimise the efficiency of our existing assets so we can produce more cement and at higher margins
- Continue to increase our share in existing markets through improvements in marketing and distribution
- Tap high-value export markets, especially where we can substitute imports from beyond Africa
- Target promising growth markets across Africa to expand our footprint and improve returns
- Adhere to high standards of corporate governance and improve sustainability

Delivering superior and sustainable risk-adjusted returns on our investments

**The Dangote Way**

### What were the local challenges you faced?

In our main market, Nigeria, which accounted for 60.2% of Group sales volumes, we saw good growth of 11.4% over the year, despite heavy rains that caused severe flooding and hit demand and logistics in September and October.

In Pan-African operations we had some civil disruption in Ethiopia that affected production and distribution in a market that had been so good for us in previous years.

Our problems in Tanzania continued until November, when we finally got our gas turbines running to replace the expensive diesel generators we had been using.

That will help us transform a monthly loss into a monthly profit of about the same magnitude, and should have quite an impact on profitability in 2019.

### As CEO, how did you deal with the incident in Ethiopia in which three colleagues lost their lives?

On a personal level I was heartbroken to lose people I knew and worked with, and in such a shocking manner.

Even now, the motive for the incident is unclear. I travelled to Ethiopia straight away to comfort their families and be with staff at the plant in what was a very difficult time.

I needed to learn what had happened from a security perspective, to meet the authorities and to listen to local people.

Obviously, we had made it a priority to focus our attention on maintaining and enhancing good relationships with the local communities around our plant because that was in everybody's best interests.

In a wider context, we are looking closely at the way we relate with local communities across our sites of operation in Africa. We continue to look beyond dealing with local leaders and ensuring we engage with the rest of the community around them.

It is our priority to continuously improve our community engagement everywhere we operate. Our emphasis is on economic empowerment of citizens and our host communities, not just giving them handouts.

### Sustainability features much more in this Annual Report; does that reflect a shift in attitudes at Dangote Cement?

I think our attitudes towards sustainability are always being enhanced.

The major European companies had much longer time to adopt best practices in sustainability, so the target we have set is quite ambitious but it is definitely a good goal to have.

I was delighted by the enthusiasm I saw during our first Sustainability Week, which was held in September 2018.

After attending some of the sustainability workshops it became obvious that staff are very committed to the 7 Sustainability Pillars and their role in the development of Dangote Cement.

In addition, during the year I met with many investors around the world and it was obvious that sustainability is very important in their decision whether or not to invest in a company such as Dangote Cement.

# **Interview with the Chief Executive** continued

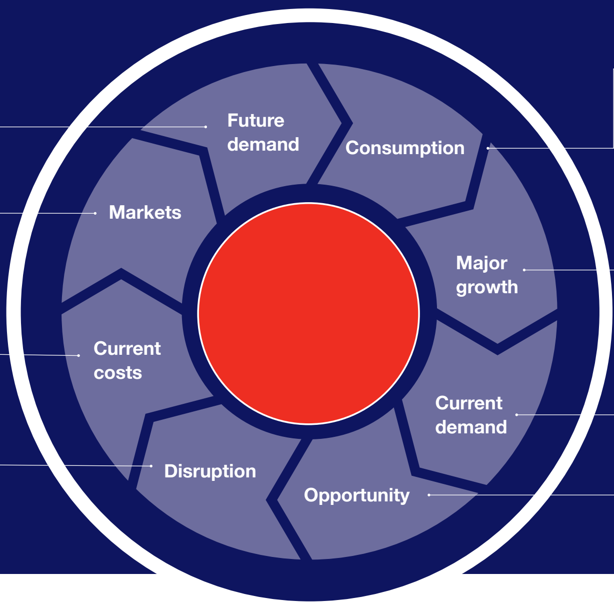
## The attractions of Sub-Saharan Africa's cement market

Cement is an essential building material with no viable substitutes; Africa will need billions of tonnes in coming decades.

Dangote Cement's key markets are Nigeria, Ethiopia and South Africa; cement "majors" with high net debt/ EBITDA are less able to finance entry to these markets.

Key barriers to entry include high capital cost of entry, construction time and access to resources.

Many incumbents are sub-scale and use older technologies, and so they are vulnerable to well-funded industry disruptors.




Sub-Saharan Africa significantly lags global average per-capita cement consumption.

Africa is the next major growth market for cement, needing billions of tonnes in the coming decades.

Cement demand driven by increasing population, urbanisation, infrastructure, housing growth and prosperity.

Huge opportunity to replace imports from outside of Africa as countries focus on developing their own manufacturing base or ban imports of bulk cement in favour of clinker for grinding with local materials to make cement.

### How does Dangote Cement thrive in a challenging operating environment?

We have many competitive advantages because of our size and strength and they enable us to do well in a regional cement market that is characterised by smaller-scale producers, many of which are using older technologies.

We can be considered a disruptor in our industry because of this; we focus on producing the best product at the lowest cost and backing it with good service and logistics.

### How is the Company's strategy evolving now it has completed the first phase of its expansion?

For the factories we have opened in the past few years, our strategy is to get them to high levels of capacity utilisation and that will help them to become more profitable.

This means increasing their sales, either domestically or in export markets, and we are focusing on both. Exports are particularly helpful because they generate foreign currency.

A number of our plants are already running at high utilisation and we will see higher output in Congo, Tanzania and Sierra Leone in 2019.

Beyond these organic efforts, we are still pursuing an expansion strategy that will involve new integrated factories in Nigeria and Niger and new grinding capacity in countries such as Ghana and Côte d'Ivoire.

By the end of 2019 we will have clinker export facilities ready in Nigeria to serve Cameroon and then the new plants as they come onstream.

### What are Dangote Cement's priorities for 2019?

We will focus on efficiency gains and achieving higher sales in domestic and export markets.

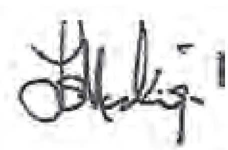
A major priority for us is to get these export terminals onstream so we can replace non-African imports in Cameroon, earn foreign currency for Nigeria and increase the utilisation of our Nigerian plants.

We are also committed to further improving sustainability efforts, from community relations to environmental care, and these initiatives are being driven from the top.

### What is the outlook for Dangote Cement?

I think the future looks very bright for us. We have established a very strong platform for future growth and we are looking to expand and consolidate our position across Africa.

We will continue to focus on building an efficient and sustainable business that will be leading its market for many years to come.



**Engr. Joseph Makoju Mni, OFR.**
Group Chief Executive Officer
25th February 2019

## Regional overview

**Ravi Sood**
Director of Operations, Nigeria

**K R Rao**
Director of Operations, Pan-Africa

# Operating review

Both Nigerian and Pan-African operations performed well in 2018 despite local market and operating challenges caused by heavy rain, civil unrest and plant stoppages.

### Nigerian operations

Nigeria's cement market recovered well in 2018. We estimate that total market consumption was 20.7Mt, up 11.0% on the 18.6Mt sold in 2017. Market growth was stronger in the first seven months of the year, before unusually heavy rain and flooding affected demand in key regions, which depressed sales from mid-August to mid-November.

Dangote Cement's Nigerian operations increased volumes by 11.4% to 14.2Mt in 2018, including export sales of nearly 0.8Mt.

Domestic sales in Nigeria were 13.4Mt, compared to 12.0Mt in 2017, because of higher local building activity as the economy recovered from recession.

As a result of our volume growth, Nigeria increased revenue by 11.9% to ₦618.3B and EBITDA by 10.2% to ₦397.4B at a margin of 64.3%.

### Pan-African operations

Pan-African operations sold 9.4Mt of cement in 2018, level with cement volumes sold in 2017. Factors depressing sales included plant shutdowns in Tanzania due to operational reasons, civil disruption in Ethiopia and a reduction of imports into Ghana from Nigeria.

However, stronger performances were recorded in other Pan-African territories, notably Zambia, and we benefited from increased sales in the recently opened facilities in Congo and Sierra Leone.

The total Pan-African volume represents 39.8% of Group sales volumes before inter-company adjustments.

Despite level volumes, Pan-African revenues of ₦283.3B were 9.6% higher than 2017, because of higher pricing across the region, and represented 31.4% of total Group revenues.

The region's EBITDA of ₦49.1B (before central costs and eliminations), was up 28.2% on 2017's EBITDA and contributed 11.0% of Group EBITDA, at a margin of 17.3%, compared to a margin of 14.8% in 2017.

# Operating review


## Nigeria

Nigeria is where we began operations more than a decade ago and where we now have three of the largest and most efficient cement plants in Sub-Saharan Africa.

**Sales volumes**

**14.2Mt**

2017: 12.7Mt
11.4%

**Revenue**

**₦618.3B**

2017: ₦552.4B
11.9%

### Key statistics

| | |
|---|---|
| **Demographics** | |
| Population | 198m |
| Urbanisation | 50% |
| 2018 GDP growth | 1.9% |
| **Market** | |
| Total capacity | 48.2Mta |
| Cement consumption | 105kg/person |
| Total market | 20.7Mt |
| **Dangote presence** | |
| Location | Obajana, Ibese, Gboko |
| Capacity | 29.3Mta |
| Type | Integrated |
| Total staff | 17,447 |
| Trucks | 7,423 |
| Kiln fuel | Gas, coal |
| Power | Gas, diesel |

### Market

Nigeria is the largest market for cement in Sub-Saharan Africa and a highly attractive production centre, having significant deposits of limestone close to large demand centres and good economic prospects that will enable its population of 198 million to increase their consumption of cement in the coming decades.

Furthermore, Nigeria has local sources of fuel such as gas and coal, prohibits importation of cement and incentivises exports into neighbouring countries, many of which lack limestone. Therefore, as the largest producer in Nigeria, our home market can be considered the whole of the ECOWAS trading region, which represents about a third of Africa by countries, population and GDP, as well as neighbouring Cameroon.

### Performance

Our Nigerian plants sold 13.4Mt of cement into local markets in 2018, higher than the 12.0Mt sold in 2017, due to a good recovery in infrastructure and housing after the recession.

Although the local market grew strongly up to July, sales were then affected by the heavy rains and flooding that affected central Nigeria from mid-August, with sales only recovering from mid-November.

Factors in our improvement included the new Falcon and BlocMaster products, new bonus schemes, improved routes to market, better customer support and initiatives including warehousing and the greater availability of delivery trucks, helped by our successful Customer Trucks Empowerment Scheme.

### Living The Dangote Way

During our first Sustainability Week, hundreds of staff from Head Office and our three plants took part in initiatives to help our local communities, ranging from the donation of healthcare equipment to litter clearing. During the week, we reinforced a culture of sustainability among our staff and we believe that a ripple effect will be apparent in how they conduct their jobs and personal tasks. Our Sustainability Week aligned with the 2018 World Environmental Day, which focused on managing plastic waste.

## Tanzania

Our 3.0Mta factory in Mtwara has now been installed with gas turbines to power the factory, which will enable us to produce more cement and at positive margins.

**Sales volumes**

**0.6Mt**

2017: 0.8Mt
-17.4%

**Revenue**

**₦19.5B**

2017: ₦16.7B
17.1%

### Market

Tanzania's robust economy has driven growth in infrastructure and housing, with major government projects including roads, railways and airports.

At 3.0Mta, our integrated plant at Mtwara is the largest of Tanzania's 13 cement plants, most of which are located near the coast. We benefit from close proximity to gas supplies and are now able to fuel our kilns and electrical generators with gas. In addition, we are exploring the potential to mine our own coal in Tanzania.

Although we are some distance from the capital, Dar es Salaam, we have a delivery fleet of nearly 600 trucks that will help us to achieve a good market share within Tanzania, as well as enabling us to export into Mozambique.

### Performance

Long delays to the installation of gas turbines obliged us to reduce production at Mtwara in order to avoid substantial losses incurred by powering the plant with temporary diesel generators.

As a result, our sales volume fell from 757Kt in 2017 to 625Kt in 2018. However, with the gas turbines operational from November, we were able to increase production and expect EBITDA to turn positive in Q2 2019 as volumes increase.

Recent price competition in the market was a factor in the suspension of production at two factories owned by another producer, which provides us with an opportunity to build market share.

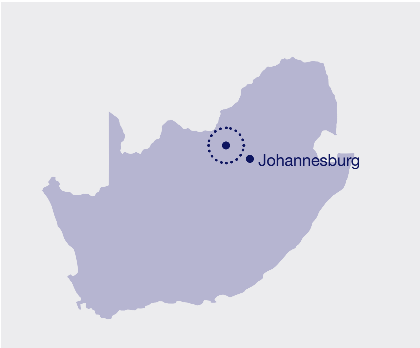

### Key statistics

| | |
|---|---|
| **Demographics** | |
| Population | 60m |
| Urbanisation | 34% |
| 2018 GDP growth | 5.8% |
| **Market** | |
| Total capacity | 13Mta |
| Cement consumption | 88kg/person |
| Total market | 5.2Mt |
| **Dangote presence** | |
| Location | Mtwara |
| Capacity | 3.0Mta |
| Type | Integrated |
| Total staff | 1,273 |
| Trucks | 565 |
| Kiln fuel | Coal, gas |
| Power | Gas |

### Living The Dangote Way

We are part of the grand infrastructural transformation taking place in Tanzania. We touch millions of lives by providing cement used for construction of housing, railways, roads, airports and other infrastructure critical for Tanzania's continuing economic development. We are committed to the long-term development of the country and will continue to develop and provide quality products that will support rapid urbanisation and infrastructure development.

# Operating review continued




## Key statistics

| | |
|---|---|
| **Demographics** | |
| Population | 57m |
| Urbanisation | 66% |
| 2018 GDP growth | 0.8% |
| **Market** | |
| Total capacity | 25Mta |
| Cement consumption | 245kg/person |
| Total market | 14Mt |
| **Dangote presence** | |
| Location | Aganang, Delmas |
| Capacity | 2.8Mta |
| Type | Integrated |
| Total staff | 797 |
| Trucks | Outsourced |
| Kiln fuel | Coal |
| Power | Grid |

## South Africa

Although its economy is subdued, South Africa remains one of Africa's largest markets for cement. Our facilities at Aganang and Delmas can produce up to 2.8Mt per year.

**Sales volumes**

**Cannot be published due to local competition laws**

**-6.4%**

**Revenue**

**₦59.0B**

**2017: ₦57.3B**

**2.9%**

### Market

The subdued state of South Africa's cement market reflects the country's economy, which is estimated to have grown by less than 1% in 2018.

South Africa has about 25Mta capacity, according to CemNet.com, but effective capacity is estimated at 17Mta to 18Mta. Although local competition rules prohibit us from publishing sales volumes, our factories operate at good capacity utilisation in South Africa. Our facilities at Aganang and Delmas are among the most modern and efficient in the country, serving key markets around Gauteng and other provinces such as Limpopo, Kwa-Zulu Natal , Mpumalanga and North West. South Africa is one of the few countries in which we outsource distribution and there is a well developed retail market.

### Performance

Our sales volumes fell by 6.4% in South Africa in 2018. Aside from the muted economy, sales were affected by lower demand, higher imports and increased competition.

Furthermore, the cement blenders increased their volumes into the market to approximately 1Mt as a result of low bulk cement pricing, and imports increased by 80% year on year.

The recent increases in VAT and fuel prices were other factors in the fall in sales.

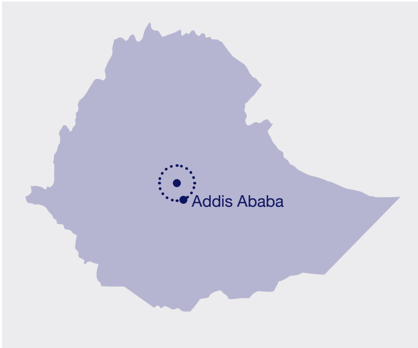
With pressure on volumes, we focused attention on marketing, cost reductions and efficiency improvements.

### Living The Dangote Way

Operating in one of the largest cement markets in Africa, with 66% urbanization, Dangote Cement South Africa strives to contribute towards industrial growth and economic development of South Africa and making cement accessible and affordable for its population of 57m. While serving the urban centres, we also aim to ensure inclusiveness by making concerted efforts to serve markets in both sub-urban and rural areas of the country.

# Ethiopia

Strong economic growth and a large and expanding population make Ethiopia an attractive market for cement, with high demand for infrastructure and housing.




**Sales volumes**

**2.1Mt**

**2017: 2.2Mt**
**-6.2%**

**Revenue**

**₦51.4B**

**2017: ₦54.5B**
**-5.7%**

## Market

Ethiopia's strong economy was expected to record 7.5% GDP growth in 2018 and its construction industry is flourishing as the country builds houses and major infrastructure projects under its Growth & Transformation Plan.

Although its market is estimated at more than 9Mt, per-capita consumption lags behind many African countries at about 84kg/person, suggesting considerable growth potential as the country modernises and people migrate to cities.

While the country seems overserved with 17Mta capacity, much of it is ageing, small-scale and unable to compete with modern cement production facilities like our 2.5Mta plant at Mugher, particularly given our additional strength in distribution.

## Performance

We sold nearly 2.1Mt of cement in 2018, which was 6.2% lower than 2017 because of disruptions caused by civil unrest in the Oromia region, which affected both production at the factory and distribution along the local road networks.

Production picked up as the political situation improved with the appointment of the new Prime Minister. Additionally, we focused on working more closely with local people in operations and mining, after consultation with community leaders following plant-specific disruptions.

Efficiency initiatives in 2018 included more use of backhaul by cement delivery trucks and the outsourcing of coal deliveries from Djibouti to improve supply to the plant.

## Key statistics

| | |
|---|---|
| **Demographics** | |
| Population | 105m |
| Urbanisation | 21% |
| 2018 GDP growth | 7.5% |
| **Market** | |
| Total capacity | 17Mta |
| Cement consumption | 84kg/person |
| Total market | 9.1Mt |
| **Dangote presence** | |
| Location | Mugher |
| Capacity | 2.5Mta |
| Type | Integrated |
| Total staff | 1,819 |
| Trucks | 443 |
| Kiln fuel | Coal |
| Power | Grid |

## Living The Dangote Way

In Ethiopia, we are making progress in further improving our relationships with the local community in a region that has experienced troubles over the past two years. We aim to offer more employment and business opportunities for the local people and have been working with them to resolve our differences. We look forward to a harmonious and mutually beneficial relationship with the community.

# **Operating review** continued


## Cameroon

Cameroon lacks sufficient limestone for large-scale cement manufacturing so we import clinker for grinding. Soon, we will supply clinker from Nigeria and Congo.

**Sales volumes**

**1.2Mt**

**2017: 1.2Mt**
**-1.8%**

**Revenue**

**₦48.7B**

**2017: ₦43.2B**
**12.8%**

### Key statistics

| | |
|---|---|
| **Demographics** | |
| Population | 24m |
| Urbanisation | 56% |
| 2018 GDP growth | 3.8% |
| **Market** | |
| Total capacity | 5.7Mta |
| Cement consumption | 120kg/person |
| Total market | 2.9Mt |
| **Dangote presence** | |
| Location | Douala |
| Capacity | 1.5Mta |
| Type | Grinding |
| Total staff | 720 |
| Trucks | 191 |
| Kiln fuel | n/a |
| Power | Grid |

### Market

Cameroon's strong economy is expected to have achieved 3.8% growth in 2018, supporting good demand for cement, driven by housing and infrastructure projects.

We estimate the total market to have been 2.9Mt in 2018, supplied by national capacity of 5.7Mta, most of which is provided by six clinker grinding plants around the port of Douala. Our 1.5Mta grinding plant, opened in March 2015, is one of the country's largest.

Imports of bulk cement were banned in 2016. Although our plant in Cameroon has mostly relied on clinker from outside Africa, we intend to supply it with our own clinker, produced at factories in Nigeria or Congo.

### Performance

With a new competitor in the market, sales volumes at Cameroon fell marginally to 1.2Mt and we estimate our market share to have been 41%.

We focused on marketing improvements with initiatives such as salesforce training, reinforcement of distributor sales capabilities, extending credit terms and accelerating distributor bonus payments.

In addition, we increased our visibility in retail outlets with promotions and point-of-sale materials.

We also focused on improving logistics to extend our reach in the market and compete more effectively with other suppliers.


### Living The Dangote Way

We are actively working to help and empower our local communities. We reclaimed land for the Douala community to celebrate its culture, built a pharmacy for the Batkoe mining community and a town hall for the Tombel mining community, and provided scholarships to help students of the Deido and Batoke communities.

## Congo

Our recently opened 1.5Mta factory in Mfila can supply almost all the country's needs, reduce its dependence on imported cement and enable it to become an exporter.

**Sales volumes**

# 0.2Mt

**2017: 0.03Mt**
**598%**

**Revenue**

# ₦7.5B

**2017: ₦1.0B**
**639%**

### Market

The Republic of Congo has a well-developed economy that is reflected in its relatively high per-capita consumption of cement, at an estimated 150kg/person. However, government spending is low at present, which is depressing demand for cement.

Opened in September 2017, our 1.5Mta Mfila plant is the largest of five plants in the country.

It is ideally located to supply the capital, Brazzaville, as well as export markets in the Democratic Republic of Congo and Central African Republic.

We are also exploring the possibility of exporting clinker to our grinding plant in Cameroon and made our first shipment in Q4 2018.

### Performance

In the absence of major infrastructure projects, the cement market was mostly driven by commercial building and private infrastructure projects.

We estimate the market to have been about 0.74Mt in 2018 and our factory sold 0.2Mt of cement.

We achieved market leadership in the third quarter with the introduction of a new pricing and bonus scheme in June 2018, backed by an increased focus on retail sales and the opening of a depot in Brazzaville in September.

Our sales were boosted by exports to the CAR during the year and we see potential to export more clinker to Cameroon in 2019.

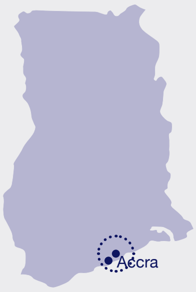

### Key statistics

| | |
|---|---|
| **Demographics** | |
| Population | 5m |
| Urbanisation | 67% |
| 2018 GDP growth | 2.0% |
| **Market** | |
| Total capacity | 3.2Mta |
| Cement consumption | 150kg/person |
| Total market | 0.7Mt |
| **Dangote presence** | |
| Location | Mfila |
| Capacity | 1.5Mta |
| Type | Integrated |
| Total staff | 612 |
| Trucks | 29 |
| Kiln fuel | Coal |
| Power | Grid |

### Living The Dangote Way

As the country's largest producer, we provide market leadership through innovative pricing and retail strategies as we contribute towards meeting the cement demands of Congo. Not only are we helping the country become self-sufficient in cement, we also plan to increase its exports, benefiting its economy.

# **Operating review** continued




## Ghana

An important market for cement in West Africa, Ghana lacks sufficient limestone and is obliged to import clinker or bulk cement, which we plan to supply from Nigeria.

**Sales volumes**

**0.8Mt**

2017: 0.9Mt
-13.1%

**Revenue**

**₦25.4B**

2017: ₦28.1B
-9.7%

### Key statistics

| | |
|---|---|
| **Demographics** | |
| Population | 29m |
| Urbanisation | 56% |
| 2018 GDP growth | 6.3% |
| **Market** | |
| Total capacity | 11.6Mta |
| Cement consumption | 213kg/person |
| Total market | 6.2Mt |
| **Dangote presence** | |
| Location | Tema |
| Capacity | 1.5Mta |
| Type | Import |
| Total staff | 1,525 |
| Trucks | 1,127 |
| Kiln fuel | n/a |
| Power | Grid |

### Market

With per-capita consumption of about 213kg/person and total demand of more than 6Mt in 2018, Ghana is an attractive market for cement in West Africa. Its economy is strong and this is driving housing and infrastructure growth across the country.

However, Ghana lacks sufficient limestone to support large-scale manufacturing. As a result it relies upon imports of clinker and bulk cement, although the latter is likely to be prohibited in the near future.

At present we import bulk cement but plan to build a grinding plant at Takoradi, with clinker being supplied from our Nigerian operations. It will compete against several other grinding plants along the Ghanaian coast.

### Performance

Compared with 2017, we sold less cement in Ghana in 2018, mainly as a result of our decision to scale down importation by road from Nigeria because of the cost and complexity involved.

Replacing these imports with cement imported by sea took some time and also contributed to the fall in sales.

Efficiency initiatives undertaken in 2018 included an effort to reduce customer waiting and collection times at the plant.

In addition, we encouraged an increased level of self-collection to offset the reduction in deliveries of cement directly from our Ibese factory in Nigeria.

### Living The Dangote Way

We are enhancing our customer handling efficiency by reducing customer waiting and supply time. We will continue on this path to ensure that we create satisfied customers who in turn create other customers for us, through word-of-mouth referrals. Our goal is to increase our market share and reduce the country's reliance on cement and clinker manufactured outside of Africa.

## Senegal

Senegal commenced operations in 2014 when it was already oversupplied by local producers, but quickly gained a significant market share selling higher-quality cement.

**Sales volumes**

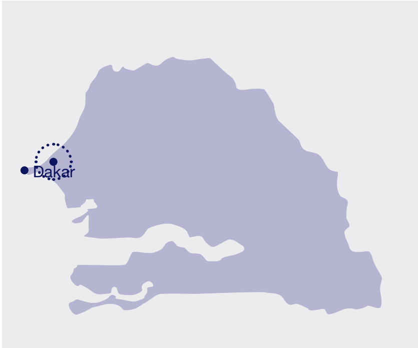
**1.4Mt**

2017: 1.3Mt
9.3%

**Revenue**

**₦35.0B**

2017: ₦28.8B
21.5%




### Market

Senegal's booming economy makes it an excellent market for cement, with per-capita consumption of about 235kg/person supporting growth in housing and infrastructure projects such as the Dakar Airport Railway and the Ilaa-Touba Highway.

Unlike many countries along the coast of West Africa, Senegal has large reserves of limestone that make it an ideal place from which to export both inland to Mali and to coastal neighbours such as Gambia.

Although the market was oversupplied when we entered in 2014, we quickly took significant market share by selling higher-quality cement at competitive prices from our 1.5Mta factory in Pout.

### Performance

Senegal sold nearly 1.4Mt of cement in 2018, improving on almost 1.3Mt sold in 2017, and representing capacity utilisation of 91%, partially due to an increased proportion of 32.5-grade cement, which requires less clinker per tonne compared to the stronger grades we initially launched in the market.

The new 32.5-grade product enabled us to address the lower end of the market with a product more suited to its needs.

In addition, although most sales were in domestic markets, we exported 428Kt of cement, mainly to Mali, and aim to increase our exports in 2019.

### Key statistics

| | |
|---|---|
| **Demographics** | |
| Population | 16m |
| Urbanisation | 47% |
| 2018 GDP growth | 7.0% |
| **Market** | |
| Total capacity | 8.2Mta |
| Cement consumption | 235kg/person |
| Total market | 3.8Mt |
| **Dangote presence** | |
| Location | Pout |
| Capacity | 1.5Mta |
| Type | Integrated |
| Total staff | 751 |
| Trucks | 59 |
| Kiln fuel | Coal |
| Power | Coal |

### Living The Dangote Way

Senegalese culture is important to us. We have supported and actively participated in the cultural days of host communities such as Pout, Keur, Moussa, Montrolland and Diass. In addition, we work to help local communities build schools, healthcare centres and roads, and encourage women's empowerment through education. We do these because of our firm belief that a thriving socioeconomic environment is necessary for the country to flourish and for our business to remain sustainable.

# Operating review continued


## Zambia

Our 1.5Mta factory at Ndola sits in the heart of the Copperbelt mining area, with good access to Zambia's major cities and the Democratic Republic of Congo.

**Sales volumes**

**1.0Mt**

2017: 0.8Mt
28.0%

**Revenue**

**₦33.1B**

2017: ₦25.1B
31.7%

### Key statistics

| | |
|---|---|
| **Demographics** | |
| Population | 17m |
| Urbanisation | 44% |
| 2018 GDP growth | 3.8% |
| **Market** | |
| Total capacity | 4.6Mta |
| Cement consumption | 100kg/person |
| Total market | 1.8Mt |
| **Dangote presence** | |
| Location | Ndola |
| Capacity | 1.5Mta |
| Type | Integrated |
| Total staff | 1,209 |
| Trucks | 265 |
| Kiln fuel | Coal |
| Power | Coal |

### Market

Zambia's relatively strong economy is being supported by rising global copper prices that have led to an increase in mining activity in the country.

The market has 4.6Mta capacity, including a new 1.0Mta plant commissioned by a competitor in Q3 2018. Our 1.5Mta factory at Ndola is the largest of five plants in the country, able to serve its major demand centres and even export to the DRC. Cement production is centred around two areas, near the capital Lusaka and around Ndola, in the Copperbelt region.

Cement consumption is relatively low, at 100kg/person, but this should increase as major infrastructure projects are commissioned and housing development improves.

### Performance

The Ndola factory sold 1.0Mt of cement in 2018, a strong improvement on the 0.8Mt sold in 2017.

The increase in demand came from infrastructure and mining support projects and also benefited from improved harvests that increased disposable income.

During the year we improved our distribution with the use of third-party logistics to complement our own direct delivery fleet, as well as some use of rail networks for longer-range distribution.

We are actively taking steps to use waste materials in our kiln and considering the potential to use fly ash, which is a waste material from our on-site power station, as an extender for our cement.

### Living The Dangote Way

We continue to maximise our size competitive advantage to lead the industry in environmentally friendly, safe and sustainable cement production through operational innovations such as the use of waste materials to fuel in the operation of our kiln. This will help to reduce the plant's carbon footprint.

## Sierra Leone

Now that the country has begun to recover from the recent Ebola crisis, its demand for imported cement is being driven by the return of mining operations.

**Sales volumes**

**0.1Mt**

0.1Mt
19.8%

**Revenue**

**₦3.7B**

2017: ₦3.0B
27.6%

### Market

Sierra Leone is a relatively small market for cement, consuming about 0.5Mt a year in the wake of the Ebola crisis that badly affected its economy.

The IMF estimated 2018 GDP growth would be 3.7% with further growth expected in 2019.

Per-capita consumption is very low at 75kg/person, but economic recovery and increasing commodity prices will drive growth in the coming years, along with increased foreign aid and a resumption of building projects suspended by the private sector.

Lacking limestone, Sierra Leone is an obligatory importer of cement, with just two suppliers including our 0.5Mta import and distribution facility in Freetown.

### Performance

Our import facility began operations in January 2017 and sold 91Kt that year. In 2018, we increased sales to 109Kt, benefiting from the improved economy and greater demand.

The increase in our sales was supported by new corporate customer wins, increased credit sales backed by bank guarantees and the deployment of more point-of-sale material to raise our brand profile at retail outlets.

In addition, we increased our marketing efforts beyond Freetown and established our presence in the upcountry regions.

Our 42.5-grade product has gained good recognition in the local market but continues to compete against lower-priced 32.5-grade imports from our competitors.


### Key statistics

| | |
|---|---|
| **Demographics** | |
| Population | 8m |
| Urbanisation | 42% |
| 2018 GDP growth | 3.7% |
| **Market** | |
| Total capacity | 1.0Mta |
| Cement consumption | 75kg/person |
| Total market | 0.5Mt |
| **Dangote presence** | |
| Location | Freetown |
| Capacity | 0.5Mta |
| Type | Import |
| Total staff | 128 |
| Trucks | n/a |
| Kiln fuel | n/a |
| Power | Grid |

### Living The Dangote Way

We are working to increase our brand visibility by increasing our points of sale, expanding our markets and establishing our presence in the upper regions of the country, to make our cement more widely available in Sierra Leone's recovering economy.

## Social

# Nurturing the growth and the wellbeing of our employees and host communities

### KPIs

**Total staff trained**

**11,707 employees**

Dangote Academy offered 114 different training courses that were attended by more than 11,000 people

**Community scholarships**

**972 students**

Nearly 1,000 Nigerian students benefit from Dangote Cement's scholarship scheme.

**Graduate engineers trained**

**46**

Dangote Academy trained 46 students on its Graduate Engineers Training Scheme in 2018.

One of our primary business objectives is to build a workplace that attracts and retains the best people in all our countries of operation. This is critical because the quality of the workforce determines the quality of our products and our customer care.

We understand that we cannot achieve sustainable business growth without an empowered, well-trained and motivated workforce.

**2,085**
New employees engaged in 2018

**8,160**
Total hours of training courses offered by Dangote Academy

Dangote Cement is a people-focused and highly diversified company with a strong health and safety culture.

## Community

# Supporting our host communities

Strategic social investment is achieved through collaborative community projects based on our core themes of education, empowerment, employment and improvements in health.


**Working with our partners**
Dangote Cement Sustainability Champions pictured at the Oniru Block Makers' village in Lagos with Mr. Olanrewaju Olaniran, Chairman of the Unity Block Makers' Association of Nigeria (centre).

The Champions spent a day clearing litter around the local area in an initiative that was appreciated by the large number of artisan block makers who are customers of Dangote Cement.

It was one of many projects undertaken with great enthusiasm by volunteers in six countries during our Sustainability Week.

**13 locations**
**Our volunteers undertook community projects in 13 locations across six countries during Sustainability Week.**

## Ibese scholarship programme

**400**

**Students benefiting from Dangote Cement scholarships in our host communities in Ogun State, around the Ibese cement plant.**

**Project description**
Selection and sponsoring of secondary and tertiary education for children in local communities.

**Beneficiaries**
Students from our Ibese plant's host communities of Wasimi-Imasayi, Abule Maria, Abule-Oke, Ajibawo, Onigbedu II, Aga, Balogun, Ijako-Orile, Aga-Olowo, Onigbedu I, Atola, Afami, Babalawo, Ibese, Imasayi and Kajola.

**Impact**
Some of our scholars have already secured jobs, either at our plant or elsewhere in the community. Their salaries will help to support them and their families and benefit the local economy.

Others have gone into self-employment, creating jobs for themselves and others in the local community.

The remainder still enjoy the scholarship programme at their school or college.

The implementation of the scholarship programme has reportedly increased children's enrolment in local schools in these communities, which is an obvious benefit to the children, their families and the local community.

We hope to roll out scholarship schemes in other local communities that host our operations.

## Supporting our host communities

Our host communities are among our most important stakeholders.

They live close to our plants and are impacted by their operations in ways that can be beneficial or detrimental.

We understand the need to continue to invest in our host communities, create new job opportunities for local people, provide scholarships for their children, provide healthcare, housing, education and access to water where necessary, support local businesses and contractors and develop local infrastructure.

Furthermore, we endeavour to operate with minimal possible harmful impact on our local communities, taking care to respect their land and property, their animals, the air that they breathe, their dignity, their cultural and religious beliefs and their way of life.

## Community engagement

We have a Community Engagement Policy that prioritises the establishment and nurturing of a mutually beneficial relationship with host communities.

We value their useful feedback on how we could be better neighbours and partners for development.

## Resolving issues

Our host communities are provided with functional platforms through which they can express their worries and concerns about any of our business activities that they may find disrupting.

We ensure that a dialogue exists with all the communities in which we operate. By so doing, our host communities have access to key decision makers who represent Dangote Cement in their communities and who are trained and committed to addressing their grievances.

If the issues cannot be resolved at the local level, they can be escalated to the Company's headquarters for a prompt and mutually acceptable resolution.

## Impact on host community employment

As part of our community empowerment drive, our goal is to try to ensure that up to 80% of our workforce are from local communities. At the end of 2018 we employed 18,312 people directly, with a further 7,969 third-party contractors working for our Company.

## Contribution to income generation in host communities

The direct and indirect jobs we create have a multiplier effect on the economies where we operate, generating income opportunities for our internal and external stakeholders.

For example, the total income generated by Dangote Cement in Nigeria grew from ₦72.4B in 2017 to ₦72.7B in 2018, representing an increase of 0.4%.

## Educational empowerment

We understand the critical importance of high-quality education for the development of host communities. This is why we have introduced scholarship schemes to help students in our host communities achieve their educational and career aspirations. More than 950 students were offered scholarships to study at different levels of education in 2018. In our Ibese communities, for example, the advent of the scholarship programme has reportedly increased the rate of children's enrolment in schools.

# **Community** continued

## Community infrastructure development

We understand that governments alone cannot meet the needs of our local communities. As a major stakeholder in these communities, we remain committed to supporting the development of social amenities. In 2018, we invested ₦1.4B of social investment for the construction of roads, schools, hospitals and several other public utilities in the effort to close some of the infrastructural gaps.

## Partnership for development

As a leading African brand, we are partners of governments and local communities in the effort to build prosperous economies in our countries of operation.

This is why our social impact projects are deliberately targeted at meeting the most pressing needs of the different host communities around our plants, in line with the outcome of our community engagement programmes.

Some of our flagship projects include: the Dangote Skills Development Centre, Lokoja; Cottage Hospital, Mbayion, Gboko; and the Ibese scholarship scheme. In Ethiopia seven classroom blocks were built during 2018. Furthermore, our operations in Obajana, Ethiopia and Dangote Cement South Africa all contributed to the construction of training centres to offer skills development programmes for their host communities.

## Women's empowerment

In November 2018, Dangote Cement Senegal began a fruit and vegetable processing training programme specifically for women. The capacity building initiative will help agrarian women from the Pout community to develop new skills in how to preserve their fruit and vegetable products. The programme will teach the women best practices in the preservation and processing of these farm products, thereby enhancing their trade, income and purchasing power.

## Ethiopia

In 2018, Dangote Cement provided a new classroom for the Ula-gora Elementary School.

It is fair to say Dangote Cement has experienced a difficult relationship with its host communities in Ethiopia, a country with a complex and sensitive sociopolitical and cultural landscape.

In July, three of our colleagues, including country CEO Deep Kamra, were murdered on the road to Addis Ababa, for motives that even now remain unclear.

In addition, our local operating environment has been made difficult by demands from the local community, with respect to employment and business opportunities, that we were unable to meet.

We have continued to engage with local communities, as well as local authorities in Mugher and the regional authorities of Oromia, in an effort to create trust and build mutual respect so that we can maintain our "social licence to operate". Without it, our business success in Ethiopia will be diminished, affecting the performance of one of our most successful plants.

We are continuously reviewing our stakeholder engagement and social investment projects' implementation processes to ensure effective and efficient project execution, at the same time improving communication processes with both our internal and external stakeholders.

In addition, we will review and if necessary change our employment practices to offer the local community greater opportunities for employment and engagement with us.

The plant has continued to invest in community development programmes and carried out projects such as construction of seven classroom blocks, two training centres and one water system to supply Mugher town's 33,000 people. We have continued to offer employment opportunities to our host communities with 1,600 people being employed currently. We have made positive socioeconomic development contribution to our host communities and have supported 15 micro-enterprises that employ more than 600 people.

As our relations have improved, so has the performance of our plant.

## Standardised Community Engagement Plan

Community engagement is integral to our social performance management. In 2018, we established a formal stakeholder engagement process to ensure consistency across the Group.

In Nigeria, we are developing a Community Engagement Plan that is consistent with global best practices and in alignment with communities' needs.

We recognise that stakeholder engagement is a business tool and as such will require the commitment of all plant personnel. Different departmental heads participated in the process of developing the Nigerian plan.

The aim is to have all our operations across Africa develop a formal, standardised Stakeholder/Community Engagement Plan that is consistent with global standards.

## Support for entrepreneurship

We are committed to helping young businesses and entrepreneurs to grow and achieve their full potential. In addition to the multiplier effect that our value chain activities have on the real sectors of all the economies where we operate, we have also engaged directly in the empowerment of start-ups and innovative business ideas. We prioritise patronage of local businesses in the effort to boost their productivity, earnings and profitability.

## Senegal

Our 1.5Mta plant is located near Pout in Senegal. Opened in December 2014, it employs more than 600 people from the local community. The plant produced more than 1.4 million tonnes of cement in 2018, approximately 91% of its operating capacity.

**As part of its social investment programmes, our plant in Senegal has carried out a number of projects that have benefited 1,200 households, including:**

- construction of the Solidarity Bridge of Keur Moussa, which has benefited eleven villages cut off from the nearby town by flooding;
- rehabilitation of roads in Ngomene;
- construction of a college in Niakhip;
- construction of a maternity hospital in Pout;
- construction of classrooms, a teacher's house and toilets for a school in Dias; and
- rehabilitation of a primary school and construction of a health centre in Mont Rolland.

## Nigeria

In Nigeria, we have three plants at Obajana, Ibese and Gboko, with total combined production capacity of 29.3Mta. Our Nigerian operations commenced at Gboko in 2007 and rapidly grew to enable the country to become self-sufficient in cement.

**In 2018, Dangote Cement invested approximately ₦1.4B in social projects for the benefit of local communities. These investments covered healthcare, education and infrastructure developments, amongst others, including:**

- at Gboko, scholarship grants totalling ₦10 million were awarded to 493 people in the Mbayion community;
- at Ibese, a block of classrooms was constructed in Aga-Olowo for 80 students and we provided scholarships to benefit 400 local students; and
- at Obajana, 249 students benefited from a ₦25 million scholarship grant, among other social investments.

## South Africa

Our operations in South Africa are spread between our Aganang and Delmas facilities, which between them can produce 2.8 million tonnes of cement a year for sale in key markets around the capital.

**In 2018, Dangote Cement South Africa carried out a number of local community initiatives including:**

- scholarships awarded to 15 university students to pursue engineering and other graduate courses;
- leadership training to empower local community leaders in the Springbokpan and Verdwaal communities, with a focus on mining legislation, codes of conduct and general transformation; and
- youth training in driving (50 students), computer skills (25 students) and basic electrical and mechanical engineering skills (15 students).

## People

# People are the drivers of our business success

We believe in the importance of embedding our identity and values in our workplace. A strong and decent corporate culture will ensure that Dangote Cement achieves a sustainable and successful future for the benefit of all our stakeholders.


Dangote Cement Annual General Meeting, 2018

**Dr Musa Rabiu**
Group Chief Human Resources Officer

**Q**
**What has been the approach to internal stakeholder management adopted by Dangote Cement, and how effective has this approach been?**

**A**
Our people are our biggest assets. Around them revolves everything that makes us who we are and all that we wish to be as a global institution. We are therefore committed to ensuring that they continue to perceive the Dangote Cement brand as the best place to work and thrive. To achieve this objective, we ensure that we keep them continuously informed and seek their opinion on issues that impact them. We run a structure that allows a level playing ground for all employees and gives them the freedom to hear and be heard.

**Q**
**Dangote Cement has one of the most diversified workforces in Africa. How do you manage this diversity effectively?**

**A**
We operate in ten countries, from Senegal on the west coast of Africa, to Ethiopia in the east, and down to South Africa, so our operations span a large geographic area and many different local populations and ethnicities. Even within countries, such as our home country Nigeria, there is significant ethnic diversity in different regions of the country. So as an employer, we need to be mindful of differing cultures, tribal associations, religions and local customs.

We believe that all our staff should have an equal platform to excel. We abhor all forms of discrimination based on gender, race, religion, ethnicity, marital status and so on. This is clearly stipulated in our human resources and employee policies and we ensure strict compliance with our non-discrimination standards.

**Q**
**How would you describe the relationship between human resources and sustainability?**

**A**
There is a close-knit relationship between the two because a sustainable business can only be created by people who understand why sustainability is important. Whether or not our sustainability goals and objectives are achieved will be determined by the level of buy-in and commitment at all levels, as well as the quality of the people making the decisions and executing the strategy to achieve it.

The 7 Sustainability Pillars of The Dangote Way provide a framework for building a strong institution, achieving operational sustainability, developing a sustainable business culture and achieving social responsibility in our internal and external relations, but the success of all of these will depend on how well our people are aware of, involved in and devoted to our corporate goals and values.

## Dangote Academy

# Training for success

The Dangote Academy was launched in 2010 to equip colleagues with the diverse technical and management skills that are essential for the continuing prosperity of our business.

**The Dangote Academy**
Since 2010, the Academy has been providing training in both technical and management skills for employees of the Dangote Group of companies. Specifically, the Academy was established to:

- be the umbrella organisation for all talent development and learning initiatives in the Dangote Group;
- provide facility and platform for technical skills acquisition benchmarked to world-class standards;
- attract and develop high-quality talent from secondary and tertiary institutions through a structured process; and
- align our skills development to the rapid changes in technologies by building long-term relationships with OEMs and institutions of learning.

It was created in recognition of the fact that we cannot rely on Africa's universities and colleges to provide the very specialised technical and managerial training required to run major cement plants such as ours.

In 2018, the Academy offered 114 different training courses on a wide range of technical, administrative and marketing skills, from "7 Habits of Highly Effective People" to "Smarter Selling".

Approximately 11,707 staff attended these courses, with around 5,500 being trained by the Dangote Academy itself and the rest being trained by 26 external training providers.

Training courses were held at eleven locations in Nigeria, with many staff from Pan-African facilities visiting Nigeria for training in engineering skills at our flagship campus at Obajana in Kogi State.

With eight classrooms, five workshops, a 450-seat lecture theatre and leisure facilities, the Obajana campus can accommodate 400 people.

**8,160**
**Hours of training offered**

**114**
**Different training courses**


## Training engineers

Dangote Cement needs competent engineers. To that end, we have established three training schemes, the Graduate Engineers Training Scheme (GETS), the Vocational Training Scheme (VTS) and the Junior Technician Scheme (JTS). Between them, they provide a wide range of skills necessary for the operation and maintenance of our cement factories across Africa.

Of these, GETS offers the most advanced training, preparing graduate engineering students with all the necessary technical and supervisory skills they need to become team leaders within Dangote Cement.

GETS operates in four phases, covering engineering theory, workshop skills, information technology and management skills.

In 2018, nearly 50 students graduated from GETS, with more than 100 graduating from JTS. Many will be deployed at Dangote Cement, with others finding work at other Dangote Group companies, such as Dangote Flour Mills and Dangote Sugar Refinery.

## Graduate Drivers Academy

For most people outside of our locations of operation, Dangote Cement's drivers are perhaps the most highly visible part of our workforce. As such, we believe they must be seen as good ambassadors for our Company, conveying its values properly as they go about their daily deliveries.

Our Graduate Drivers Academy is designed to improve the quality of transport fleet drivers by teaching them safe and defensive driving techniques, highway management standards and HSSE awareness, thereby helping to reduce accident rates and improve drivers' attitudes and aptitudes when managing the delivery of Dangote Cement products to our customers.

## Environmental

# Caring for our environment and addressing the challenges of climate change

## KPIs

**Carbon emissions**
### 16.4 million tonnes
Total carbon emissions were 16.4 million tonnes in 2018.

**$CO_2$ kg per tonne**
### 687kg
We achieved a 2% reduction in $CO_2$ per tonne, through greater operational efficiency.

**Water consumption**
### 6.3 million tonnes
Including all uses, we consumed more than 6.2 million tonnes of water across our operations in 2018.

Dangote Cement believes that sustainable environmental management, together with a proactive approach to addressing the challenges and opportunities of climate change, is fundamental to maintaining a successful business.

We are committed to improving our standards of environmental performance.

We recognise we must make a greater effort to protect the environment, particularly at and around our sites of operation.

We aim to apply economically sound sustainable development principles to our business and seek to maximise energy efficiency and minimise the environmental impact of our operations.

**"We are studying ways to use more waste materials such packaging in our kilns so we can reduce our fossil fuel burden."**

**Ramprasad Guggilam**
Senior General Manager

# Environmental

The cement industry is a significant user of fossil fuels and a major contributor to global carbon emissions. But modern cement plants are not just more energy efficient, they also cost less to run and are more environmentally friendly. A greener plant is a more profitable plant.

**"Our environmental efforts are guided by the GCCA Sustainability Charter to reduce our impact on climate change."**

**Massimo Bettanin**
Group Chief, HSSE

**Q**
**What is the environmental impact of cement production?**

**A**
The worldwide cement industry is estimated to be responsible for perhaps 5% to 7% of global carbon dioxide ($CO_2$) emissions, because the chemical and thermal combustion processes involved in cement production are a significant source of $CO_2$. Since there is no viable substitute for cement, these emissions are an inevitable consequence of global development.

In addition, we mine the Earth for raw materials such as limestone and gypsum, use fossil fuels to produce electricity and operate large fleets of vehicles on the roads.

**Q**
**What are the biggest challenges facing the cement industry in cutting carbon emissions?**

**A**
Even if you look at today's production of cement it is clear that the cement industry's emissions are too high and need to be cut if we are to meet the targets of the Paris Agreement.

The biggest challenge is to reduce the total burden of emissions at the same time as we increase production of cement, which is difficult because demand for cement is rising, and needs to rise if large populations are to have decent housing and infrastructure.

We cannot change the chemistry of the reaction, which is a large source of $CO_2$ in the process, but we can do our best to reduce our use of fossil fuels and all the other impacts.

**Q**
**What initiatives can the industry take to reduce emissions?**

**A**
We can reduce fossil fuel use in several ways. We can innovate to produce cements that are just as strong but which use less clinker, which is the heat-requiring part of the process.

We can increase our use of waste materials as an alternative to using coal and we can look at providing more electrical energy from renewable sources such as solar and wind, which are underdeveloped in Africa, but which have good potential to cut fossil fuel use.

In November 2018, Dangote Cement became a founder member of the Global Cement and Concrete Association, which adopted a Sustainability Charter based upon "Five Pillars". In fact, the GCCA has taken over and expanded upon what was previously the Cement Sustainability Initiative of the World Business Council for Sustainable Development.

As you can see on the page opposite, the new charter's Five Pillars are very much aligned with our own 7 Sustainability Pillars. As a member of the GCCA we are committed to adopting this Charter and publishing the results of our efforts in each of its five pillars, possibly as early as the 2019 Annual Report.

**Q**
**Are the world's investors demanding a more sustainable approach to business?**

**A**
Yes, I get regular feedback from our management team that investors are increasingly asking about our sustainability efforts and our carbon emissions because it is an important factor in their investment decision process.

As part of our commitment to sustainability we are adopting the GCCA Sustainability Charter. We are also moving towards GRI-certified reporting standards and we will begin to provide $CO_2$ emissions data to the Carbon Disclosure Project, which collates it on behalf of many investors around the world.

Dangote Cement believes that sound environmental management, together with a strategic proactive approach to addressing the challenges and opportunities of climate change and water scarcity, is fundamental to maintaining a successful and resilient business.

As the largest cement company in Africa, we are committed to complying with all relevant environmental regulations in the countries where we operate, maintaining good standards of practice on environmental management. We try to apply economically sustainable development principles to our business, while minimising the environmental impact of our operations on our host communities and the wider landscape.

In 2018, we decided to consolidate our knowledge and understanding of key environmental indicators including energy consumption, water usage, greenhouse gas emissions and dust emissions, in order to achieve better-informed decisions on environmental matters that are relevant for our business and our stakeholders.

In line with our commitment to continuously improve our environmental performance, we have developed and implemented practices and technologies aimed at upholding excellent energy efficiency in all our production processes and reduce, as much as is feasible, our $CO_2$ emissions, our water footprint and our dust emissions.

This year, we started exploring the feasibility of using alternative fuels in our kilns through effective and fit-for-purpose reutilisation of waste produced by our sites, such as old tyres and packaging.

This is a further step towards reducing the use of fossil fuels in order to minimise emissions of greenhouse gases and other pollutants from our cement operations.

## Understanding and managing our carbon footprint

The yearly global demand for cement increases at an average of 5–6%, with most of the additional demand coming from emerging markets such as Africa due to greater urbanisation, economic and demographic growth.

The global cement industry is a major producer of global carbon dioxide emissions.

Approximately 60% of these emissions are produced in the conversion of limestone ($CaCO_3$), a key natural ingredient, to clinker (CaO), an intermediate component of finished cement, while the remaining 40% of $CO_2$ is generated by the combustion of fossil fuels in the kiln and to produce electricity to power the plant. In addition, we must factor in the carbon emissions of our inbound and outbound delivery fleets, and even those of our suppliers.

Our factories are modern, with most of our lines having opened in the last seven years. They have been designed to be intrinsically efficient through the adoption of cutting edge technology in cement production such as:

- pre-heater and pre-calciner technologies, which are regarded as the most efficient technology because they recycle heat from the kilns to pre-heat the raw mixture and achieve much of the chemical transformation of limestone before it even enters the kiln;
- vertical rolling mills for raw material, coal and cement grinding which are 40–50% more efficient than traditional ball mills;
- mechanical material transport and transfer systems equipped only with conveyors and bucket elevators, which are up to 80% more efficient than the traditional pneumatic systems;

## The Five Pillars of Global Cement and Concrete Association's Sustainability Charter

**Link to the 7 Sustainability Pillars of The Dangote Way**

**Health and Safety**

- Apply the good safety practice guidelines of the GCCA
- Promote the sharing of good health practice

**Climate change and energy**

- Develop a climate change mitigation strategy, and publish targets and progress

**Social Responsibility**

- Publish a Code of Conduct incorporating the principles of internationally proclaimed human rights
- Apply Social Impact Assessment guidelines
- Establish a systematic dialogue process with stakeholders

**Environment and nature**

- Apply Environment and Nature guidelines
- Set emission targets and report publicly on progress

**Circular economy**

- Promote the principles of a circular economy across the value chain
- Apply the guidelines developed for fuel and raw material use in cement
- Production

Economic | Operational | Social | Environmental | Financial | Institutional | Culture

# **Environmental** continued

## Understanding and managing our carbon footprint continued

- major process fans provided with variable frequency drives (VFD) to vary the ventilation rate based on the actual demand/operating conditions, which can reduce the input power by 40–80% (depending on the % flow rate) compared to more traditional dampers.

These measures have resulted in operational cost savings, to the benefit of margins, and at the same time produce fewer $CO_2$ emissions than less modern plants for the same amount of cement.

This year we have consolidated the greenhouse gas emission monitoring and reporting system in order to verify the actual carbon footprint of all our operations and identify potential areas for further improvement.

However, as an increasingly environmentally conscious organisation, we are aware that we cannot just rely on the good design of our plants and we will need to explore innovative ways to continuously reduce our carbon footprint along the whole value chain.

Possible options to reduce our greenhouse gas emissions may include the use of alternative fuels, such as waste, in our kilns, utilisation of more additives, such as fly ash, to clinker, increase the use of electricity produced by renewable sources, such as wind and solar, particularly abundant, and still underdeveloped, in Africa.

In 2018, our total greenhouse gas emissions resulting from captive power plants and generators, and kilns and vehicles used at the quarries and sites (Scope 1), as well as those associated with the use of purchased electricity (Scope 2), were 16.4 million tonnes, equivalent to a specific or average unit-based emission of 687kg $CO_2$ per tonne of cementitious material produced.

## Implementing efficient water management

We recognise that scarcity of drinkable water is a significant global issue and central to any sustainability initiative.

We are aware that of all water on Earth, just 2.5% is fresh water and barely about 1% of that is usable by humanity, since the majority is locked up in ice or deep underground.

Rivers and lakes hold only a small fraction, but it is this water upon which the world's population, farming and industry depend.

Africa is no exception and the continent's fast-growing population and increasing urbanisation are accompanied by a significant rise in water demand.

Consequently, although our operations do not require large quantities of water in comparison with other sectors, we are committed to reducing the amount of fresh water utilised by our operations to ensure more availability to the local communities. This is especially important in those regions where we operate that are characterised by endemic scarcity of potable water.

Most of our cement plants have been designed to recover, store and recycle groundwater resulting from quarry operations and/or the stormwater run-off decanting from the plant, thus reducing the consumption of freshwater and mitigate the potential impact on local communities and farming.

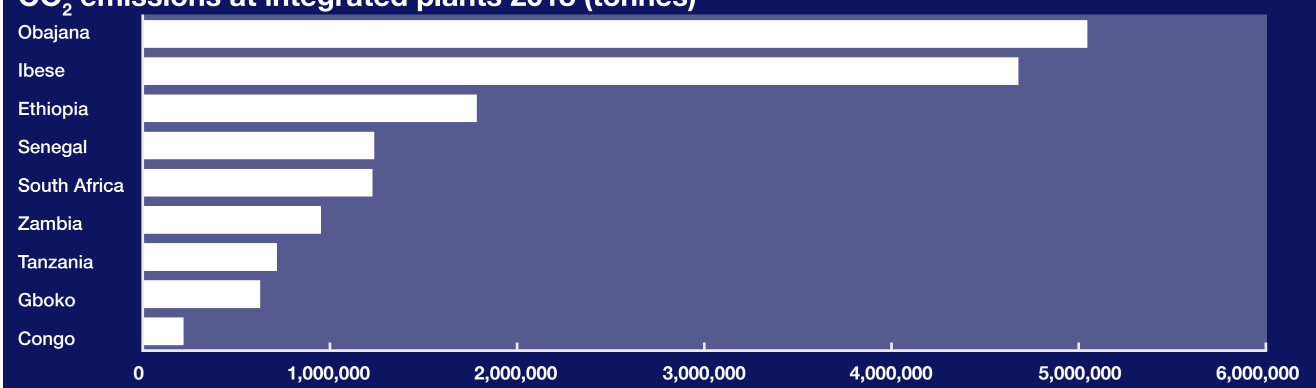
In 2018, our total water consumption from activities including production processes, cooling, dust suppression, gardening, domestic and sanitary use was 6.2 million tonnes.

Across the Group's activities, this represents an average use of nearly 270 litres of water per tonne of cementitious product sold.

## Controlling our dust emissions

Cement manufacturing processes generate dust emissions that, if not properly managed, can have significant impacts on both our workforce and our neighbours.

**$CO_2$ emissions at integrated plants 2018 (tonnes)**



At Dangote Cement, we understand the importance of reducing dust emissions as much as is technically and economically feasible.

To achieve this, all our plants have been designed and provided with state-of-the-art dust control equipment including bag house filters and electrostatic precipitators.

In addition to the control measures adopted for the stack emissions, we have developed and implemented specific programmes to mitigate the potential impact resulting from fugitive emissions of dust.

Measures adopted in this regard include:

- the storage of our raw materials in warehouses and/or silos (stockpiling of dusty materials in open areas is avoided and undertaken only in case of abnormal or emergency operating conditions);
- handling of raw materials and intermediate and final products by means of conveyors completely closed and provided with bag house filters at the transfer points; and
- continuous dust suppression activities by water spray and use of binding material on internal roads both at the plants and quarries.

The good design of our plants, combined with good control and maintenance practices we have adopted, has allowed our plants to maintain the average dust emissions at the stacks in a range between 20 and 30 mg/Nm$^3$.

This is well below the typical regulatory threshold limits and the international best standards (50 mg/Nm$^3$).

**Massimo Bettanin**
Group Chief, HSSE
25th February 2019

## Water preservation in South Africa

Although the cement industry is not a large user of water, we recognise the need to reduce the amount we use, conserve local supplies of water and ensure that we do not pollute local land or rivers.

In South Africa, Dangote Cement is committed to reducing its water impact for the benefit of its local community. Our Aganang facility, situated approximately 40km west of the town of Lichtenburg in the North West Province, sits in an area well known for both its agriculture and its cement.

Both industries, which have a major impact on the region's economy, are largely dependent on the area's available groundwater resources.

The Aganang plant has been designed in such a way so as to drain all storm water falling in the process areas into concrete-lined canals and pathways leading to a single discharge point, where the wastewater is further directed into two return water dams.

The plant has three authorised dams: a borrow pit of 275,000m$^3$ and two return water dams, each with storage capacity of 45,000m$^3$.

The borrow pit, which is situated in the mining area, collects almost 190,000m$^3$ per annum of water that is being used for dust suppression. About 122,500m$^3$ volume of water from the return water dams is recycled and reused as process water, reducing our need for boreholes. This means that we take far less groundwater, which can instead be used by local communities for agricultural activities.

This is part of Dangote Cement's commitment to reduce the water footprint of its operations.

Financial

# Delivering strong and sustainable returns for our shareholders

## KPIs

### Revenue up 11.9%

**₦901.2B**

| | |
|---|---|
| 2018 | ₦901.2B |
| 2017 | ₦805.6B |
| 2016 | ₦615.1B |

Revenue growth was driven by higher cement sales volumes in Nigeria and better pricing across our key Pan-African operations.

### EBITDA up 12.1%

**₦435.3B**

| | |
|---|---|
| 2018 | ₦435.3B |
| 2017 | ₦388.1B |
| 2016 | ₦257.2B |

EBITDA rose with increased revenues and higher efficiency

### Dividend per share up 52.4%

**₦16.00**

| | |
|---|---|
| 2018 | ₦16.00 |
| 2017 | ₦10.50 |
| 2016 | ₦8.50 |

The Board has proposed a dividend of ₦16.0 per 50 kobo share, up 52.4% on the dividend for 2017.

As the largest public company in Nigeria and one of only seven companies with a Premium Listing on the Nigerian Stock Exchange, we are committed to setting a strong example by applying International Financial Reporting Standards and ensuring our adherence to best practices in prudent financial management through structures and policies that consistently comply with all relevant laws and regulations in the countries in which we operate. By maintaining our profitable financial growth, which in turn creates direct and indirect contributions to the economic development of our host countries, we can quantify our financial impact as our gross value added and our return on equity, both of which increased in 2018.

**Operating cash flow**

**₦375.3B**

Dangote Cement generated ₦375.3B cash from operations in 2018

**Return on capital invested**

**27.1%**

In 2018, Dangote Cement's ROCE was 27.1% (2017: 26.8%)

**"The strong financial performance we achieved in 2018 has enabled us to pay a good dividend and invest in our future."**

**Dickson Boko**
SAP Functional Support Consultant

# Financial review

# A record financial performance

**Brian Egan**
Group Chief Financial Officer

## Financial highlights

| Year ended | 31st December 2018 '000 tonnes | 31st December 2017 '000 tonnes |
|---|---|---|
| **Volume of cement sales** | | |
| Nigeria | **14,178** | 12,724 |
| Pan-Africa | **9,370** | 9,365 |
| Inter-company sales | **(13)** | (174) |
| **Total cement sold** | **23,535** | 21,915 |

| Year ended | 31st December 2018 ₦'million | 31st December 2017 ₦'million |
|---|---|---|
| **Revenue by region** | | |
| Nigeria | **618,301** | 552,364 |
| Pan-Africa | **283,262** | 258,444 |
| Inter-company sales | **(350)** | (5,226) |
| **Total revenue** | **901,213** | 805,582 |

| Year ended | 31st December 2018 | 31st December 2017 |
|---|---|---|
| EBITDA | **435,261** | 388,147 |
| EBITDA margin | **48.3%** | 48.2% |
| Operating profit | **338,698** | 304,208 |
| Operating margin | **37.6%** | 37.8% |
| Profit before tax | **300,806** | 289,590 |
| Earnings per ordinary share (Naira) | **22.83** | 11.65 |
| Dividend per share (Naira) | **16.00** | 10.50 |
| Total assets | **1,694,463** | 1,665,883 |

Group revenue increased by 11.9%, from ₦805.6 billion to ₦901.2 billion, driven by increased volumes in Nigeria and a 9.5% increase in revenues per tonne in Pan-African operations.

Cement volumes sold by Nigerian operations increased by 11.4%, with revenue from our Nigerian operations increasing by 11.9% from to ₦552.4 billion to ₦618.3 billion.

Sales to domestic customers in Nigeria increased by 11.7% from 12.0Mt to 13.4Mt, with the remaining 0.76Mt being exported.

Full year Pan-African volumes remained broadly constant at nearly 9.4Mt, with lower volumes in Ethiopia, Ghana and Tanzania being offset by increases in Zambia and Senegal.

The increase in revenue per tonne in Pan-Africa was mainly the result of depreciation of the Naira, driving higher Naira values when revenue was converted into Naira, as well as price adjustments in some countries.

Pan-African revenue constituted 31.4% of total Group revenue (2017: ₦258.4 billion, 31.9%).

## Manufacturing and operating costs

| Year ended | 31st December 2018 ₦'million | 31st December 2017 ₦'million |
|---|---|---|
| Materials consumed | **122,581** | 111,559 |
| Fuel and power consumed | **133,528** | 111,569 |
| Royalties paid | **1,134** | 1,136 |
| Salaries and related staff costs | **31,557** | 26,713 |
| Depreciation and amortisation | **64,544** | 59,598 |
| Plant maintenance costs | **29,562** | 26,848 |
| Other production expenses | **9,199** | 14,653 |
| Increase in finished goods and work in progress | **(8,794)** | (786) |
| Total manufacturing costs | **383,311** | 351,290 |

Group manufacturing costs increased by 9.1%, mostly as a result of increased volumes in Nigeria. Manufacturing costs in Nigeria increased by 7.4% from ₦158.6 billion to ₦170.3 billion, on the back of the 11.4% increase in sales volume for 2018.

Although Pan-African volumes remained constant, manufacturing costs increased by 10.6% from ₦192.7 billion to ₦213.0 billion, mainly due to exchange rate impacts as well as input price adjustments.

The Nigerian Naira traded at ₦359/$1 at the end of 2018 compared to ₦331/$1 at the end of 2017, a decline of 7.8%.

## Administration and selling costs

| Year ended | 31st December 2018 ₦'million | 31st December 2017 ₦'million |
|---|---|---|
| Administration and selling costs | **189,426** | 155,297 |

Total administration and selling costs rose by 22.0% to ₦189.4 billion, mostly as a result of higher sales and associated distribution costs in Nigeria, which also include increased export sales from Nigeria whose delivery costs are higher. Haulage expenses in Nigeria increased by ₦10.2 billion to ₦56.7 billion from ₦46.5 billion. Haulage costs in Pan-Africa increased by ₦3.2 billion, representing an 11.3% increase.

The depreciation also contributed to the overall increase in Pan-African operating costs when these were converted to Naira. The average exchange rate and year-end exchange rate for the main currencies applied are as shown in the notes to the financial statements.

## Profitability

| Year ended | 31st December 2018 ₦'million | 31st December 2017 ₦'million |
|---|---|---|
| EBITDA | **435,261** | 388,147 |
| Depreciation and amortisation | **(96,563)** | (83,939) |
| Operating profit | **338,698** | 304,208 |

## EBITDA by region

| | 31st December 2018 ₦'million | 31st December 2017 ₦'million |
|---|---|---|
| Nigeria | **397,377** | 360,759 |
| Pan-Africa | **49,062** | 38,276 |
| Central costs and inter-company | **(11,178)** | (10,888) |
| **Total EBITDA** | **435,261** | 388,147 |

Group earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 12.1% to ₦435.3 billion, at a margin of 48.3% (2017: ₦388.1 billion, 48.2%) as a result of the increased volumes in Nigeria and better prices per tonne achieved by Pan-African operations.

Excluding eliminations and central costs, EBITDA increased by 10.2% in Nigeria, to ₦397.4 billion at a margin of 64.3% (2017: ₦360.8 billion, 65.3%).

Despite level volumes, Pan-African EBITDA rose by 28.2% to ₦49.1 billion, at 17.3% margin (2017: 14.8%), driven by better pricing that helped to offset losses in Tanzania, Congo and Ghana.

Operating profit of ₦338.7 billion was 11.3% higher than the ₦304.2 billion in 2017, at a margin of 37.6% (2017: 37.8%) driven by higher profitability in Nigeria.

# Financial review continued

## Interest income/expense and similar charges

| | 31st December 2018 ₦'million | 31st December 2017 ₦'million |
|---|---|---|
| Interest income | 11,323 | 9,136 |
| Net exchange gain | — | 26,790 |
| **Finance income** | 11,323 | 35,926 |
| Exchange loss | (8,112) | — |
| Interest expense | (41,666) | (52,711) |
| **Net finance income/(expense)** | (38,455) | (16,785) |

Interest income increased by 23.9%, mainly as a result of higher average cash balances and improved interest rates in Nigeria and Ethiopia.

During the year to December 2018, the Nigerian Naira was devalued from about ₦331/$1 to ₦359/$1. The devaluation resulted in net exchange gains from inter-Group assets and liabilities that do not eliminate in full on consolidation in the Nigerian operations. In 2018, this exchange gain was outweighed mainly by the exchange losses from Pan-African operations that use the CFA, as well as in Sierra Leone and Ghana, resulting in a net exchange loss in 2018 compared to a net exchange gain in 2017.

The effective interest rate on borrowings was 11.14%.

## Taxation

| | 31st December 2018 ₦'million | 31st December 2017 ₦'million |
|---|---|---|
| Tax credit/(charge) | 89,519 | (85,342) |

In prior years, we made a tax provision on profits earned from Ibese production lines 3 & 4 and Obajana production line 4 on the basis that they were yet to obtain approval for tax exemptions under the Pioneer Status Incentive. Approval from the NIPC was obtained in 2018 and the provision of ₦133.7 billion was reversed resulting in the tax credit of ₦89.5 billion.

The underlying effective tax rate for Nigerian operations excluding the one-off adjustment was 12.07%.

The Group's profit for the year was up 91.1% to ₦390.3 billion (2017: ₦204.2 billion). As a result, earnings per share increased by 95.9% to ₦22.83 (2017: ₦11.65).

## Financial position

| As at | 31st December 2018 ₦'million | 31st December 2017 ₦'million |
|---|---|---|
| Property, plant and equipment | 1,171,864 | 1,192,140 |
| Other non-current assets | 87,792 | 57,089 |
| Intangible assets | 5,969 | 6,355 |
| **Total non-current assets** | 1,265,625 | 1,255,584 |
| Current assets | 261,942 | 241,912 |
| Cash and bank balances | 166,896 | 168,387 |
| **Total assets** | 1,694,463 | 1,665,883 |
| Non-current liabilities | 86,619 | 121,153 |
| Current liabilities | 285,930 | 391,276 |
| Debt | 335,301 | 372,094 |
| **Total liabilities** | 707,850 | 884,523 |

Non-current assets increased from ₦1,255.6 billion at the end of 2017 to ₦1,265.6 billion at 31st December 2018. This was mainly the result of the increase in deferred tax assets following the approval of Pioneer tax exemption as well as payments for fixed assets under construction. This was partially offset the depreciation charge for the year of ₦95.6 billion.

Additions to property, plant and equipment were ₦88.6 billion, of which ₦61.6 billion was spent in Nigeria and ₦27.0 billion in Pan-African operations.

As detailed in the tax section above, a provision of ₦133.7 billion was reversed, resulting in the decrease in both current and non-current liabilities.

## Movement in net debt

| Year ended | Cash ₦'million | Debt ₦'million | Net debt ₦'million |
|---|---|---|---|
| As at 1st January 2018 | 168,387 | (372,094) | (203,707) |
| Cash from operations before working capital changes | 424,416 | — | 424,416 |
| Change in working capital | (41,412) | — | (41,412) |
| Income tax paid | (11,163) | — | (11,163) |
| Additions to fixed assets | (88,623) | — | (88,623) |
| Change in non-current prepayments and payables | (42,422) | — | (42,422) |
| Other investing activities | (796) | — | (796) |
| Net interest | (35,808) | — | (35,808) |
| Net loans obtained (repaid) | (31,109) | 31,109 | — |
| Dividend paid | (178,925) | — | (178,925) |
| Other cash and non-cash movements (net) | 4,351 | 5,684 | 10,035 |
| **As at 31st December 2018** | **166,896** | **(335,301)** | **(168,405)** |

Cash of ₦424.4 billion, generated from operations before changes in working capital, was 11.8% ahead of the ₦379.7 billion generated in 2017. After net investment of ₦41.4 billion on working capital and tax payments of ₦11.2 billion, the net cash flow from operations was ₦375.3 billion.

Financing outflows (excluding overdrafts) of ₦257.1 billion (2017: ₦190.6 billion) were reflected in net loans repaid of ₦32.3 billion, interest paid of ₦45.8 billion and a dividend payment of ₦178.9 billion.

Cash and cash equivalents (net of bank overdrafts used for cash management) decreased slightly from ₦161.8 billion at the end of 2017 to ₦159.0 billion at 31st December 2018. With net loans repaid at ₦32.3 billion, net debt decreased by ₦35.3 billion from ₦203.7 billion at the end of 2017 to ₦168.4 billion at the end of 2018, giving a net debt to EBITDA ratio of 0.39x, reflecting the continuing strong cash generation achieved by the Group and improving its already healthy balance sheet position.

## Capital expenditure by region

| | Nigeria ₦million | Pan-Africa ₦million | Total ₦million |
|---|---|---|---|
| Nigeria | 61,615 | — | 61,615 |
| Senegal | — | 794 | 794 |
| Cameroon | — | 1,043 | 1,043 |
| Congo | — | 136 | 136 |
| Ghana | — | 481 | 481 |
| Côte d'Ivoire | — | 9,416 | 9,416 |
| Sierra Leone | — | 890 | 890 |
| South Africa | — | 297 | 297 |
| Ethiopia | — | 1,327 | 1,327 |
| Tanzania | — | 10,586 | 10,586 |
| Zambia | — | 671 | 671 |
| Other | — | 1,367 | 1,367 |
| **Total** | **61,615** | **27,008** | **88,623** |

Capital expenditure was mainly comprised of the construction of new Nigerian and Pan-African plants, as well as improvements in our energy efficiency in Tanzania.

## Recommended dividend

On 25th February 2019, the Directors recommended an increased dividend of ₦16.00 per share (2017: ₦10.50) for approval at the Annual General Meeting scheduled for 17th June 2019. The proposed dividend is 52.4% higher than for the 2017 financial year and will result in a total dividend payment of ₦272.6 billion (2017: ₦178.9 billion).

## Going concern

The Directors continue to apply the going concern principle in the preparation of the financial statements.

After considering the liquidity position and the availability of resources, the Directors concluded that there are no significant threats to the Group's going concern capabilities.

The Directors believe that the current working capital is sufficient for the operations and the Group generates sufficient cash flows to fund its operations.

Borrowings are mainly to fund the expansion projects.

Brian Egan

**Brian Egan**
Group Chief Financial Officer
25th February 2019

Institutional

# Building a world-class institution based upon governance and transparency

## KPIs

**Independent Directors**
6

At the end of 2018, Dangote Cement had six independent directors, out of a total of 16 Board members.

**Board diversity**
2

With just two female directors, Dangote Cement is committed to increasing the diversity of its Board.

**Board policies**
22

Dangote Cement's Board of Directors is governed by 22 separate Board Policies, which are detailed on pages 202 and 203.

Effective corporate governance is the force that drives our ambition to build a successful and sustainable company. Balancing the needs of our internal and external stakeholders, it establishes our corporate values and provides guidance on the way we do business, driving high levels of performance and encouraging trust that we mean what we say. By promoting a culture of performance and transparency that can truly be described as "world class", we aim to encourage investment that we can deploy to the benefits of all our stakeholders and the economies and societies in which we operate.

**Institutional Investor**

**Institutional Investor Emerging EMEA Executive Team**

**Five top-three rankings**

**SON Awards**

**MANCAP certification**

**"The success of any organisation depends on the ability of its Board of Directors to set a good example and demonstrate a clear commitment to doing things right and doing the right things."**

**Cherie Blair CBE, QC**
Independent Non-Executive Director

# Balancing risk and reward for success

## Q&A with Dr Adenike Fajemirokun

**Q**

**How does risk management help to create value?**

**A**

It is a natural and desirable entrepreneurial instinct to take risks in order to create wealth. The purpose of risk management is to temper this instinct with pragmatic thinking and analysis, so that all potential risks can be identified, assessed and, where possible, mitigated or avoided completely. We cannot eliminate all the risks we face, but we can certainly prepare for them. If we failed to do that, we would not only squander opportunities for growth, but risk incurring losses and the destruction of shareholder value.

**Q**

**What are the biggest risks facing Dangote Cement?**

**A**

The biggest risks we face are the large-scale macroeconomic and social risks over which we have no control. We cannot control a country's economic performance, its currency or its political and social environment, but we can certainly analyse them and develop our risk management strategies accordingly to guide our operational strategies for production, marketing and distribution.

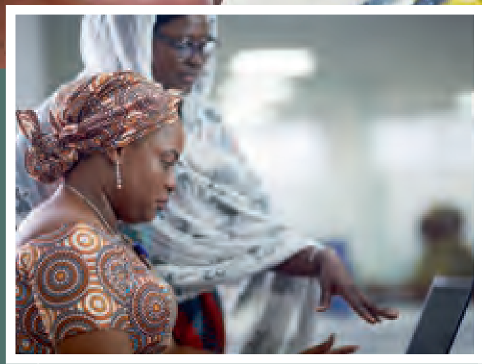
**Q**

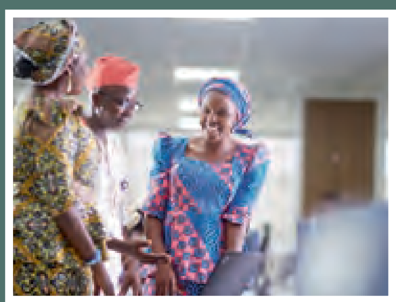
**How does risk management guide business strategy at a high level?**

**A**

If you look at Dangote Cement we have a high degree of business integration and that is driven by the realities of doing business in Africa, where certain risks and challenges exist. For example, fuel supplies can be disrupted, as happened with our gas supplies some years back, and this drove us to adopt a coal mining strategy in Nigeria. In fact, our use of own-mined coal not only improved our fuel security but also helped us to reduce our foreign exchange risk.

In Nigeria and elsewhere there is little or no grid power, so we mitigate this risk by building our own power stations. We have seen the problems this created for our





Pan-African margins by the lack of power capacity in Tanzania, but are now building our own power station so we are self-sufficient.

Another good example is our delivery fleet. We buy lots of trucks for cement delivery because in many countries there is no reliable third-party logistics capability, so having our own fleet helps us reach our customers more effectively.

All of the initiatives above can be seen as good risk management initiatives, but in fact they are also sources of competitive advantage in many of our markets.

**Q**

**What is the outlook for risk management at Dangote Cement?**

**A**

The need for effective risk management is very clearly understood at the highest level of the Company and will continue to be supported accordingly.

**Dr Adenike Fajemirokun**
Group Chief Risk Officer

# Improving risk management

Good risk management is essential for the creation of a robust institutional framework that enables us to deliver a long-term and sustainable increase in value for our stakeholders.

## The risk management process

We believe the identification and management of risks are central to achieving the corporate purpose of creating long-term shareholder value, as demonstrated by our fit-for-purpose approach to risk management. The principal aim of Dangote Cement's risk management governance structure and internal control systems is to identify, evaluate and manage risks with a view to enhancing the value of shareholders' investments and safeguarding assets.

Our risk management process is disciplined and methodical to ensure value addition and value protection for the Group. The process ensures the appropriate ownership of risk and accountability of all stakeholders in the risk management value chain whilst ensuring collaboration between risk management and process owners across the business. Measurement of risk takes into consideration our risk appetite tolerance limits to avoid misrepresentation of our risk profile.

## Risk identification and assessment

Our approach stresses that good risk management starts with the right conversations to drive better business decisions. Hence, we embed accountability for managing risk into our business structures. Procedures for identifying risks are applied at department, country and group levels.

Qualitative and quantitative tools deployed to manage this process effectively across the organisation include the conduct of risk and control self-assessments, key risk indicator monitoring and loss incident reporting. These processes are supplemented with ad-hoc on-site assessments or incident assessments when unexpected high risks are envisaged or occur.

# **Risk management** continued


## Risk measurement and prioritisation

This requires the quantification of the consequences of potential risks or actual risk incidents for the proper understanding of risk taking or risk exposure by relevant stakeholders. Dangote Cement's overall risk rating is based on the severity of impact or damage from each specific risk, multiplied by its probability of occurrence.

## Risk control and reporting

Following proper identification, quantification and treatment of existing and potential risks, mitigation strategies are recommended, implemented, monitored and reported to the Executive Committee on a monthly basis and to the Board on a quarterly basis. Where necessary, special risk reports are sent to relevant stakeholders on a need-to-know basis. The Audit, Compliance and Risk Management Committee reviews risk reports and approves the implementation of recommended risk control measures.

## Risk monitoring

The Group Risk Management department, headed by the Group Chief Risk Officer, is responsible for coordinating all the risk management processes implemented across the Group and ensures that risk controls are duly implemented. Where risk controls remain outstanding, the department ensures timely escalation to relevant approving authorities for the required budgetary approvals or control modifications. The risk monitoring process sometimes leads to the identification and assessment of new risks that are then analysed using the process flow previously described.

## Three lines of defence

Our risk culture in Dangote Cement is driven by key principles embedded in our Enterprise Risk Management Framework. These principles are built around the "three lines of defence".

The first line of defence comprises the revenue-generating and customer-facing areas, alongside all associated support functions. The first line identifies the risks, and sets the policies, standards and controls, within the criteria set by the second line of defence. It continuously monitors risk positions and reports inherent risks to relevant stakeholders.

The second line of defence comprises risk and compliance employees and oversees the first line, setting the limits, rules and constraints, consistent with the risk appetite of the Group. It ensures a holistic approach to risk management and risk reporting.

The third line of defence comprises Internal Audit employees, providing independent assurance to the Board and Executive Management. The Legal function does not sit in any of the three lines, but supports all three levels of defence and plays a role in overseeing legal risk.

The Legal function is also subject to oversight from the Risk and Compliance functions with respect to the management of operational risks. Together with a governance process through the Audit, Compliance and Risk Management Committee and Board-level forums of Dangote Cement subsidiaries, the main Board of Dangote Cement receives regular information in respect of the risk profile of the Group, and has ultimate responsibility for risk appetite and capital plans.

## Risk appetite

All decisions must balance risk and reward to ensure all activities are economically profitable after due consideration of risk Dangote Cement's risk appetite is considered at all times when making such decisions. Our Board has responsibility for determining the level of risk that will be taken. The Board determines the overall strategic direction for the business and as part of this process determines the Group's risk appetite.

Risk appetite defines the level of risk we are willing to take as a business across the different risk types, whilst considering varying levels of financial and non-financial

## Risk management


### Risk reporting escalation and treatment

**Audit, Compliance and Risk Management Committee**
- Approves risk management framework and applicable policies
- Approves methodologies for management of strategic risk
- Approves the Dangote Cement risk management strategy and risk appetite
- Supervises and monitors Dangote Cement's risk appetite

**Group Chief Risk Officer**
- Group-wide, super-divisional responsibility for management of all risks
- Comprehensive monitoring, analysis and reporting on risk
- Organisation of day to day risk management

**Risk Management Function**
- Regional Risk Management Nigeria
- Regional Risk Management Pan-Africa

**Specialised Risk Sub-Committees**
- Ad-hoc committees set up to tackle specific risk issues

**01**

**Board Senior Management front office**
- Promote risk culture and desired risk behaviour in decisions being made
- Ensure macro and micro risk management by limits monitoring for acceptable risk exposures
- Continuously monitor positions and report inherent risks to relevant stakeholders

**02**

**Risk Management department**
- Understand business dynamics and complexities for apt risk management
- Engage all stakeholders for timely redress of risks identified
- Ensure a holistic approach to risk management and risk reporting

**03**

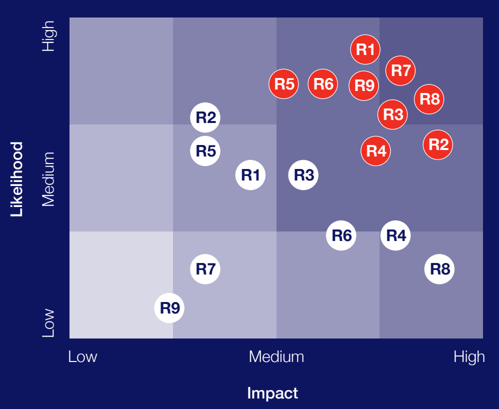
**Audit**
- Understand the business of Dangote Cement and its prevalent or likely risks
- Ensure that business owners and risk management staff identify and control risks in a timely and optimal manner by providing independent oversight on policies and procedures deployed organisation wide

stress. Risk appetite is key for our decision-making process, including business planning, operations, new product reviews and approvals alongside business change initiatives. Following the Board's approval of the risk appetite statement, the year under review saw the Risk Management function commence the process of quantification of the risk appetite statement hinged on converting the Group's qualitative risk appetite statement to a series of metrics, thereby translating specific value drivers into series of limits and tolerance levels ranging from Insignificant to Catastrophic. Tolerance levels define escalation requirements that enable appropriate actions to be considered and implemented as required.

By applying scale limits across all our strategic and operational activities, we control specific activities that may have material concentration and impact on our business.

The management of risk is embedded in each level of our business, with staff being responsible for the understanding and management of these risks. This is carried out by specifying responsibilities according to the "three lines of defence" with each line of defence overseen by responsible personnel, resulting in preserving a strong design, implementation, remediation, monitoring and testing framework focused on independence and robust governance.

## Evidence of principal risks occurrence




- **R1** Threat to Dangote Cement's strategic expansion across Africa due to restricted FX availability in Nigeria
- **R2** Impact of truck unavailability from inadequate planning for the receipt and management of spare parts and tyres
- **R3** Concentration risk following from annual volumes lifted by few key distributors
- **R4** IT Infrastructure not robust enough to support future business expansion
- **R5** Threat from political instability and security threat across some of our key markets in Sub-Saharan Africa
- **R6** Threat of margins shrinking in some of our key markets due to increases in commodity prices globally, notably crude oil and coal
- **R7** Underinsurance of assets Group-wide
- **R8** Threat to our HSSE goals and targets for safety
- **R9** Credit risk of financial loss arising from non-payment on credit sales to distributors on the Special Unsecured Credit Scheme

Inherent risk
Residual

# Principal risks

## Principal risks linked to strategic objectives

| Strategic objective | Principal risks | Mitigation efforts |
|---|---|---|
| **1. Focus on optimising the efficiency of our existing assets to increase output and lower costs** | • Impact of political instability or social unrest that disrupts our ability to manufacture and/or distribute cement<br>• Fuel supply disruption<br>• Unscheduled operational downtime<br>• IT disruptions through inadequate infrastructure or training<br>• Increase in input costs, especially for key imports such as fuel<br>• Underinsurance of assets<br>• Financial loss due to non-payment on credit sales to distributors on Special Unsecured Credit Scheme | • In-country security personnel to ensure protection of staff and assets<br>• Constant monitoring of local situations<br>• Ongoing strategies for business continuity and crisis management<br>• Greater control of own fuel supply chain, for example our mining initiatives in Nigeria<br>• Selection of more reliable fuel suppliers<br>• Constant monitoring of systems and regular maintenance thereof<br>• Improvements in spare parts inventory and management<br>• Develop and maintain appropriate IT systems to support such a large enterprise and ensure proper use and training for use<br>• Review of critical systems deployment and use, with particular attention to those that are inadequate for purpose, or being significantly upgraded<br>• Use financial strength to drive buying power<br>• Group-wide revaluation of assets<br>• Improvements in systems to monitor sales and payments, with auto-blocking of delinquent accounts to limit further losses |

| Strategic objective | Principal risks | Mitigation efforts |
|---|---|---|
| **2. Increase our leadership of existing markets and be the number one or two supplier with at least 30% market share** | • Truck unavailability due to inefficient management, accidents, lack of maintenance and spare parts<br>• Competitive pricing pressures<br>• Concentration risk<br>• Operational disruption causing lack of product in market | • Investment in new trucks, improvements to logistics management systems, better training for drivers and mechanics, constant monitoring of truck condition, better standards of maintenance at depot and reduced turnaround times on loading and after delivery<br>• Use of third-party logistics where available and appropriate<br>• Achieve market share sufficient to be "price maker"<br>• Focus on product quality, cost and service as differentiators<br>• Improve marketing and sales reach by activating more retail outlets<br>• Develop broader product range to address specific needs<br>• Increase own delivery capability, rather than rely on third-party collections<br>• Widen distribution to reduce reliance on larger distributors for significant volumes<br>• Develop retail channels, for example through Container Programme in Nigeria, or by increasing depot network<br>• Improved incentivisation of sales staff and key distributors, with clear performance targets<br>• Initiatives as detailed above in strategic objective 1 |
| **3. Tap into high-value export markets, generating useful foreign currency that we can deploy outside of Nigeria** | • Border shutdowns or bureaucracy causing delays<br>• Lack of awareness in local markets<br>• Truck unavailability or inefficient logistics | • Improve customs procedures with advance notice of transit and better engagement with local customs infrastructure<br>• Improved marketing and brand building in territories where we do not produce or import<br>• Initiatives as detailed above in strategic objective 2 |

# **Principal risks** continued

## **Strategic priorities linked to principal risks** continued

| Strategic objective | Principal risks | Mitigation efforts |
|---|---|---|
| **4. Expand prudently into attractive and high-growth cement markets across Sub-Saharan Africa** | • Continuing foreign exchange controls in Nigeria prevent investment outside the country; lack of available foreign currency<br>• Entry of major producers increases competition, reduces prices and creates overcapacity | • Continue to drive organic FX generation through exports from Nigeria<br>• Improve repatriation of non-Nigerian profits back to Nigeria<br>• Work with regulators to source FX according to our needs<br>• Assess availability/desirability of external funding, e.g. through international debt or other sources of financing<br>• Continuous monitoring of potential markets, with rigorous criteria set for market entry |
| **5. Adhere to high standards of corporate governance and improve our efforts in sustainability** | • Harm to staff and/or assets, or other disruption caused by poor community relations, thereby impacting revenues, increasing costs and creating reputational and potential legal challenges for the Company<br>• Harm to staff and/or assets caused by poor operational health and safety management, resulting in injury and damage<br>• Reputational damage caused by environmental or safety incidents at plants, or during transport<br>• Stakeholder concerns about corporate governance | • Constant focus upon improving community relations through improved engagement before and during operations and increasing opportunities for community employment and involvement to mutual benefit<br>• Constant focus on improvements in health and safety through deployment of best practices, better training for safety awareness, improved reporting and adoption of the 15 Golden Safety Rules<br>• Improved environmental awareness, monitoring, reporting and mitigation of threats<br>• Improved driver training to reduce accidents<br>• Adoption of international best practices in corporate governance, including increased number of Independent Directors with global experience<br>• Continuous and transparent engagement with investors and other external stakeholders |

## Chairman's introduction to corporate governance

**Aliko Dangote GCON**
Chairman

# Improving governance

A successful business is one that is driven by strong, yet supportive corporate governance that guides its long-term strategy for profitable and sustainable growth.

**Dear shareholders,**
Dangote Cement's vision is to be a global leader in cement production, respected for the quality of our goods and services and for the way we conduct our business.

At the same time, we are committed to achieving sustainable growth that delivers financial returns and other positive impacts for all our stakeholders.

We recognise that there is a strong link between good corporate governance and creation of long-term stakeholder value and believe it is an essential foundation upon which to build a sustainable future for our Company.

Good governance drives all aspects of the business, not just the behaviour of our Board. It guides our long-term strategy for growth and profitability, enabling us to create and increase shareholder value.

Beyond financial performance, it sets out principles by which we deal with all our stakeholders, notably our colleagues, our suppliers, our customers, our host communities and those who regulate our activities.

Dangote Cement is the largest public company in Nigeria, with a market capitalisation that is typically around 28% of the total capitalisation of the Nigerian Stock Exchange (NSE).

We are listed on the NSE's Premium Board, which we joined as a Founder Member in 2015 and which even now contains just seven companies.

It is therefore my pleasure to introduce this Corporate Governance Report for 2018, which sets out the principles by which Dangote Cement is governed.

It describes the activities of the Board and its Committees during the year, and shows how these activities are themselves determined by international best practices or by regulation such as the Securities and Exchange Commission's Code of Corporate Governance for Public Companies in Nigeria ("the SEC Code").

## Corporate governance guidelines

Our Board of Directors has established Corporate Governance Guidelines that provide a framework for the effective governance of the Company. The guidelines address matters such as the Board's mission, its structure and Committees, the responsibilities of Directors, their independence and remuneration, the role and appraisal of the Group Chief Executive Officer and our strategy for Board and Executive succession.

The Board regularly reviews developments in corporate governance and updates the Corporate Governance Guidelines and other governance materials as it deems necessary and appropriate.

Our governance policies and practices are designed to ensure that our business is conducted in a fair, honest and transparent manner that conforms to the highest ethical standards, enables us to build strong relationships with customers and suppliers, guarantees the welfare of all our employees, takes care of our environment and gives us the opportunity and resources to implement a commendable programme of social investment for the good and continued sustainability of the communities in which we operate.

## The Board of Directors

At the heart of our corporate governance framework is our Board of Directors, which is responsible for the efficient execution of corporate strategy based upon sound principles of corporate governance and for ensuring the long-term health and overall success of the business and its financial strength.

The Board serves as the ultimate decision-making body of the Company, except for those matters reserved to or shared with the shareholders. As Chairman of the Board, it is my responsibility to ensure its effective operation both directly and through its Committees. The roles and responsibilities of the Board and these Committees are clearly documented in the Board and Committee Charters.

Read more on pages **86–90**

The Board is accountable for the Company's activities, strategy, risk management and financial performance as well as the Company's system of corporate governance. Board members are representatives of the stakeholders and are responsible for establishing policies for corporate management and for safeguarding stakeholder interests.

The Board sets the strategic objectives for the Company, determines investment policies, agrees performance criteria and delegates to management the detailed planning and implementation of those objectives and policies with due consideration for the Company's appetite for risk.

The Board also monitors compliance with policies and achievement against objectives by holding management accountable for its activities through monthly and quarterly performance reporting and forecast updates.

In addition, the Board receives regular presentations enabling it to explore specific issues and developments in greater detail. The Board also obtains periodic assurance on the integrity of the Company's financial and internal control policies, while seeking to institute better structures for them.

The Board Charter sets out guidelines on Board composition, meeting procedures and guidelines on how the Board is to manage its affairs.

Some matters are dealt with exclusively by the Board. These include approval of financial statements, the Company's business strategy, the annual capital expenditure plan, major capital projects, major changes to the Company's management and control structure, material investments or disposals, risk management strategy, social and environmental policies and treasury policies.

## Board composition

As at 31st December 2018 the Board was composed of 16 people with skills in manufacturing, finance, engineering, business and law. Between them, they bring a wealth of experience to bear on providing strategic direction for the Company and ensuring its business goals are achieved.

As the Chairman of the Board, I am accountable to the Board and act as a direct liaison between the Board and Management of the Company through the Group Chief Executive Officer. I provide leadership and am responsible for overall operation and governance of the Board. I manage the business of the Board and set its agenda in consultation with the Group Chief Executive Officer and the Company Secretary, with contributions from other Board members. I also ensure that agendas strike the right balance between operational performance and strategic matters. I facilitate and encourage active engagement of Directors, particularly on matters of risk and strategy or other major proposals, by drawing on their skills, knowledge and experience.

The positions of the Chairman and Group Chief Executive Officer are separate and held by different individuals in line with Section 5.1(b) of the SEC Code.

Joe Makoju is Group Chief Executive Officer and is responsible for the execution of strategy and the day to day management of the Group, supported by the Executive Committee (ExCo), which he chairs.

The Board comprises myself, the Group Chief Executive Officer, the Group Chief Financial Officer and twelve Non-Executive Directors. Of the Non-Executive Directors, five are considered to be Independent Non-Executive Directors (following the resignation of Olusegun Olusanya on 31st December 2018).

The Board considers that the Non-Executive Directors provide good governance for the Company as they effectively and constructively challenge and monitor the success of management in delivering the agreed strategy within the risk appetite and control framework set by the Board.

# Chairman's introduction to corporate governance continued

## Board composition continued

The Non-Executive Directors bring a wide range of international experience and expertise to the Board. They occupy or have occupied senior positions in industry, finance or public life and contribute significantly to the Board's decision making.

We consider that the current Board size of 15 Directors is appropriate for the needs of the business in line with Section 4 of the SEC Code. We believe that the overall composition of the Board is appropriate, except for the ongoing need to improve gender diversity, which is being addressed.

This conclusion has been reached having regard to the independence of character and the integrity of our Directors and the collective experience, balance of skills and knowledge they bring to bear in fulfilling their duties.

## Independent Directors

The Board has assessed the independence of the Independent Non-Executive Directors against the criteria set out in the SEC Code and has concluded that they are all independent in character and judgement.

The Board reviews the independent status of the Independent Non-Executive Directors on an annual basis, in line with the requirements set out in the SEC Code of Corporate Governance.

The Independent Non-Executive Directors have consistently provided unbiased and independent views to the Board and ensured that minority shareholders' interests are protected.

They have continually contributed to the overall quality and effectiveness of the Board by providing objective inputs to strategic issues and decision making, while ensuring compliance with applicable statutory rules and regulations.

## The Company Secretary

The Board is supported by Mahmud Kazaure, the General Counsel and Company Secretary, and his Deputy, Edward Imoedemhe.

They provide support, governance advice and detailed guidance to the Directors with respect to their duties, responsibilities and powers. They also ensure compliance with procedures and regulations necessary for the conduct of the affairs of the Board. The Company Secretary acts as Secretary to all the Committees and attends all their meetings.

## Board Committees

The Board governs the Company through the operation of Board Committees, accompanied by effective monitoring and reporting systems.

Each Board Committee has specific written terms of reference issued by the Board. The terms of reference of Committees are available on our website.

All Committee Chairmen report on the proceedings of their Committee meetings at the Board meeting for the quarter. The reports of the Board Committee meetings are included in the papers distributed to Board members in advance of the next Board meeting.

As at 25th February 2019, the Board has five Committees: Finance and General Purpose; Audit, Compliance and Risk Management; Remuneration and Governance; Nomination; and Technical and Operations. Detailed reports from these Committees can be found on pages 96 to 121.

| Position | Role |
|---|---|
| Chief Executive Officer | • The Chief Executive Officer manages the Company on a day to day basis, executing the business strategy in accordance with our corporate ambitions and vision to be a global force in cement production. The CEO takes responsibility for creating, planning, implementing and integrating the strategic direction of the Company. |
| Chief Financial Officer | • The Chief Financial Officer is responsible for ensuring sound financial management and planning, and for coordinating the production of timely and accurate financial reports and accounts. The CFO is also responsible for treasury management and economic forecasting and scenario planning. |
| Non-Executive Directors | • The role of Non-Executive Directors is to oversee the activities of the Company in terms of its strategy, business performance, risk appetite and human resources. They provide guidance to and, if necessary, challenge the Board and Executive Management on strategy. |

## Delegation to Management

The Board delegates responsibility for implementing the Company's strategy and for managing the Group to the Group Chief Executive Officer, who is supported by the Executive Committee, which he chairs.

The names and profiles of the Executive Management Team can be found on pages 32 and 33.

## Board appointments and re-election of Directors

The Board aims to achieve a balance of experience, knowledge and skills amongst its Directors.

The Board, through the Nomination Committee, follows a formal, rigorous and transparent procedure to select and appoint new Directors.

The Nominations Committee leads the process in accordance with the Board's appointment policy, utilising defined Board membership criteria while taking into cognisance the existing skills, knowledge and experience of Directors on the Board as well as those of the nominee, including other attributes necessary for the prospective role.

When considering the appointment of a new Director, the Board also takes cognisance of current directorships on other Boards so as to avoid potential conflict of interest and ensure that Directors will be able to dedicate the appropriate time and attention to the Company.

The Appointment Policy of the Board is in line with Section 13.1 of the SEC Code.

Upon appointment, a new Director is issued a letter of appointment that sets out the expected time commitment, tenure, role, responsibilities and powers of the Director.

The Company has a defined Tenure Policy in line with Sections 19 and 20 of the SEC Code, which regulates the terms of Directors.

A summary of the Tenure Policy is presented below:

- Executive Director: An initial term of three years with additional terms of three years each, subject to satisfactory performance;
- Non-Executive Director: An initial term of three years with additional terms of three years each, subject to satisfactory performance;
- Independent Non-Executive Director: An initial term of three years with additional terms of three years each, subject to satisfactory performance; and

Non-Executive Directors who are 70 or more years of age are disclosed to shareholders at Annual General Meetings in line with Section 256 of the Companies and Allied Matters Act, CAP C20, LFN 2004 (CAMA).

All Directors are required to retire by rotation and stand for reappointment at least every three years in compliance with the provisions of CAMA and Section 19 of the SEC Code.

At the Annual General Meeting on 20th June 2018, Devakumar Edwin, Emmanuel Ikazoboh, Joseph Makoju and Dorothy Ufot retired by rotation and were presented for re-election to the Board. The re-election of these Directors was ratified by shareholders.

At the 2019 Annual General Meeting, the following will retire by rotation and be presented for re-election: Aliko Dangote, Abdu Dantata, Olakunle Alake and Ernest Ebi.

## Appointment of new Directors

The Board recognises the need to reinforce its effectiveness by injecting new energy, fresh ideas and perspectives.

In this regard, we welcomed Cherie Blair and Sir Michael Davis to the Board in April 2018 and their appointments were ratified by shareholders at the 2018 Annual General Meeting in June 2018.

Between them they bring extensive experience of global business, corporate transactions, international law and governance.

## Director induction and development

As Chairman, I am responsible for ensuring that induction and training programmes are provided for Directors based on training needs and gaps identified in consultation with the Director.

They are also expected to take responsibility for identifying their individual needs and to take steps to ensure that they are adequately informed about the Group and their responsibilities as Directors.

The Board has established an Induction and Training Policy for Directors and Directors receive periodic training and induction. Cherie Blair and Sir Michael Davis underwent this induction in 2018.

During the year, the Board also arranged briefings and a Board retreat to assist the Directors in effectively discharging their duties to the Company. Directors also attended education programmes to refresh and update their knowledge of business operations and best practices. A Board retreat was held in London in December to coincide with the final Board meeting of the year.

The Board is confident that all its members have the knowledge, ability and experience to perform the functions required of a director of a listed company.

## Board and Committee meetings

Board and Committee meetings are held in an atmosphere of intellectual honesty of purpose, integrity and mutual respect, requiring reporting of high standards by management and direct, robust and constructive challenge and debate among the Company's Directors.

Meeting dates for Board and Committee meetings are agreed in advance for proper planning and scheduling.

Notices of meetings are sent to Directors at least 14 days before the meeting and Board papers are sent for consideration by Directors at least a week before the meeting date.

# Chairman's introduction to corporate governance continued

## Board and Committee meetings continued

Working with the Company Secretary, I implement an Annual Agenda Plan to assist the Board and its Committees in discharging their roles and responsibilities in line with their charters.

This Annual Agenda Plan is a guide to specify the minimum agenda items to be considered by the Board and its Committees at various meetings during the year.

Board meetings were well attended with attendance of Directors exceeding two-thirds as required by Section 12.2 of the SEC Code. Details of Directors' attendances at Board and Committee meetings are shown in the table on pages 212-214.

## Key matters considered in 2018

The Board met seven times during 2018 and at least once every quarter in line with Section 12.1 of the SEC Code. Details of key matters discussed at these Board meetings are shown in the table on page 87.

## Conflicts of interest and related-party transactions

The Board maintains robust procedures to ensure that related-party transactions and potential conflicts of interest are identified, disclosed and managed. These procedures include the declaration of interests in other businesses by Directors on appointment to the Board and annual self-certification by all of our Directors.

Where it is identified that a related-party relationship exists, the Board agrees specific additional procedures to ensure the effective management of potential conflicts of interest. These procedures have been documented in our Conflict of Interest Policy, which is in line with Section 16 of the SEC Code.

The Board also receives a quarterly Related-Party Transaction Report showing transactions that have been authorised during the period under review and those proposed for review by the Board.

A summary of the related-party transactions during the 2018 financial year is disclosed in the table on pages 193–195.

## Review of Governance Framework and policy formulation

The Board ensures ongoing review of the Company's Governance Framework, to ensure that:

- Dangote Cement's governance practices accurately reflect recent changes to the business and its structure;
- the Governance Framework sets out and reinforces the Company's values;
- the risk and assurance processes are a robust and integral part of the Governance Framework; and
- the Framework reflects best governance practices.

Further to these reviews, the Board approves the formulation of policies that are in line with good governance and has taken cognisance of the regulatory and business environment.

As at 25th February 2019, Dangote Cement has a total of 22 approved policies. They are shown in the table on page 202 and 203.

## Code of Ethics

The Board has formalised a Directors' Code of Ethics, setting out the standards of conduct expected from Directors. To this end, the Directors attest to a Code of Conduct on a yearly basis. To inculcate good ethical conduct, the Group has also established a Code of Conduct for employees, which has been disseminated to all levels of employees in the Group through the staff handbook.

## Succession planning

The Board views succession planning as important for business continuity. It is acknowledged that with succession planning, the key job vacancies created due to retirement and resignation would be filled quickly and without any business interruption. To ensure its success, the Board has, in line with the Succession Planning Policy, adopted a Succession Plan to ensure that there are programmes in place to provide for the orderly succession of Senior Management.

## Board and Directors' evaluation

In line with the provisions of the SEC Code and in accordance with the Board Evaluation Policy of the Company, we conduct evaluations of the Board and individual Directors to help improve their performance.

The process is designed to:

- enhance individual and Board performance;
- highlight the balance of skills, knowledge and experience on the Board;
- assist Directors and the Company Secretary to identify and sustain their strengths;
- assist in identifying training and developmental needs for Directors and the Company Secretary;
- comply with the relevant statutory or regulatory requirement and determine eligibility of Directors to seek re-election;
- clarify expectations and duties of the Board and individual Directors; and
- demonstrate accountability to shareholders and other stakeholders.

To ensure that the process is objective, independent and fair, we engaged the services of an external facilitator to undertake an independent evaluation of the effectiveness of the Board and its Committees. The evaluation was conducted by Ernst & Young and involved personal interviews with Directors and questionnaires.

At the end of the review process, we received a detailed report with several recommendations, both for short and long-term implementation. We identified those which we believed to be of higher priority and commenced implementation.

The outcome of the evaluation assists the Board in determining future information relevant to Board and Board Committees' composition, responsibilities and operations. The Board performance appraisers also facilitated a Directors' peer assessment, where each Director is provided with a questionnaire to appraise the performance of their peers.

The evaluation seeks to measure the perception of Directors of the contribution of their fellow Directors on the Board.

The evaluation of the Executive Directors assesses their performance as Directors of the Board, rather than their functional Executive responsibilities, against set criteria. Where a deficiency in a Director's performance is identified, an action plan will be developed and implemented for the Director to acquire the necessary skills or develop appropriate behavioural patterns.

Upon completion, the results are collated and given to the Chairman, who in turn provides assessment feedback to each Director. The evaluation provides justification for re-election of Directors. Consequently, the nomination of each Director for re-election occurs after the proper evaluation of the performance of that Director by all other Directors.

These processes identify strengths as well as areas that need improvement in the Board and the identified knowledge gaps, and training programmes for Directors to attend in the following financial year.

### Shareholder engagement

As a Board of a Premium-listed company on the Nigerian Stock Exchange, our Board attaches considerable importance to open dialogue and constructive relationships with shareholders and other stakeholders.

We have a dedicated Investor Relations team that reports to the Group Chief Financial Officer. The team is responsible for building and maintaining long-term relationships with institutional investors and equity research analysts, as well as with private investors. In addition, it provides feedback to the Board on market perceptions of the Company.

Extensive communication with investors, brokers and equity research analysts was conducted in 2018, through quarterly results calls, one-to-one meetings, group meetings, site visits, investor roadshows and attendance at investor conferences focused on emerging markets and the building materials sector.

As Chairman, I also had occasional meetings with institutional investors to discuss matters of mutual interest including corporate strategy and our developments in corporate governance.

### Annual General Meeting

The Annual General Meeting of the Company is the principal opportunity for the Board to meet shareholders and for me, as the Chairman, to give a progress report on the Company's activities during the year, and provide clarifications on issues raised by shareholders.

We encourage shareholders to take advantage of this opportunity to engage with our Board and Senior Executives. Shareholders have the right to ask questions at the Annual General Meeting, or by submitting them in writing to the Company Secretary no later than 24 hours before the start of the AGM.

The Notice of Annual General Meeting is sent to all our shareholders, together with explanatory notes or a circular on items of special business, at least 21 working days before the AGM is held.

It is the Company's practice to propose separate resolutions on each substantially separate issue, including a resolution relating to the Report and Accounts. This is with the exception to matters where CAMA allows more than one item to be decided by a single resolution.

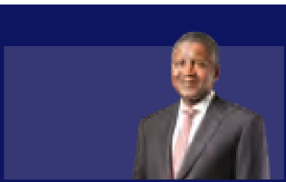
The Chairmen of the various Committees and I are also available to answer shareholders' questions during formal proceedings of the Annual General Meeting.

The Annual General Meeting to discuss this 2018 Annual Report will be held at the Eko Hotel, Victoria Island, Lagos, at 11.00 on 17th June 2019.

I hope the following pages of this 2018 Annual Report, which outline the work of our Committees during the year, will be interesting and informative to you as owners of the Company.

**Aliko Dangote**
Chairman
25th February 2019

# The Board of Directors
## as at 31st December 2018



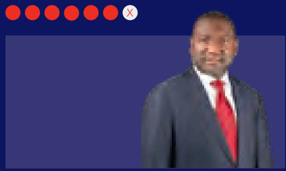
**Aliko Dangote** GCON
**Chairman**
Attendance
⚪●●●●●●

**Engr. Joseph Makoju Mni, OFR.**
**Group Chief Executive Officer**
Attendance
●●●●●●ⓧ

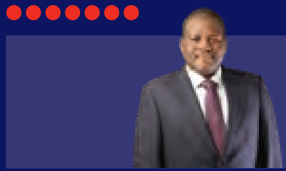
**Brian Egan**
**Group Chief Financial Officer**
Attendance
●●●●●●●

**Olakunle Alake**
**Non-Executive Director**
Attendance
●●●●●●●

**Cherie Blair CBE, QC**
**Independent Non-Executive Director**
Attendance
○○○●●●●



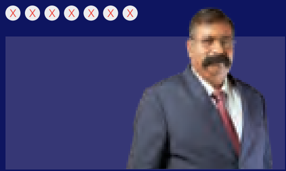
**Sani Dangote**
**Non-Executive Director**
Attendance
ⓧⓧⓧⓧⓧⓧⓧ



**Abdu Dantata**
**Non-Executive Director**
Attendance
●●●●●●●

**Sir Michael Davis**
**Independent Non-Executive Director**
Attendance
○○○●●●●

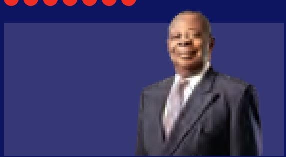
**Ernest Ebi MFR**
**Independent Non-Executive Director**
Attendance
●●●●●●●



**Devakumar Edwin**
**Non-Executive Director**
Attendance
⚪●●●●●●

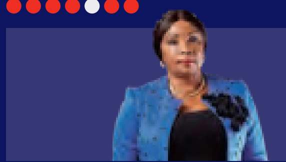
**Emmanuel Ikazoboh**
**Independent Non-Executive Director**
Attendance
●●●●⚪●●

**Fidelis Madavo**
**Non-Executive Director**
Attendance
●●●●●●⚪



**Olusegun Olusanya***
**Independent Non-Executive Director**
Attendance
●●●●●●●

**Viswanathan Shankar**
**Non-Executive Director**
Attendance
●●●●●●●



**Dorothy Ufot SAN**
**Independent Non-Executive Director**
Attendance
●●●●●●●

**Douraid Zaghouani**
**Non-Executive Director**
Attendance
●●●●●●●

**Board meetings**
were held on the following dates:
27/02/18, 19/03/18, 20/04/18, 20/06/18, 19/07/18, 19/10/18, 05/12/18

**Key**
● Attended ⚪ Not attended ⓧ Medical absence ○ Not yet joined

# Board Committees

### Nomination Committee
Members
**Aliko Dangote (Chairman)**
**Ernest Ebi**
**Olusegun Olusanya***
**Emmanuel Ikazoboh**
**Fidelis Madavo**

Full Committee Report **96–97**

### Audit, Compliance and Risk Management Committee
Members
**Ernest Ebi (Chairman)**
**Olakunle Alake**
**Sani Dangote**
**Devakumar Edwin**
**Emmanuel Ikazoboh**
**Fidelis Madavo**
**Olusegun Olusanya***
**Dorothy Ufot**

Full Committee Report **98–105**

### Finance and General Purpose Committee
Members
**Olusegun Olusanya***
**(Chairman)**
**Olakunle Alake**
**Sani Dangote**
**Ernest Ebi**
**Devakumar V G Edwin**
**Emmanuel Ikazoboh**
**Fidelis Madavo**
**Douraid Zaghouani**

Full Committee Report **106–109**

### Technical and Operations Committee
Members
**Fidelis Madavo (Chairman)**
**Olakunle Alake**
**Abdu Dantata**
**Ernest Ebi**
**Devakumar Edwin**
**Douraid Zaghouani**

Full Committee Report **110–113**

### Remuneration and Governance Committee
Members
**Emmanuel Ikazoboh**
**(Chairman)**
**Sani Dangote**
**Abdu Dantata**
**Ernest Ebi**
**Devakumar Edwin**
**Olusegun Olusanya***
**Dorothy Ufot**

Full Committee Report **114–121**

* Resigned 31st December 2018.

# Board activities

## Key activities of the Board

| Key matters considered | Board activities |
|---|---|
| **Appointment of new Directors** | • The Board, in consideration of its internal processes, policies and best practice, appointed two new Directors as Independent Non-Executive Directors of the Company. The appointments will enhance Board effectiveness as well as progress the Board towards its gender diversity objectives. |
| **Issuance of a Naira bond** | • The Board considered and approved a ₦300B Naira Bond programme, which will be used for capital expenditure, working capital and general development. |
| **Issuance of a Commercial Paper** | • The Board approved a capital raising of up to ₦150B through the issuance of a Commercial Paper, whether as a standalone transaction or by way of a programme to be executed in tranches, series or proportions, to be deployed towards capital expenditure, working capital and general corporate purposes. Two tranches of ₦50B were successfully issued during the year. |
| **Review and approval of a budget** | • The Board reviewed and approved the Budget for the succeeding financial year. |
| **Subsidiary Board reorganisation** | • The Board approved the reorganisation of the subsidiaries' Boards in line with regulatory requirements and for operational efficiency. |
| **Key appointment** | • The Board resolved on the appointment of a Deputy Company Secretary for the Company. |
| **Investor relations** | • The Board considered and approved the investor relations calendar for 2019. |
| **Board and individual Director evaluation** | • The Board approved the commencement of a Board and individual Director evaluation to cover the 2019 financial year. |
| **Management trainee scheme** | • The Board approved the commencement of a graduate trainee scheme to train participants in general management. |
| **Board and subsidiary Board meetings** | • The Board reviewed and approved Board and Committee Meeting dates for the financial year under review. |
| **Approval of financial statements** | • The Board reviewed and approved the audited financial statements for 2017 and submitted the same to the shareholders to approve at the Annual General Meeting. |
| **Approval of dividends** | • The Board proposed a dividend of ₦10.5 per 50 kobo share for the 2017 financial year, which was approved by shareholders at the Annual General Meeting. |
| **Control environment** | • The Board received reports on the control environment, and approved recommendations of the Committee towards strengthening the efficacy of the control environment. |
| **Appointment of a new Chief Executive** | • The Board approved the appointment of Joseph Makoju as the Group Chief Executive Officer of the Company. |
| **Quality/operational efficiency** | • The Board reviewed and approved several initiatives to enhance quality and improve operational efficiency in the Company. |
| **HSSE** | • The Board reviewed and approved systemic and strategic approaches to improve health, safety, social and environmental matters within the Company and its subsidiaries. |
| **Transport** | • The Board reviewed and approved strategic approaches to improve transport operations in the Company. |
| **Quarterly accounts** | • The Board reviewed and approved unaudited quarterly accounts of the Company. |
| **Annual General Meeting** | • The Board resolved on the date, venue and other modalities for the Annual General Meeting of the Company. |
| **Sales and marketing** | • The Board considered and approved a sales and marketing strategy for the year. |
| **Financing of subsidiaries** | • The Board considered and resolved to refinance its Pan-African subsidiaries as required. |
| **Potential international listing of shares** | • The Board formed an advisory committee to examine the possibility of an international listing of its shares, and to advise upon strategies and practicalities to achieve such a listing. |

# Board of Directors
## as at 31st December 2018

**Aliko Dangote GCON**
Chairman
N

**Date of appointment**
4th November 2002

Aliko is the founder of the Dangote Industries Limited, over which he presides as President. He has been the Chairman of Dangote Cement since its formation and is also the Chairman of other listed companies owned by Dangote Industries Limited. He graduated from the Al-Azhar University, Cairo, where he studied Business Studies.

He also obtained Honorary Doctorate degrees from Coventry University in the United Kingdom and the University of Ibadan in Nigeria in 2016. He started business in 1978 by trading in commodities, before entering into full scale manufacturing. He is well known for his philanthropic involvement in local and international initiatives to improve healthcare and social wellbeing.

**Engr. Joseph Makoju Mni, OFR.**
Group Chief Executive Officer

**Date of appointment**
2nd December 2010

Joseph was appointed to the Board of Dangote Cement in 2010, as a Non-Executive Director. He became Acting Group Chief Executive Officer in January 2018, having substantial experience in the cement industry.

He has worked in several world-class corporations including Shell BP, Blue Circle (UK) and WAPCO (now Lafarge Africa), which he led as Managing Director/CEO for a decade before taking up the appointment as Managing Director/CEO of National Electric Power Authority. He also served as Special Adviser (Electric Power) to the President, Federal Republic of Nigeria, under two separate administrations.

He has a BSc and an MPhil in Mechanical Engineering.

**Brian Egan**
Group Chief Financial Officer

**Date of appointment**
27th July 2017

Brian joined Dangote Cement as Group Chief Financial Officer in 2014, having previously been an Executive Director and Chief Financial Officer of Petropavlovsk PLC and of Aricom PLC, both of which were listed on the Main Market of the London Stock Exchange.

Prior to joining Aricom, he was Chief Financial Officer of Gloria-Jeans Corporation, a leading Russian apparel manufacturer and retailer. He has more than 20 years' international experience in senior financial roles with Associated British Foods PLC, Georgia-Pacific Ireland Limited and Coca-Cola HBC.

He also trained as an accountant with KPMG and is a member of the institute of Chartered Accountants in Ireland.

**Abdu Dantata**
Non-Executive Director
R T

**Date of appointment**
22nd July 2005

Abdu is a Non-Executive Director of Dangote Cement Plc and an Executive Director of Dangote Industries Ltd.

He is also the Chairman of Agad Nigeria Limited, a trading and transportation company operating throughout Nigeria. He is a fellow of the Nigerian Institute of Shipping.

He obtained an Executive Programme Certificate in Sales and Marketing from the Kellogg Senior Management School at Northwestern University, Chicago.

**Cherie Blair CBE, QC**
Independent Non-Executive Director

**Date of appointment**
20th April 2018

Cherie Blair CBE, QC, is a leading international lawyer, arbitrator and mediator, a former judge and a committed campaigner for women's rights. She is the Founder of the Cherie Blair Foundation for Women, and the Founder and Chair of Omnia Strategy LLP, an international law firm. She is Chancellor of the Asian University for Women, Chancellor Emeritus of the Liverpool John Moores University, President of the Loomba Foundation, Honorary Vice President of Barnardo's and Patron of Scope, as well as a number of other charities.

She serves as an Independent Director on the Board of Groupe Renault. She was awarded a CBE in 2013 for services to women's issues and to charity in the UK and overseas.

**Devakumar Edwin**
Non-Executive Director
A F R T

**Date of appointment**
22nd July 2005

Devakumar was previously the Chief Executive Officer of Dangote Cement, until he resigned as Group CEO on 31st January 2015. Following 14 years spent in industrial management in India, he joined Dangote Industries Limited in 1992 and has since held several managerial positions within the Group.

He is a Chartered Engineer, holding graduate and master's degrees in Engineering from the Madras University, India, and holds a postgraduate diploma in Management from IITM, Holland, all obtained in 1978, 1980 and 1986 respectively.

**Key**

A Audit, Compliance and Risk Management
F Finance and General Purpose
N Nomination
R Remuneration and Governance
S Statutory Audit
T Technical and Operations
Chairman

### Dorothy Ufot SAN
Independent Non-Executive Director
A R

**Date of appointment**
19th April 2016

Dorothy is the first woman to be appointed to the Board of Dangote Cement, in recognition of her vast experience in the field of commercial law. She has more than 26 years' experience in commercial litigation at trial and appellate levels, having been admitted to the Nigerian Bar in 1989 and then admitted to the Inner Bar as a Senior Advocate of Nigeria (SAN) in April 2009.

She is an internationally recognised expert in commercial dispute arbitration, and was appointed member of the International Chamber of Commerce's International Court of Arbitration, Paris, in 2006. She later became one of eight Global Vice Presidents of the ICC Commission on Arbitration in 2014.

### Douraid Zaghouani
Non-Executive Director
F T

**Date of appointment**
29th April 2015

Douraid Zaghouani was appointed to the Board of Dangote Cement on 29th April 2015 as a Non-Executive Director. At present, Douraid is Chief Operating Officer of the Investment Corporation of Dubai (ICD).

He manages the areas of Strategy, Government Relations, Marketing, Corporate Communications, Legal and Compliance, Finance and Funding, Risk and Information Technology. Prior to joining ICD, he was with Xerox for more than 25 years and was Chairman of the Board of several Xerox companies. During his long and distinguished career, he has held a number of senior general management, sales and marketing roles in Europe and North America.

### Emmanuel Ikazoboh
Independent Non-Executive Director
A F N R S

**Date of appointment**
30th January 2014

Emmanuel has more than 25 years' experience in Senior Management roles in Nigeria, Côte d'Ivoire, Cameroon and South Africa. He is currently Chairman of Ecobank, the Pan-African banking group. Previously, he was the Managing Partner for Francophone offices in Côte d'Ivoire and Cameroon and later became the Managing Partner/CEO of Deloitte West and Central Africa, until 2009. He was appointed by the SEC as an Interim Administrator, to carry out capital market reforms of the NSE and the CSCS. He serves on several corporate boards as Chairman or Non-Executive Director.

### Ernest Ebi MFR
Independent Non-Executive Director
A F N R T

**Date of appointment**
30th January 2014

Ernest has more than 40 years of banking experience from various leadership positions in Nigeria, including Chairman, UNIC Insurance PLC; Executive Director, Corporate Banking of African Continental Bank PLC; and Deputy Managing Director and Chief Operating Officer of Diamond Bank Limited (prior to its re-registration as a public limited liability company).

From June 1999 to October 2009, he was the Deputy Governor at the Central Bank of Nigeria. In November 2016, he was appointed Chairman of Fidelity Bank PLC.

### Fidelis Madavo
Non-Executive Director
A F N T

**Date of appointment**
30th July 2014

Fidelis is the Head of Resources and Portfolio Manager for Strategic and African Listed Investments at the Public Investment Corporation of South Africa (PIC), which is South Africa's state pension fund and the largest fund in Sub-Saharan Africa.

He represents the interests of shareholder PIC on the Board of Dangote Cement. Prior to joining PIC, he was Vice President at Citigroup and Investec Securities, both roles being based in Johannesburg. Before returning to South Africa, Fidelis spent ten years with CRU International, a mining consultancy firm, and also worked as a metallurgist for Anglo American.

### Sir Michael Davis
Independent Non-Executive Director

**Date of appointment**
20th April 2018

Sir Michael Davis is Chairman of Macsteel, a global trading and shipping company. From 2001 to 2013 he was Chief Executive of Xstrata, one of the world's largest global diversified mining and metal companies. Prior to joining Xstrata he was Executive Director and Chief Financial Officer of Billiton plc.

He has extensive capital markets and corporate transaction experience. During his career, he has raised more than $40B from global capital markets and successfully completed more than $120B of corporate transactions including the listing of Billiton on the London Stock Exchange, the merger of BHP and Billiton into the largest diversified mining company in the world and the successful merger of Xstrata and Glencore.

# **Board of Directors** continued

**Olakunle Alake**
Non-Executive Director
A F S T

**Date of appointment**
22nd July 2005

Olakunle is the Group Managing Director of Dangote Industries Limited. He was appointed to the Board of Dangote Industries Limited as Executive Director in 2001.

He holds a bachelor's degree in Civil Engineering from Obafemi Awolowo University, Ile-Ife and is a Fellow of the Institute of Chartered Accountants of Nigeria. He joined Dangote Industries Limited in 1990, after six years at Price Waterhouse Coopers. He has held several management positions in Dangote Industries Limited, including Financial Controller and Head of Strategic Services.

**Olusegun Olusanya**
Independent Non-Executive Director
A F N R S

**Date of appointment**
2nd December 2010

**Resigned**
31st December 2018

Olusegun was appointed to the Board in 2010. He was Deputy General Manager, Finance and Strategic Planning at Savannah Bank Nigeria PLC, Executive Director at Afribank Nigeria Plc and Executive Director at Union Bank PLC between 1993 and 1999. He was also Chairman of the National Bank of Nigeria Limited and sits on the board of several companies. He is Vice Chairman of Meristem Securities Limited and Non-executive Director of Tripple Gee & Co PLC.

**Sani Dangote**
Non-Executive Director
A F R

**Date of appointment**
22nd July 2005

Sani is a businessman with more than 30 years' experience in key sectors of the Nigerian economy including manufacturing, agriculture and oil services. He is the Vice President of Dangote Industries and sits on the board of several other companies. He is also the Deputy Chairman of African Gum Arabic Producers Association, a Fellow of the Nigeria Institute of Shipping and President of the Fertiliser Producers & Suppliers Association.

In 2012, he completed the Owner/President Management Programme at the Harvard Business School in the United States of America.

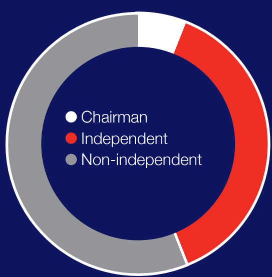
**Viswanathan Shankar**
Non-Executive Director

**Date of appointment**
10th December 2017

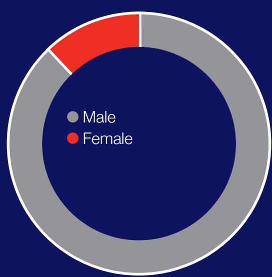
Viswanathan is Chief Executive Officer of Gateway Partners, a private equity firm focused on investing in the dynamic growth markets of Africa, Middle East and Asia. He previously served as CEO – Europe, Middle East, Africa and Americas, and member of the global board of Standard Chartered Plc. His past non-executive roles include the boards of the Inland Revenue Authority Singapore and the Economic Strategies Committee and the National Integration Council constituted by the government of Singapore; the Sub-Saharan Advisory Board of the Exim Bank USA; Vice Chair of the Future of Banking Global Agenda Council of the World Economic Forum.

## Board balance
as at 31st December 2018

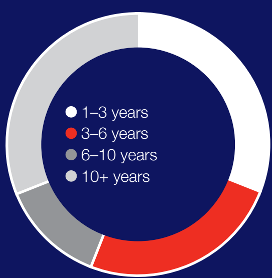
**Independence**



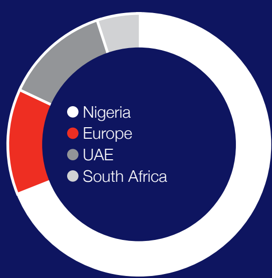

**Gender diversity**




**Tenure**




**Location of Director**



# Directors' report

**Mahmud Kazaure**
Company Secretary

The Directors present the Annual Report of the Company for the year ended 31st December 2018.

The Directors have considered all the matters brought before them in the financial year under review and are satisfied that the Annual Report represents a fair, balanced and realistic view of events.

Our Corporate Governance Report, which forms part of this Report, is in accordance with international best practice, and shows our governance systems, culture and unique way of operating.

## Legal form

Dangote Cement Plc, previously named Obajana Cement Plc, was incorporated in Nigeria as a public limited company on 4th November 1992 and commenced operations in January 2007.

In 2010, the name of the Company was changed from Obajana Cement Plc to Dangote Cement Plc by virtue of a special resolution dated 14th July 2010.

Dangote Cement Plc listed its shares on the Nigerian Stock Exchange ("the Exchange") on 26th October 2010. It has always been the largest company traded on the Exchange, with a current market capitalisation of ₦3,279 billion as at 25th February 2019.

## Principal activities and future plans

The Company was established for the operation of factories for the preparation, manufacture, sale and distribution of cement and related products.

The operational activities of the Company are undertaken at various plants in Nigeria and through its subsidiaries in nine other countries in Sub-Saharan Africa.

Details of these production, grinding and import facilities can be found on pages 38 to 47. Details of future plans are contained in the Chairman's Statement on pages 8 to 9 and in the Operational Review on pages 26 to 47.

## Directors' responsibilities

The Directors are responsible for the preparation of the financial statements, which they confirm give a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

The financial statements comply with the provisions of the Companies and Allied Matters Act, Cap 20, Laws of the Federation of Nigeria 2004.

In so doing they ensure that they act in accordance with the Directors' responsibilities outlined below:

1. The Board is charged with ensuring that appropriate values, ethics and behaviours for the conduct of the Company are agreed and that appropriate procedures and policies are in place to ensure that these are implemented effectively. The Board ensures leadership through effective oversight and review. Supported by its principal Committees, the Board sets the Company's strategic direction and aims to deliver a sustainable increase in shareholder value over the longer term.
2. The Board ensures that proper accounting records are maintained, that accounting policies are used and consistently applied and that appropriate financial statements are prepared on the going concern basis, in conformity with applicable law and standards. Most of this responsibility is delegated to the Finance and General Purpose Committee.
3. The Board ensures that adequate internal control procedures are established to safeguard the assets of the Company and to present and detect fraud and other irregularities. It also oversees the implementation of appropriate risk assessment systems and processes to identify, manage and mitigate the principal risks of the Company's business. Much of this work is delegated to the Audit, Compliance and Risk Management Committee.
4. The Board implements effective succession planning at Board and Executive Management level and assesses the processes in place to ensure that there is appropriate succession planning amongst Senior Management. Much of this responsibility is delegated to the Remuneration and Governance Committee.
5. The Board develops and implements Board and governance policies in line with regulatory requirements and international best practice. Much of this responsibility is delegated to the Remuneration and Governance Committee.

# **Directors' report** continued

### **Directors' responsibilities** continued

6. The Board ensures that the technical and operational aspects of the business are conducted efficiently and with regard to global best practices. It assesses the feasibility of proposed new projects and ensures that the operational, technical, production, sustainability and staffing aspects of our plants are adequate, comply with local and international laws and are aligned with our business goals. It is also responsible for overseeing new technical and development programmes within the business. Many of these responsibilities are delegated to the Technical and Operations Committee.

### Strategic report and results

The strategic report comprises the following, each of which is incorporated by reference into, and forms part of, this Directors' Report:

- the Chairman's Statement on pages 8 and 9;
- the Interview with the Chief Executive on pages 34 to 36;
- Operating review on pages 37 to 47;
- the Financial Review on pages 64 to 69;
- the Corporate Governance Report on pages 80 to 85;
- the Nomination Committee Report on pages 96 and 97;
- the Audit, Compliance and Risk Management Committee Report on pages 98 to 105;
- the Finance and General Purpose Committee Report on pages 106 to 109;
- the Technical and Operations Committee Report on pages 110 to 113; and
- the Remuneration and Governance Committee Report on pages 114 to 121.

These sections also include details of expected future developments in the Company's business and details of the key performance indicators.

### Results for the year

Group revenue increased by 11.9% to ₦901.2 billion (2017: ₦805.6 billion).

EBITDA increased by 12.1% to ₦435.3 billion (2017: ₦388.1 billion).

Net profit for the year was ₦390.3 billion (2017: ₦204.2 billion).

Earnings per share increased by 95.9% to ₦22.83 (2017: ₦11.65).

### Dividends

The Directors pursue a dividend policy that reflects the Company's earnings and cash flow, while maintaining appropriate levels of dividend cover.

They consider the capital needed to fund the Company's operations and expansion plans.

For the 2018 financial year, the Directors have recommended a dividend of ₦16.00 per ordinary 50 kobo share (2017: ₦10.50).

The final dividend, if approved by shareholders at the Annual General Meeting on 17th June 2019, will be paid on 18th June 2019 to shareholders listed on the register as at the close of business on 3rd June 2019.

The Board considers that the proposed dividend level is appropriate and is in line with the Company's strategic growth objectives.

### Unclaimed dividends

The total amount of unclaimed dividends outstanding as at 31st December 2018 is ₦2,602,841,364.

A list of unclaimed dividends is available on the Company's website: www.dangotecement.com.

The Company notes that some dividend warrants have either remained unclaimed, are yet to be presented for payment by shareholders, or have been returned to the Company for revalidation.

Therefore, all shareholders with "unclaimed share certificates" or "unclaimed dividends" should address their claim(s) to the registrars, United Securities, or to the Company Secretary at the registered office address. Addresses are contained on pages 208 and 209.

Members are encouraged to notify the registrars or the Company Secretary of any changes in address or other relevant information and take advantage of the e-dividend system by completing the form included on page 217.

### Directors

As at 25th February 2019, Dangote Cement had 15 Directors, all of whom held office in the year ended 31st December 2018. Their biographies are contained on pages 88 to 90 and are incorporated into this report by reference.

Olusegun Olusanya resigned on 31st December 2018.

The appointment, removal or reappointment of Directors is governed by the Company's Articles of Association, the Companies and Allied Matters Act (CAMA), LFN 2004 as well as relevant Board and governance policies. These documents also set out the rights and obligations of Directors.

### Directors' interests

In accordance with Section 275 of the Companies and Allied Matters Act, CAP C20 LFN 2004, Directors' direct and indirect interests in the issued share capital of the Company are recorded in the Register of Members as at 31st December 2018 and contained on the opposite page of this report.

### Conflicts of interest

The Company maintains a Register of Directors' Interests in accordance with the requirements of the Companies and Allied Matters Act, CAP C20, LFN 2004. The Company also applies a conflict of interest policy developed in accordance with international best practice, and Investment and Securities Act, Laws of the Federation, 2007.

### Powers of Directors

Subject to the Articles of Association of Dangote Cement, prevailing legislation and any directions given by special resolution, the business and affairs of the Company are managed by the Directors, who in utmost good faith exercise all such powers for and on behalf of the Company.

## Supplier payment policy

It is the policy of the Company to agree and clearly communicate the terms of payment as part of the commercial agreement negotiated with suppliers and then to pay according to those terms based upon receipt of an accurate invoice.

Trade creditor days for the year ended 31st December 2018 were 82 days on average for the Company (2017: 82 days).

## Donations

Donations, sponsorship and charitable donations amounted to ₦1.3 billion (2017: ₦1.0 billion), as detailed on pages 210 and 211.

## Sustainability

Dangote Cement is committed to promoting sustainable growth for the benefit of all stakeholders. Concern for the environment and promoting a broader sustainability agenda are integral to the Company's professional activities and the management of the organisation.

We aim to comply with, and exceed where practicable, all applicable legislation, regulations and codes of practice; integrate sustainability considerations into all our business decisions; ensure that our staff, clients and suppliers are fully aware of our Sustainability Policy and are committed to implementing and improving it; and minimise the impact on sustainability of all our mining, production, administrative, sales and transportation activities. Our approach to sustainability is explained across several sections of this Annual Report, each related to Dangote Group's 7 Sustainability Pillars, which are summarised on pages 4 and 5.

## Corporate governance and investor relations

During the 2018 financial year, the Company complied with the NSE Post-Listing Requirements and has not been fined by the SEC, NSE or CAC for any contraventions.

Dangote Cement has emerged as a truly multinational manufacturing enterprise, promoting regional integration and providing growth and employment opportunities for African economies through the utilisation of Africa's natural resources by Africans and for Africans.

We are committed to high standards of corporate governance and global best practice, both in Nigeria and countries in which we operate.

Our focus at all times is recognition of and compliance with all laws regulating the business. The Chairman's Introduction to Corporate Governance details compliance with relevant legislation and relations with shareholders on pages 80 to 85 and forms part of this Directors' Report.

The Company pursues an active programme of investor relations with investor meetings and earnings calls throughout the year.

Its website contains substantial information about the Company's performance and strategy.

## Employees

Dangote Cement operates a policy of non-discrimination and considers all applications equitably.

Based on the Company's policy, the most qualified person is recruited for the position, irrespective of religion, ethnic group, physical condition or state of origin.

| | Ordinary shares of 50 kobo each | | |
|---|---|---|---|
| | As at 31st December 2017 | As at 31st December 2018 | **As at 25th February 2019** |
| Aliko Dangote | 14,522,050,220 | 14,522,050,220 | **14,527,958,138** |
| Direct | 27,642,637 | 27,642,637 | **27,642,637** |
| Indirect | 14,494,407,583 | 14,494,407,583 | **14,500,315,501** |
| Olakunle Alake | 4,931,702 | 6,931,702 | **6,931,702** |
| Devakumar Edwin | 2,000,000 | 5,000,000 | **5,000,000** |
| Ernest Ebi | 100,000 | 100,000 | **100,000** |
| Emmanuel Ikazoboh | 98,149 | 98,149 | **98,149** |
| Direct | — | — | **—** |
| Indirect | 98,149 | 98,149 | **98,149** |
| Olusegun Olusanya* | 16,313 | 16,313 | **16,313** |
| Engr. Joseph Makoju Mni, OFR. | 11,000 | 11,000 | **11,000** |
| Abdu Dantata | 8,680 | 8,680 | **8,680** |
| Cherie Blair | — | — | **—** |
| Alhaji Sani Dangote | — | — | **—** |
| Sir Michael Davis | — | — | **—** |
| Brian Egan | — | — | **—** |
| Fidelis Madavo | — | — | **—** |
| Viswanathan Shankar | — | — | **—** |
| Dorothy Ufot | — | — | **—** |
| Douraid Zaghouani | — | — | **—** |

* Resigned 31st December 2018.

# **Directors' report** continued

## **Employees** continued

Where existing employees become disabled, it is the policy, wherever practicable, to provide continuing employment under similar, or if required and possible adjusted, terms and conditions and to provide training as appropriate.

We review our employment policies in line with the strategic objectives of its business.

Key employees are recruited to add value to the Company and ensure high performance based on clearly defined performance indices.

Employees are provided with information about the Company through the Internal Communications Unit, which publishes information on our website and intranet.

## Retirement benefits

The Company operates a contributory pension scheme for its employees in Nigeria, in line with the provisions of the Pension Reform Act 2014.

The scheme is funded through employees' and employer's contributions in the ratio of 8% and 10% of the total emoluments of the employee, as prescribed by the Act.

## Health, safety at work and welfare of employees

Dangote Cement recognises the importance of safeguarding the health and safety of its workforce, including its contractors, and manages the impact on the environment resulting from its activities, thereby building constructive and sustainable relationships with stakeholders based on trust and respect.

The Company is therefore committed to:

- complying with all laws and regulations applicable in its operating environment;
- identifying, measuring and understanding the health, safety, environmental and social impact and risks of its operations, and implementing long-term and sustainable solutions towards mitigating impact; and
- continuously seeking innovative ways to improve its health, safety and environmental performance.

Safety and environment workshops are organised with a broad focus on good housekeeping to ensure a good and safe working environment.

Fire prevention and firefighting equipment is installed in strategic locations in the offices and plants.

The Company provides adequate personal protective equipment (PPE) and other critical safety equipment and has a system to monitor compliance. The Company also ensures that adequate safety clauses are included in the contracts to which it is a party.

The Company has developed several Health, Safety, Security and Environment (HSSE) policies, established the 15 HSSE Golden Rules and implemented a suitable incentive scheme to reward good HSSE practice across the Group.

This is because we believe that protection and care of the environment is essential to the sustainability and growth of the Company in the long term.

The Company continues to place a premium on its human capital development. We value the welfare of our employees and contractors and this fact will ensure the improved efficiency of the business and help to maintain its strategic advantage over its competition.

During 2018, employees attended numerous local and international training and development programmes to improve their HSSE knowledge and skills.

## Dangote Cement shareholders analysis

| | Share range | Number of shareholders | % of shareholders | Number of shares | % of shares |
|---|---|---|---|---|---|
| 1 | to 1,000 | 29,873 | 73.75 | 10,264,718 | 0.06 |
| 1,001 | to 5,000 | 7,989 | 19.72 | 15,883,910 | 0.09 |
| 5,001 | to 10,000 | 1,157 | 2.86 | 8,200,999 | 0.05 |
| 10,001 | to 50,000 | 983 | 2.43 | 20,163,695 | 0.12 |
| 50,001 | to 100,000 | 152 | 0.38 | 10,860,710 | 0.06 |
| 100,001 | to 500,000 | 180 | 0.44 | 43,219,739 | 0.25 |
| 500,001 | to 1,000,000 | 52 | 0.13 | 39,448,515 | 0.23 |
| 1,000,001 | to 5,000,000 | 74 | 0.18 | 176,627,974 | 1.04 |
| 5,000,001 | to 10,000,000 | 16 | 0.04 | 122,594,075 | 0.72 |
| 10,000,001 | to 100,000,000,000 | 29 | 0.07 | 16,593,243,069 | 97.38 |
| **Total** | | **40,505** | **100.00** | **17,040,507,404** | **100.00** |

## Training and development

Dangote Cement is committed to the support of staff development for all staff. The key purpose is to facilitate personal and professional development enabling individuals and groups to achieve their full potential at work.

The Company recognises that its success is linked to the contribution, commitment and achievements of individual members of staff, working individually and in teams or groups.

Training programmes are offered at the Dangote Academy for staff across the Group, with facilitation from professionals and other training experts. In addition to skill acquisition, the training programmes enable staff to develop the interpersonal skills needed to succeed in the workplace. The courses are designed to help staff in the performance of their designated roles and to help them to fulfil their potential.

## Identification of staff development needs

An assessment of the skills of individuals, when they are appointed to a new role, will lead naturally to the identification of their need for training and development, related to duties that they are to perform.

In addition, staff training and development needs may be identified in a variety of ways, e.g. by skills audit, by feedback and by staff performance appraisal.

It is our policy that all staff have at least one annual performance review a year with their head of department or line manager, at which time, training and development needs will be assessed and ways of meeting these will be identified, and an appropriate timescale agreed.

## Post balance sheet events

No material event took place between 31st December 2018 and the date on which these accounts were signed.

## Research and innovation

With rapid urbanisation and population growth in Africa, the Company realises that meeting housing and infrastructure needs will be a challenge.

We are constantly looking for new product solutions that will respond to these construction challenges.

In 2018, the Company launched two new products called Falcon and BlocMaster into the Nigerian market to expand its product line for the benefit of customers.

Falcon is a 32.5-grade cement for less demanding applications such as mortaring and low-rise buildings, while BlocMaster is a premium, rapid-setting 42.5R product, which was the result of extensive research and customer feedback.

## Capital structure

The Company has one class of ordinary shares, which reflect the total value of the share capital. Each ordinary share carries the right to one vote at the Company's Annual General Meeting.

The percentage shareholding and transfer of shares are governed by the Company's Articles of Association and relevant regulation. There are no restrictions with respect thereto. The Articles of Association may be amended by special resolution approved by the shareholders.

## Substantial interest in shares

As at 31st December 2018 and also at the date of this report, only Dangote Industries Limited held more than 5% of the issued share capital of the Company. Details of shareholdings are provided in the table on the opposite page:

### 31st December 2018

Shareholder:
Dangote Industries Limited

Number of ordinary shares:
14,494,407,583

% of issued ordinary shares:
85.06%

### 25th February 2019

Shareholder:
Dangote Industries Limited

Number of ordinary shares:
14,500,315,501

% of issued ordinary shares:
85.1%

All shares other than shares held by Dangote Industries Limited (85.1%) and Aliko Dangote (0.16%) are considered to be free float shares. Aliko Dangote is the ultimate owner of Dangote Industries Limited.

All issued shares are fully paid and details of the share capital history are set out on page 200. No additional shares were issued in 2018.

## Auditors

In the case of each of the persons who are Directors of the Company at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant material information of which the Company's auditors are unaware; and
- each of the Directors has taken all the steps that he reasonably ought to have taken as a Director to make himself aware of any relevant material information and to establish that the Company's auditors are aware of that information.

A resolution will be proposed authorising the Directors to fix the remuneration of the auditors for the 2019 financial year.

In compliance with the provisions of the Securities and Exchange Commission (SEC) Code of Corporate Governance 2011, the Company puts the external audit contract out to tender at least every ten years.

**Mahmud Kazaure**
Group Chief Legal Counsel
and Company Secretary
25th February 2019

# Nomination Committee report

**Aliko Dangote GCON**
Chairman

## Role of the Committee

The Nomination Committee helps the Board identify, select, recruit and train suitable Directors and Senior Executives to drive the Company's strategy and business operations.

| Members | Meetings attended (eligible to attend) |
|---|---|
| Aliko Dangote (Chairman) | Attended, Attended |
| Ernest Ebi | Attended, Attended |
| Olusegun Olusanya* | Attended, Attended |
| Emmanuel Ikazoboh | Attended, Attended |
| Fidelis Madavo | Attended, Not attended |

Attended Not attended

* Resigned 31st December 2018.

## Introduction

The Nomination Committee was established in 2014 to assist the Board in discharging its responsibilities in relation to the composition of, and matters relating to, the Board and Senior Executive team.

In 2018, the members of the Nomination Committee were Aliko Dangote (Chair of the Committee), Ernest Ebi, Emmanuel Ikazoboh, Fidelis Madavo and Olusegun Olusanya. The Committee met twice during the year under review and the record of members' attendance is shown in the table to the left.

Biographical details of each member of the Committee, including relevant qualification and experience, are set out on pages 88 to 90 of this Annual Report. The Company Secretary is also the Secretary to the Nomination Committee.

## Terms of reference

The role of the Committee is to assist the Board to ensure that:

- the Board has the appropriate composition for it to effectively execute its duties;
- Directors are appointed through a formal process;
- induction and ongoing training and development of Directors take place; and
- formal succession plans for the Board, Chief Executive Officer and Senior Management team are in place.

## Responsibilities

The Committee must perform all the functions necessary to fulfil its role as stated above and including the following:

- ensure the establishment of a formal process for the appointment of Directors, including: identification of suitable members of the Board; performance of reference and background checks of candidates prior to nomination; formalising the appointment of Directors through an agreement between the Company and the Director; oversee the development of a formal induction programme for new Directors;

### Committee activities during 2018

| Key matters considered | Committee actions |
|---|---|
| **Appointment of Chief Executive Officer** | • The Committee considered, and resolved to recommend to the Board for approval, the appointment of Engineer Joseph Makoju, previously acting Chief Executive, as the Chief Executive of the Company. |
| **Appointment of Independent Non-Executive Directors** | • The Board considered and recommended the appointment of Cherie Blair and Sir Michael Davis as Independent Non-Executive Directors of the Company. |

and ensure that all Directors update their skills through different programmes;

- oversee the development and implementation of continuing professional development programmes for Directors;
- ensure that Directors receive regular briefings on changes in risks, laws and the environment in which the Company operates;
- consider the performance of Directors and take steps regarding any changes needed to ensure an appropriate contribution;
- find and recommend to the Board a replacement for the Chief Executive Officer, should that become necessary; and
- ensure that formal succession plans for the Board, Chief Executive Officer and Senior Management are developed and implemented, conducting searches for suitable replacements when necessary.

## Committee activities in 2018

The Committee keeps under review the leadership needs of the Company and identifies and nominates suitable candidates for the Board's approval, to fill vacancies when they arise. In addition, it makes recommendations on who should be appointed to fill such vacancies.

At the start of 2018, the Committee, after considering the contribution and performance of the Acting Group Managing Director of the Company, recommended that the Board formally appoint Joseph Makoju as the Group Managing Director/Chief Executive Officer of the Company.

Also, in 2018, following a thorough search and benchmarking exercise of internal and external candidates, the Committee made a recommendation to the Board in April that Cherie Blair QC and Sir Michael Davis be appointed Independent Non-Executive Directors of the Company, a decision which was approved and ratified by the Annual General Meeting held on 20th June 2018.

The Committee considered the Executive Committee talent pipeline and scheduled a series of meetings with prospective candidates with future senior leadership appointments in mind. It also reviewed the recommendations of the independent external evaluation, considered Board Committee membership, potential conflicts of interest and the independence of the Non-Executive Directors, and reviewed its terms of reference.

The Committee continued its programme of succession planning. The Board takes the issue of Board diversity very seriously and believes that maintaining an appropriate balance of skills, knowledge, experience and backgrounds is key to its effective performance.

Gender diversity is an important element of this mix. It was in furtherance of its diversity objectives that it recommended the appointment of Cherie Blair.

The Committee monitors the composition of the Boards of Dangote Cement and its Pan-African subsidiaries to ensure that they are comprised of individuals with the skills and qualifications necessary to effectively direct the affairs of the Company. The Committee also monitors subsidiary governance to ensure that subsidiaries are run in line with best practices. In that regard, the subsidiaries held several meetings in 2018, in compliance with the laws of their respective operating environments.

## Future plans

Going forward, the Committee is committed to further gender diversification with a stronger representation of women on the Board. As at the end of 2018 financial year, we have two women on the Board and continue to work towards increasing the participation of women on the Board.

Emergency succession planning is also an important area of discussion for the Committee. It has ensured the development of a framework that clearly identified individuals capable of covering key management roles on an interim basis. All these individuals then receive the necessary coaching to ensure they have the required skills to provide any critical support when needed.

Development for Directors and high-performing individuals below Board level has been an essential area of focus. Coaching and mentoring is provided to develop and enhance specific skill sets, and the Committee believes the benefits of this approach are critical for developing our own talent for the future.

Chairman of the Nomination Committee
25th February 2019

# Audit, Compliance and Risk Management Committee report

**Ernest Ebi MFR**
Independent
Non-Executive Director

### Role of the Committee

The Audit, Compliance and Risk Management Committee is charged with oversight of internal control, compliance and risk management, working with the respective internal functions.

| Members | Meetings attended (eligible to attend) |
|---|---|
| Ernest Ebi (Chairman) | ● ● ● ● |
| Olakunle Alake | ● ● ● ● |
| Sani Dangote | ● ⊗ ⊗ ⊗ |
| Devakumar Edwin | ● ● ● ● |
| Emmanuel Ikazoboh | ● ● ○ ● |
| Fidelis Madavo | ○ ○ ○ ○ |
| Olusegun Olusanya* | ● ● ● ● |
| Dorothy Ufot | ● ● ● ● |

● Attended ⊗ Medical absence ○ Not attended

* Resigned 31st December 2018.

## Introduction

The Board is ultimately accountable for the risk management process, system of internal control and monitoring compliance with applicable laws and regulations. These functions have been delegated to the Audit, Compliance and Risk Management Committee, which exercises oversight.

I am pleased to present to you the 2018 report of the Audit, Compliance and Risk Management Committee.

It is a standing Committee of the Board with powers of information, assessment and presentation of proposals to the Board of Directors within the scope of its functions in accordance with the Company's corporate governance system and as more particularly set forth in the Committee Charter.

The Board has satisfied itself that all the members of the Committee have substantial education, experience and knowledge of accounting, risk and corporate financial management, legal, governance and compliance and internal control management.

This complies with and surpasses the requirement of Section 30.2 of the SEC Code, which requires that at least one member of the Committee should have recent and relevant financial experience.

## Composition and membership

In 2018, the Committee comprised four Non-Executive Directors and four Independent Non-Executive Directors.

As an Independent Non-Executive Director, I serve as the Chairman of the Committee. Details of members as well as meeting attendance is shown in the table to the left.

The office of Secretary of the Committee is held by the Company Secretary. This enables a fluid and effective relationship with the various units of the Group that must cooperate with or provide information to the Committee.

## Committee activities during 2018

### Internal Audit

| Committee actions |
|---|
| • The Committee reviewed and approved the 2018 Internal Audit Plan as well as resourcing, manpower, training and development requests. |
| • The Committee recommended the establishment of Board Audit, Risk and Compliance Committees in countries where none exist. |
| • The Committee reviewed and made recommendations on the implementation of adequate control environments in the companies within the Group. |
| • The Committee received reports on whistle blowing and fraud investigations and made appropriate recommendations to the Board for approval. |

### Compliance

| Committee actions |
|---|
| • The Committee reviewed and approved the compliance appraisal plan for the financial year, and expressed satisfaction with the implementation of the previous year's plan. |
| • The Committee reviewed the proposal of management, and approved the implementation of automated regulatory compliance systems that will enhance compliance within the Group. |
| • The Committee reviewed the report of the Company's compliance with applicable rules and regulations and noted that the Company had recently been awarded "The Most Compliant Company Award" by the Nigerian Stock Exchange. |
| • The Committee, in compliance with the law, approved an independent review of the Internal Audit function, reviewed the report upon completion and made recommendations for implementation of actions to improve performance. |
| • The Committee reviewed the statutory and regulatory returns made by the Company and its subsidiaries. |
| • The Committee received reports on the status of compliance of the subsidiary companies within the Group with the laws applicable in their respective operating environments. |
| • The Committee reviewed the status of subsidiary companies' Board meetings and made recommendations to the Board as appropriate. |

### Risk management

| Committee actions |
|---|
| • The Committee appraised the review of supplier contracts by management and observed the settlement of related tax issues arising therefrom. |
| • The Committee reviewed the operational, insurance and credit risk management framework presented by the Chief Risk Officer and was satisfied with measures put in place to prevent and mitigate risks by carrying all stakeholders along. |
| • The Committee reviewed the human resourcing of the Risk department and noted the progress made in filling vacant positions across the Group. |
| • The Committee considered the relative benefits of constructing a power plant in one of its subsidiary companies and resolved to recommend the same to the Board for approval. |
| • The Committee reviewed and approved several initiatives that will enhance the efficiency and effectiveness of the transport management system. |
| • The Committee directed management to take necessary steps towards recovery of funds due from customers. |

# Audit, Compliance and Risk Management Committee report continued

## Composition and membership continued

As provided in its charter, the Committee meets as many times as it is called to, meeting by resolution of the Committee itself or of its Chairman, and at least four times a year. The Committee met four times in 2018. Some members of our Senior and Executive Management teams were invited to meetings to provide information and updates on agreed tasks and directives given by the Committee from previous meetings. These include the Group CEO, Group CFO, Head of Internal Audit, Group Chief Risk Officer, Chief Legal Officer, Company Secretary, Deputy Company Secretary and Compliance Manager.

## Roles and responsibilities

The roles and responsibilities of the Committee are set out in its Charter, which is reviewed periodically by the Committee taking into account relevant legislation and recommended best practice.

The Committee has oversight over the Audit, Compliance and Risk Management functions and receives separate reports and updates from each of these functions.

Each quarter, the Committee submits to the Board of Directors a report of activities of the Committee, which considers the activities for the review period, evaluation of the adequacy of its Charter and an assessment of the Committee's performance; the report is prepared in accordance with its Charter.

The Committee's main responsibilities include:

- oversight of the activities of the Group Internal Audit function including the appointment and evaluation of the Group Head of Internal Audit, approval of the Internal Audit Plan, review of Internal Audit reports and safeguarding the independence of the Internal Audit function;
- reviewing the scope, nature and effectiveness of the Internal Audit function and recommending proposed changes to the Board;
- reviewing and ensuring that proper liaison and cooperation exists between statutory auditors and the Group Internal Audit function;
- recommending to the Board for approval the Company's risk appetite and risk limits as well as changes to the Company's appetite for risk;
- approving the Company's risk framework and policies, including the organisation and governance of risk management;
- oversight of the execution of risk management including identification, analysis and risk mitigation, within the scope of the risk appetite (approved by the Board);
- reviewing, with the Company's Legal Counsel, any legal matter that could have significant impact on the Company's financial statements and operations;
- overseeing the Company's compliance programme and adherence to the Code of Business Ethics; and
- establishing a whistle-blowing mechanism and monitor implementation.

The activities of the Risk Management, Compliance and Audit departments respectively during 2018 are described below.

## Risk management

### Introduction

The Risk Management function of Dangote Cement supports the Board of Directors, the Executive Committee and management of all subsidiaries in the Group in identifying, analysing and controlling the Company's overall risk exposure.

It does this through its bespoke Enterprise Risk Management Framework, which is governed by the Board and driven by a specialist team that takes a formalised approach to risk management across all our operations using well-established methodologies and tools.

Risks identified are managed systematically to ensure proper control of all existing and emerging risks to which the Company is exposed.

A holistic and fit-for-purpose methodology is adopted to ensure all types of risks emanating from the Company's strategic, internal and external activities are captured.

For proper analysis, risk incidents are mainly grouped under business and strategic risk, operational risk, financial risk, market risk, liquidity risk, business continuity risk and reputational risk.

Our risk appetite statements define the quantum of risk the Group is willing to accept in pursuit of its strategic goals.

The Group defines risks as events that portend any consequence of uncertainty in the attainment of its business objectives, which may result in an opportunity or a threat.

The outlook for effective risk management involves proper analysis of the Group's business activities to identify short, medium and long-term risks.

Identified risks are then assessed, measured and controlled with close monitoring of the implementation of recommended controls by the Group's Risk Management department. Insurance solutions are instituted as a key method of risk treatment.

The risk landscape of Dangote Cement is derived through thorough risk assessments and deployment of other risk identification tools that cover all strategic, internal and external business activities of the Group.

These risk management tools are utilised in all subsidiaries of the Group and at all levels in the Company.

All mitigating actions implemented are duly approved by relevant business owners and approving authorities.

### % FX requirements funded through export proceeds

| Description | Possible states | Achieved in 2018 |
|---|---|---|
| This key risk indicator tracks and reports how much of our FX requirements are being funded by the proceeds of export sales. This is helpful because currency restrictions in Nigeria make it difficult to source FX for some business activities. | Export proceeds are >31% of FX budget | Export proceeds averaged 40% of FX budget in 2018 |
| | Export proceeds are 16%–30% of FX budget | |
| | Export proceeds are <16% of FX budget | |

### SAP and network downtime

| Description | Possible states | Achieved in 2018 |
|---|---|---|
| We depend on information technology systems to drive our business. SAP is deployed to provide a holistic and integrated data capture, processing and reporting in areas of the business such as inventory planning and management, sales and marketing, finance, credit administration and control, and human resources planning. For this reason, the downtime for SAP availability is closely monitored and reported to avoid prolonged disruption of business activities.<br><br>In addition, network availability is also closely monitored as email services are the main channel of communication across the business. | SAP downtime <11.5 hours per month<br><br>Network availability ≥98% | SAP downtime averaged 10.7 hours per month<br><br>Network availability averaged 98.5% |
| | SAP downtime 11.5–35 hours per month<br><br>Network availability 96%–98% | |
| | SAP downtime >35 hours per month<br><br>Network availability ≤95% | |

### % truck availability

| Risk | Description | Achievement |
|---|---|---|
| Timely delivery of goods is a key customer service delivery value driver as it not only ensures that customers get goods as and when required but also enables us to generate additional income through our haulage services. Dangote Cement Plc Nigeria has a fleet of more than 7,000 trucks servicing both its domestic and export customers. The availability of trucks for delivery is closely monitored so we can be confident we can make deliveries on time. | Truck availability is ≥72% | |
| | Truck availability is 52%–72% | Truck availability averaged 57.8% |
| | Truck availability is <52% | |

Low risk   Medium risk   High risk

# Audit, Compliance and Risk Management Committee report continued

## Risk review of 2018

At each of its meetings during the year, the Committee reviewed detailed risk management reports on all risk exposures identified or anticipated organisation wide. The report to the Committee focused on the impact of the challenging global and local business environment dynamics and policy changes affecting countries in which we operate in with key decisions made to adequately mitigate envisaged medium and high risks. The Committee was thus able to constantly review the efficacy and applicability of its risk management framework.

The risk management report captures key risks and related mitigation, including those set out in the principal risks section of this Annual Report.

Based on this focused oversight on the Group's risk management implementation during the year, the Committee made recommendations to the Board on the nature and extent of the risks it was willing to take to achieve its strategic goals.

Some key decisions reached by the Committee are outlined below:

**Operational risk:** the Committee reviewed principal operational risks, mitigating actions, tolerance limits through the key risk indicator dashboard and approved remedial actions required.

**Credit risk:** the Committee gave directive to develop relevant policies for ensuring optimal mix in the ratio of secured exposures to clean credit exposures.

**Transport risk:** the Committee approved the review of transport strategy, process, structure and technology.

**Audit and risk relationship:** the Committee reviewed the role of the Risk Management and Audit functions as they pertain to risk assessment and their input for preparing annual internal audit plans.

## Business viability statement

The Board carried out a robust assessment of Dangote Cement's principal risks, including those that could threaten its business model, future performance, solvency or liquidity.

The Directors have assessed the prospects of Dangote Cement over the next three years, considering our current business performance and principal risk exposures. A three-year viability assessment period was considered appropriate for the following reasons:

1. Dangote Cement has a one-year budget;
2. it has a three-year strategic plan; and
3. it has a longer-term life-of-asset outlook.

We have publicly stated our view that while commodity prices remain volatile, our short-term outlook is optimistic. Price and exchange rate volatility results in variability in plans and budgets. A three-year period strikes an appropriate balance between long-term and short-term influences on performance.

This viability assessment considered, amongst other things, Dangote Cement's product pricing scenarios, the latest funding and liquidity situation, the long-tenured maturity profile of Dangote Cement's debt portfolio, and the maximum debt value maturing in any financial year.

Other considerations include the Group-level risk profile, the mitigating actions available should key risks materialise, and the regular Board strategy and portfolio discussions which address the range of possible risk outcomes and the reserve life of Dangote Cement's production assets.

The Directors' assessment also considered additional stress testing of the balance sheet against two hypothetical significant risk events, namely:

1. a complete shutdown of one of our biggest plants due to a fire outbreak; and
2. a complete shutdown of one of our biggest plants due to a low-price environment.

Other assumptions included the alignment of production, capital expenditure and operating expenditure with three-year planned forecasts and the alignment of prices with the cyclical low-price case used in the control stress case for balance sheet testing.

The scenarios above are hypothetical and purposefully severe for creating outcomes that can threaten the viability of the Group. In the case of these scenarios arising, it was agreed that various options are available to the Group for maintaining liquidity required to continue operations. These options include:

1. earlier access to new external funding;
2. embracing more radical short-term cost reduction actions; and
3. reducing capital expenditures.

None of these actions are envisaged to be a likely risk factor and were therefore not assumed in our current scenario analysis.

Given the thorough consideration of all likely risk factors considered in this scenario analysis, Dangote Cement's current business performance and principal risk exposures, the Directors have a reasonable expectation that Dangote Cement will be able to continue in operations and meet all its liabilities as they fall due. The risk that the Group would become insolvent during this three-year timeframe was considered remote.

## Compliance

The Board monitors the Company's compliance with applicable laws and non-binding rules and standards. The responsibility for this has been delegated to the Committee.

Dangote Cement recognises that every company is one bad decision or one "bad employee" away from potential lawsuits and penalties, which bring to the fore the vulnerability of businesses.

Corporate compliance, or more accurately the risk of non-compliance, has become a major concern over the past decade, especially for global companies such as ours with operations in many different countries and jurisdictions. When a practice commonly accepted in one country could be a serious criminal or civil offence in another, it is essential that this is understood and managed.

The Compliance function is crucial for the timely detection and prediction of compliance violations as well as for the provision of reactive and proactive countermeasures on compliance violations. In recent years, monitoring the compliance of business processes with relevant regulations, processes and rules has become a major focus. The Compliance function will monitor and identify possible violations and predict future violations in a way that will prevent sanctions being imposed.

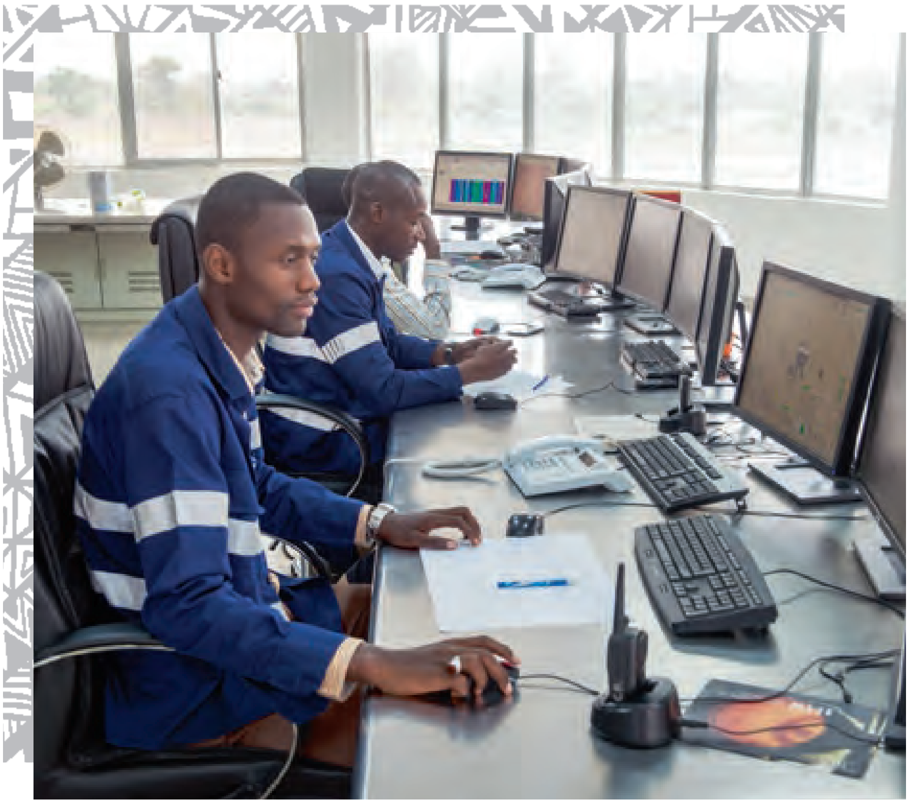
The Company recognises that effective compliance management is vital for sustainable and profitable growth. It is a very important contributor to the protection of the Group's integrity and reputation, and helps to build trust with all stakeholders.

The Committee reviews reports received from the regulators and evaluates the nature and effectiveness of action plans implemented to address identified regulatory compliance issues.

The Compliance function is guided by the Committee Charter, which amongst others seeks to establish and implement compliance management practices that contribute to sound and responsible business practices and ensure the integrity of the products and services delivered.

### Objectives of the Compliance function

- embed and encourage compliance with laws, regulations, business principles and rules of conduct, and establish good business practices in every aspect of the organisation (e.g. governance, strategy, people, processes, policies, culture and communication);
- establish and maintain effective compliance and control systems, including compliance risk assessment, mitigation, monitoring and reporting;
- provide timely advice to the organisation on relevant changes in the compliance environment;
- promote integrity of the organisation, its businesses and its employees;
- report on compliance matters that warrant the attention of the Subsidiary Management Board; such reports must detail any risk tolerance levels that were exceeded and highlight any unacceptable business practices;
- monitor progress of compliance risk mitigating actions and other compliance risk management issues until they are resolved;
- submit an annual Compliance Appraisal Plan (CAP) to the Board Audit, Compliance and Risk Management Committee for review and approval and periodically update the CAP as necessary;
- work with the process owners to document an Annual Monitoring Plan;
- create a process including tools for tracking and managing actions;
- create a process including tools for the recording, reporting and managing of compliance issues and incidents;
- incorporate lessons learnt into the components and activities of the Compliance Programme and Annual Plan;
- ensure resolution of, or escalation to, the Subsidiary Management Board, the Executive Management Team and the Board Audit, Compliance and Risk Management Committee on unaddressed or overdue items;
- institute internal arrangements to ensure that all statutory and governance duties are adequately discharged in a timely manner;
- coordinate the provision of information to regulatory organisations, ensuring such information is timely and appropriate and presents an effective image of the Company;
- ensure compliance with all corporate governance requirements and rules of appropriate regulatory authorities, particularly the SEC, NSE and CAC; and
- ensure development, review, dissemination and communication of all governance policies and processes required by the regulators.



# Audit, Compliance and Risk Management Committee report continued

## Compliance appraisal

The Compliance function is executed through periodic appraisals that consist of one or all of the following methods:

- scheduled visits to the operating plants;
- liaison with regulators, agencies and other consultants;
- follow-up correspondence by email and telephone; and
- constant engagement with the local compliance teams, the Subsidiary Management Boards and other process owners.

During these appraisals, one-on-one meetings are held with the management of the subsidiary companies or the operating plants with a view to understanding their operational challenges and offering applicable solutions.

## Policy formulation

Policy formulation, review and implementation is an integral part of the Compliance function.

As a manufacturing and production company, Dangote Cement is governed by various laws and regulations.

An important way to ensure compliance with these laws is through the formulation of policies that set guidelines on how the Company and its Directors and employees are to act in any given situation.

As at 25th February 2019, Dangote Cement has 22 Board and governance policies.

Additionally, we have several internal policies and charters that regulate all facets of the Company's activities, ranging from production, sales, finance, human resources, communications, internal controls, corporate social responsibility functions, etc.

Details of the Board and governance policies can be found in the appendix on pages 202 and 203.

## Internal Audit

The Internal Audit function is responsible for providing assurance to Management, the Committee and the Board on the adequacy and effectiveness of risk management, governance and internal control systems in the Company.

The Board has documented the authority, scope, accountability and responsibility of the Internal Audit function in the Internal Audit Charter.

The Charter provides guidance to the Internal Audit function and its provisions are adhered to strictly by both the Audit, Compliance and Risk Management Committee and the Internal Audit function.

Internal Audit operates independently of Management and has full access to all functions, records, property and personnel in the Group.

Dangote Cement's Internal Audit function consists of the Group Internal Audit team, led by the Group Head of Internal Audit, and regional/country audit functions that operate in each of the Company's principal areas of business throughout its operations across Africa.

The Internal Audit function is structured along three regions to ensure an appropriate span of control.

The regions oversee various countries as follows:

- Nigeria Region, comprising the three plants located at Obajana, Ibese and Gboko;
- West and Central Africa Region, comprising Cameroon, Ghana, Senegal, Congo, Sierra Leone and several export destinations notably Togo and Niger; and
- South and Eastern African Region, comprising Tanzania, Zambia, Ethiopia and South Africa.

The regional and country functions are centrally directed by the Group Head of Internal Audit.

The country Internal Audit functions are functionally accountable to local Senior Regional Heads of Internal Audit and administratively to the Country Managers/Managing Directors/Managers.

They also have direct access and accountability to local audit committees.

The Internal Audit function's approach to its activities is centred on the Company's Enterprise Risk Management (ERM) Framework and a risk-based audit approach, both of which strengthen and complement how we undertake risk management at Dangote Cement.

This approach provides assurance that the processes that manage risks to a level considered acceptable by the Board are working effectively and efficiently, whilst focusing on key processes and controls.

The Group Internal Audit function uses a standardised, Group-wide internal audit methodology, which is in compliance with the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

It operates a formal quality assurance and effectiveness programme.

Following a risk-based approach, the Internal Audit team presents the annual Internal Audit Plan for the approval by the Board Audit Committee.

The plan sets out the scope of work to be performed over a period and also defines the approximate resources necessary to accomplish the scope of the Internal Audit activities.

Internal Audit reviews, based on the approved plan for the year, generally include provision of assurance over financial, operational, IT and transformation programme activities, which are performed by teams of qualified and experienced employees, as well as third parties appointed to assist from time to time.

The Group Head of Internal Audit, who reports to this Committee and administratively to the Group CEO, has direct right of access to, and regular meetings with, me and prepares formal summary reports on the consolidated activities and key findings of the Group's Internal Audit team.

The Committee monitors and reviews the effectiveness of the Group Internal Audit function on an ongoing basis. Internal Audit underwent an external quality assurance review during 2018 in line with Section 31.14 of the SEC Code.

### Whistle-blowing mechanism

All employees and stakeholders have the opportunity to make confidential disclosures about suspected impropriety or wrongdoing.

The Anti-Fraud Committee decides on the appropriate method and level of investigation.

The Anti-Fraud Committee is made up of the following members:

- Chief Executive Officer;
- Chief Financial Officer;
- Chief Legal Officer;
- Head of Internal Audit;
- Chief Human Resources Officer; and
- Chief Risk Officer.

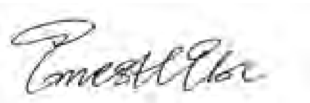
The Committee reviews the Group's whistle-blowing arrangements each year to assess whether they remain effective, is notified of all material disclosures made and receives reports on the results of investigations and actions taken.

The Internal Audit function performs necessary investigations on relevant items, recommends sanctions in line with Dangote Cement's Sanction Grid and provides recommendations for strengthening anti-fraud controls.

Of cases investigated during 2018, 70% have been closed and 30% are still ongoing.

### Focus for 2019

The Committee will continue to discharge its function in a manner that will ensure that the Company's key risks are recognised, appropriate controls are deployed and compliance to rules and regulations in the operating environment are assured.



**Ernest Ebi**
Chairman of the Audit, Compliance and Risk Management Committee
25th February 2019

# Finance and General Purpose Committee report

**Olusegun Olusanya***
Independent
Non-Executive Director

of the Company's financial reporting and disclosure. It also assumes oversight

## Role of the Committee

The Finance and General Purpose Committee oversees all matters relating to the Company's financial reporting and disclosure. It also assumes oversight of its financial policies and financial strategy, potential corporate actions such as fund raising or M&A, as well as its arrangements for funding, resourcing and staffing.

| Members | Meetings attended (eligible to attend) |
|---|---|
| Olusegun Olusanya* (Chairman) | ● ● ● ● |
| Olakunle Alake | ● ● ● ● |
| Sani Dangote | ⊗ ⊗ ⊗ ⊗ |
| Ernest Ebi | ● ● ● ● |
| Devakumar Edwin | ○ ● ● ● |
| Emmanuel Ikazoboh | ● ● ○ ● |
| Fidelis Madavo | ● ○ ● ○ |
| Douraid Zaghouani | ● ● ● ● |

● Attended ⊗ Medical absence ○ Not attended

* Resigned 31st December 2018.

## Introduction

I am pleased to introduce the report of the Finance and General Purpose Committee for the 2018 financial year under review. We have continued to maintain the highest standards of governance, while striving to ensure efficiency amidst the challenges in our operating environment. Over the following pages I will provide an overview of the Committee's responsibilities and activities and describe the significant matters it considered during the year.

As the Finance and General Purpose Committee (FGPC), we assist the Board in fulfilling its oversight responsibilities in areas such as the integrity of financial reporting, management of internal controls, treasury, investments, financial risks, capital structure and restructuring, corporate finance strategy and activities and mergers and acquisitions and other related matters.

The Committee receives its insight into the challenges and goals of the Company from the financial and business targets set by the Board. It reviews how the Company progresses towards achieving those targets, receiving regular updates from Executive and Senior Management staff on operational and financial issues across the Group.

These reports give the Committee an understanding of the risk factors involved as well as the assurance and processes to mitigate them.

## Roles and responsibilities

The Committee's main roles and responsibilities are to assist the Board in fulfilling its oversight responsibilities regarding the following:

- to advise the Board on matters pertaining to the Company's capital structure and the corporate finance strategy of the Company, including the issuance of equity and debt securities, general financing plans, debt ratings, share repurchase philosophy and strategy, share redemption and purchasing activities, and the Company's dividend policy;

Committee activities during 2018

| Key matters considered | Committee actions |
|---|---|
| **Review of financial statements** | • The Committee reviewed, and recommended to the Board for approval, the 2017 audited financial statements.<br>• Reviewed and recommended to the Board for approval, the unaudited quarterly financial statements.<br>• Recommended to the Board for approval the submission of financial statements to relevant regulatory authorities. |
| **Budget** | • Reviewed the annual Budget submitted by management, with focus on key indices such as increased sales targets, and recommended the same to the Board for approval.<br>• Reviewed the quarterly and full year financial performance of the Group against the approved Budget. |
| **Capital structure and financing** | • Reviewed status of loans to subsidiary companies and made recommendations to the Board.<br>• Reviewed the financial status and debt profile of subsidiaries, and considered refinancing and repayment of loans.<br>• Reviewed the loan portfolio of the Company and made appropriate recommendations to the Board for approval.<br>• Deliberated the merits of capital raising through Naira and Euro bonds, and made recommendations to the Board for approval. |
| **Compliance** | • Advised on the registration of subsidiary loans with the various regulatory authorities in the Pan-African subsidiaries in accordance with the law.<br>• Considered the effect of regulatory changes on the working capital of the subsidiaries. |
| **Investor relations** | • Reviewed and recommended the 2019 Investor Relations calendar to the Board for approval. |
| **Dividend** | • Deliberated on the various scenarios for the payment of the dividend and made recommendations to the Board for the 2018 financial year. |
| **External audit** | • The Committee considered the report of the external Auditors together with the Management Letter, outstanding issues, judgements and estimates, significant audit risks, management and internal control systems. |
| **Investments** | • Reviewed and made recommendations to the Board on matters related to major investments, acquisitions, divestments, joint ventures and related transactions. |

# Finance and General Purpose Committee report continued

## Roles and responsibilities continued

- to review, in consultation with the independent auditors, the integrity of the Company's internal and external financial reporting processes and controls;
- to review and recommend to the Board on matters pertaining to Group treasury operations, investment strategies, banking and cash management arrangements and financial risk management; and
- to review thoroughly and make recommendations to the Board on matters pertaining to major investments, mergers, acquisitions, divestitures, joint ventures or similar transactions and the policies and processes of the Company related thereto.

## Composition and qualification of the Committee

The Committee is comprised of eight members, with five Non-Executive Directors and three Independent Non-Executive Directors.

Biographical details of each member of the Committee, including relevant qualifications and experience, are set out pages 88 to 90 of this report.

As part of the annual review of the effectiveness of the Committee, the Board has considered the qualifications, expertise and experience of members and is satisfied that the Committee members bring a wide range and depth of financial, accounting practices, risk management and commercial experience across various industries, and that they will effectively discharge their duties.

Some members of Senior and Executive Management are invited to attend meetings to provide any necessary information, as well as updates on agreed tasks and directives requested by the Committee in previous meetings.

As Chairman of the Committee, I regularly hold private meetings with the Group Chief Financial Officer, members of the Senior Management team and the lead audit partners of our auditors, prior to the Committee meeting to better understand issues and any areas of concern and to allow sufficient time for meaningful discussion in the Committee meeting itself.

## Terms of reference:

### Finance and Treasury

- Review and recommend to the Board on matters pertaining to the capital structure and corporate finance strategy of the Company, including, without limitation: the issuance of equity and debt securities; financing plans generally; debt ratings; share repurchase philosophy and strategy; share redemption and purchase activities; and dividend policy.
- Review, in consultation with the independent auditors and the internal auditors, the integrity of the Company's internal and external financial reporting processes and controls. In this regard, the Committee should obtain and discuss with management and the independent auditors all reports from management and the independent auditors regarding:
  - all critical accounting policies and practices to be used by the Company;
  - analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and judgements made in connection with the preparation of the financial statements, including all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Company's management, the ramifications of the use of the alternative disclosures and treatments, and the treatment preferred by the independent auditors;
  - any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles;
  - any major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; and
  - any other material written communications between the independent auditors and the Company's management.
- Review and recommend to the Board on matters pertaining to global treasury operations, investment strategies, banking and cash management arrangements and financial risk management (interest rate, foreign exchange, etc.).

### Corporate transactions

- Review and recommend to the Board on matters pertaining to major investments, acquisitions, divestitures, joint ventures or similar transactions and the policies and processes of the Company related thereto.

### Risk management

- Discuss quarterly with the Chairman of the Audit Committee the risk assessment process undertaken by the Committee with respect to the financial risks overseen by the Committee.

### Reporting

- Report regularly to the Board:
  - following all meetings of the Committee; and
  - with respect to such other matters that are relevant to the Committee's discharge of its responsibilities.

## Financial reporting matters in 2018

The Committee reviewed the financial reports submitted by management during its meetings and assessed whether suitable accounting policies and standards were adopted and whether the management team made the appropriate estimates and judgements related to the Group's performance.

The Committee also reviewed the Group's quarterly financial results, relevant disclosures, external auditors' reports, financial disclosures in the Annual Report and reports by external auditors that highlighted any issues arising from the audit.

The specific areas of audit and accounting matters reviewed by the Committee include:

- critical accounting judgements and estimates that affect the reported amount of assets, liabilities, revenue and expenses;
- appropriateness and consistency of application of accounting policies and their compliance with accounting standards;
- impairment testing of tangible and intangible assets;
- risks and associated controls over the financial reporting process; and
- adequacy and clarity of reporting disclosures and compliance with applicable financial and reporting standards.

## Committee activities in 2018

Key matters considered by the Committee in 2018 are detailed in the table on page 107.

Other matters considered by the Committee included:

- pricing strategy and impact on revenue and profits;
- tax impact and tax exemption status of entities within the Group, and total tax liability of the Group;
- review of the carrying amount of Group assets including any potential impairment loss to be recognised during the year;
- benefits of different types of bond issuance; and
- review of the currency hedging strategies, FX exposures and management-proposed actions to mitigate FX exposures and their impacts on the business.

The Committee also deliberated and recommended the financial strategy and areas of focus to the Board, and determined that it was appropriate to adopt the going concern basis for the preparation of the financial statements.

It identified the current national threat level and satisfied itself as to the Company's level of preparedness and areas for improvement for the 2019 financial year.

Having reviewed the composition and activities of the Committee, I am satisfied that the Committee, working closely with Senior Management and the external auditors, has carried out its duties effectively and to a high standard in 2018.

Going forward, we will continue to focus on the effectiveness of the finance function and ensure adequate protection of the Company's financial assets.

**Olusegun Olusanya**
Former Chairman of the Finance and General Purpose Committee
25th February 2019

# Technical and Operations Committee report

**Fidelis Madavo**
Non-Executive Director

## Role of the Committee

The Technical and Operations Committee assumes oversight of the technical aspects of the Company's operations, including production, health, safety and environmental matters, as well as sustainability matters. It also assesses the performance of existing plants and the viability of proposed expansion projects.

| Members | Meetings attended (eligible to attend) |
|---|---|
| Fidelis Madavo (Chairman) | ● ● ● ○ |
| Olakunle Alake | ● ● ● ● |
| Abdu Dantata | ● ○ ○ ● |
| Ernest Ebi | ● ● ● ● |
| Devakumar Edwin | ○ ● ● ● |
| Douraid Zaghouani | ● ● ● ● |

● Attended ○ Not attended

## Introduction

The Technical and Operations Committee of Dangote Cement assists the Board and has an oversight function over matters related to the construction, expansion of capacity, maintenance and operation of plants.

It is an independent role with accountability to the Board. It does not assume the functions of management, which remain the responsibility of the Chief Executive Officer and other Senior Executives.

## Composition

The Committee is composed of six members, of whom five are Non-Executive Directors and one is an Independent Non-Executive Director.

Biographical details of each member of the Committee, including relevant qualifications and experience are set out on pages 88 to 90 of this report. The Company Secretary is the Secretary to the Committee.

The Board, in furtherance of its mandate, has assured itself that the Committee is composed of members with the requisite knowledge, skill set and experience to effectively discharge their duties.

Members of the Executive Management team are always in attendance at Committee meetings in order to provide necessary information, support the Committee and give status updates on decisions from previous meetings.

### Responsibilities

The Committee assists the Board in fulfilling its oversight responsibilities regarding the following:

- reviewing project feasibility to determine and consider viability of planned expansion projects in Nigeria and elsewhere;
- reviewing the technical scope of plant projects including risk assessment and the Quality Management Plan and make recommendations to the Board as to needs or issues arising therefrom;

**Committee activities during 2018**

| Key matters | Committee action |
|---|---|
| **Enhanced operational efficiency** | • The Committee received several reports on strategies to improve operational efficiency, and resolved to recommend the same to the Board for approval.<br>• The Committee also reviewed management reports on operations and production performance and made appropriate recommendations to improve efficiency. |
| **HSSE** | • The Committee received reports and monitored the performance of the Company across key indices such as health, safety, social and environment. In particular, the Committee engaged in the following activities:<br>• received and reviewed the periodic HSE reports from the Nigerian plants and Pan-African subsidiaries, and made recommendations to improve efficiencies and reduce associated risks;<br>• received reports on safety performance, including fatalities, lost time injury rate, causes of accidents on the plants, impact on business activities, intervention and remedial measures;<br>• considered the safety initiatives of management and approved the commencement of behaviour-based safety training and other safety-enhancing initiatives;<br>• engaged experts to inspect and monitor the operational efficiency of machinery and equipment;<br>• approved policies in furtherance of the social objectives of the Company;<br>• reviewed established safety performance indicators for the plants and made recommendations for improvement;<br>• received reports on safety initiatives, including a summary of safety inductions, trainings, safety committee meetings and safety performance reports across the operating plants; and<br>• approved enhanced training and workshops. |
| **Transport strategy** | • Received reports on transport safety in Nigeria, including details of drivers' training and certification, orientation as well as other strategic initiatives to improve operational efficiency and transport safety excellence:<br>• received management reports related to transport management and efficiency;<br>• measured performance of the transport fleet to contain and reduce accident rates;<br>• recommended approval of salary increments as well as other financial incentives to encourage accident-free driving;<br>• reviewed the transport safety policies across the Group; and<br>• resolved on the implementation of medium and long-term strategy to optimise transport function. |
| **Projects** | • The Committee received reports on greenfield and brownfield projects and deliberated on matters concerning:<br>• status of construction and expected production dates;<br>• plans for and status of project commissioning;<br>• CAPEX reports on the projects; and<br>• related issues and challenges, and resolutions. |
| **Sustainability initiatives** | • The Committee received reports on sustainability, initiatives and reporting standards, and resolved to recommend to the Board as follows:<br>• develop and institutionalise a robust data gathering framework for embedding a strong sustainability culture across all companies in the Group;<br>• approve roadshows, workshops and stakeholder surveys that will inform the sustainability policy, processes, systems and culture;<br>• engage internal stakeholders for identification of matters considered material to them;<br>• expand sustainability reporting to cover subsidiaries across Africa;<br>• embed sustainability “thinking and doing” at all levels of governance, operations and corporate culture – The Dangote Way; and<br>• adopt the sustainability initiative, implementation and global reporting indicators across the 7 Sustainability Pillars. |

# Technical and Operations Committee report continued

**Responsibilities** continued

- reviewing the status of projects according to agreed scope, schedule, project milestones and KPIs, and where there are delays or variations, probe management to understand root causes and mitigate against such in the future;
- reviewing safety, health and environmental performance and improvement plans;
- reviewing operational, staffing and commissioning readiness plans including projects not under the Group's direct control;
- monitoring the production budget, standards, raw material supplies, energy and key performance indicators per plant;
- reviewing asset/plant care policy and performance (preventative/breakdown, unit and plant reliability/availability and costs);
- ensuring effective technical, research and development programmes to enable continuing innovation and improvement across the Group; and
- overseeing the development and implementation of corporate social responsibility and community programmes in plants and business locations where we operate in Nigeria and throughout the rest of Africa.

The reports of the Committee are presented to the Board after each Committee meeting, providing the Board with summaries of discussions and its recommendations for the consideration of the Board.

In the financial year ended 31st December 2018, the Committee held four meetings. Details of meeting dates and attendance are shown at the beginning of this report and in the appendix.

## Focus for 2019

In 2019, the Committee will continue to strive to discharge its mandate, and will aim to ensure that:

- operational efficiencies and plant optimisation initiatives are implemented across operations to achieve cost savings;
- production targets across the Group are met;
- health, safety and environment policies are enforced and monitored across the Group;
- sustainability strategy and policies are implemented and monitored across the Group; and
- transport and transport safety initiatives are adopted and implemented.

**Fidelis Madavo**
Chairman of the Technical and Operations Committee
25th February 2019

# Remuneration and Governance Committee report

**Emmanuel Ikazoboh**
Independent
Non-Executive Director

## Role of the Committee

The role of the Remuneration and Governance Committee is to assist and advise the Board on matters related to the remuneration of the Directors and Senior Management, such that the Company is able to attract and retain the best talent. In addition, it has oversight of governance matters.

| Members | Meetings attended (eligible to attend) | | | |
|---|---|---|---|---|
| Emmanuel Ikazoboh (Chairman) | Attended | Attended | Attended | Attended |
| Sani Dangote | Attended | Medical absence | Medical absence | Medical absence |
| Abdu Dantata | Attended | Not attended | Attended | Attended |
| Ernest Ebi | Attended | Attended | Attended | Attended |
| Devakumar Edwin | Attended | Attended | Attended | Attended |
| Olusegun Olusanya* | Attended | Attended | Attended | Attended |
| Dorothy Ufot | Attended | Attended | Attended | Attended |

Attended    Medical absence    Not attended

* Resigned 31st December 2018.

## Introduction

In this report, we provide an overview of the principles, policy and practices regulating remuneration at Dangote Cement Plc, with specific emphasis on remuneration of Executive and Non-Executive Directors and members of the Executive Management Committee.

The information contained herein has been approved by the Board on recommendation of the Remuneration and Governance Committee.

## Focus

Our remuneration system aims to remunerate Directors and Senior Executives commensurately with their areas of activity and responsibility and in compliance with applicable law.

The adequate combination of non-performance-related and performance-related components of remuneration is designed to create an incentive to secure the Group's long-term success.

The fixed component of remuneration is paid as a base salary; the variable components are intended to reflect, clearly and directly, the joint performance of the members of the management team as a whole, as well as the long-term performance of the Group, taking cognisance of interests of various shareholders and stakeholders.

This report will explain how the remuneration policy is aligned with the short-term objectives and long-term strategy, as well as remuneration for the financial year under review.

## Our approach to remuneration

Dangote Cement has a Remuneration Policy that regulates remuneration of Directors and members of the Executive Management Committee.

This policy conforms to the Company's strategy of rewarding people in a fair, transparent and competitive manner, according to their levels of performance (against pre-determined targets), skill set, competencies and responsibility.

The policy enforces our remuneration principles that aim to:

- attract and retain people with integrity, ability, skill and experience to deliver the Group's strategy;
- retain the services of existing competent Directors and Senior Management, as well as attract quality to the Company;
- ensure that remuneration levels are fair and transparent and do not discriminate;
- recognise and encourage exceptional and value-adding performance;
- motivate Directors to pursue and promote balance between the short-term and long-term growth of the Group while maximising shareholders' returns;
- ensure that remuneration arrangements are equitable, transparent, well communicated and easily understood, aligned with the interest of shareholders and adequately disclosed;
- align individual rewards with the Company's performance, the interests of its shareholders, and a prudent approach to risk management; and
- promote compliance with global regulatory trends and governance requirements, with an emphasis on long-term sustainability.

The policy defines a transparent procedure for encouraging and stimulating enhanced performance in a way that will increase profitability and sustainability of the Company.

It provides challenging but achievable goals to drive towards the vision and strategy of the Company, focuses on increased accountability through providing clarity around what is measured and how (weightings against performance categories), and emphasises the way that business should be conducted by incorporating Executive leadership and corporate values into the performance management process. This is consistent with Section 5.3 of the SEC Code.

Our policy also ensures that Senior Executives' remuneration is linked to Group and individual performance in line with Section 5.3(d) of the SEC Code.

The Remuneration and Governance Committee has been charged with the responsibility of leading the process for determining the remuneration of Senior Executives and Non-Executive Directors.

The Committee will continue to monitor the Remuneration Policy's alignment with the Group's business priorities and objectives, whilst ensuring that the remuneration framework continues to motivate, reward and retain our Senior Management in order to deliver the Company's strategy effectively.

## Composition of the Committee

The Remuneration and Governance Committee consists of three Non-Executive Directors and four Independent Non-Executive Directors.

This composition is in compliance with Section 11.1 of the SEC Code. In compliance with Section 14.3 of the SEC Code, only Non-Executive Directors are involved in decisions regarding the remuneration of the Group Chief Executive Officer.

The SEC Code requires the Remuneration and Governance Committee to consist only of Non-Executive Directors. I serve as the Chairman of the Committee by virtue of my position as an Independent Non-Executive Director.

The Board has satisfied itself that members of the Committee have the requisite knowledge, skill and experience to function effectively.

Biographical details of each member of the Committee, including relevant qualifications and experience, are set out on pages 88 to 90 of the Corporate Governance Report.

The Company Secretary is also the Secretary to the Committee.

The Group CEO, Group CFO, Group Chief Human Resources Officer and Company Secretary are regularly consulted and are in attendance at the Committee meetings when required to provide information.

## Roles and responsibilities

The principal role of the Remuneration and Governance Committee, in relation to remuneration, is to assist the Board in the matters described in the table on page 116.

Generally, the Committee is responsible for satisfying itself, on behalf of the Board of Directors, that the Company's leadership development, talent planning, organisational structure and compensation strategies, plans, policies and practices are internally aligned and consistent with the sustainable achievement of the Company's business objectives, the prudent management of its operations and risks including regulatory oversight as required, and adherence to its processes, policies, procedures and controls.

# Remuneration and Governance Committee report continued

## Responsibilities of the Remuneration and Governance Committee

### Composition and function of Board Committees

- Establish the criteria for Board and Board Committee memberships, review candidates' qualifications and any potential conflicts of interest, assess the contribution of current Directors in connection with their re-nomination and make recommendations to the Board.
- Prepare a job specification for the Chairman's position, including an assessment of time commitment required of the candidate.
- Periodically evaluate the skills, knowledge and experience required of the Board.
- Make recommendations on experience required by Board Committee members, Committee appointments and removal, operating structure, reporting and other Committee operational matters.

### Remuneration

- Make recommendations on the amount and structure of the remuneration of the Chairman and Non-Executive Directors of the Board to ensure that remuneration is fair and competitive.
- Ensure that the Group's Remuneration Policy and structure is fair and sufficient to attract and retain high-calibre staff to the Group.
- Recommend to the Board the terms, conditions and remuneration of Senior Executives including performance incentives.
- Ensure proper disclosure of Directors' remuneration to the shareholders.
- Provide input to the Annual Report of the Company in respect of Directors' compensation.

### Performance management

- Review and agree, at the beginning of the year, the key performance indicators (KPIs) for the Group CEO and Senior Executives.
- Assess performance of the Group CEO against the agreed KPIs and provide feedback thereon.
- Ratify the performance appraisal of Senior Executives on the recommendation of the Group CEO.
- Ensure that the performance and effectiveness of individual Directors, Board and Board Committees are reviewed annually.

### Human resources

- Ensure that succession policies and plans exist for the positions of Chairman, Chief Executive Officer, Executive Directors and Managing Directors of subsidiary companies.
- Periodically review and make recommendations to the Board on the Group's organisational structure and any changes thereto.
- Periodically review and make recommendations on the Group's key human resource policies.
- Periodically review and make recommendations on recruitment, promotion and disciplinary actions for Senior Management staff.

### Governance

- Periodically recommend the preparation and adoption of the Board governance policies in line with regulatory compliance and best practice.
- Periodically review existing policies in line with changes in the regulatory and governance environment and make recommendations to the Board for amendments thereto.
- Ensure that the Board conducts a Board evaluation on an annual basis.
- Review the performance and effectiveness of the subsidiary company boards on an annual basis where applicable.

## Committee activities during 2018

In addition to the activities set out in the table on the page opposite, the Remuneration and Governance Committee has completed the performance evaluation of the Group CEO and Senior Executives for the 2018 financial year and agreed the KPIs for 2019.

| Key matters considered | Committee actions |
|---|---|
| **Board training** | • The Committee reviewed and approved the proposal of training for Directors, recommending both local training by the Institute of Directors and international training anchored by the McKinsey Global Institute, in order to improve the capabilities of the Board.<br>• The Committee also resolved to recommend the need to ensure annual Board and Director training to enable them keep abreast of trends and best practice in directorship. |
| **Governance policies** | • The Committee noted the need to review existing governance policies and charters in line with regulatory requirements and changes and approved compilation and review of all Board Charters and policies. |
| **Board evaluation** | • The Committee commissioned a Board and Individual Directors Evaluation in respect of the 2018 financial year. |
| **Executive and staff compensation** | • The Committee reviewed and considered the report presented by management of the comparative analysis of the salary structure against industry peers with a view to make the compensation structure more competitive and attractive to people with the requisite skill sets.<br>• The Committee considered implementation of an individual performance bonus and other staff incentives subject to satisfactory performance. |
| **Succession planning and manpower planning** | • The Committee resolved to implement succession planning initiatives that will enable the Company to recruit superior employees, develop their knowledge, skills, and abilities, and prepare them for advancement and/or promotion into ever more challenging roles within the organisation. |
| **Talent management system** | • The Committee approved the implementation of a Talent Management System that attracts and builds young talented professionals who will serve as a pool for future growth and staff retention. A new 18-month Graduate Trainee Programme has already started in Nigeria and will be replicated in all the Pan-African locations. |

# Remuneration and Governance Committee report continued

| Senior Executives | |
|---|---|
| **Competitive remuneration** | • Remuneration and reward strategies are set at levels that enable the Group to attract, motivate and retain the right skills required to efficiently manage the operations and growth of the business. |
| **Attraction and retention** | • Salaries for Senior Executives are set at a level to attract and retain high-calibre Executives with international experience that will benefit the Company and its operations. |
| **Performance related** | • Annual performance goals of Senior Executives shall be aligned to shareholder interest. This is to ensure that Senior Executives make prudent decisions in deploying the Group's resources to generate sustainable growth.<br>• The Group's performance-based incentive programmes for the Executive management shall be aligned to individual performance and the overall performance of the Group.<br>• This approach drives a high performance culture that rewards individual contributions and the achievement of business results that enhance shareholder value. Senior Executives can earn an annual bonus of up to 25% of their base salary, depending on the achievement of agreed corporate and personal objectives. |
| **Long term** | • The remuneration structure will be designed to reflect the long-term nature of Dangote Cement's business while balancing risks and reward. The performance period for this long-term component will typically run for three years, with the Executive not receiving any bonus until the end of the performance period. The structure of the long-term incentive is under consideration at present. |
| **Fairness** | • Dangote Cement will regularly benchmark its remuneration practices against international peer organisations whose business profiles are broadly similar to that of the Group, using remuneration surveys, peer reviews, etc. This will ensure that the overall pay takes into cognisance both the external environment as well as the Group's conditions at any point in time. |

| Non-Executive Directors | |
|---|---|
| **Competitive remuneration** | • Remuneration will be set at levels that enable the Group to attract, motivate and retain world-class talent with the right skills required to effectively oversee the operations and growth of the business.<br>• The Group will regularly benchmark its remuneration practices against other international organisations whose business profiles are broadly similar to ours, using publicly available information gathered from remuneration surveys, peer reviews, etc. |
| **Fixed** | • Remuneration will be determined for each year and will be payable periodically throughout the year. |
| **Transparency** | • The Group will maintain a transparent remuneration process that includes adequate consideration and approval of remuneration payable. |

## Elements of remuneration

| Senior Executives (including Group CEO) | | | |
|---|---|---|---|
| **Element** | **Purpose and link to strategy** | **Objectives** | **Operation** |
| **Basic pay** | • This is a fixed salary, which is not dependent on performance. It comprises basic pay and all cash allowances paid to the Executive. | • To attract and retain talent in a competitive international market. | • Salaries for all roles are determined with reference to applicable relevant market practices and benchmarks.<br>• Payment to be made monthly. |
| **Short-term performance incentive** | • This represents the pay-at-risk that is contingent on the achievement of agreed performance indicators. It includes the established and incidental payouts from the annual incentive scheme. | • To motivate and reward the delivery of annual goals at Group and individual levels.<br>• To reward contributions from short to mid-term performance of the Group and demonstrate potential for any future contribution. | • Senior Executives' annual performance incentives will be evaluated against the performance metrics defined in their approved individual balanced scorecard.<br>• Payment in March, following Board approval of the annual financial results. |
| **Long-term performance incentive** | • This is designed to improve long-term performance of the Group by aligning the interests of the Senior Executives with Group performance. | • To reward sustained growth in shareholder value. | • The structure of the long-term incentive plan is under consideration at present. |
| **Benefits and perquisite** | • These are the non-monetary forms of compensation provided to the Executives. | • To reflect the market value of individuals and their role within the Group.<br>• To aid retention and remain competitive in the marketplace. | • Review periodically in line with the individual contract of employment.<br>• Includes accommodation, company car (and related benefits), club and professional membership subscription, air travel tickets, per diem, medical insurance and life assurance. |

# Remuneration and Governance Committee report continued

## Elements of remuneration continued

**Non-Executive Directors**

| Element | Objectives | Operation |
|---|---|---|
| **Directors' fees** | • To attract individuals with relevant skills, knowledge and experience. | • Reviewed every two years and changes made on need basis subject to shareholder approval at the Annual General Meeting.<br>• Payment to be made quarterly or annually. |
| **Sitting allowances** | • To recognise the responsibilities and contributions of the Non-Executive Directors on the Board.<br>• To encourage attendance and participation of Non-Executive Directors at designated Committees assigned to them. | • Reviewed every two years with changes subject to shareholder approval at the Annual General Meeting.<br>• Payment made per meeting. |
| **Other allowances** | • To cover costs incurred in carrying out the Directors' duties. | • Review every two years subject to the approval of the Board.<br>• Payment made as required. |

### Annual performance incentive for 2018

In accordance with the Group Remuneration Policy set out in this report, incentives awarded to the Group CEO and Senior Executives are based on the performance of the Group and on their individual performance. At the beginning of the year, the Committee set operational targets consisting of several key performance indicators (KPIs) covering both financial and non-financial measures of performance for the Group CEO and Senior Executives.

The Committee agreed that for 2018, it was necessary to award performance incentives, having reviewed the Group's performance and the performance of the Executive team against the overall performance of the Group in 2018 and the KPIs set at the beginning of the year.

Some of the significant achievements in 2018 included:

- improvement in revenue and profitability in the Nigerian market;
- increase in sales volumes and revenues in some key Pan-African operations; and
- improvements in sales and market shares in key Pan-African operations.

## Directors' emoluments for 2018

Details of the remuneration paid to Non-Executive Directors in 2018 can be found in the table below.

| | Director fees and allowances | | Sitting allowances | | Other allowances | | Total | |
|---|---|---|---|---|---|---|---|---|
| Name of Director | **2018 ₦'000** | 2017 ₦'000 | **2018 ₦'000** | 2017 ₦'000 | **2018 ₦'000** | 2017 ₦'000 | **2018 ₦'000** | 2017 ₦'000 |
| Aliko Dangote | **5,000** | 5,000 | **3,300** | 6,100 | **40,050** | 27,476 | **48,350** | 38,576 |
| Olakunle Alake | **4,000** | 4,000 | **7,250** | 7,550 | **40,050** | 26,426 | **51,300** | 37,976 |
| Cherie Blair | **4,000** | — | **1,200** | — | **3,650** | — | **8,850** | — |
| Sani Dangote | **4,000** | 4,000 | **700** | 6,800 | **45,550** | 26,426 | **50,250** | 37,226 |
| Abdu Dantata | **4,000** | 4,000 | **4,800** | 5,100 | **40,050** | 26,426 | **48,850** | 35,526 |
| Sir Michael Davis | **4,000** | — | **1,200** | — | **3,650** | — | **8,850** | — |
| Ernest Ebi | **4,000** | 4,000 | **8,500** | 9,100 | **42,100** | 32,626 | **54,600** | 45,726 |
| Devakumar Edwin | **4,000** | 4,000 | **7,600** | 8,800 | **40,050** | 26,426 | **51,650** | 39,226 |
| Emmanuel Ikazoboh | **4,000** | 4,000 | **8,150** | 8,750 | **42,100** | 32,626 | **54,250** | 45,376 |
| Fidelis Madavo | **4,000** | 4,000 | **7,100** | 7,400 | **40,050** | 26,426 | **51,150** | 37,826 |
| Olusegun Olusanya | **4,000** | 4,000 | **8,150** | 8,750 | **42,100** | 32,626 | **54,250** | 45,376 |
| Dorothy Ufot | **4,000** | 4,000 | **4,800** | 5,100 | **45,250** | 32,626 | **54,050** | 41,726 |
| Douraid Zaghouani | **4,000** | 4,000 | **4,800** | 4,800 | **40,050** | 26,426 | **48,850** | 35,226 |
| Viswanathan Shankar | **4,000** | — | **2,000** | — | **—** | — | **6,000** | — |
| Joseph Makoju | **—** | 4,000 | **—** | 6,900 | **—** | 26,426 | **—** | 37,326 |
| **Total** | **57,000** | 49,000 | **69,550** | 85,150 | **464,700** | 342,962 | **591,250** | 477,112 |

## Annual fees for Directors

| Position | **2018 ₦'000** | 2017 ₦'000 |
|---|---|---|
| Chairman | **5,000** | 5,000 |
| Non-Executive Directors | **4,000** | 4,000 |
| Committee chairmanship | **400** | 400 |
| Committee membership | **350** | 350 |

## Proposed Non-Executive Director fees for 2019

In line with Section 14.6 of the SEC Code, the Board has fixed the remuneration of Non-Executive Directors for shareholders' approval. It is proposed that fees for Non-Executive Directors will remain at the same amount as paid in 2018 (see table). The proposed fees will be presented to shareholders during the Annual General Meeting for their consideration.

## Directors' interests

The interests in the ordinary shares of the Company of Directors who held office during the period 1st January, 2018 to 31st December, 2018, are set out in the Directors' Report on pages 91 to 95.

**Emmanuel Ikazoboh**
Chairman of the Remuneration and Governance Committee
25th February 2019

# Financial statements

## Financial statements



## Supplementary information

# Report of the Statutory Audit Committee

In accordance with Section 359 (6) of the Companies and Allied Matters Act, Cap C20 LFN 2004 and Section 30.4 of the SEC Code, the members of the Statutory Audit Committee of Dangote Cement Plc hereby report as follows:

“We have exercised our statutory functions under Section 359 (6) of the Companies and Allied Matters Act, Cap C20 LFN 2004 and we acknowledge the cooperation of the Board, management and staff in the conduct of these responsibilities. After careful consideration of the report of the external auditors, we accepted the report that the Financial Statements give a true and fair view of the state of the Group’s financial affairs as at 31st December, 2018.

We confirm that:

I. The accounting and reporting policies of the Group are in accordance with legal and regulatory requirements as well as agreed ethical practices;

II. We reviewed the scope and planning of audit requirements and found them adequate;

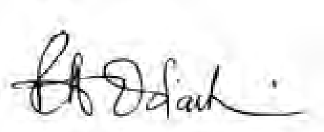
III. We reviewed the findings on the management letter prepared by the external auditors and found management responses to the findings satisfactory;

IV. The accounting and internal controls system is constantly and effectively being monitored through an effective internal audit function;

V. We made recommendations to the Board on the re-appointment and remuneration of the external auditors and also reviewed the provision made in the Financial Statements for the remuneration of the external auditors; and

VI. We considered that the external auditors are independent and qualified to perform their duties effectively.

The Committee therefore recommends that the Audited Financial Statements for the year ended 31st December, 2018 and the External Auditors’ report thereon be presented for adoption at this Annual General Meeting.”



**Robert Ade-Odiachi**
Chairman, Statutory Audit Committee
FRC/2013/ICAN/00000004526

**Members of the Statutory Audit Committee:**

Robert Ade-Odiachi, Shareholders’ Representative

Nicholas Nyamali, Shareholders’ Representative

Sheriff Yussuf, Shareholders’ Representative

Olakunle Alake, Non-Executive Director

Olusegun Olusanya, Independent Non-Executive Director

Emmanuel Ikazoboh, Independent Non-Executive Director

# Certification pursuant to Section 60 of the Investments and Securities Act (ISA) 2007

We have reviewed the consolidated and separate financial statements of Dangote Cement Plc and its subsidiaries ("the Group") for the year ended 31st December 2018.

Based on our knowledge, these consolidated and separate financial statements do not:

- contain any untrue statement of a material fact; or
- omit to state a material fact, which would make the statement misleading in light of the circumstances under which such statements were made.

The financial statements and other financial information included in this report fairly present in all material respects the financial condition, results of operations and cash flows of the Group as of and for the years presented in the consolidated and separate financial statements.

The Directors are responsible for establishing and maintaining internal controls. We have:

- designed such internal controls to ensure that material information relating to the Group is made known to us by others within the Group, particularly during the year in which this report is being prepared;
- continuously evaluated the effectiveness of the Group and Company's internal controls and reported to the Board's Audit and Risk Management Committee on a quarterly basis; and
- disclosed to the Audit Committee any fraud, whether material or not, that involved management or other employees who have a significant role in the Company's internal controls.

**Engr. Joseph Makoju Mni, OFR.**
Group Chief Executive Officer
FRC/2018/COREN/00000017767

**Brian Egan**
Group CFO/Executive Director, Finance
FRC/2015/MULTI/00000011227

# Statement of Directors' Responsibilities for the Preparation and Approval of the Financial Statements

## For the year ended 31st December 2018

The Directors of Dangote Cement Plc are responsible for the preparation of the consolidated and separate financial statements that present fairly the financial position of the Group and company as at 31st December 2018, and the results of its operations, cash flows and changes in equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS") and in the manner required by the Companies and Allied Matters Act of Nigeria and the Financial Reporting Council of Nigeria Act, No 6, 2011.

In preparing the financial statements, the Directors are responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

The Directors are responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls throughout the Group and Company;
- maintaining adequate accounting records that are sufficient to show and explain the Group's and company's transactions and disclose with reasonable accuracy at any time, the financial position of the Group and company, and which enable them to ensure that the financial statements of the Group and company comply with IFRS;
- maintaining statutory accounting records in compliance with the legislation of Nigeria and IFRS;
- taking such steps as are reasonably available to them to safeguard the assets of the Group and Company; and
- preventing and detecting fraud and other irregularities.

The consolidated and separate financial statements of the Group and company for the year ended 31st December 2018 were approved by the directors on 25th February 2019.

On behalf of the Directors of the Group

**Aliko Dangote**
Chairman

**Engr. Joseph Makoju Mni, OFR.**
Group Chief Executive Officer/Group Managing Director

# Independent Joint Auditors' Report

## To the Shareholders of Dangote Cement Plc

### Report on the audit of the Consolidated and Separate Financial Statements

#### Opinion

We have audited the accompanying consolidated and separate financial statements of Dangote Cement Plc ("the Company") and its subsidiaries (together referred to as "the Group") which comprise the consolidated and separate statement of financial position as at 31 December 2018, the consolidated and separate statements of profit or loss, comprehensive income, changes in equity, cash flows for the year then ended, the notes to the consolidated and separate financial statements including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Dangote Cement Plc as at 31 December 2018 and the consolidated and separate financial performance and statement of cash flows for the year then ended in accordance with the International Financial Reporting Standards, the Companies and Allied Matters Act Cap C20 LFN 2004 and the Financial Reporting Council of Nigeria Act, 2011.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group in accordance with the requirements of the Institute of Chartered Accountants of Nigeria Professional Code of Conduct and Guide for Accountants (ICAN Code) and other independence requirements applicable to performing audits of financial statements in Nigeria. We have fulfilled our other ethical responsibilities in accordance with the ICAN Code and in accordance with other ethical requirements applicable to performing audits in Nigeria. The ICAN Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below as a key audit matter to be communicated in our report. The key audit matters below relate to the audit of the separate financial statements.

| Key Audit Matter | How the matter was addressed in the audit |
|---|---|
| **Tax liabilities on income expected to be on tax holiday (Pioneer)** | |
| In determining the tax liabilities for the year, the directors have assumed that the Ibese production lines 3&4 and the Obajana production line 4, both in Nigeria, are eligible for tax holiday (Pioneer holiday). These production lines enjoyed pioneer holidays for three years which expired on 28 February 2018. Applications for extension has been submitted to the Nigerian Investment Promotion Commission (NIPC). The assumption is premised on the fact that the production lines have met all the necessary requirements to be granted tax holidays and historical trend in granting pioneer holidays.<br><br>As disclosed in note 4.1.2 to the financial statements, the directors have made a significant judgement in determining the tax liabilities for the year based on historical trends in obtaining pioneer status.<br><br>An additional tax charge of approximately ₦43 billion would represent a material misstatement if the pioneer status applications are not approved because the Company, in determining its tax liabilities, has maintained the assumptions that approval will be obtained. Consequently, this is a key audit matter. | We involved tax specialists to review and evaluate the recognition and measurement of the tax liabilities for the year. The procedures included:<br><br>• Assessing the requirements by the relevant regulations and government agencies that qualify businesses for pioneer holidays and verifying that the company has met all requirements to enable it obtain approval for the tax holiday.<br>• Reviewing the conditions required for granting additional two years extension and confirmation that the company met the prescribed conditions.<br>• Evaluating the adequacy of the determined tax liabilities in line with the relevant tax laws in Nigeria.<br>• Reviewing the trend in the company's applications for pioneer holidays and approval thereof; and confirming that approvals were usually obtained when the company met the required conditions.<br><br>Based on the review and evaluation performed, as well as the historical trend in obtaining pioneer holidays, we believe that the directors' assumption in this respect is appropriate and reasonable. Hence we concur with the conclusion of the directors. |

### Other information

The directors are responsible for the other information. The other information comprises the directors' Report, Audit Committee's Report and Company Secretary's Report, which we obtained prior to the date of this auditors' report. The other information does not include the consolidated and separate financial statements and our report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, if we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies and Allied Matters Act CAP C20 LFN 2004, Financial Reporting Council Act, 2011 and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

### Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Company to cease to continue as a going concern.

# Independent Joint Auditors' Report continued
## To the Shareholders of Dangote Cement Plc

**Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements** continued

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the Group and Company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee and the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee and directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee and/or the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the benefits derivable by the public from such communication.

**Report on Other Legal and Regulatory Requirements**

In accordance with the Sixth Schedule of the Companies and Allied Matters Act CAP C20 LFN 2004, we expressly state that:

i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

ii) The Group and Company have kept proper books of account, so far as appears from our examination of those books.

iii) The Group and Company's financial position, statements of profit or loss and comprehensive income are in agreement with the books of account and returns.

**Abraham Udenani, FCA**
FRC/2013/ICAN/00000000853
For: Deloitte & Touche
Chartered Accountants
Lagos, Nigeria
26th February, 2019


**Tajudeen Oni, FCA**
FRC/2013/ICAN/00000000749
For: Ahmed Zakari & Co
Chartered Accountants
Lagos, Nigeria
26th February, 2019

# Consolidated and separate statement of profit or loss
## For the year ended 31st December 2018

| | Notes | Group | | Company | |
|---|---|---|---|---|---|
| | | **Year ended 31/12/18 ₦'million** | Year ended 31/12/17 ₦'million | **Year ended 31/12/18 ₦'million** | Year ended 31/12/17 ₦'million |
| Revenue | 5 | **901,213** | 805,582 | **618,301** | 552,364 |
| Production cost of sales | 7 | **(383,311)** | (351,290) | **(170,288)** | (158,594) |
| **Gross profit** | | **517,902** | 454,292 | **448,013** | 393,770 |
| Administrative expenses | 8 | **(52,501)** | (45,380) | **(27,108)** | (22,571) |
| Selling and distribution expenses | 9 | **(136,925)** | (109,917) | **(89,278)** | (68,683) |
| Other income | 11 | **10,222** | 5,213 | **3,783** | 3,386 |
| **Profit from operating activities** | | **338,698** | 304,208 | **335,410** | 305,902 |
| Finance income – interest | 10 | **11,323** | 9,136 | **37,705** | 36,383 |
| Finance income – others | 10 | **—** | 26,790 | **41,673** | 34,903 |
| Finance costs | 10 | **(49,778)** | (52,711) | **(22,565)** | (35,035) |
| Share of profit from associate | 17.3 | **563** | 2,167 | **—** | — |
| **Profit before tax** | | **300,806** | 289,590 | **392,223** | 342,153 |
| Income tax credit/(expense) | 14 | **89,519** | (85,342) | **89,233** | (87,523) |
| **Profit for the year** | | **390,325** | 204,248 | **481,456** | 254,630 |
| Profit for the year attributable to: | | | | | |
| Owners of the Company | | **388,983** | 198,585 | **481,456** | 254,630 |
| Non-controlling interests | | **1,342** | 5,663 | **—** | — |
| | | **390,325** | 204,248 | **481,456** | 254,630 |
| Earnings per share, basic and diluted (Naira) | 13 | **22.83** | 11.65 | **28.25** | 14.94 |

The accompanying notes on pages 135 to 196 and other national disclosures on pages 197 to 199 form an integral part of these consolidated and separate financial statements.

# Consolidated and separate statement of comprehensive income
## For the year ended 31st December 2018

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 31/12/18 ₦'million** | Year ended 31/12/17 ₦'million | **Year ended 31/12/18 ₦'million** | Year ended 31/12/17 ₦'million |
| **Profit for the year** | **390,325** | 204,248 | **481,456** | 254,630 |
| **Other comprehensive income, net of income tax:** | | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | | |
| Exchange differences on translating net investments in foreign operations | **(6,147)** | (3,572) | **–** | – |
| **Other comprehensive loss for the year, net of income tax** | **(6,147)** | (3,572) | **–** | – |
| **Total comprehensive income for the year** | **384,178** | 200,676 | **481,456** | 254,630 |
| Total comprehensive income for the year attributable to: | | | | |
| Owners of the Company | **386,147** | 195,062 | **481,456** | 254,630 |
| Non-controlling interests | **(1,969)** | 5,614 | **–** | – |
| | **384,178** | 200,676 | **481,456** | 254,630 |

The accompanying notes on pages 135 to 196 and other national disclosures on pages 197 to 199 form an integral part of these consolidated and separate financial statements.

# Consolidated and separate statement of financial position
## As at 31st December 2018

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Notes | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| **Assets** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 15 | **1,171,864** | 1,192,140 | **535,934** | 549,962 |
| Intangible assets | 16 | **5,969** | 6,355 | **48** | 37 |
| Investments in subsidiaries | 17.2 | **—** | — | **162,071** | 161,957 |
| Investment in associate | 17.3 | **4,312** | 3,749 | **1,582** | 1,582 |
| Finance lease receivables | 21 | **6,475** | 6,614 | **6,475** | 6,614 |
| Deferred tax asset | 14.3 | **40,622** | 30,625 | **14,561** | 6,674 |
| Prepayments for property, plant and equipment | 18.1 | **36,383** | 16,101 | **—** | 1,600 |
| Other receivables | 30 | **—** | — | **560,277** | 455,792 |
| **Total non-current assets** | | **1,265,625** | 1,255,584 | **1,280,948** | 1,184,218 |
| **Current assets** | | | | | |
| Inventories | 19 | **106,998** | 94,594 | **59,820** | 62,259 |
| Trade and other receivables | 20 | **44,468** | 30,155 | **11,046** | 12,340 |
| Prepayments and other current assets | 18.2 | **101,883** | 115,496 | **252,589** | 248,194 |
| Finance lease receivables | 21 | **2,380** | 1,608 | **2,380** | 1,608 |
| Current income tax receivables | 14.2 | **6,213** | 59 | **6,211** | — |
| Cash and bank balances | 31 | **166,896** | 168,387 | **108,980** | 102,468 |
| **Total current assets** | | **428,838** | 410,299 | **441,026** | 426,869 |
| **Total assets** | | **1,694,463** | 1,665,883 | **1,721,974** | 1,611,087 |
| **Liabilities** | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 24 | **230,970** | 270,721 | **92,879** | 142,737 |
| Current income tax payable | 14.2 | **9,223** | 63,901 | **8,608** | 63,787 |
| Financial liabilities | 25 | **220,128** | 144,783 | **145,436** | 86,190 |
| Other current liabilities | 26.2 | **35,185** | 41,071 | **37,836** | 51,242 |
| **Total current liabilities** | | **495,506** | 520,476 | **284,759** | 343,956 |
| **Non-current liabilities** | | | | | |
| Deferred tax liabilities | 14.3 | **83,350** | 116,898 | **80,033** | 116,491 |
| Financial liabilities | 25 | **125,725** | 242,894 | **62,168** | 157,195 |
| Long-term provisions and other charges | 27 | **2,753** | 3,416 | **1,310** | 2,073 |
| Deferred revenue | 26.1 | **516** | 839 | **156** | 355 |
| **Total non-current liabilities** | | **212,344** | 364,047 | **143,667** | 276,114 |
| **Total liabilities** | | **707,850** | 884,523 | **428,426** | 620,070 |
| **Net assets** | | **986,613** | 781,360 | **1,293,548** | 991,017 |
| **Equity** | | | | | |
| Share capital | 22.1 | **8,520** | 8,520 | **8,520** | 8,520 |
| Share premium | 22.1 | **42,430** | 42,430 | **42,430** | 42,430 |
| Capital contribution | 22.4 | **2,877** | 2,877 | **2,828** | 2,828 |
| Currency translation reserve | 22.3 | **72,605** | 75,441 | **—** | — |
| Retained earnings | | **848,695** | 639,462 | **1,239,770** | 937,239 |
| **Equity attributable to owners of the Company** | | **975,127** | 768,730 | **1,293,548** | 991,017 |
| Non-controlling interest | | **11,486** | 12,630 | **—** | — |
| **Total equity** | | **986,613** | 781,360 | **1,293,548** | 991,017 |
| **Total equity and liabilities** | | **1,694,463** | 1,665,883 | **1,721,974** | 1,611,087 |

The accompanying notes on pages 135 to 196 and other national disclosures on pages 197 to 199 form an integral part of these consolidated and separate financial statements.

These financial statements were approved and authorised for issue by the Board of Directors on 25th February 2019 and were signed on its behalf by:

**Aliko Dangote, GCON**
Chairman, Board of Directors
FRC/2013/IODN/00000001766

**Engr. Joseph Makoju Mni, OFR.**
Group Chief Executive Officer
FRC/2018/COREN/00000017767

**Brian Egan**
Group CFO/Executive Director, Finance
FRC/2015/MULTI/00000011227

# Consolidated statement of changes in equity
## For the year ended 31st December 2018

| Group | Share capital ₦'million | Share premium ₦'million | Retained earnings ₦'million | Currency translation reserve ₦'million | Capital contribution ₦'million | Attributable to the owners of the parent ₦'million | Non-controlling Interests ₦'million | Total equity ₦'million |
|---|---|---|---|---|---|---|---|---|
| **Balance as at 1st January 2017** | **8,520** | **42,430** | **605,662** | **78,964** | **2,877** | **738,453** | **(12,925)** | **725,528** |
| Profit for the year | — | — | 198,585 | — | — | 198,585 | 5,663 | 204,248 |
| Other comprehensive income for the year, net of income tax (tax nil) | — | — | — | (3,523) | — | (3,523) | (49) | (3,572) |
| Total comprehensive income for the year | — | — | 198,585 | (3,523) | — | 195,062 | 5,614 | 200,676 |
| Effect of changes in subsidiary shareholding | — | — | (19,941) | — | — | (19,941) | 19,941 | — |
| Dividends paid | — | — | (144,844) | — | — | (144,844) | — | (144,844) |
| **Balance as at 31st December 2017** | **8,520** | **42,430** | **639,462** | **75,441** | **2,877** | **768,730** | **12,630** | **781,360** |
| Profit for the year | — | — | 388,983 | — | — | 388,983 | 1,342 | 390,325 |
| Other comprehensive income for the year, net of income tax (tax nil) | — | — | — | (2,836) | — | (2,836) | (3,311) | (6,147) |
| Total comprehensive income for the year | — | — | 388,983 | (2,836) | — | 386,147 | (1,969) | 384,178 |
| Dividends paid | — | — | (178,925) | — | — | (178,925) | — | (178,925) |
| Effect of changes in subsidiary shareholding | — | — | (825) | — | — | (825) | 825 | — |
| **Balance as at 31st December 2018** | **8,520** | **42,430** | **848,695** | **72,605** | **2,877** | **975,127** | **11,486** | **986,613** |

The accompanying notes and other national disclosures are an integral part of these consolidated and separate financial statements.

# Separate statement of changes in equity
## For the year ended 31st December 2018

| Company | Share capital ₦'million | Share premium ₦'million | Capital contribution ₦'million | Retained earnings ₦'million | Total equity ₦'million |
|---|---|---|---|---|---|
| **Balance as at 1st January 2017** | **8,520** | **42,430** | **2,828** | **827,453** | **881,231** |
| Profit for the year | — | — | — | 254,630 | 254,630 |
| Other comprehensive income for the year, net of income tax (tax nil) | — | — | — | — | — |
| Total comprehensive income for the year | — | — | — | 254,630 | 254,630 |
| Dividends paid | — | — | — | (144,844) | (144,844) |
| **Balance as at 31st December 2017** | **8,520** | **42,430** | **2,828** | **937,239** | **991,017** |
| Profit for the year | — | — | — | 481,456 | 481,456 |
| Other comprehensive income for the year, net of income tax (tax nil) | — | — | — | — | — |
| Total comprehensive income for the year | — | — | — | 481,456 | 481,456 |
| Dividends paid | — | — | — | (178,925) | (178,925) |
| **Balance as at 31st December 2018** | **8,520** | **42,430** | **2,828** | **1,239,770** | **1,293,548** |

The accompanying notes and other national disclosures are an integral part of these consolidated and separate financial statements.

# Consolidated and separate statement of cash flows
## For the year ended 31st December 2018

| | Notes | Group Year ended 31/12/18 ₦'million | Group Year ended 31/12/17 ₦'million | Company Year ended 31/12/18 ₦'million | Company Year ended 31/12/17 ₦'million |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Profit before tax | | **300,806** | 289,590 | **392,223** | 342,153 |
| Adjustments for: | | | | | |
| Depreciation and amortisation | 15,16 | **96,203** | 83,939 | **51,809** | 43,959 |
| Write off and impairment of property, plant and equipment | | **360** | 287 | **—** | 197 |
| Interest expense | 10 | **41,413** | 52,101 | **22,312** | 34,425 |
| Interest income | 10 | **(11,323)** | (9,136) | **(37,705)** | (36,383) |
| Net realised exchange (gain)/loss on borrowings and non-operating assets | | **(1,970)** | (34,744) | **(50,399)** | (43,284) |
| Share of income from associate | | **(563)** | (2,167) | **—** | — |
| Amortisation of deferred revenue | 26 | **(306)** | (299) | **(274)** | (346) |
| Other provisions | | **(663)** | 72 | **(763)** | (229) |
| Loss on disposal of property, plant and equipment | | **459** | 58 | **5** | 58 |
| | | **424,416** | 379,701 | **377,208** | 340,550 |
| **Changes in working capital** | | | | | |
| Change in inventories | | **(11,997)** | (11,691) | **3,119** | (6,409) |
| Change in trade and other receivables | | **(13,957)** | (3,876) | **2,471** | (483) |
| Change in trade and other payables | | **(18,860)** | 2,616 | **(32,987)** | (16,814) |
| Change in prepayments and other current assets | | **8,996** | (33,622) | **1,764** | (26,819) |
| Change in other current liabilities | | **(5,594)** | 15,222 | **(7,605)** | 10,217 |
| | | **383,004** | 348,350 | **343,970** | 300,242 |
| Receipt from customers on finance lease trucks | | **3,507** | 238 | **3,507** | 238 |
| Income tax paid | 14.2 | **(11,163)** | (3,213) | **(10,291)** | (2,512) |
| **Net cash generated from operating activities** | | **375,348** | 345,375 | **337,186** | 297,968 |
| **Cash flows from investing activities** | | | | | |
| Interest received | | **9,974** | 9,136 | **6,475** | 6,970 |
| Acquisition of intangible assets | 16 | **(796)** | (1,639) | **(27)** | (21) |
| (Increase)/decrease in receivables from subsidiaries | | **—** | — | **(38,870)** | 5,811 |
| Acquisition of investment | | **—** | — | **(8)** | (2,541) |
| Acquisition of property, plant and equipment | | **(131,045)** | (107,953) | **(61,716)** | (61,497) |
| Additions to property, plant and equipment | 15 | **(88,623)** | (85,621) | **(42,145)** | (40,470) |
| Change in non-current prepayment | | **(17,307)** | (2,905) | **1,600** | (1,600) |
| Net suppliers' credit repaid | | **(25,115)** | (19,427) | **(21,171)** | (19,427) |
| **Net cash used in investing activities** | | **(121,867)** | (100,456) | **(94,146)** | (51,278) |
| **Cash flows from financing activities** | | | | | |
| Interest paid | | **(45,782)** | (48,358) | **(27,486)** | (30,934) |
| Dividends paid | | **(178,925)** | (144,844) | **(178,925)** | (144,844) |
| Loans obtained | | **215,052** | 310,659 | **197,717** | 263,152 |
| Loans repaid | | **(247,399)** | (308,068) | **(227,834)** | (297,106) |
| **Net cash used in financing activities** | | **(257,054)** | (190,611) | **(236,528)** | (209,732) |
| (Decrease)/increase in cash and cash equivalents | | **(3,573)** | 54,308 | **6,512** | 36,958 |
| Effects of exchange rate changes | | **844** | (1,954) | **—** | — |
| Cash and cash equivalents at beginning of year | | **161,755** | 109,401 | **102,468** | 65,510 |
| **Cash and cash equivalents at end of year** | 31.1 | **159,026** | 161,755 | **108,980** | 102,468 |

The accompanying notes and other national disclosures are an integral part of these consolidated and separate financial statements.

# Notes to the consolidated and separate financial statements
## For the year ended 31st December 2018

### 1. General information
Dangote Cement Plc ("the Company") was incorporated in Nigeria as a public limited liability company on 4th November 1992 and commenced operations in January 2007 under the name Obajana Cement Plc. The name was changed on 14th July 2010 to Dangote Cement Plc.

Its parent company is Dangote Industries Limited (DIL or "the parent company"). Its ultimate controlling party is Aliko Dangote.

The registered address of the Company is located at 1 Alfred Rewane Road, Ikoyi, Lagos, Nigeria.

The principal activity of the Company and its subsidiaries (together referred to as "the Group") is to operate plants for the preparation, manufacture and distribution of cement and related products. The Company's production activities are currently undertaken at Obajana town in Kogi State, Gboko in Benue State and Ibese in Ogun State, all in Nigeria. Information in respect of the subsidiaries' locations is disclosed in note 17.

The consolidated financial statements of the Group for the year ended 31st December 2018 comprise the results and the financial position of the Company and its subsidiaries.

The separate financial statements of the Company for the year ended 31st December 2018 comprise those of the Company only.

### 2. Significant accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 2.1.1 Statement of compliance
The Group and Company's full financial statements for the year ended 31st December 2018 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), and interpretations issued by the IFRS Interpretations Committee of the IASB (together, IFRS) that are effective at 31st December 2018 and requirements of the Companies and Allied Matters Act (CAMA) 2004 of Nigeria and the Financial Reporting Council (FRC) Act of Nigeria.

#### 2.1.2 Basis of preparation
The financial statements have been prepared on the historical cost basis except for financial instruments that are measured at revalued amounts or fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

**Fair value**
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated and separate financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

#### 2.2.1 Basis of consolidation
The Group financial statements incorporate the financial statements of the parent company and entities controlled by the Company and its subsidiaries made up to 31st December 2018. Control is achieved where the investor: (i) has power over the investee entity; (ii) is exposed, or has rights, to variable returns from the investee entity as a result of its involvement; and (iii) can exercise some power over the investee to affect its returns.

The Company reassesses whether or not it still controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

# Notes to the consolidated and separate financial statements continued

## For the year ended 31st December 2018

### 2. Significant accounting policies continued

#### 2.2.1 Basis of consolidation continued

**Investments in subsidiaries**

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment that has been recognised in profit or loss.

#### 2.2.2 Transactions eliminated on consolidation

All intra-group balances and any gain and losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### 2.2.3 Interest in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

## 2. Significant accounting policies continued

### 2.2.3 Interest in associates continued

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

In the separate financial statements for the parent company, investments in associates are recognised at cost less accumulated impairment.

### 2.3 Non-controlling interest

Non-controlling interest is the equity in a subsidiary or entity controlled by the Company, not attributable, directly or indirectly, to the parent company and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position. Total comprehensive income attributable to non-controlling interests is presented on the line "Non-controlling interests" in the statement of financial position, even if it creates negative non-controlling interests.

### 2.4 Acquisition of entities under common control

Business combinations arising from transfers of interests in entities that were under the control of the shareholder that controls the Group are accounted for prospectively as at the date that transfer of interest was effected. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The difference between the consideration paid and the net assets acquired is accounted for directly in equity.

### 2.4.1 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### 2.5 Revenue

The Group recognises revenue from the sale of cement and related products. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of products to the customers.

### 2.5.1 Sale of cement and related products

The Group sells cement and related products both to distributors and directly to end user customers through its plants and depots.

For sales of products to the distributors, revenue is recognised when control of the goods has transferred, being when the goods have been delivered to the distributor's location if the agreement is for the Group to deliver. In case of self collection by distributors, revenue is recognised when the distributor picks the products from the Group's factories or warehouses. Following delivery by the Group or self collection, the distributor has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when onselling the goods and bears the risks of obsolescence and loss in relation to the goods. For distributors that buy on credit, a receivable is recognised by the Group when the goods are delivered to the distributor as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

For sales of goods to end user customers, revenue is recognised when control of the goods has transferred, being at the point the customer lifts the goods from our factories if it is self collection or at the point at which the goods are delivered if the agreement is for the Group to deliver. Payment for the transaction price is done by the time goods are collected; otherwise, a receivable is recognised at that point.

# Notes to the consolidated and separate financial statements continued

## For the year ended 31st December 2018

### 2. Significant accounting policies continued

#### 2.6 Finance income

Finance income comprises interest income on short-term deposits with banks, dividend income, changes in the fair value of financial instruments at fair value through profit or loss and foreign exchange gains.

Dividend income from investments is recognised in profit and loss when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Interest income on short-term deposits is recognised by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### 2.7 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss in the period in which they are incurred.

However, borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of that asset. The capitalisation of borrowing costs commences from the date of incurring of expenditure relating to the qualifying asset and ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. The interest rate used to determine the amount of capitalised interest cost is the actual interest rate when there is a specific borrowing facility related to a construction project or the Group's average borrowing interest rate. Borrowing costs relating to the period after acquisition, construction or production are expensed. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. The borrowing costs capitalised may not exceed the actual interest incurred by the Group.

#### 2.8 Foreign currency

##### 2.8.1 Functional and presentation currency

These consolidated and separate financial statements are presented in the Nigerian Naira (₦), which is the Company's functional currency. All financial information presented in Naira has been rounded to the nearest million unless otherwise stated.

##### 2.8.2 Foreign currency transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the subsidiaries.

## 2. Significant accounting policies continued

### 2.8 Foreign currency continued

#### 2.8.2 Foreign currency transactions continued

The schedule below shows the exchange rates presented in one unit of foreign currency to Naira for the significant currencies used in the group.

| | 2018 | | 2017 | |
|---|---|---|---|---|
| Currency | **Average rate** | **Year-end rate** | Average rate | Year-end rate |
| South African Rand to Naira | **25.7371** | **21.3300** | 24.2238 | 26.7477 |
| Central African Franc to Naira | **0.6247** | **0.6254** | 0.5561 | 0.6060 |
| Ethiopian Birr to Naira | **12.6767** | **12.7992** | 13.2134 | 12.1711 |
| Zambian Kwacha to Naira | **32.9599** | **30.0872** | 33.4052 | 33.1428 |
| Tanzanian Shilling to Naira | **0.1530** | **0.1563** | 0.1422 | 0.1478 |
| Ghanaian Cedi to Naira | **73.9508** | **72.8389** | 72.3980 | 73.1413 |
| United States Dollar to Naira | **348.0050** | **358.7900** | 318.4042 | 331.0300 |

#### 2.8.3 Foreign operations

In the Group's consolidated financial statements, all assets and liabilities of Group entities with a functional currency other than the Naira are translated into Naira upon consolidation. On consolidation, assets and liabilities have been translated at the closing rate at the reporting date. Income and expenses have been translated into the Naira at the average rate over the reporting period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used.

Exchange differences are charged/credited to other comprehensive income and recognised in currency translation reserve in equity. The exchange differences arising on the translation are taken directly to a separate component of other comprehensive income, "Currency translation differences". On the partial or total disposal of a foreign entity with a loss of control, the related share in the cumulative translation differences recognised in equity is recognised in the consolidated statement of profit or loss.

### 2.9 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the assets. Property, plant and machinery under construction are disclosed as capital work in progress. The cost of construction recognised includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, including borrowing costs on qualifying assets in accordance with the Group's accounting policy and the estimated costs of dismantling and removing the items and restoring the site on which they are located if the Group has a legal or constructive obligation to do so.

Such assets are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. When parts of an item of property, plant and equipment have different useful lives and are individually significant in relation to total cost of an item, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefit embodied within the component will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The cost of day to day servicing of the property, plant and equipment is recognised in profit or loss as incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

# Notes to the consolidated and separate financial statements continued
## For the year ended 31st December 2018

### 2. Significant accounting policies continued
### 2.9 Property, plant and equipment continued
#### 2.9.1 Depreciation
Depreciation is calculated on the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value (except for freehold land and assets under construction). Depreciation is recognised within "Cost of sales" and "Administrative and selling expenses", depending on the utilisation of the respective assets on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term, in which case the assets are depreciated over their useful life on the same basis as owned assets. Strategic spare parts with high value and held for commissioning of a new plant or for infrequent maintenance of plants are capitalised and depreciated over the shorter of their useful life and the remaining life of the plant from the date such strategic spare parts are capable of being used for their intended use.

Major overhaul expenditure, including replacement spares and labour costs, is capitalised and amortised over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of plant are charged to profit or loss on consumption or as incurred respectively.

| | Life (years) |
|---|---|
| Leasehold land improvement | Over the lease period |
| Buildings | 25–50 |
| Plant and machinery | 10–25 |
| Power plants | 5–25 |
| Cement plants | 5–25 |
| Motor vehicles | 4–6 |
| Computer hardware | 3 |
| Furniture and equipment | 5 |
| Aircraft and related components | 5–25 |

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

### 2.10 Intangible assets
In accordance with criteria set out in IAS 38 Intangible Assets, intangible assets are recognised only if identifiable; controlled by the entity because of past events; it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and the cost of the asset can be measured reliably. Intangible assets primarily include amortisable items such as software and mineral rights, as well as certain development costs that meet the IAS 38 criteria.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets are amortised using the straight-line method over their useful lives ranging from two to seven years. Amortisation expense is recorded in "Cost of sales" and "Selling and distribution expenses" or "Administrative expenses", based on the function of the underlying assets. The estimated useful lives and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Exploration assets are carried at cost less any impairment losses. All costs, including overhead costs directly associated with the specific project, are capitalised. The Directors evaluate each project at each period end to determine if the carrying value should be written off. In determining whether expenditure meets the criteria to be capitalised, the Directors use information from several sources, depending on the level of exploration.

Purchased exploration and evaluation assets are recognised at the cost of acquisition or at the fair value if purchased as part of a business combination.

Exploration assets are amortised over a period of 30 years in line with the estimated lives of the mines.

## 2. Significant accounting policies continued

### 2.10 Intangible assets continued

#### 2.10.1 Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date
The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date
when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

#### 2.10.2 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

### 2.11 Inventories

Inventories are stated at the lower of cost and net realisable value, with appropriate provisions for old and slow-moving items. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Cost is determined as follows:

**Raw materials**
Raw materials which include purchase cost and other costs incurred to bring the materials to their location and condition are valued using a weighted average cost basis.

**Work in progress**
Cost of work in progress includes cost of raw material, labour, production and attributable overheads based on normal operating capacity. Work in progress is valued using a weighted average cost basis.

**Finished goods**
Cost is determined using the weighted average method and includes cost of material, labour, production and attributable overheads based on normal operating capacity.

**Spare parts and consumables**
Spare parts which are expected to be fully utilised in production within the next operating cycle and other consumables are valued at weighted average cost after making allowance for obsolete and damaged stocks.

# Notes to the consolidated and separate financial statements continued

**For the year ended 31st December 2018**

## 2. Significant accounting policies continued

### 2.12 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial instruments are recognised in the consolidated and separate statements of financial position when a member of the Group or the Company becomes a party to the contractual obligations of the instrument. Regular way purchases or sales of financial assets, i.e. purchases or sales under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned, are accounted for at the trade date.

Initially, financial instruments are recognised at their fair value. Transaction costs directly attributable to the acquisition or issue of financial instruments are recognised in determining the carrying amount except for financial instruments at fair value through profit or loss. For financial instruments classified as fair value through profit or loss (FVTPL) transaction costs incurred are recognised in profit or loss. Subsequently, financial assets and liabilities are measured according to the category to which they are assigned. The Group does not make use of the option to designate financial assets or financial liabilities at fair value through profit or loss at inception (fair value option).

#### 2.12.1 Financial assets

**Classification of financial assets**

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group does not have debt instruments that are measured subsequently at fair value through profit or loss (FVTPL) or FVTOCI.

Despite the foregoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

#### 2.12.2 Cash and cash equivalents

The Group considers all highly liquid unrestricted investments with less than three months maturity from the date of acquisition to be cash equivalents. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

## 2. Significant accounting policies continued

### 2.12 Financial instruments continued

#### 2.12.3 Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments; instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "finance income" line item (note 10) in profit or loss.

#### 2.12.4 Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

#### 2.12.5 Financial liabilities and equity instruments

**Classification as debt or equity**

Debt and equity instruments issued by a member of the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### 2.12.6 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity.

#### 2.12.7 Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. The Group does not hold financial liabilities measured at FVTPL.

**Financial liabilities measured subsequently at amortised cost**

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL are measured subsequently at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

#### 2.12.8 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

# Notes to the consolidated and separate financial statements continued

## For the year ended 31st December 2018

### 2. Significant accounting policies continued

### 2.12 Financial instruments continued

#### 2.12.9 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### 2.12.10 Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the "Finance income – interest income" line item (note 10).

### 2.13 Impairment

#### 2.13.1 Financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to twelve-month ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, twelve-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve months after the reporting date.

## 2. Significant accounting policies continued
### 2.13 Impairment continued
### 2.13.1 Financial assets continued
#### (i) Significant increase in credit risk
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) the financial instrument has a low risk of default;

(2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

(3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

# Notes to the consolidated and separate financial statements continued
## For the year ended 31st December 2018

### 2. Significant accounting policies continued
### 2.13 Impairment continued
### 2.13.1 Financial assets continued
#### (ii) Definition of default
The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### (iii) Credit-impaired financial assets
A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event (see (ii) above);

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

#### (iv) Write-off policy
The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due unless there is adequate security. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### (v) Measurement and recognition of expected credit losses
The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with IAS 17 Leases.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to twelve-month ECL at the current reporting date, except for assets for which a simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

## 2. Significant accounting policies continued

### 2.13 Impairment continued

#### 2.13.2 Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. A reversal of an impairment loss is recognised immediately in the profit or loss.

### 2.14 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### 2.14.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in profit or loss because of items of income or expense that are taxable or deductible in future years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

#### 2.14.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Deferred tax is not recognised for the following temporary differences: (i) the initial recognition of goodwill, (ii) the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and (iii) differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### 2.14.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

# Notes to the consolidated and separate financial statements continued
## For the year ended 31st December 2018

### 2. Significant accounting policies continued
#### 2.15 Government grants
Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates. The total of the government grant is recognised as deferred revenue on the statement of financial position and is recognised in profit or loss over the period the related expenditure is incurred.

Export Expansion Grant (EEG) is recognised upon confirmation of the Group's eligibility by the relevant government departments.

#### 2.16 Employee benefits
##### 2.16.1 Short-term employee benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided by the employee.

##### 2.16.2 Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

#### 2.17 Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### 2.17.1 Restoration costs
Environmental expenditure related to existing conditions resulting from past or current operations and from which no current or future benefit is discernible is charged to profit or loss. The Group recognises its liability on a site-by-site basis when it can be reliably estimated. This liability includes the Group's portion of the total costs and also a portion of other potentially responsible parties' costs when it is probable that they will not be able to satisfy their respective shares of the clean-up obligation. Recoveries of reimbursements are recorded as assets when virtually certain.

#### 2.18 Contingencies
Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

## 2. Significant accounting policies continued

### 2.19 Earnings per share

The Group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of shares outstanding during the period. The weighted average number of ordinary shares outstanding during the period and for all periods presented is adjusted for the issue of bonus shares as if the bonus shares were outstanding at the beginning of the earliest period presented.

Diluted earnings per share are computed by dividing adjusted net income available to shareholders of the Company by the weighted average number of common shares outstanding during the year adjusted to include any dilutive potential common shares. The Group does not have any dilutive instruments.

### 2.20 Leases

In accordance with IFRIC 4 Determining Whether an Arrangement Contains a Lease, arrangements including transactions that convey a right to use the asset, or where fulfilment of the arrangement is dependent on the use of a specific asset, are analysed in order to assess whether such arrangements contain a lease and whether the requirements of IAS 17 Lease Contracts have to be applied.

**Leases – as a lessee**

In accordance with IAS 17, the Group capitalises assets financed through finance leases where the lease arrangement transfers to the Group substantially all of the rewards and risks of ownership. Lease arrangements are evaluated based upon the following criteria:

- the lease term in relation to the assets' useful lives;
- the total future payments in relation to the fair value of the financed assets;
- existence of transfer of ownership;
- existence of a favourable purchase option; and
- specificity of the leased asset.

Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding lease obligations, excluding finance charges, are included in current or long-term financial liabilities as applicable.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see note 2.6). Contingent rentals are recognised as expenses in the periods in which they are incurred.

All other leases are operating leases and they are not recognised on the Group's statement of financial position. Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

# Notes to the consolidated and separate financial statements
continued
**For the year ended 31st December 2018**

## 3. Application of new and revised International Financial Reporting Standards (IFRSs)
### 3.1 New and revised IFRSs/IFRICs affecting amounts reported and/or disclosures in these financial statements
In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1st January 2017.

**IFRS 9 Financial instruments**
In the current year, the Group has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRSs that are effective for an annual period that begins on or after 1st January 2018. The Group has elected not to restate comparatives as allowed by the transition provisions of IFRS 9. Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018.

IFRS 9 introduced new requirements for:

(1) the classification and measurement of financial assets and financial liabilities;

(2) impairment of financial assets; and

(3) general hedge accounting.

Details of these new requirements as well as their impact on the Group's consolidated financial statements are described below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

#### (a) Classification and measurement of financial assets
The date of initial application (i.e. the date on which the Group has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1st January 2018. Accordingly, the Group has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1st January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1st January 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset;
- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

All debt instruments held by the Group are held within a business model whose objective is to collect the contractual cash flows, and have contractual cash flows that are solely payments of principal and interest. These are measured at amortised cost similar to the measurement criteria applied in prior periods, hence no material impact on the financial statements.

The Directors of the Company reviewed and assessed the Group's existing financial assets as at 1st January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had no material impact on the Group's financial assets as regards their classification and measurement.

## 3. Application of new and revised International Financial Reporting Standards (IFRSs) continued

### 3.1 New and revised IFRSs/IFRICs affecting amounts reported and/or disclosures in these financial statements continued

**IFRS 9 Financial instruments** continued

#### (b) Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Group to recognise a loss allowance for expected credit losses on:

(1) debt investments measured subsequently at amortised cost or at FVTOCI;

(2) lease receivables;

(3) trade receivables and contract assets; and

(4) financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Group to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset. However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Group is required to measure the loss allowance for that financial instrument at an amount equal to twelve-months' ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

The consequential amendments to IFRS 7 have also resulted in more extensive disclosures about the Group's exposure to credit risk in the consolidated financial statements (see note 29). The impact of IFRS 9 on opening balances was considered immaterial.

#### (c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss, but are instead transferred to retained earnings when the financial liability is derecognised.

Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss.

The Group does not hold financial liabilities designated as at FVTPL; therefore, the application of IFRS 9 has had no impact on the classification and measurement of the Group's financial liabilities.

#### (d) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

The Group does not apply hedge accounting; therefore, the application did not have any impact on the financial statements.

# Notes to the consolidated and separate financial statements continued

## For the year ended 31st December 2018

### 3. Application of new and revised International Financial Reporting Standards (IFRSs) continued

#### 3.1 New and revised IFRSs/IFRICs affecting amounts reported and/or disclosures in these financial statements continued

**Impact of application of IFRS 15 Revenue from Contracts with Customers**

In the current year, the Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. The Group's accounting policies for its revenue streams are disclosed in detail in note 2.5. The application of IFRS 15 has not had any impact on the financial position and/or financial performance of the Group.

**IFRS 2 (amendments) Classification and Measurement of Share-based Payment Transactions**

The amendments clarify the following:

(1) In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

(2) Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority (typically in cash), i.e. the share-based payment arrangement has a "net settlement feature", such an arrangement should be classified as equity settled in its entirety, provided that the share-based payment would have been classified as equity settled had it not included the net settlement feature.

(3) A modification of a share-based payment that changes the transaction from cash-settled to equity settled should be accounted for as follows:

(i) the original liability is derecognised;

(ii) the equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date; and

(iii) any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Group does not have share-based payments; therefore, the application of this amendment did not have any impact on the financial statements.

**IAS 40 (amendments) Transfers of Investment Property**

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by observable evidence that a change in use has occurred. The amendments further clarify that the situations listed in IAS 40 are not exhaustive and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties). The Group does not hold investment property; therefore, the application of this amendment did not have any impact on the financial statements.

**Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IAS 28 Investments in Associates and Joint Ventures)**

The amendments clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition. The application of this amendment did not have any impact on the financial statements because the Group is not a venture capital organisation.

**IFRIC 22 Foreign Currency Transactions and Advance Consideration**

IFRIC 22 addresses how to determine the "date of transaction" for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example, a non-refundable deposit or deferred revenue). The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration. The application of this interpretation did not have any impact as the Group's policy was consistent with the interpretation.

## 3. Application of new and revised International Financial Reporting Standards (IFRSs) continued

### 3.2 New and revised IFRSs in issue but not yet effective

| | |
|---|---|
| IFRS 16 | Leases |
| IFRS 17 | Insurance Contracts |
| Amendments to IFRS 9 | Prepayment Features with Negative Compensation |
| Amendments to IAS 28 | Long-term Interests in Associates and Joint Ventures |
| Annual Improvements to IFRSs 2015–2017 Cycle | Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs |
| Amendments to IAS 19 Employee Benefits | Plan Amendment, Curtailment or Settlement |
| IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture |
| IFRIC 23 | Uncertainty over Income Tax Treatments |

**IFRS 16 Leases**

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for periods beginning on or after 1 January 2019. IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-to-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

As at 31 December 2018, the Group has non-cancellable operating lease commitments as shown in note 32. Some of these will qualify as right-of-use asset. The Company is assessing the impact and do not expect a material impact on equity.

**IFRS 17 Insurance Contracts**

The new Standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. The Standard outlines a General Model, which is modified for insurance contracts with direct participation features, described as the Variable Fee Approach. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The General Model will use current assumptions to estimate the amount, timing and uncertainty of future cash flows and it will explicitly measure the cost of that uncertainty, it takes into account market interest rates and the impact of policyholders' options and guarantees.

The implementation of the Standard is unlikely to bring significant changes to an entity's processes, systems and financial statements as the Group does not hold insurance contracts.

The Standard is effective for annual reporting periods beginning on or after 1 January 2021, with early application permitted.

# Notes to the consolidated and separate financial statements
continued
## For the year ended 31st December 2018

### 3. Application of new and revised international financial reporting standards (IFRSs) continued
**Amendments to IFRS 9 Prepayment Features with Negative Compensation**
The amendments to IFRS 9 clarify that for the purpose of assessing whether a prepayment feature meets the SPPI condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fail SPPI.

The amendment applies to annual periods beginning on or after 1st January 2019, with earlier application permitted.

There are specific transition provisions depending on when the amendments are first applied, relative to the initial application of IFRS 9.

The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

**Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures**
The amendment clarifies that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28). The amendments apply retrospectively to annual reporting periods beginning on or after 1st January 2019. Earlier application is permitted. Specific transition provisions apply depending on whether the first-time application of the amendments coincides with that of IFRS 9. The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

**Annual Improvements to IFRSs 2015–2017 Cycle (Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs)**
The Annual Improvements include amendments to four standards.

**IAS 12 Income Taxes**
The amendments clarify that an entity should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits.

**IAS 23 Borrowing Costs**
The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

**IFRS 3 Business Combinations**
The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, the entity applies the requirements for a business combination achieved in stages, including remeasuring its previously held interest (PHI) in the joint operation at fair value. The PHI to be remeasured includes any unrecognised assets, liabilities and goodwill relating to the joint operation.

**IFRS 11 Joint Arrangements**
The amendments to IFRS 11 clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the entity does not remeasure its PHI in the joint operation.

All the amendments are effective for annual periods beginning on or after 1st January 2019 and generally require prospective application. Earlier application is permitted.

The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

## 3. Application of new and revised International Financial Reporting Standards (IFRSs) continued

**Amendments to IAS 19 Employee Benefits Plan – Amendment, Curtailment or Settlement**

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability/(asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position). IAS 19 is now clear that the change in the effect of the asset ceiling that may result from the plan amendment (or curtailment or settlement) is determined in a second step and is recognised in the normal manner in other comprehensive income.

The paragraphs that relate to measuring the current service cost and the net interest on the net defined benefit liability/(asset) have also been amended. An entity will now be required to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan. In the case of the net interest, the amendments make it clear that for the period post plan amendment, the net interest is calculated by multiplying the net defined benefit liability/(asset) as remeasured under IAS 19.99 with the discount rate used in the remeasurement (also taking into account the effect of contributions and benefit payments on the net defined benefit liability/(asset)).

The amendments are applied prospectively. They apply only to plan amendments, curtailments or settlements that occur on or after the beginning of the annual period in which the amendments to IAS 19 are first applied.

The amendments to IAS 19 must be applied to annual periods beginning on or after 1st January 2019, but they can be applied earlier if an entity elects to do so.

The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

**IFRS 10 Consolidated Financial Statements and IAS 28 (amendments) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method are recognised in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture. The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The Directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise. The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

**IFRIC 23 Uncertainty over Income Tax Treatments**

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - if yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings; and
  - if no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

The interpretation is effective for annual periods beginning on or after 1st January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

The Directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group’s consolidated financial statements.

# Notes to the consolidated and separate financial statements
continued
## For the year ended 31st December 2018

### 4. Critical accounting judgements and key sources of estimation uncertainty
The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The management of the Group revises its estimates and assumptions on a regular basis to ensure that they are relevant regarding the past experience and the current economic and political environment. Estimates and underlying assumptions are reviewed on an on going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. The accounting for certain provisions, certain financial instruments and the disclosure of financial assets, contingent assets and liabilities at the date of the consolidated and separate financial statements are judgemental. The items, subject to judgement, are detailed in the corresponding notes to the consolidated and separate financial statements.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are discussed below:

#### 4.1 Critical accounting judgements
**4.1.1 Control over subsidiaries**
Note 17 describes that Dangote Quarries Zambia Limited is a subsidiary of the Group although the Group only holds a 49.9% ownership interest in Dangote Quarries Zambia Limited. Based on the arrangements between the Group and other investors, the Group has the power to appoint and remove the majority of the board of directors of Dangote Quarries Zambia Limited that has the power to direct the relevant activities of this entity. Therefore, the Directors of the Company concluded that the Group has the practical ability to direct the relevant activities of Dangote Quarries Zambia and hence the Group has control over the entity.

**4.1.2 Tax holiday**
The Directors of the Company have assessed whether the operations in Ibese production lines 3 and 4 and Obajana production line 4 are entitled to tax relief under the Pioneer Status Incentive (PSI). These production lines have already received Nigerian Investment Promotion Commission (NIPC) approval for the initial three years' tax holiday and the Company has applied for additional two years extension. While NIPC approval is yet to be obtained, the Directors' strong view, supported by historical practise, is that the Company has complied in full with the requirements of the Pioneer Status Incentive and is entitled to the two years extension. The tax benefit taken on the basis that the Company is entitled to two years extension under the Pioneer Incentive Scheme is ₦43.3 billion.

#### 4.2 Key sources of estimation uncertainty
**4.2.1 Estimated useful lives and residual values of property, plant and equipment**
The Group's management determines the estimated useful lives and related depreciation charge for its items of property, plant and equipment on an annual basis. The Group has carried out a review of the residual values and useful lives of property, plant and equipment as at 31st December 2018 and no adjustments done to the the remaining useful lives of assets.

**4.2.2 Valuation of deferred tax**
The recognition of deferred tax assets requires an assessment of future taxable profit. Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The availability of future taxable profits depends on several factors including the Group's future financial performance and, if necessary, implementation of tax planning strategies.

## 5. Revenue (tonnes)

| | Group 2018 '000 tonnes | Group 2017 '000 tonnes | Company 2018 '000 tonnes | Company 2017 '000 tonnes |
|---|---|---|---|---|
| Cement production and bagging capacity (for the year) | **45,550** | 45,550 | **29,250** | 29,250 |
| Cement production volume | **22,798** | 21,224 | **14,280** | 12,828 |
| Trade cement purchase | **877** | 1,180 | **—** | — |
| Increase in stock of cement | **(140)** | (489) | **(102)** | (104) |
| **Cement sales volume** | **23,535** | 21,915 | **14,178** | 12,724 |

| | Group Year ended 31/12/2018 ₦'million | Group Year ended 31/12/2017 ₦'million | Company Year ended 31/12/2018 ₦'million | Company Year ended 31/12/2017 ₦'million |
|---|---|---|---|---|
| **Revenue (Naira)** | | | | |
| Revenue from sales of cement | **900,927** | 805,294 | **618,301** | 552,364 |
| Revenue from sales of other products | **286** | 288 | **—** | — |
| | **901,213** | 805,582 | **618,301** | 552,364 |

Revenue after adjusting intra-group sales as shown above are from external customers.

### 5.1. Information about major customers

Included in revenue arising from direct sales of cement of ₦900.9 billion (2017: ₦805.3 billion) is revenue of approximately ₦31.61 billion (2017: ₦35.7 billion) which arose from sales to the Group's largest customer.

## 6. Segment information

### 6.1 Products and services from which reportable segments derive their revenue

The Executive Management Committee is the Company's Chief Operating Decision Maker. Management has determined operating segments based on the information reported and reviewed by the Executive Management Committee for the purposes of allocating resources and assessing performance. The Executive Management Committee reviews internal management reports on at least a quarterly basis. These internal reports are prepared on the same basis as the accompanying consolidated and separate financial statements.

Segment information is presented in respect of the Group's reportable segments. For management purposes, the Group is organised into business units by geographical areas in which the Company operates. The Company has two reportable segments based on location of the principal operations as follows:

- Nigeria; and
- Pan Africa

### 6.2 Segment revenue and results

The following is an analysis of the Group's revenue, results, assets and liabilities by reportable segment. Performance is measured based on segment sales revenue, earnings before interest, tax, depreciation and amortisation (EBITDA) and profit from operating activities, as included in the internal management reports that are reviewed by the Executive Management Committee. Segment revenue and operating profit are used to measure performance as management believes that such information is the most relevant in evaluating results of certain segments relative to other entities that operate within the industry.

# Notes to the consolidated and separate financial statements continued
## For the year ended 31st December 2018

### 6. Segment information continued
#### 6.2 Segment revenue and results continued
The following is an analysis of the Group's revenue and results by reportable segment:

| | 2018 | | | | |
|---|---|---|---|---|---|
| **Segment results** | **Nigeria ₦'million** | **Pan Africa ₦'million** | **Central administrative costs ₦'million** | **Eliminations ₦'million** | **Total ₦'million** |
| Revenue | **618,301** | **283,262** | **—** | **(350)** | **901,213** |
| EBITDA* | **397,377** | **49,062** | **(11,178)** | **—** | **435,261** |
| Depreciation, amortisation and impairment | **51,809** | **46,568** | **—** | **(1,814)** | **96,563** |
| Operating profit/(loss) | **345,568** | **2,494** | **(11,178)** | **1,814** | **338,698** |
| Other income | **3,783** | **6,439** | **—** | **—** | **10,222** |
| Finance income | **79,378** | **3,740** | **—** | **(71,795)** | **11,323** |
| Finance costs | **22,565** | **94,980** | **—** | **(67,767)** | **49,778** |
| Profit/(loss) after tax | **491,615** | **(87,899)** | **(11,178)** | **(2,213)** | **390,325** |
| **Segment assets and liabilities** | | | | | |
| Non-current assets | **1,329,488** | **684,772** | **—** | **(748,635)** | **1,265,625** |
| Current assets | **441,025** | **180,507** | **—** | **(192,694)** | **428,838** |
| Total assets | **1,770,513** | **865,279** | **—** | **(941,329)** | **1,694,463** |
| Segment liabilities | **478,753** | **979,835** | **—** | **(750,738)** | **707,850** |
| Net additions to non-current assets, excluding deferred tax | **108,503** | **(6,324)** | **—** | **(102,135)** | **44** |

* Represents earnings before interest, tax, depreciation and amortisation.

| | 2017 | | | | |
|---|---|---|---|---|---|
| Segment results | Nigeria ₦'million | Pan Africa ₦'million | Central administrative costs ₦'million | Eliminations ₦'million | Total ₦'million |
| Revenue | 552,364 | 258,444 | — | (5,226) | 805,582 |
| EBITDA* | 360,759 | 38,276 | (10,888) | — | 388,147 |
| Depreciation and amortisation | 43,959 | 40,506 | — | (526) | 83,939 |
| Operating profit/(loss) | 316,800 | (2,230) | (10,888) | 526 | 304,208 |
| Other income | 3,386 | 1,827 | — | — | 5,213 |
| Finance income | 71,286 | 4,939 | — | (40,299) | 35,926 |
| Finance costs | 35,035 | 40,356 | — | (22,680) | 52,711 |
| Profit/(loss) after tax | 265,528 | (12,773) | (10,888) | (37,619) | 204,248 |
| **Segment assets and liabilities** | | | | | |
| Non-current assets | 1,213,098 | 688,986 | — | (646,500) | 1,255,584 |
| Current assets | 426,869 | 164,727 | — | (181,297) | 410,299 |
| Total assets | 1,639,967 | 853,713 | — | (827,797) | 1,665,883 |
| Segment liabilities | 649,505 | 873,906 | — | (638,888) | 884,523 |
| Net additions to non-current assets, excluding deferred tax | (72,344) | 60,266 | — | 62,403 | 50,325 |

* Represents earnings before interest, tax, depreciation and amortisation.

## 6. Segment information continued

### 6.2 Segment revenue and results continued

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Each segment bears its administrative costs and there are no allocations from central administration. This is the measure reported to the Chief Operating Decision Maker for the purposes of resource allocation and assessment of segment performance. Group financing (including finance income and finance costs) and income taxes are managed at an individual company level.

A reconciliation of earnings before interest, tax, depreciation and amortisation (EBITDA) is presented below:

| | **Year ended 31/12/2018 ₦'million** | Year ended 31/12/2017 ₦'million |
|---|---|---|
| EBITDA | **435,261** | 388,147 |
| Depreciation and amortisation and impairment | **(96,563)** | (83,939) |
| Profit from operating activities | **338,698** | 304,208 |
| Finance income | **11,323** | 35,926 |
| Finance cost | **(49,778)** | (52,711) |
| Share of profit from associates | **563** | 2,167 |
| Profit before tax | **300,806** | 289,590 |
| Income tax credit/(expense) | **89,519** | (85,342) |
| Profit after tax | **390,325** | 204,248 |

**Significant non-current assets by country excluding deferred tax**

| | **2018 ₦'million** | 2017 ₦'million |
|---|---|---|
| Nigeria | **1,314,927** | 1,206,424 |
| South Africa | **64,034** | 84,249 |
| Senegal | **85,664** | 86,257 |
| Zambia | **75,774** | 90,019 |
| Ethiopia | **87,506** | 89,137 |
| Tanzania | **149,635** | 121,440 |
| Congo | **97,194** | 99,796 |
| Cameroon | **39,867** | 41,114 |
| Ghana | **13,129** | 18,373 |
| Sierra Leone | **16,725** | 16,993 |
| Côte d'Ivoire | **22,489** | 14,200 |

**Significant revenue by country (external customers)**

| | | |
|---|---|---|
| Nigeria | **617,951** | 547,138 |
| Ghana | **25,372** | 28,066 |
| South Africa | **58,993** | 57,302 |
| Ethiopia | **51,427** | 54,527 |
| Zambia | **33,121** | 25,145 |
| Tanzania | **19,473** | 16,650 |
| Senegal | **34,986** | 28,750 |
| Cameroon | **48,709** | 43,186 |
| Sierra Leone | **3,658** | 2,950 |
| Congo | **7,519** | 1,017 |

Revenues are attributed to individual countries based on the geographical location of external customers.

# Notes to the consolidated and separate financial statements
continued
## For the year ended 31st December 2018

### 6. Segment information continued
#### 6.3 Eliminations and adjustments
Elimination and adjustments relate to the following:

- Profit/(loss) after tax of ₦2.2 billion (2017: ₦37.6 billion) is due to elimination of interest on inter-company loan, trading activities and exchange differences reclassified to other comprehensive income.
- Non-current assets of ₦748.6 billion (2017: ₦646.5 billion) are due to the elimination of investment in subsidiaries with the parent's share of their equity and non current inter-company payable and receivable balances.
- Current assets of ₦192.7 billion (2017: ₦181.3 billion) are due to the elimination of current inter-company payable and receivable balances.
- Total liabilities of ₦750.7 billion (2017: ₦638.9 billion) are due to the elimination of inter-company due to and due from subsidiaries.
- Finance income of ₦71.8 billion (2017: ₦40.3 billion) and finance cost of ₦67.8 billion (2017: ₦22.7 billion) is due to the elimination of interest on inter-company loan and exchange differences reclassified to other comprehensive income.
- Revenue of ₦350 million (2017: ₦5.2 billion) represents sales by the Nigeria region to the Pan Africa region.

In addition to the depreciation and amortisation reported above, a sum of ₦360 million (2017: ₦287 million) in the financial statements represents write off/impairment in respect of property, plant and equipment. This was attributable to Pan African operations.

### 7. Production cost of sales

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 31/12/2018 ₦'million** | Year ended 31/12/2017 ₦'million | **Year ended 31/12/2018 ₦'million** | Year ended 31/12/2017 ₦'million |
| Material consumed | **122,581** | 111,559 | **36,173** | 31,942 |
| Fuel and power consumed | **133,528** | 111,569 | **71,814** | 64,070 |
| Royalty | **1,134** | 1,136 | **677** | 655 |
| Salaries and related staff costs | **31,557** | 26,713 | **16,593** | 14,565 |
| Depreciation and amortisation | **64,544** | 59,598 | **34,237** | 32,435 |
| Plant maintenance | **29,562** | 26,848 | **8,149** | 10,848 |
| Other production expenses | **9,199** | 14,653 | **4,197** | 6,314 |
| Increase in finished goods and work in progress | **(8,794)** | (786) | **(1,552)** | (2,235) |
| | **383,311** | 351,290 | **170,288** | 158,594 |

Royalty payable is charged based on volume of extraction made during the year.

## 8. Administrative expenses

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 31/12/2018 ₦'million** | Year ended 31/12/2017 ₦'million | **Year ended 31/12/2018 ₦'million** | Year ended 31/12/2017 ₦'million |
| Salaries and related staff costs | **11,323** | 12,376 | **5,341** | 6,320 |
| Corporate social responsibility | **2,260** | 1,562 | **1,446** | 974 |
| Management fee (refer to (a) below) | **3,627** | 3,853 | **3,627** | 3,853 |
| Depreciation and amortisation | **6,087** | 5,529 | **2,209** | 1,897 |
| Auditors' remuneration (refer to (b) below) | **539** | 508 | **293** | 305 |
| Directors' remuneration | **1,116** | 1,071 | **1,116** | 1,062 |
| Rent, rate and insurance | **5,341** | 3,918 | **2,069** | 1,301 |
| Repairs and maintenance | **1,528** | 1,083 | **1,130** | 825 |
| Travel expenses | **2,996** | 2,041 | **1,461** | 901 |
| Bank charges | **2,205** | 1,222 | **1,049** | 415 |
| Professional and consultancy fees | **2,650** | 3,550 | **1,841** | 2,620 |
| General administrative expenses | **7,883** | 5,003 | **3,909** | 1,521 |
| Others | **4,586** | 3,377 | **1,617** | 380 |
| Write off and impairment of property, plant and equipment | **360** | 287 | **—** | 197 |
| | **52,501** | 45,380 | **27,108** | 22,571 |

(a) The management fee is charged by Dangote Industries Limited for management and corporate services provided to Dangote Cement Plc. It is an apportionment of the parent company's shared services to all its significant subsidiaries.

(b) Auditors' remuneration is detailed in the table below:

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 31/12/2018 ₦'million** | Year ended 31/12/2017 ₦'million | **Year ended 31/12/2018 ₦'million** | Year ended 31/12/2017 ₦'million |
| Audit fees | **481** | 402 | **255** | 215 |
| Limited review of quarterly financial statements* | **41** | 37 | **21** | 21 |
| Review of financial statement for specific transactions* | **—** | 69 | **—** | 69 |
| Sustainability and controls review* | **17** | — | **17** | — |
| | **539** | 508 | **293** | 305 |

* This was paid to the joint external auditors, Deloitte and Touche.

### Other employee-related disclosures

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 31/12/2018 ₦'million** | Year ended 31/12/2017 ₦'million | **Year ended 31/12/2018 ₦'million** | Year ended 31/12/2017 ₦'million |
| Aggregate payroll costs: | | | | |
| Wages, salaries and staff welfare | **55,164** | 47,253 | **31,538** | 26,936 |
| Pension costs | **2,117** | 2,707 | **1,075** | 1,826 |
| | **57,281** | 49,960 | **32,613** | 28,762 |

# Notes to the consolidated and separate financial statements continued

## For the year ended 31st December 2018

### 8. Administrative expenses continued

**Chairman's and Directors' remuneration**

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 31/12/2018 ₦'million** | Year ended 31/12/2017 ₦'million | **Year ended 31/12/2018 ₦'million** | Year ended 31/12/2017 ₦'million |
| Directors' remuneration comprises: | | | | |
| Fees | **57** | 49 | **57** | 49 |
| Emoluments | **1,059** | 1,022 | **1,059** | 1,013 |
| | **1,116** | 1,071 | **1,116** | 1,062 |
| Chairman | **48** | 39 | **48** | 35 |
| Highest paid Director | **429** | 407 | **429** | 407 |

Number of Directors whose emoluments were within the following ranges:

| ₦–₦ | | | | |
|---|---|---|---|---|
| 1–3,200,000 | **—** | — | **—** | — |
| 3,200,001–8,750,000 | **1** | — | **1** | — |
| 8,750,001–20,000,000 | **2** | — | **2** | — |
| Above 20,000,000 | **13** | 14 | **13** | 14 |
| | **16** | 14 | **16** | 14 |

Permanent employees remunerated at higher rate excluding allowances:

| ₦–₦ | | | | |
|---|---|---|---|---|
| Up to 250,000 | **8,041** | 6,346 | **6,906** | 4,936 |
| 250,001–500,000 | **4,708** | 4,924 | **4,417** | 4,727 |
| 500,001–750,000 | **1,106** | 1,469 | **928** | 1,403 |
| 750,001–1,000,000 | **924** | 943 | **867** | 884 |
| 1,000,001–1,250,000 | **620** | 489 | **558** | 474 |
| 1,250,001–1,500,000 | **192** | 186 | **147** | 155 |
| 1,500,001–2,000,000 | **322** | 273 | **250** | 143 |
| 2,000,001 and above | **880** | 716 | **196** | 321 |
| | **16,793** | 15,346 | **14,269** | 13,043 |

The average number of permanent employees employed during the year excluding Directors was as follows:

| | | | | |
|---|---|---|---|---|
| Management | **592** | 489 | **362** | 338 |
| Non-management | **15,272** | 14,170 | **12,998** | 11,992 |
| | **15,864** | 14,659 | **13,360** | 12,330 |

## 9. Selling and distribution expenses

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 31/12/18 ₦'million** | Year ended 31/12/17 ₦'million | **Year ended 31/12/18 ₦'million** | Year ended 31/12/17 ₦'million |
| Salaries and related staff costs | **14,401** | 10,871 | **10,679** | 7,877 |
| Depreciation | **25,572** | 18,812 | **15,363** | 9,627 |
| Advertisement and promotion | **3,990** | 2,199 | **2,987** | 1,429 |
| Haulage expenses | **88,040** | 74,653 | **56,741** | 46,537 |
| Others | **4,922** | 3,382 | **3,508** | 3,213 |
| | **136,925** | 109,917 | **89,278** | 68,683 |

## 10. Finance income and finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 31/12/18 ₦'million** | Year ended 31/12/17 ₦'million | **Year ended 31/12/18 ₦'million** | Year ended 31/12/17 ₦'million |
| **Finance income** | | | | |
| Interest income | **11,323** | 9,136 | **37,705** | 36,383 |
| Others –foreign exchange gain | **—** | 26,790 | **41,673** | 34,903 |
| | **11,323** | 35,926 | **79,378** | 71,286 |
| **Finance costs** | | | | |
| Interest expenses | **41,413** | 52,101 | **22,312** | 34,425 |
| Less: amounts included in the cost of qualifying assets | **—** | — | **—** | — |
| | **41,413** | 52,101 | **22,312** | 34,425 |
| Foreign exchange loss | **8,112** | — | **—** | — |
| Other finance costs | **253** | 610 | **253** | 610 |
| | **49,778** | 52,711 | **22,565** | 35,035 |

The average effective interest rate on funds borrowed generally is 11.14% and 11.28% per annum for Group and Company respectively (2017: 13.26% per annum for Group and 13.07% per annum for Company). These are the rates used for the capitalisation on qualifying assets.

## 11. Other income

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 31/12/18 ₦'million** | Year ended 31/12/17 ₦'million | **Year ended 31/12/18 ₦'million** | Year ended 31/12/17 ₦'million |
| Insurance claims | **982** | 411 | **730** | 219 |
| Government grant (note 25.1) | **2,368** | 376 | **2,336** | 346 |
| Sundry income | **6,872** | 4,426 | **717** | 2,821 |
| | **10,222** | 5,213 | **3,783** | 3,386 |

Government grant includes ₦2.06 billion Export Expansion Grant (EEG) on export sales for 2014–2017 in both Group and Company.

Sundry income includes ₦3.4 billion for provisions reversed which are no longer necessary.

# Notes to the consolidated and separate financial statements
continued
## For the year ended 31st December 2018

### 12. Profit for the year
Profit for the year includes the following charges:

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 31/12/18 ₦'million** | Year ended 31/12/17 ₦'million | **Year ended 31/12/18 ₦'million** | Year ended 31/12/17 ₦'million |
| Depreciation of property, plant and equipment | **95,578** | 83,377 | **51,793** | 43,862 |
| Amortisation of intangible assets | **625** | 562 | **16** | 97 |
| Auditors' remuneration | **539** | 508 | **293** | 305 |
| Employee benefits expense | **57,281** | 49,960 | **32,613** | 28,762 |
| Loss on disposal of property, plant and equipment | **459** | 58 | **5** | 58 |

### 13. Earnings per share

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 31/12/18 ₦'million** | Year ended 31/12/17 ₦'million | **Year ended 31/12/18 ₦'million** | Year ended 31/12/17 ₦'million |
| Profit for the year attributable to owners of the Company | **388,983** | 198,585 | **481,456** | 254,630 |
| Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share | **17,041** | 17,041 | **17,041** | 17,041 |
| **Basic and diluted earnings per share (Naira)** | **22.83** | 11.65 | **28.25** | 14.94 |

### 14. Income taxes
#### 14.1 Income tax recognised in profit or loss

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 31/12/18 ₦'million** | Year ended 31/12/17 ₦'million | **Year ended 31/12/18 ₦'million** | Year ended 31/12/17 ₦'million |
| **Current tax** | | | | |
| Current tax | **(10,468)** | (49,061) | **(8,981)** | (48,447) |
| Prior year over provision (refer to note 14.1.1) | **53,869** | — | **53,869** | — |
| | **43,401** | (49,061) | **44,888** | (48,447) |
| **Deferred tax** | | | | |
| Deferred tax | **46,118** | (36,281) | **44,345** | (39,076) |
| Total income tax credit/(charge) recognised | **89,519** | (85,342) | **89,233** | (87,523) |

## 14. Income taxes continued

### 14.1 Income tax recognised in profit or loss continued

The income tax credit/(expense) for the year can be reconciled to the accounting profit as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **Year ended 31/12/18 ₦'million** | Year ended 31/12/17 ₦'million | **Year ended 31/12/18 ₦'million** | Year ended 31/12/17 ₦'million |
| Profit before income tax | **300,806** | 289,590 | **392,223** | 342,153 |
| Income tax expense calculated at 30% (2017: 30%) | **(90,242)** | (86,877) | **(117,667)** | (102,646) |
| Education tax | **(3,765)** | (6,271) | **(3,765)** | (6,271) |
| Effect of tax holiday and income that is exempt from taxation | **56,980** | 19,977 | **55,774** | 11,264 |
| Effect of expenses that are not deductible in determining taxable profit | **(384)** | (638) | **(324)** | (550) |
| Effect of previously unrecognised temporary difference now recognised as deferred tax assets | **2,457** | 5,145 | **—** | — |
| Effect of previously recognised temporary difference now derecognised as deferred tax assets | **(6,898)** | — | **—** | — |
| Effect of deferred tax not recognised on net investment exchange gains | **7,563** | — | **17,596** | 9,692 |
| Effect of prior year over provision (refer to note 14.1.1) | **133,717** | — | **133,717** | — |
| Effect of investment allowance | **2,382** | — | **2,382** | — |
| Effect of income taxed at different rates | **1,586** | 2,570 | **1,586** | 2,570 |
| Effect of unused tax losses and offsets not recognised as deferred tax assets | **(15,059)** | (16,815) | **—** | — |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **1,234** | (809) | **—** | — |
| Other | **(52)** | (1,624) | **(66)** | (1,582) |
| Income tax income credit/(charge) recognised in profit or loss | **89,519** | (85,342) | **89,233** | (87,523) |

The income tax rate of 30% was used for the Company tax computation as established by the tax legislation of Nigeria effective in 2018 and 2017. The income tax rate in South Africa is 28% and 38.5% for Cameroon.

#### 14.1.1

In prior years, we made a tax provision on profits earned from Ibese production lines 3 & 4 and Obajana production line 4 on the basis that they were yet to obtain approval for tax exemptions under the Pioneer Status Incentive. Approval was obtained in December 2018 and the provision was reversed.

### 14.2.1 Current tax receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Balance at the beginning of the year | **59** | 9 | **—** | — |
| Charge for the year | **(42)** | (500) | **—** | — |
| Payments during the year | **(15)** | 595 | **—** | — |
| Other receivables* | **6,211** | — | **6,211** | — |
| Effect of currency exchange difference | **—** | (45) | **—** | — |
| **Balance at the end of the year** | **6,213** | 59 | **6,211** | — |

* Other receivables represents tax credit from government for infrastructure development.

# Notes to the consolidated and separate financial statements continued

## For the year ended 31st December 2018

### 14. Income taxes continued

#### 14.2.2 Current tax payables

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Balance at the beginning of the year | **63,901** | 18,220 | **63,787** | 17,852 |
| Charge for the year | **(43,443)** | 48,561 | **(44,888)** | 48,447 |
| Payments during the year | **(11,178)** | (2,618) | **(10,291)** | (2,512) |
| Effect of currency exchange difference | **(57)** | (262) | **—** | — |
| **Balance at the end of the year** | **9,223** | 63,901 | **8,608** | 63,787 |

#### 14.3 Deferred tax balance

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Deferred tax assets | **40,622** | 30,625 | **14,561** | 6,674 |
| Deferred tax liabilities | **(83,350)** | (116,898) | **(80,033)** | (116,491) |
| **Net deferred tax liabilities** | **(42,728)** | (86,273) | **(65,472)** | (109,817) |

**Group**

| **2018** | **Opening balance ₦'million** | **Recognised in profit or loss ₦'million** | **Effect of currency translation ₦'million** | **Closing balance ₦'million** |
|---|---|---|---|---|
| **Deferred tax assets/(liabilities) in relation to:** | | | | |
| Property, plant and equipment | (144,431) | 87,267 | 2,003 | (55,161) |
| Unrealised exchange gains | (14,598) | 7,297 | (476) | (7,777) |
| Provision | 508 | (124) | 6 | 390 |
| Tax losses | 72,248 | (48,322) | (4,106) | 19,820 |
| | **(86,273)** | **46,118** | **(2,573)** | **(42,728)** |

| 2017 | Opening balance ₦'million | Recognised in profit or loss ₦'million | Effect of currency translation ₦'million | Closing balance ₦'million |
|---|---|---|---|---|
| **Deferred tax assets/(liabilities) in relation to:** | | | | |
| Property, plant and equipment | (94,616) | (46,825) | (2,990) | (144,431) |
| Unrealised exchange gains | (11,096) | (2,447) | (1,055) | (14,598) |
| Provision | 580 | 316 | (388) | 508 |
| Tax losses | 53,276 | 12,675 | 6,297 | 72,248 |
| | (51,856) | (36,281) | 1,864 | (86,273) |

## 14. Income taxes continued
### 14.3 Deferred tax balance continued
### Company

| 2018 | Opening balance ₦'million | Recognised in profit or loss ₦'million | Closing balance ₦'million |
|---|---|---|---|
| **Deferred tax assets/(liabilities) in relation to:** | | | |
| Property, plant and equipment | (104,668) | 47,152 | (57,516) |
| Unrealised exchange gains | (5,993) | (2,665) | (8,658) |
| Provision | 844 | (142) | 702 |
| | **(109,817)** | **44,345** | **(65,472)** |

| 2017 | Opening balance ₦'million | Recognised in profit or loss ₦'million | Closing balance ₦'million |
|---|---|---|---|
| **Deferred tax assets/(liabilities) in relation to:** | | | |
| Property, plant and equipment | (60,942) | (43,726) | (104,668) |
| Unrealised exchange gains | (10,716) | 4,723 | (5,993) |
| Provision | 917 | (73) | 844 |
| | (70,741) | (39,076) | (109,817) |

Tax authorities in various jurisdictions where we operate reserve the right to audit the tax charges for the financial year ended 31st December 2018 and prior years. In cases where tax audits have been carried out and additional charges levied, we have responded to the tax authorities challenging the technical merits and made a provision we consider appropriate in line with the technical merits of issues raised by tax authorities.

Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Tax losses | **36,391** | 9,462 | **–** | – |
| Unused tax credits | **184** | 13,026 | **–** | – |
| Deductible temporary differences | **2,087** | – | **–** | – |
| | **38,662** | 22,488 | **–** | – |

The unrecognised tax credits will expire as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Year 1 | **1,788** | – | **–** | – |
| Year 2 | **1,910** | 10,944 | **–** | – |
| Year 3 | **2,185** | 7,096 | **–** | – |
| Year 4 | **–** | – | **–** | – |
| Year 5 | **–** | – | **–** | – |
| After year 5 | **–** | – | **–** | – |
| No expiry date | **32,779** | 4,448 | **–** | – |
| | **38,662** | 22,488 | **–** | – |

Deferred tax liability amounting to ₦26.4 billion (2017: ₦22.7 billion) for both Group and Company was not recognised. This relates to exchange on inter-company loans classified as part of the net investment in subsidiaries.

# Notes to the consolidated and separate financial statements continued

## For the year ended 31st December 2018

### 14. Income taxes continued

#### 14.3 Deferred tax balance continued

The pioneer status of line 3 of our Obajana plant expired in 2017. In determining the tax liability, the Directors have exercised the right of election in line with the commencement rule in Part IV of CITA 2004 which implies that the Company will be assessed on an actual year basis for tax. This may result in a higher effective tax rate for the 2020 Financial Year.

### 15. Property, plant and equipment

#### 15.1 The Group

| | Leasehold improvements and buildings ₦'million | Plant and machinery ₦'million | Motor vehicles ₦'million | Aircraft ₦'million | Furniture and equipment ₦'million | Capital work in progress ₦'million | Total ₦'million |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance at 1st January 2017 | 153,868 | 904,379 | 144,973 | 4,028 | 7,251 | 181,507 | 1,396,006 |
| Additions | 955 | 5,050 | 11,921 | — | 409 | 67,286 | 85,621 |
| Reclassifications (note 15.1.1) | 49,205 | 114,627 | 16,749 | — | 1,666 | (182,247) | — |
| Other reclassifications (note 15.1.2) | — | (347) | (15,225) | — | — | (8) | (15,580) |
| Disposal (note 15.1.3) | — | (23) | (2,173) | — | (272) | — | (2,468) |
| Write-off | — | — | (238) | — | (22) | — | (260) |
| Effect of currency exchange differences | 14,867 | 20,518 | 4,295 | — | 411 | 15,614 | 55,705 |
| Balance at 31st December 2017 | 218,895 | 1,044,204 | 160,302 | 4,028 | 9,443 | 82,152 | 1,519,024 |
| Additions | 9,548 | 14,115 | 702 | — | 291 | 63,967 | 88,623 |
| Reclassifications (note 15.1.1) | 1,405 | 13,796 | 7,480 | — | 794 | (23,475) | — |
| Other reclassifications (note 15.1.2) | (3,177) | 1,186 | (391) | — | — | (3,883) | (6,265) |
| Disposal (note 15.1.3) | — | (285) | (271) | — | — | (146) | (702) |
| Effect of currency exchange differences | 2,688 | (13,498) | (302) | — | (103) | 1,498 | (9,717) |
| **Balance at 31st December 2018** | **229,359** | **1,059,518** | **167,520** | **4,028** | **10,425** | **120,113** | **1,590,963** |
| **Accumulated depreciation and impairment** | | | | | | | |
| Balance at 1st January 2017 | 15,978 | 158,327 | 62,246 | 1,117 | 2,627 | — | 240,295 |
| Depreciation expense | 7,437 | 47,721 | 26,793 | 403 | 1,023 | — | 83,377 |
| Reclassifications | 898 | 28 | (926) | — | — | — | — |
| Other reclassifications (note 15.1.2) | — | — | (12) | — | — | — | (12) |
| Disposal (note 15.1.3) | — | (17) | (2,121) | — | (272) | — | (2,410) |
| Impairment (note 15.1.4) | 1 | 62 | (18) | — | (18) | — | 27 |
| Effect of currency exchange differences | 914 | 3,245 | 1,239 | — | 209 | — | 5,607 |
| Balance at 31st December 2017 | 25,228 | 209,366 | 87,201 | 1,520 | 3,569 | — | 326,884 |
| Depreciation expense | 8,776 | 51,499 | 33,718 | 403 | 1,182 | — | 95,578 |
| Other reclassifications (note 15.1.2) | (202) | — | — | — | — | — | (202) |
| Disposal (note 15.1.3) | — | (9) | (234) | — | — | — | (243) |
| Impairment (note 15.1.4) | — | 24 | 336 | — | — | — | 360 |
| Effect of currency exchange differences | 162 | (3,111) | (251) | — | (78) | — | (3,278) |
| **Balance at 31st December 2018** | **33,964** | **257,769** | **120,770** | **1,923** | **4,673** | **—** | **419,099** |
| **Carrying amounts** | | | | | | | |
| At 31st December 2017 | 193,667 | 834,838 | 73,101 | 2,508 | 5,874 | 82,152 | 1,192,140 |
| **At 31st December 2018** | **195,395** | **801,749** | **46,750** | **2,105** | **5,752** | **120,113** | **1,171,864** |

## 15. Property, plant and equipment continued

### 15.1 The Group continued

15.1.1 Represents assets transferred from capital work in progress on completion.

15.1.2 Represents amount transferred to/from non current prepayment, inventories, customers, related parties and intangible assets.

15.1.3 Represents motor trucks and equipment disposed of.

15.1.4 Represents impairment of motor trucks and equipment during the year.

15.1.5 Some borrowings are secured by a debenture on all the fixed and floating assets (note 25).

### 15.2 The Company

| | Leasehold improvements and buildings ₦'million | Plant and machinery ₦'million | Motor vehicles ₦'million | Aircraft ₦'million | Furniture and equipment ₦'million | Capital work in progress ₦'million | Total ₦'million |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance at 1st January 2017 | 47,595 | 548,521 | 83,015 | 4,028 | 2,080 | 68,502 | 753,741 |
| Additions | — | 3,061 | 92 | — | 5 | 37,312 | 40,470 |
| Reclassifications (note 15.2.1) | 2,709 | 47,525 | 20,668 | — | 1,096 | (71,998) | — |
| Other reclassifications (note 15.2.2) | — | — | (15,420) | — | — | — | (15,420) |
| Disposal (note 15.2.3) | — | (23) | (2,173) | — | (272) | — | (2,468) |
| Write-off | — | — | (197) | — | — | — | (197) |
| Balance at 31st December 2017 | 50,304 | 599,084 | 85,985 | 4,028 | 2,909 | 33,816 | 776,126 |
| Additions | 4 | 7,545 | — | — | 87 | 34,509 | 42,145 |
| Reclassifications (note 15.2.1) | 1,122 | 13,720 | 6,544 | — | 505 | (21,891) | — |
| Other reclassifications (note 15.2.2) | — | (41) | (391) | — | — | (3,943) | (4,375) |
| Disposal (note 15.2.3) | — | — | (239) | — | — | — | (239) |
| **Balance at 31st December 2018** | **51,430** | **620,308** | **91,899** | **4,028** | **3,501** | **42,491** | **813,657** |
| **Accumulated depreciation and impairment** | | | | | | | |
| Balance at 1st January 2017 | 9,589 | 124,705 | 47,830 | 1,117 | 1,483 | — | 184,724 |
| Depreciation expense | 2,009 | 27,402 | 13,653 | 403 | 395 | — | 43,862 |
| Other reclassifications (note 15.2.2) | — | — | (12) | — | — | — | (12) |
| Disposal (note 15.2.3) | — | (17) | (2,121) | — | (272) | — | (2,410) |
| Balance at 31st December 2017 | 11,598 | 152,090 | 59,350 | 1,520 | 1,606 | — | 226,164 |
| Depreciation expense | 2,028 | 28,588 | 20,230 | 403 | 544 | — | 51,793 |
| Disposal (note 15.2.3) | — | — | (234) | — | — | — | (234) |
| **Balance at 31st December 2018** | **13,626** | **180,678** | **79,346** | **1,923** | **2,150** | **—** | **277,723** |
| **Carrying amounts** | | | | | | | |
| At 31st December 2017 | 38,706 | 446,994 | 26,635 | 2,508 | 1,303 | 33,816 | 549,962 |
| **At 31st December 2018** | **37,804** | **439,630** | **12,553** | **2,105** | **1,351** | **42,491** | **535,934** |

15.2.1 Represents assets transferred from capital work in progress on completion.

15.2.2 Represents amount transferred to inventories, customers and related parties.

15.2.3 Represents motor trucks and equipment disposed of.

15.2.4 Some borrowings are secured by a debenture on all the fixed and floating assets (note 25).

# Notes to the consolidated and separate financial statements
continued
## For the year ended 31st December 2018

### 16. Intangible assets

| | Group | | |
|---|---|---|---|
| | Computer software ₦'million | Exploration assets ₦'million | Total ₦'million |
| **Cost** | | | |
| Balance at 1st January 2017 | 3,856 | 2,212 | 6,068 |
| Additions | 243 | 1,396 | 1,639 |
| Reclassifications from property, plant and equipment (refer to note 15.1.2) | 8 | 347 | 355 |
| Effect of foreign currency differences | 464 | 464 | 928 |
| Balance at 31st December 2017 | 4,571 | 4,419 | 8,990 |
| Additions | 254 | 542 | 796 |
| Effect of foreign currency differences | (85) | (616) | (701) |
| **Balance at 31st December 2018** | **4,740** | **4,345** | **9,085** |
| **Amortisation** | | | |
| Balance at 1st January 2017 | 1,859 | 64 | 1,923 |
| Amortisation expense | 495 | 67 | 562 |
| Effect of foreign currency differences | 134 | 16 | 150 |
| Balance at 31st December 2017 | 2,488 | 147 | 2,635 |
| Amortisation expense | 519 | 106 | 625 |
| Effect of foreign currency differences | (114) | (30) | (144) |
| **Balance at 31st December 2018** | **2,893** | **223** | **3,116** |
| **Carrying amounts** | | | |
| At 31st December 2017 | 2,083 | 4,272 | 6,355 |
| **At 31st December 2018** | **1,847** | **4,122** | **5,969** |

Intangible assets (computer software) represent software which have useful life of four years and amortized on a straight line basis over these years.

There is no development expenditure capitalised as an internally generated intangible asset.

## 16. Intangible assets continued

| | Company | | |
|---|---|---|---|
| | Computer software ₦'million | Exploration assets ₦'million | Total ₦'million |
| **Cost** | | | |
| Balance at 1st January 2017 | 1,306 | — | 1,306 |
| Additions | 21 | — | 21 |
| Balance at 31st December 2017 | 1,327 | — | 1,327 |
| Additions | 27 | — | 27 |
| **Balance at 31st December 2018** | **1,354** | **—** | **1,354** |
| **Amortisation** | | | |
| Balance at 1st January 2017 | 1,193 | — | 1,193 |
| Amortisation expense | 97 | — | 97 |
| Balance at 31st December 2017 | 1,290 | — | 1,290 |
| Amortisation expense | 16 | — | 16 |
| **Balance at 31st December 2018** | **1,306** | **—** | **1,306** |
| **Carrying amounts** | | | |
| At 31st December 2017 | 37 | — | 37 |
| **At 31st December 2018** | **48** | **—** | **48** |

There is no development expenditure capitalised as an internally generated intangible asset.

## 17. Information regarding subsidiaries and associate

### 17.1 Subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows:

| Name of subsidiary | Principal activity | Place of incorporation and operation | Proportion of ownership or voting power held by the Group 31/12/18 | 31/12/17 |
|---|---|---|---|---|
| Dangote Cement South Africa (Pty) Limited | Cement production | South Africa | **64.00%** | 64.00% |
| Dangote Industries (Ethiopia) Plc | Cement production | Ethiopia | **99.97%** | 99.97% |
| Dangote Cement Zambia Limited | Cement production | Zambia | **99.96%** | 75.00% |
| Dangote Cement Senegal S.A. | Cement production | Senegal | **99.99%** | 99.99% |
| Dangote Cement Cameroon S.A. | Cement grinding | Cameroon | **99.97%** | 99.97% |
| Dangote Mines Limited, Tanzania | Cement production | Tanzania | **99.70%** | 99.70% |
| Dangote Cement Congo S.A | Cement production | Congo | **100.00%** | 100.00% |
| Dangote Cement (Sierra Leone) Limited | Bagging and distribution of cement | Sierra Leone | **99.60%** | 99.60% |
| Dangote Cement Côte d'Ivoire S.A. | Cement grinding | Côte d'Ivoire | **80.00%** | 80.00% |
| Dangote Industries Gabon S.A. | Cement grinding | Gabon | **80.00%** | 80.00% |
| Dangote Cement Ghana Limited | Bagging and distribution of cement | Ghana | **100.00%** | 100.00% |
| Dangote Cement – Liberia Ltd. | Bagging and distribution of cement | Liberia | **100.00%** | 100.00% |
| Dangote Cement Burkina Faso S.A. | Selling and distribution of cement | Burkina Faso | **95.00%** | 95.00% |
| Dangote Cement Chad S.A. | Selling and distribution of cement | Chad | **95.00%** | 95.00% |
| Dangote Cement Mali S.A. | Selling and distribution of cement | Mali | **95.00%** | 95.00% |

# Notes to the consolidated and separate financial statements continued

## For the year ended 31st December 2018

### 17. Information regarding subsidiaries and associate continued

#### 17.1 Subsidiaries continued

| Name of subsidiary | Principal activity | Place of incorporation and operation | Proportion of ownership or voting power held by the Group 31/12/18 | 31/12/17 |
|---|---|---|---|---|
| Dangote Cement Niger SARL | Selling and distribution of cement | Niger | **95.00%** | 95.00% |
| Dangote Industries Benin S.A. | Selling and distribution of cement | Benin | **98.00%** | 98.00% |
| Dangote Cement Togo S.A. | Selling and distribution of cement | Togo | **90.00%** | 90.00% |
| Dangote Cement Kenya Limited | Cement production | Kenya | **90.00%** | 90.00% |
| Dangote Quarries Kenya Limited | Limestone mining | Kenya | **90.00%** | 90.00% |
| Dangote Cement Madagascar Limited | Cement production | Madagascar | **95.00%** | 95.00% |
| Dangote Quarries Mozambique Limitada | Cement production | Mozambique | **95.00%** | 95.00% |
| Dangote Cement Nepal Pvt. Limited | Cement production | Nepal | **100.00%** | 100.00% |
| Dangote Zimbabwe Holdings (Private) Limited | Investment holding | Zimbabwe | **90.00%** | 90.00% |
| Dangote Cement Zimbabwe (Private) Limited | Cement production | Zimbabwe | **90.00%** | 90.00% |
| Dangote Energy Zimbabwe (Private) Limited | Power production | Zimbabwe | **90.00%** | 90.00% |
| Dangote Mining Zimbabwe (Private) Limited | Coal production | Zimbabwe | **90.00%** | 90.00% |
| Dangote Cement Guinea S.A. | Cement production | Guinea | **95.00%** | 95.00% |
| Cimenterie Obajana Sprl- D.R. Congo | Cement production | D.R. Congo | **98.00%** | 98.00% |
| Itori Cement Plc. | Cement production | Nigeria | **99.00%** | 99.00% |
| Okpella Cement Plc. | Cement production | Nigeria | **99.00%** | 99.00% |
| Dangote Takoradi Cement Production Limited | Cement grinding | Ghana | **99.00%** | 99.00% |
| Dangote Cement Yaounde | Cement grinding | Cameroon | **90.00%** | 90.00% |
| Dangote Cement Congo D.R. S.A. | Cement production | D.R. Congo | **99.00%** | 99.00% |
| DCP Cement Limited | Cement production | Nigeria | **90.00%** | — |
| Dangote Cement Limited, Tanzania | Cement production | Tanzania | **99.70%** | — |
| Dangote Contracting Services Limited, Tanzania | Contracting services | Tanzania | **99.70%** | — |
| **Indirect subsidiaries** | | | | |
| **Dangote Cement South Africa (Pty) Limited subsidiaries** | | | | |
| Sephaku Development (Pty) Ltd | Mining right holder | South Africa | **100.00%** | 100.00% |
| Sephaku Delmas Properties (Pty) Ltd | Investment property | South Africa | **100.00%** | 100.00% |
| Blue Waves Properties 198 (Pty) Ltd | Exploration | South Africa | **100.00%** | 100.00% |
| Sephaku Limestone and Exploration (Pty) Ltd | Exploration | South Africa | **80.00%** | 80.00% |
| Sephaku Enterprise Development (Pty) Ltd | Cement production | South Africa | **100.00%** | 100.00% |
| Portion 11 Klein Westerford Properties (Pty) Ltd | Investment property | South Africa | **100.00%** | 100.00% |
| **Dangote Cement Zambia Limited subsidiary** | | | | |
| Dangote Quarries (Zambia) Limited | Limestone mining | Zambia | **49.90%** | 49.90% |
| Dangote Fuels Zambia Limited | Selling and distribution of fuels | Zambia | **99.00%** | — |
| **Dangote Cement Nepal Pvt. Limited subsidiary** | | | | |
| Birat Cement Pvt. Limited | Cement production and distribution | Nepal | **100.00%** | 100.00% |

## 17. Information regarding subsidiaries and associate continued
### 17.2 Investments in subsidiaries

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Dangote Cement South Africa (Pty) Limited | **–** | – | **27,922** | 27,922 |
| Dangote Industries (Ethiopia) Plc | **–** | – | **40,036** | 40,036 |
| Dangote Cement Zambia Limited | **–** | – | **106** | – |
| Dangote Cement Senegal S.A. | **–** | – | **64,782** | 64,782 |
| Dangote Cement Cameroon S.A. | **–** | – | **15,160** | 15,160 |
| Dangote Cement Ghana Limited | **–** | – | **–** | – |
| Dangote Mines Limited, Tanzania | **–** | – | **13,851** | 13,851 |
| Dangote Cement Congo S.A. | **–** | – | **3** | 3 |
| Dangote Cement (Sierra Leone) Limited | **–** | – | **18** | 18 |
| Dangote Cement Cote d'Ivoire S.A. | **–** | – | **16** | 16 |
| Dangote Industries Gabon S.A. | **–** | – | **6** | 6 |
| Dangote Cement Burkina faso S.A. | **–** | – | **3** | 3 |
| Dangote Cement Chad S.A. | **–** | – | **3** | 3 |
| Dangote Cement Mali S.A. | **–** | – | **3** | 3 |
| Dangote Cement Niger SARL | **–** | – | **5** | 5 |
| Dangote Industries Benin S.A. | **–** | – | **3** | 3 |
| Dangote Cement Togo S.A. | **–** | – | **5** | 5 |
| Dangote Takoradi Cement Production Limited | **–** | – | **141** | 141 |
| Dangote Cement Madagascar Limited | **–** | – | **2** | – |
| Dangote Cement Congo D.R. S.A | **–** | – | **6** | – |
| Dangote Cement – Liberia Ltd. | **–** | – | **–** | – |
| Dangote Cement Kenya Limited | **–** | – | **–** | – |
| Dangote Quarries Kenya Limited | **–** | – | **–** | – |
| Dangote Quarries Mozambique Limitada | **–** | – | **–** | – |
| Dangote Cement Nepal Pvt. Ltd. | **–** | – | **–** | – |
| Dangote Zimbabwe Holdings (Private) Limited | **–** | – | **–** | – |
| Dangote Cement Zimbabwe (Private) Limited | **–** | – | **–** | – |
| Dangote Energy Zimbabwe (Private) Limited | **–** | – | **–** | – |
| Dangote Mining Zimbabwe (Private) Limited | **–** | – | **–** | – |
| Dangote Cement Guinea S.A. | **–** | – | **–** | – |
| Cimenterie Obajana Sprl- D.R. Congo | **–** | – | **–** | – |
| Itori Cement Plc. | **–** | – | **–** | – |
| Okpella Cement Plc. | **–** | – | **–** | – |
| Dangote Cement Yaounde | **–** | – | **–** | – |
| DCP Cement Limited | **–** | – | **–** | – |
| Dangote Cement Limited, Tanzania | **–** | – | **–** | – |
| Dangote Contracting Services Limited, Tanzania | **–** | – | **–** | – |
| | **–** | – | **162,071** | 161,957 |

During the year, Zambia issued additional shares, all of which were issued to Dangote Cement Plc, resulting in the dilution of non-controlling interest to 0.04%. Also, Dangote Cement Tanzania changed its name to Dangote Mines Limited, Tanzania.

# Notes to the consolidated and separate financial statements
continued
## For the year ended 31st December 2018

### 17. Information regarding subsidiaries and associate continued
#### 17.3 Investment in associate

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/18 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Societe des Ciments d'Onigbolo | **3,749** | 1,582 | **1,582** | 1,582 |
| Share of profit from associate | **563** | 2,167 | **—** | — |
| | **4,312** | 3,749 | **1,582** | 1,582 |

#### 17.4 Composition of the Group
Information about the composition of the Group at the end of the reporting period is as follows:

| Principal activity | Place of incorporation and operation | Number of wholly owned subsidiaries | |
|---|---|---|---|
| | | **2018** | 2017 |
| Cement production | Congo | **1** | 1 |
| Bagging and distribution of cement | Liberia | **1** | 1 |
| Bagging and distribution of cement | Ghana | **1** | 1 |
| Cement production | Nepal | **1** | 1 |

| Principal activity | Place of incorporation and operation | Number of non-wholly owned subsidiaries | |
|---|---|---|---|
| | | **2018** | 2017 |
| Cement production | South Africa | **1** | 1 |
| Cement production | Ethiopia | **1** | 1 |
| Cement production | Zambia | **1** | 1 |
| Cement production | Senegal | **1** | 1 |
| Cement grinding | Cameroon | **2** | 1 |
| Cement production | Tanzania | **2** | 1 |
| Contracting services | Tanzania | **1** | — |
| Bagging and distribution of cement | Sierra Leone | **1** | 1 |
| Bagging and distribution of cement | Côte d'Ivoire | **1** | 1 |
| Cement grinding | Gabon | **1** | 1 |
| Selling and distribution of cement | Burkina Faso | **1** | 1 |
| Selling and distribution of cement | Chad | **1** | 1 |
| Selling and distribution of cement | Mali | **1** | 1 |
| Selling and distribution of cement | Niger | **1** | 1 |
| Limestone mining | Kenya | **1** | 1 |
| Cement production | Kenya | **1** | 1 |
| Cement production | Madagascar | **1** | 1 |
| Selling and distribution of cement | Benin | **1** | 1 |
| Selling and distribution of cement | Togo | **1** | 1 |
| Cement production | Mozambique | **1** | 1 |
| Holding company | Zimbabwe | **1** | 1 |
| Cement production | Zimbabwe | **1** | 1 |
| Power production | Zimbabwe | **1** | 1 |
| Coal production | Zimbabwe | **1** | 1 |
| Cement production | Guinea | **1** | 1 |
| Cement production | D.R. Congo | **2** | 2 |
| Cement production | Nigeria | **3** | 2 |
| Cement grinding | Ghana | **1** | 1 |

## 17. Information regarding subsidiaries and associate continued

### 17.5 Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

| Name of subsidiary | Place of incorporation and principal place of business | Proportion of ownership interests and voting rights held by non-controlling interests 2018 % | 2017 % | Profit/(loss) allocated to non-controlling interests 2018 ₦'million | 2017 ₦'million | Accumulated non-controlling interests 2018 ₦'million | 2017 ₦'million |
|---|---|---|---|---|---|---|---|
| Sephaku Cement (Pty) Limited | South Africa | **36.00%** | 36.00% | **1,202** | 604 | **12,210** | 14,280 |

### 17.6

Summarised below is the financial information in respect of the Group's subsidiaries that have material non-controlling interests. Information below represents amounts before intra-group eliminations.

| | Dangote Cement South Africa (Pty) Limited 2018 ₦'million | 2017 ₦'million |
|---|---|---|
| **Information in respect of the financial position of the subsidiaries** | | |
| Current assets | **20,067** | 23,055 |
| Non-current assets | **69,594** | 89,247 |
| Current liabilities | **23,882** | 28,877 |
| Non-current liabilities | **29,320** | 43,758 |
| Equity attributable to owners of the Company | **24,249** | 25,387 |
| Non-controlling interests | **12,210** | 14,280 |
| **Information in respect of the profit and loss and other comprehensive income** | | |
| Revenue | **58,993** | 57,302 |
| Expenses | **(57,513)** | (55,117) |
| Tax credit | **1,859** | (508) |
| Profit for the year | **3,339** | 1,677 |
| Profit attributable to owners of the Company | **2,137** | 1,073 |
| Profit attributable to the non-controlling interests | **1,202** | 604 |
| Profit for the year | **3,339** | 1,677 |
| Other comprehensive income | **—** | — |
| Total comprehensive income for the year | **3,339** | 1,677 |
| Total comprehensive income attributable to owners of the Company | **2,137** | 1,073 |
| Total comprehensive income attributable to the non-controlling interests | **1,202** | 604 |
| Total comprehensive income for the year | **3,339** | 1,677 |
| **Information in respect of the cash flows of the subsidiary** | | |
| Dividends paid to non-controlling interests | **—** | — |
| Net cash inflow from operating activities | **9,482** | 12,223 |
| Net cash (outflow)/inflow from investing activities | **(14)** | 63 |
| Net cash outflow from financing activities | **(7,445)** | (9,261) |
| **Net cash inflow** | **2,023** | 3,025 |

### 17.7 Change in the Group's ownership interest in a subsidiary

The Company's shareholding in Dangote Cement Zambia Limited was increased as explained in note 17.2. Also additional subsidiaries were incorporated in Nigeria and Tanzania during the year.

### 17.8 Significant restrictions

There are no significant restrictions on the Company's or its subsidiaries' ability to access or use its assets to settle the liabilities of the Group.

# Notes to the consolidated and separate financial statements
continued
## For the year ended 31st December 2018

### 18. Prepayments
#### 18.1 Prepayments for property, plant and equipment

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| **Non-current** | | | | |
| Advance to contractors | **33,408** | 16,101 | **—** | 1,600 |
| Operating lease | **2,975** | — | **—** | — |
| **Total non-current prepayments** | **36,383** | 16,101 | **—** | 1,600 |

#### 18.2 Prepayments and other current assets

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Advance to contractors | **8,563** | 17,680 | **5,965** | 5,791 |
| Deposits for import | **14,942** | 13,839 | **12,589** | 9,914 |
| Deposit for supplies | **8,519** | 5,638 | **1,634** | 1,083 |
| Rent, rates and insurance | **3,846** | 2,596 | **2,077** | 1,303 |
| Other financial assets | **8** | 10 | **—** | — |
| **Total current prepayments and other assets** | **35,878** | 39,763 | **22,265** | 18,091 |
| **Related-party transactions** | | | | |
| Parent company | **524** | — | **524** | — |
| Entities controlled by the parent company | **65,481** | 75,733 | **61,627** | 72,706 |
| Receivables from subsidiaries | **—** | — | **168,173** | 157,397 |
| **Total related-party transactions** | **66,005** | 75,733 | **230,324** | 230,103 |
| **Prepayments and other current assets** | **101,883** | 115,496 | **252,589** | 248,194 |

Non-current advances to contractors represent various advances made to contractors for the construction of plants while current advances to contractors represent various advances made for the purchase of LPFO, AGO, coal and other materials which were not received at the year end.

### 19. Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Finished product | **8,529** | 6,389 | **6,358** | 4,768 |
| Work in progress | **16,750** | 10,096 | **4,473** | 4,511 |
| Raw materials | **6,281** | 5,898 | **2,323** | 1,993 |
| Packaging materials | **4,040** | 4,180 | **1,018** | 1,332 |
| Consumables | **10,184** | 8,287 | **6,745** | 6,079 |
| Fuel | **11,612** | 11,621 | **7,147** | 9,312 |
| Spare parts | **44,452** | 36,403 | **29,341** | 26,275 |
| Goods in transit | **5,150** | 11,720 | **2,415** | 7,989 |
| | **106,998** | 94,594 | **59,820** | 62,259 |

The cost of inventories recognised as an expense during the year was ₦275.89 billion and ₦120.70 billion (2017: ₦250.50 billion and ₦104.54 billion) in the consolidated and separate financial statements respectively.

The amount recognised as obsolescence during the year was ₦35.6 million (2017: ₦133.4 million) for Group.

## 20. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Trade receivables | **16,626** | 16,784 | **7,036** | 10,180 |
| Impairment allowance on trade receivables | **(1,346)** | (645) | **(1,272)** | (616) |
| | **15,280** | 16,139 | **5,764** | 9,564 |
| Staff loans and advances | **1,514** | 1,463 | **1,162** | 1,209 |
| Other receivables | **27,674** | 12,553 | **4,120** | 1,567 |
| **Total trade and other receivables** | **44,468** | 30,155 | **11,046** | 12,340 |

### Trade receivables

The average credit period on sales of goods for both the Group and Company is as shown below.

Of the trade receivables balance at the end of the year in the consolidated and separate financial statements respectively, ₦666.8 million (2017: ₦537 million) and ₦1.13 billion (2017: ₦6.0 billion) are due from the Group's and Company's largest trade debtor respectively. There are no other customers which represent more than 10% of the total balance of trade receivables of the Group after impairment.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100% against all receivables over 720 days past due, except where there is adequate security, because historical experience has indicated that these receivables are generally not recoverable.

There has been no change in the estimation techniques or significant assumptions made during the current reporting year.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, except where there is adequate security. None of the trade receivables that have been written off are subject to enforcement activities.

Trade receivables are considered to be past due when they exceed the credit period granted.

The following table details the risk profile of trade receivables based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

| | Group | | | | | |
|---|---|---|---|---|---|---|
| **31/12/18** | **Not past due ₦'million** | **<30 ₦'million** | **31–60 ₦'million** | **61–90 ₦'million** | **>90 ₦'million** | **Total ₦'million** |
| Expected credit loss rate | **1.0%** | **0.0%** | **0.3%** | **2.7%** | **89.0%** | |
| Estimated total gross carrying amount at default | **9,855** | **4,455** | **805** | **111** | **1,400** | **16,626** |
| **Lifetime ECL** | **95** | **—** | **2** | **3** | **1,246** | **1,346** |

| | Company | | | | | |
|---|---|---|---|---|---|---|
| **31/12/18** | **Not past due ₦'million** | **<30 ₦'million** | **31–60 ₦'million** | **61–90 ₦'million** | **>90 ₦'million** | **Total ₦'million** |
| Expected credit loss rate | **0.9%** | **0.9%** | **2.1%** | **6.0%** | **49.9%** | |
| Estimated total gross carrying amount at default | **4,360** | **49** | **114** | **50** | **2,463** | **7,036** |
| **Lifetime ECL** | **39** | **—** | **2** | **3** | **1,228** | **1,272** |

# Notes to the consolidated and separate financial statements continued
## For the year ended 31st December 2018

### 21. Financial lease receivables

| | Group/Company | |
|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Current finance lease receivables | **2,380** | 1,608 |
| Non-current finance lease receivables | **6,475** | 6,614 |
| | **8,855** | 8,222 |

**Leasing arrangements**

The Group entered into finance lease arrangement for some of its trucks. All leases are denominated in Naira. The average term of finance leases entered into is 4.17 years.

**Amounts receivable under finance leases:**

| | Group/Company | | | |
|---|---|---|---|---|
| | Minimum lease payments | | Present value of minimum lease payment | |
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Not later than one year | **3,349** | 2,691 | **2,380** | 1,608 |
| Later than one year and not later than five years | **7,584** | 8,523 | **6,475** | 6,614 |
| Later than five years | **—** | — | **—** | — |
| | **10,933** | 11,214 | **8,855** | 8,222 |
| Less: unearned finance income | **(2,078)** | (2,992) | **—** | — |
| Present value of minimum lease payments receivable | **8,855** | 8,222 | **8,855** | 8,222 |
| Allowance for uncollectable lease payments | **—** | — | **—** | — |
| | **8,855** | 8,222 | **8,855** | 8,222 |

Unguaranteed residual values of assets leased under finance leases at the end of the reporting year are estimated at nil.

The average effective interest rate implicit in the contracts is 14% (2017: 14%) per annum.

The Directors of the Company estimate the loss allowance on finance lease receivables at the end of the reporting year at an amount equal to lifetime ECL. Taking into account the historical default experience and the future prospects of the industries in which the lessees operate, together with the value of collateral held over these finance lease receivables, the Directors of the Company consider that no finance lease receivables are impaired.

The table below shows the aged analysis of the finance lease receivables:

| | Group/Company | | | | | |
|---|---|---|---|---|---|---|
| **31/12/18** | **Not past due ₦'million** | **<30 ₦'million** | **31–60 ₦'million** | **61–90 ₦'million** | **>90 ₦'million** | **Total ₦'million** |
| Estimated total gross carrying amount at default | **8,721** | **92** | **39** | **3** | **—** | **8,855** |

## 22. Share capital

### 22.1

| | Group/Company | |
|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| **Issued and fully paid** | | |
| Share capital 17,040,507,405 (2017: 17,040,507,405) ordinary shares of ₦0.5 each | **8,520** | 8,520 |
| Share premium | **42,430** | 42,430 |

### 22.2

Authorised share capital as at reporting dates represents 20,000,000,000 units of ordinary shares of ₦0.5 each.

Fully paid ordinary shares carry one vote per fully paid up share and a right to dividends when declared and approved.

### 22.3 Currency translation reserve

Exchange difference relating to the translation of the results and net investments of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. currency units) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of foreign operations.

### 22.4 Capital contribution

A subordinated loan was obtained by the Company from the immediate parent, Dangote Industries Limited, in 2010. The interest on the long-term portion was waived for 2011. Given the favourable terms at which the Company secured the loan, an amount of ₦2.8 billion, which is the difference between the fair value of the loan on initial recognition and the amount received, has been accounted for as a capital contribution.

## 23. Dividend

On 20th June 2018, a dividend of ₦10.50 per share (total dividend ₦178.9 billion) was approved by shareholders to be paid to holders of fully paid ordinary shares in relation to 2017 financial year.

In respect of the current year, the Directors proposed a dividend of ₦16.00 per share. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these consolidated and separate financial statements.

## 24. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Trade payables | **86,265** | 78,561 | **41,157** | 50,235 |
| Payable to contractors | **22,477** | 30,933 | **12,695** | 21,148 |
| Value added tax | **3,050** | 2,775 | **1,163** | 873 |
| Withholding tax payable | **6,476** | 9,485 | **415** | 1,118 |
| Staff pension (note 28.1) | **461** | 266 | **7** | 8 |
| Advances from customers | **26,299** | 27,163 | **17,986** | 16,592 |
| Suppliers' credit | **17,660** | 41,492 | **3,523** | 23,337 |
| Accruals | **68,282** | 80,046 | **15,933** | 29,426 |
| **Total trade and other payables** | **230,970** | 270,721 | **92,879** | 142,737 |

The average credit period on purchases of goods is 82 days (2017: 82 days). Normally, no interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid in line with the pre-agreed credit terms.

# Notes to the consolidated and separate financial statements
continued
## For the year ended 31st December 2018

### 25. Financial liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| **Unsecured borrowings at amortised cost** | | | | |
| Subordinated loans (note 25(a)) | **—** | 29,998 | **—** | 29,998 |
| Loans from Dangote Industries Limited | **56,956** | 129,597 | **56,956** | 129,597 |
| Bulk Commodities Inc. loans | **17,765** | 16,159 | **1,184** | 1,093 |
| Loans from Dangote Oil & Gas | **42,776** | 39,262 | **42,776** | 39,262 |
| Commercial papers (note 25(c)) | **79,273** | — | **79,273** | — |
| | **196,770** | 215,016 | **180,189** | 199,950 |
| **Secured borrowings at amortised cost** | | | | |
| Power intervention loan (note 25(b)) | **7,838** | 10,225 | **7,838** | 10,225 |
| Bank loans | **130,693** | 146,853 | **10,218** | 18,015 |
| | **138,531** | 157,078 | **18,056** | 28,240 |
| **Total borrowings at 31st December** | **335,301** | 372,094 | **198,245** | 228,190 |
| **Long-term portion of loans and borrowings** | **125,725** | 242,894 | **62,168** | 157,195 |
| **Current portion repayable in one year and shown under current liabilities** | **201,706** | 122,568 | **136,077** | 70,995 |
| Overdraft balances | **7,870** | 6,632 | **—** | — |
| **Short-term portion** | **209,576** | 129,200 | **136,077** | 70,995 |
| Interest payable | **10,552** | 15,583 | **9,359** | 15,195 |
| **Financial liabilities (short term)** | **220,128** | 144,783 | **145,436** | 86,190 |

(a) A subordinated loan of ₦55.4 billion was obtained by the Company from Dangote Industries Limited in 2010. ₦30 billion was long-term and the remaining balance was short term and is repayable on demand. The long-term loan is unsecured, with interest at 10% per annum and is repayable in three years after a moratorium period ending 31st March 2017. The interest on the long term portion was waived for 2011. Given the favourable terms at which the Company secured the loan, an amount of ₦2.8 billion which is the difference between the fair value of the loan on initial recognition and the amount received, has been accounted for as a capital contribution. This loan was repaid during the year.

(b) In 2011 and 2012, the Bank of Industry through Guaranty Trust Bank Plc and Access Bank Plc granted the Company the sum of ₦24.5 billion long-term loan repayable over ten years at an all-in annual interest rate of 7% for part financing or refinancing the construction cost of the power plants at the Company's factories under the Power and Aviation Intervention Fund. The loan has a moratorium of twelve months. Given the concessional terms at which the Company secured the loan, it is considered to have an element of government grant. Using prevailing market interest rates for an equivalent loan of 12.5%, the fair value of the loan is estimated at ₦20.7 billion. The difference of ₦3.8 billion between the gross proceeds and the fair value of the loan is the benefit derived from the low interest loan and is recognised as deferred revenue. The facility is secured by a debenture on all fixed and floating assets of the Company to be shared pari passu with existing lenders.

(c) Commercial paper with a face value of ₦50 billion and nominal discount rate of 12.40% – 12.65% was issued in June 2018. Another tranche of ₦50 billion with similar nominal discount was issued in August 2018.

## 25. Financial liabilities continued

| | Currency | Nominal interest rate | Maturity on demand | Group 31/12/18 ₦'million | Group 31/12/17 ₦'million |
|---|---|---|---|---|---|
| Bank overdrafts | | | On demand | **7,870** | 6,632 |
| **Other borrowings** | | | | | |
| Subordinated loans from parent company | Naira | MPR + 1% | 12/2018 | **–** | 29,998 |
| Other loans from parent company | Naira | 13% | 2020 | **56,956** | 129,597 |
| Loan from Bulk Commodities Inc. | USD | 6%-8% | On demand and 2021 | **17,765** | 16,159 |
| Commercial paper | Naira | 12.40%–12.65% | 2019 | **79,273** | – |
| Loans from Dangote Oil & Gas | Naira | 6.5% | 2019 | **42,776** | 39,262 |
| Power intervention loan | Naira | 7% | 07 and 12/2021 | **7,838** | 10,225 |
| Short-term bank loans | USD | 6.5% | 2019 | **62,593** | 37,125 |
| Long-term bank loans | CFA | 8.50% | 07/2021 | **24,974** | 54,002 |
| Nedbank/Standard Bank Loan | Rands | JIBAR + 4% | 11/2022 | **35,256** | 49,094 |
| | | | | **327,431** | 365,462 |
| **Total borrowings at 31st December** | | | | **335,301** | 372,094 |

| | Currency | Nominal interest rate | Maturity on demand | Company 31/12/18 ₦'million | Company 31/12/17 ₦'million |
|---|---|---|---|---|---|
| Subordinated loans | Naira | MPR + 1% | 12/2018 | **–** | 29,998 |
| Loans from parent company | Naira | 13% | 2020 | **56,956** | 129,597 |
| Loan from Bulk Commodities Inc. | USD | 6% | On demand | **1,184** | 1,093 |
| Loans from Dangote Oil & Gas | Naira | 6.5% | 2019 | **42,776** | 39,262 |
| Power intervention loan | Naira | 7% | 07 and 12/2021 | **7,838** | 10,225 |
| Commercial paper | Naira | 12.40%–12.65% | 2019 | **79,273** | – |
| Short-term loans from banks | USD | 6.5% | 2019 | **10,218** | 18,015 |
| **Total borrowings at 31st December** | | | | **198,245** | 228,190 |

The maturity profiles of borrowings are as follows:

| | Group 31/12/18 ₦'million | Group 31/12/17 ₦'million | Company 31/12/18 ₦'million | Company 31/12/17 ₦'million |
|---|---|---|---|---|
| Due within one month | **8,446** | 11,199 | **406** | 406 |
| Due from one to three months | **5,044** | 4,886 | **250** | 2,750 |
| Due from three to twelve months | **196,086** | 113,115 | **135,421** | 67,839 |
| **Total current portion repayable in one year** | **209,576** | 129,200 | **136,077** | 70,995 |
| Due in the second year | **83,993** | 163,518 | **59,581** | 142,223 |
| Due in the third year | **25,114** | 37,484 | **2,311** | 12,623 |
| Due in the fourth year | **12,274** | 25,395 | **276** | 2,186 |
| Due in the fifth year and further | **4,344** | 16,497 | **–** | 163 |
| **Total long-term portion of loans and borrowings** | **125,725** | 242,894 | **62,168** | 157,195 |
| **Total** | **335,301** | 372,094 | **198,245** | 228,190 |

# Notes to the consolidated and separate financial statements continued
## For the year ended 31st December 2018

### 25. Financial liabilities continued
The table below details changes in the liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

| | Group | | | | |
|---|---|---|---|---|---|
| | 01/01/18 ₦'million | Financing cash flows ₦'million | Exchange gains/(losses) ₦'million | Others ₦'million | **31/12/18 ₦'million** |
| Subordinated loans | 29,998 | (29,998) | — | — | **—** |
| Loans from Dangote Industries Limited | 129,597 | (72,496) | (145) | — | **56,956** |
| Bulk Commodities loans | 16,159 | 1,098 | 508 | — | **17,765** |
| Loans from Dangote Oil & Gas | 39,262 | 3,338 | 176 | — | **42,776** |
| Power intervention loan | 10,225 | (2,377) | — | (10) | **7,838** |
| Commercial papers | — | 79,273 | — | — | **79,273** |
| Bank loans | 140,221 | (11,185) | (6,213) | — | **122,823** |
| | 365,462 | (32,347) | (5,674) | (10) | **327,431** |

| | Company | | | | |
|---|---|---|---|---|---|
| | 01/01/18 ₦'million | Financing cash flows ₦'million | Exchange gains/(losses) ₦'million | Others ₦'million | **31/12/18 ₦'million** |
| Subordinated loans | 29,998 | (29,998) | — | — | **—** |
| Loans from Dangote Industries Limited | 129,597 | (72,496) | (145) | — | **56,956** |
| Bulk Commodities loans | 1,093 | — | 91 | — | **1,184** |
| Loans from Dangote Oil & Gas | 39,262 | 3,338 | 176 | — | **42,776** |
| Power intervention loan | 10,225 | (2,377) | — | (10) | **7,838** |
| Commercial papers | — | 79,273 | — | — | **79,273** |
| Bank loans | 18,015 | (7,857) | 60 | — | **10,218** |
| | 228,190 | (30,117) | 182 | (10) | **198,245** |

| | Group | | | | |
|---|---|---|---|---|---|
| | 01/01/17 ₦'million | Financing cash flows ₦'million | Exchange gains/(losses) ₦'million | Others ₦'million | 31/12/17 ₦'million |
| Subordinated loans | 29,998 | — | — | — | 29,998 |
| Loans from Dangote Industries Limited | 46,097 | 83,500 | — | — | 129,597 |
| Bulk Commodities loans | 9,794 | 5,841 | 524 | — | 16,159 |
| Loans from Dangote Petroleum Refinery and Petrochemicals FZE | 130,000 | (130,000) | — | — | — |
| Power intervention loan | 12,496 | (2,625) | — | 354 | 10,225 |
| Bank loans | 121,788 | 5,961 | 12,472 | — | 140,221 |
| Loans from Dangote Oil & Gas | — | 39,914 | (652) | — | 39,262 |
| | 350,173 | 2,591 | 12,344 | 354 | 365,462 |

## 25. Financial liabilities continued

| | Company | | | | |
|---|---|---|---|---|---|
| | 01/01/17 ₦'million | Financing cash flows ₦'million | Exchange gains/(losses) ₦'million | Others ₦'million | 31/12/17 ₦'million |
| Subordinated loans | 29,998 | — | — | — | 29,998 |
| Loans from Dangote Industries Limited | 46,097 | 83,500 | — | — | 129,597 |
| Bulk Commodities loans | 1,004 | — | 89 | — | 1,093 |
| Loans from Dangote Petroleum Refinery and Petrochemicals FZE | 130,000 | (130,000) | — | — | — |
| Power intervention loan | 12,496 | (2,625) | — | 354 | 10,225 |
| Bank loans | 42,683 | (24,743) | 75 | — | 18,015 |
| Loans from Dangote Oil & Gas | — | 39,914 | (652) | — | 39,262 |
| | 262,278 | (33,954) | (488) | 354 | 228,190 |

## 26. Deferred revenue and other liabilities

### 26.1. Deferred revenue

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Deferred revenue arising from government grant (refer to (a) below) | **741** | 1,147 | **355** | 629 |
| | **741** | 1,147 | **355** | 629 |
| Current (note 26.2) | **225** | 308 | **199** | 274 |
| Non-current | **516** | 839 | **156** | 355 |
| | **741** | 1,147 | **355** | 629 |

a) The deferred revenue mainly arises as a result of the benefit received from government loans received in 2011 and 2012 (see note 25 (b)). The revenue was recorded in other income line.

**Movement in deferred revenue**

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Balance at 1st January | **1,147** | 1,446 | **629** | 975 |
| Additions during the year | **—** | 77 | **—** | — |
| | **1,147** | 1,523 | **629** | 975 |
| Released to profit and loss account (other income) | **(306)** | (376) | **(274)** | (346) |
| Effect of foreign exchange differences | **(100)** | — | **—** | — |
| Closing balance | **741** | 1,147 | **355** | 629 |

# Notes to the consolidated and separate financial statements continued
## For the year ended 31st December 2018

### 26.2 Other current liabilities

| | Group 31/12/18 ₦'million | Group 31/12/17 ₦'million | Company 31/12/18 ₦'million | Company 31/12/17 ₦'million |
|---|---|---|---|---|
| Current portion of deferred revenue (note 26.1) | **225** | 308 | **199** | 274 |
| **Related-party transactions** | | | | |
| Parent company | **—** | 8,133 | **—** | 8,133 |
| Entities controlled by the parent company | **17,644** | 12,741 | **10,529** | 9,346 |
| Affiliates and associates of parent company | **17,316** | 19,889 | **14,219** | 15,083 |
| Payables to subsidiaries | **—** | — | **12,889** | 18,406 |
| **Total of related-party transactions** | **34,960** | 40,763 | **37,637** | 50,968 |
| **Other current liabilities** | **35,185** | 41,071 | **37,836** | 51,242 |

### 27. Provisions for liabilities and other charges

| | Group 31/12/18 ₦'million | Group 31/12/17 ₦'million | Company 31/12/18 ₦'million | Company 31/12/17 ₦'million |
|---|---|---|---|---|
| Restoration cost | **2,753** | 3,416 | **1,310** | 2,073 |
| | **2,753** | 3,416 | **1,310** | 2,073 |

| Group | 2018 Restoration ₦'million | 2018 Others ₦'million | 2018 Total ₦'million | 2017 Restoration ₦'million | 2017 Others ₦'million | 2017 Total ₦'million |
|---|---|---|---|---|---|---|
| Balance at the beginning of the year | **3,416** | **—** | **3,416** | 3,344 | — | 3,344 |
| Effect of foreign exchange differences | **(168)** | **—** | **(168)** | 153 | — | 153 |
| Provisions made during the year | **(313)** | **—** | **(313)** | (691) | — | (691) |
| Transfer to short term | **(442)** | **—** | **(442)** | — | — | — |
| Unwinding of discount | **260** | **—** | **260** | 610 | — | 610 |
| **Balance at the end of the year** | **2,753** | **—** | **2,753** | 3,416 | — | 3,416 |

| Company | 2018 Restoration ₦'million | 2018 Others ₦'million | 2018 Total ₦'million | 2017 Restoration ₦'million | 2017 Others ₦'million | 2017 Total ₦'million |
|---|---|---|---|---|---|---|
| Balance at the beginning of the year | **2,073** | **—** | **2,073** | 2,302 | — | 2,302 |
| Provisions made during the year | **(1,016)** | **—** | **(1,016)** | (839) | — | (839) |
| Unwinding of discount | **253** | **—** | **253** | 610 | — | 610 |
| **Balance at the end of the year** | **1,310** | **—** | **1,310** | 2,073 | — | 2,073 |

The Group's obligations are to settle environmental restoration and dismantling/decommissioning cost of property, plant and equipment when the Group has a legal or constructive obligation to do so. The expenditure is expected to be utilised at the end of the useful lives for the mines which is currently estimated to be between the years 2025 and 2035.

## 28. Employee benefits
### 28.1 Defined contribution plans

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Balance at beginning of the year | **266** | 211 | **8** | 41 |
| Provision for the year | **2,117** | 2,707 | **1,075** | 1,826 |
| Payments during the year | **(1,922)** | (2,652) | **(1,076)** | (1,859) |
| **Balance at the end of the year** | **461** | 266 | **7** | 8 |

Provisions for staff pensions have been made in the financial statements in accordance with the relevant pension rules applicable in the country. The accrual at 31st December 2018 amounted to ₦461 million (2017: ₦266 million) for the Group.

Outstanding staff pension deductions that have not been remitted as at year end have been accrued accordingly. The employees of the Group are members of a state-arranged pension scheme which is managed by several private sector service providers. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the defined contribution plan is to make the specified contributions.

The total expense recognised in profit or loss of ₦2.12 billion (2017: ₦2.71 billion) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

## 29. Financial instruments
### 29.1 Capital management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt (borrowings as detailed in note 25 offset by cash and bank balances) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests as detailed below.

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Net debt | **168,405** | 203,707 | **89,265** | 125,722 |
| Equity | **986,613** | 781,360 | **1,293,548** | 991,017 |

The Finance committee reviews the capital structure of the Group on a quarterly basis. As part of this review, the Committee considers the cost of capital and the risks associated with each class of capital. The Group endeavours to maintain an optimum mix of net debt to equity ratio which provides benefits of trading on equity without exposing the Group to any undue long-term liquidity risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain the capital or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new and/or bonus shares, or raise debts in favourable market conditions.

The net debt to equity ratio as at 31st December 2018 is 17% (2017: 26%).

#### 29.1.1 Debt to equity ratio

The debt to equity ratio at the end of the reporting period was as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Financial debt (note 25) | **335,301** | 372,094 | **198,245** | 228,190 |
| Cash and bank balances (note 31.1) | **166,896** | 168,387 | **108,980** | 102,468 |
| Net debt | **168,405** | 203,707 | **89,265** | 125,722 |
| Equity | **986,613** | 781,360 | **1,293,548** | 991,017 |
| Net debt/equity ratio | **0.17** | 0.26 | **0.07** | 0.13 |

# Notes to the consolidated and separate financial statements continued

## For the year ended 31st December 2018

### 29. Financial instruments continued

#### 29.2 Categories of financial instruments

| | Group | | | | |
|---|---|---|---|---|---|
| 31/12/18 | Amortised cost ₦'million | FVTOCI ₦'million | Total financial ₦'million | Non-financial ₦'million | Total ₦'million |
| **Assets** | | | | | |
| Property, plant and equipment | – | – | – | 1,171,864 | 1,171,864 |
| Intangible assets | – | – | – | 5,969 | 5,969 |
| Investment in associate | – | – | – | 4,312 | 4,312 |
| Finance lease receivables | 8,855 | – | 8,855 | – | 8,855 |
| Deferred tax asset | – | – | – | 40,622 | 40,622 |
| Prepayments for property, plant and equipment | – | – | – | 36,383 | 36,383 |
| Inventories | – | – | – | 106,998 | 106,998 |
| Trade and other receivables | 44,468 | – | 44,468 | – | 44,468 |
| Prepayments and other current assets | 66,013 | – | 66,013 | 35,870 | 101,883 |
| Current income tax receivables | – | – | – | 6,213 | 6,213 |
| Cash and bank balances | 166,896 | – | 166,896 | – | 166,896 |
| **Total financial assets** | 286,232 | – | 286,232 | 1,408,231 | 1,694,463 |
| **Liabilities** | | | | | |
| Trade and other payables | 195,145 | – | 195,145 | 35,825 | 230,970 |
| Current income tax payable | – | – | – | 9,223 | 9,223 |
| Financial liabilities | 345,853 | – | 345,853 | – | 345,853 |
| Other current liabilities | 34,960 | – | 34,960 | 225 | 35,185 |
| Deferred tax liabilities | – | – | – | 83,350 | 83,350 |
| Long-term provisions and other charges | – | – | – | 2,753 | 2,753 |
| Deferred revenue | – | – | – | 516 | 516 |
| **Total financial liabilities** | 575,958 | – | 575,958 | 131,892 | 707,850 |

## 29. Financial instruments continued

### 29.2 Categories of financial instruments continued

| | Group | | | | |
|---|---|---|---|---|---|
| 31/12/17 | Amortised cost ₦'million | FVTOCI ₦'million | Total financial ₦'million | Non-financial ₦'million | Total ₦'million |
| **Assets** | | | | | |
| Property, plant and equipment | — | — | — | 1,192,140 | 1,192,140 |
| Intangible assets | — | — | — | 6,355 | 6,355 |
| Investment in associate | — | — | — | 3,749 | 3,749 |
| Finance lease receivables | 8,222 | — | 8,222 | — | 8,222 |
| Deferred tax asset | — | — | — | 30,625 | 30,625 |
| Prepayments for property, plant and equipment | — | — | — | 16,101 | 16,101 |
| Inventories | — | — | — | 94,594 | 94,594 |
| Trade and other receivables | 30,155 | — | 30,155 | — | 30,155 |
| Prepayments and other current assets | 75,743 | — | 75,743 | 39,753 | 115,496 |
| Current income tax receivables | — | — | — | 59 | 59 |
| Cash and bank balances | 168,387 | — | 168,387 | — | 168,387 |
| **Total financial assets** | 282,507 | — | 282,507 | 1,383,376 | 1,665,883 |
| **Liabilities** | | | | | |
| Trade and other payables | 231,298 | — | 231,298 | 39,423 | 270,721 |
| Current income tax payable | — | — | — | 63,901 | 63,901 |
| Financial liabilities | 387,677 | — | 387,677 | — | 387,677 |
| Other current liabilities | 40,763 | — | 40,763 | 308 | 41,071 |
| Deferred tax liabilities | — | — | — | 116,898 | 116,898 |
| Long-term provisions and other charges | — | — | — | 3,416 | 3,416 |
| Deferred revenue | — | — | — | 839 | 839 |
| **Total financial liabilities** | 659,738 | — | 659,738 | 224,785 | 884,523 |

# Notes to the consolidated and separate financial statements continued

## For the year ended 31st December 2018

### 29. Financial instruments continued

#### 29.2 Categories of financial instruments continued

| | Company | | | | |
|---|---|---|---|---|---|
| 31/12/18 | Amortised cost ₦'million | FVTOCI ₦'million | Total financial ₦'million | Non-financial ₦'million | Total ₦'million |
| **Assets** | | | | | |
| Property, plant and equipment | – | – | – | 535,934 | 535,934 |
| Intangible assets | – | – | – | 48 | 48 |
| Investments in subsidiaries | – | – | – | 162,071 | 162,071 |
| Investment in associate | – | – | – | 1,582 | 1,582 |
| Finance lease receivables | 8,855 | – | 8,855 | – | 8,855 |
| Deferred tax asset | – | – | – | 14,561 | 14,561 |
| Other receivables | 560,277 | – | 560,277 | – | 560,277 |
| Inventories | – | – | – | 59,820 | 59,820 |
| Trade and other receivables | 11,046 | – | 11,046 | – | 11,046 |
| Prepayments and other current assets | 230,324 | – | 230,324 | 22,265 | 252,589 |
| Current income tax receivables | – | – | – | 6,211 | 6,211 |
| Cash and bank balances | 108,980 | – | 108,980 | – | 108,980 |
| **Total financial assets** | **919,482** | **–** | **919,482** | **802,492** | **1,721,974** |
| **Liabilities** | | | | | |
| Trade and other payables | 73,315 | – | 73,315 | 19,564 | 92,879 |
| Current income tax payable | – | – | – | 8,608 | 8,608 |
| Financial liabilities | 207,604 | – | 207,604 | – | 207,604 |
| Other current liabilities | 37,637 | – | 37,637 | 199 | 37,836 |
| Deferred tax liabilities | – | – | – | 80,033 | 80,033 |
| Long-term provisions and other charges | – | – | – | 1,310 | 1,310 |
| Deferred revenue | – | – | – | 156 | 156 |
| **Total financial liabilities** | **318,556** | **–** | **318,556** | **109,870** | **428,426** |

## 29. Financial Instruments continued

### 29.2 Categories of financial instruments continued

| | Company | | | | |
|---|---|---|---|---|---|
| 31/12/17 | Amortised cost ₦'million | FVTOCI ₦'million | Total financial ₦'million | Non-financial ₦'million | Total ₦'million |
| **Assets** | | | | | |
| Property, plant and equipment | — | — | — | 549,962 | 549,962 |
| Intangible assets | — | — | — | 37 | 37 |
| Investments in subsidiaries | — | — | — | 161,957 | 161,957 |
| Investment in associate | — | — | — | 1,582 | 1,582 |
| Finance lease receivables | 8,222 | — | 8,222 | — | 8,222 |
| Deferred tax asset | — | — | — | 6,674 | 6,674 |
| Prepayments for property, plant and equipment | — | — | — | 1,600 | 1,600 |
| Other receivables | 455,792 | — | 455,792 | — | 455,792 |
| Inventories | — | — | — | 62,259 | 62,259 |
| Trade and other receivables | 12,340 | — | 12,340 | — | 12,340 |
| Prepayments and other current assets | 230,103 | — | 230,103 | 18,091 | 248,194 |
| Cash and bank balances | 102,468 | — | 102,468 | — | 102,468 |
| **Total financial assets** | 808,925 | — | 808,925 | 802,162 | 1,611,087 |
| **Liabilities** | | | | | |
| Trade and other payables | 124,154 | — | 124,154 | 18,583 | 142,737 |
| Current income tax payable | — | — | — | 63,787 | 63,787 |
| Financial liabilities | 243,385 | — | 243,385 | — | 243,385 |
| Other current liabilities | 50,968 | — | 50,968 | 274 | 51,242 |
| Deferred tax liabilities | — | — | — | 116,491 | 116,491 |
| Long-term provisions and other charges | — | — | — | 2,073 | 2,073 |
| Deferred revenue | — | — | — | 355 | 355 |
| **Total financial liabilities** | 418,507 | — | 418,507 | 201,563 | 620,070 |

### 29.3 Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group and analyses exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

### 29.4 Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (note 29.5.1) and interest rates (note 29.7.2).

# Notes to the consolidated and separate financial statements continued
## For the year ended 31st December 2018

### 29. Financial instruments continued
### 29.5 Foreign currency risk management
The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Income is primarily earned in local currency for most of the locations with a significant portion of capital expenditure being in foreign currency. The Group manages foreign currency by monitoring our financial position in each country where we operate with the aim of having assets and liabilities denominated in the functional currency as much as possible. The carrying amounts of the Group and Company's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting year are as follows:

| | Group | | | |
|---|---|---|---|---|
| | Liabilities | | Assets | |
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| US Dollars | **269,921** | 197,867 | **35,580** | 20,753 |

| | Company | | | |
|---|---|---|---|---|
| | Liabilities | | Assets | |
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| US Dollars | **214,311** | 163,725 | **740,079** | 575,654 |

#### 29.5.1 Foreign currency sensitivity analysis
The Group is mainly exposed to US Dollars.

The following table details the Group and Company's sensitivity to a 15% (2017: 15%) increase and decrease in the Naira against the US Dollar. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 15% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit or equity for a 15% change in the exchange rates. A negative number below indicates a decrease in profit or equity for a 15% change in the exchange rates.

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Effect on profit or loss/equity for a 15% (2017: 15%) appreciation | **24,606** | 18,597 | **(55,206)** | (43,253) |
| Effect on profit or loss/equity for a 15% (2017: 15%) depreciation | **(24,606)** | (18,597) | **55,206** | 43,253 |

This is mainly attributable to the exposure outstanding on US Dollar receivables and payables at the end of the reporting period.

### 29.6 Credit risk management
Credit risk refers to the risk that counterparties will default on their contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties.

The Group's and Company's business is predominantly on a cash basis. Revolving credits granted to major distributors and very large corporate customers approximate about ₦5 billion and these are payable within 30 days. Stringent credit control is exercised over the granting of credit; this is done through the review and approval by executive management based on the recommendation of the independent credit control group.

Credits to major distributors are covered by bank guarantee with an average credit period of no more than 15 days.

For very large corporate customers, clean credits are granted based on previous business relationships and positive creditworthiness which is performed on an ongoing basis. These credits are usually payable at no more than 30 days.

The Group and the Company do not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as related entities with similar characteristics. There is no material single obligor exposure to report.

Trade receivables consist of a large number of customers, spread across diverse geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The credit risk on liquid funds' financial instruments is limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies.

## 29. Financial instruments continued

### 29.6 Credit risk management continued

### 29.6.1 Exposure to credit risk

The tables below detail the credit quality of the Group's financial assets as well as the Group's maximum exposure to credit risk by credit risk rating grades.

| | | Group | | | | | |
|---|---|---|---|---|---|---|---|
| **31/12/18** | Notes | **External credit rating** | **Internal rating** | **12 months or lifetime ECL** | **Gross carrying amount ₦'million** | **Allowance ₦'million** | **Net carrying amount ₦'million** |
| Finance lease receivables | 21 | **N/A** | **ii** | **Lifetime ECL** | **8,855** | **—** | **8,855** |
| Trade and other receivables | 20 | **N/A** | **ii** | **Lifetime ECL** | **45,814** | **(1,346)** | **44,468** |
| Prepayments and other current assets | 18.2 | **N/A** | **Performing** | **Lifetime ECL** | **66,013** | **—** | **66,013** |
| Cash and bank balances | 31.1 | **i** | **i** | **i** | **166,896** | **—** | **166,896** |
| **Total** | | | | | **287,578** | **(1,346)** | **286,232** |

| | | Group | | | | | |
|---|---|---|---|---|---|---|---|
| 31/12/17 | Notes | External credit rating | Internal rating | 12 months or lifetime ECL | Gross carrying amount ₦'million | Allowance ₦'million | Net carrying amount ₦'million |
| Finance lease receivables | 21 | N/A | ii | Lifetime ECL | 8,222 | — | 8,222 |
| Trade and other receivables | 20 | N/A | ii | Lifetime ECL | 30,800 | (645) | 30,155 |
| Prepayments and other current assets | 18.2 | N/A | Performing | Lifetime ECL | 75,743 | — | 75,743 |
| Cash and bank balances | 31.1 | i | i | i | 168,387 | — | 168,387 |
| **Total** | | | | | 283,152 | (645) | 282,507 |

| | | Company | | | | | |
|---|---|---|---|---|---|---|---|
| **31/12/18** | Notes | **External credit rating** | **Internal rating** | **12 months or lifetime ECL** | **Gross carrying amount ₦'million** | **Allowance ₦'million** | **Net carrying amount ₦'million** |
| Finance lease receivables | 21 | **N/A** | **ii** | **Lifetime ECL** | **8,855** | **—** | **8,855** |
| Other receivables | 30 | **N/A** | **ii** | **Lifetime ECL** | **560,277** | **—** | **560,277** |
| Trade and other receivables | 20 | **N/A** | **ii** | **Lifetime ECL** | **12,318** | **(1,272)** | **11,046** |
| Prepayments and other current assets | 18.2 | **N/A** | **Performing** | **Lifetime ECL** | **230,324** | **—** | **230,324** |
| Cash and bank balances | 31.1 | **i** | **i** | **i** | **108,980** | **—** | **108,980** |
| **Total** | | | | | **920,754** | **(1,272)** | **919,482** |

| | | Company | | | | | |
|---|---|---|---|---|---|---|---|
| 31/12/17 | Notes | External credit rating | Internal rating | 12 months or lifetime ECL | Gross carrying amount ₦'million | Allowance ₦'million | Net carrying amount ₦'million |
| Finance lease receivables | 21 | N/A | ii | Lifetime ECL | 8,222 | — | 8,222 |
| Other receivables | 30 | N/A | ii | Lifetime ECL | 455,792 | — | 455,792 |
| Trade and other receivables | 20 | N/A | ii | Lifetime ECL | 12,956 | (616) | 12,340 |
| Prepayments and other current assets | 18.2 | N/A | Performing | Lifetime ECL | 230,103 | — | 230,103 |
| Cash and bank balances | 31.1 | i | i | i | 102,468 | — | 102,468 |
| **Total** | | | | | 809,541 | (616) | 808,925 |

(i) All bank balances are assessed to have low credit risk at each reporting date as they are held with reputable banking institutions with good credit ratings by rating agencies.

(ii) For finance leases and trade receivables, the simplified approach to measure the loss allowance at lifetime ECL has been applied.

# Notes to the consolidated and separate financial statements
continued
## For the year ended 31st December 2018

### 29. Financial instruments continued
### 29.7 Liquidity risk management
The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures and preference shares. The Group has access to sufficient sources of funds directly from external sources as well as from the Group's parent.

#### 29.7.1 Liquidity maturity table
The following tables detail the Group and Company's remaining contractual maturity for its financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The tables below include both interest and principal cash flows for the Group.

| | Group | | | |
|---|---|---|---|---|
| | <1 month ₦'million | 1–3 months ₦'million | 3 months–1 year ₦'million | >1 year ₦'million |
| **As at 31st December 2018** | | | | |
| Trade payables and other payables | **177,485** | **—** | **17,660** | **—** |
| Financial liabilities | **19,839** | **7,006** | **213,634** | **138,501** |
| Other current liabilities | **34,960** | **—** | **—** | **—** |
| **Total** | **232,284** | **7,006** | **231,294** | **138,501** |

| | Group | | | |
|---|---|---|---|---|
| | <1 month ₦'million | 1–3 months ₦'million | 3 months–1 year ₦'million | >1 year ₦'million |
| **As at 31st December 2017** | | | | |
| Trade payables and other payables | 189,806 | — | 41,492 | — |
| Financial liabilities | 27,340 | 6,576 | 119,227 | 251,915 |
| Other current liabilities | 40,763 | — | — | — |
| **Total** | 257,909 | 6,576 | 160,719 | 251,915 |

| | Company | | | |
|---|---|---|---|---|
| | <1 month ₦'million | 1–3 months ₦'million | 3 months–1 year ₦'million | >1 year ₦'million |
| **As at 31st December 2018** | | | | |
| Trade payables and other payables | **69,792** | **—** | **3,523** | **—** |
| Financial debts | **9,810** | **288** | **145,536** | **62,400** |
| Other current liabilities | **37,637** | **—** | **—** | **—** |
| **Total** | **117,239** | **288** | **149,059** | **62,400** |

| | Company | | | |
|---|---|---|---|---|
| | <1 month ₦'million | 1–3 months ₦'million | 3 months–1 year ₦'million | >1 year ₦'million |
| **As at 31st December 2017** | | | | |
| Trade payables and other payables | 100,817 | — | 23,337 | — |
| Financial liabilities | 15,662 | 3,540 | 70,391 | 159,583 |
| Other current liabilities | 50,968 | — | — | — |
| **Total** | 167,447 | 3,540 | 93,728 | 159,583 |

## 29. Financial instruments continued

### 29.7 Liquidity risk management continued

#### 29.7.2 Interest Risk

The following table details the sensitivity to a 1% (2017: 1%) increase or decrease in interest rates.

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Effect on profit or loss/equity for a 1% (2017: 1%) increase in rate | **(978)** | (349) | **2,224** | 1,902 |
| Effect on profit or loss/equity for a 1% (2017: 1%) decrease in rate | **978** | 349 | **(2,224)** | (1,902) |

#### 29.7.3 Fair valuation of financial assets and liabilities

The carrying amount of trade and other receivables, cash and bank balances and amounts due from and to related parties as well as trade payables and other payables approximate their fair values because of the short-term nature of these instruments and, for trade and other receivables, because of the fact that any loss from recoverability is reflected in an impairment loss. The fair values of financial debt approximate the carrying amount as the loans are pegged to market rates and reset when rates change.

## 30. Related-party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation. Details of transactions between the Group and Company, and other related parties, are disclosed below.

The Group and the Company, in the normal course of business, sell to and buy from other business enterprises that fall within the definition of a "related party" contained in International Accounting Standard 24. These transactions mainly comprise purchases, sales, finance costs, finance income and management fees paid to shareholders. The companies in the Group also provide funds to and receive funds from each other as and when required for working capital financing and capital projects.

### 30.1 Trading transactions

During the year, Group entities entered into the following trading transactions with related parties that are not members of the Group:

| | Sale of goods | | Purchases of goods | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Parent company | **–** | – | **–** | – |
| Entities controlled by the parent company | **19,990** | 9,288 | **90,709** | 66,438 |
| Affiliates and associates of the parent company | **462** | – | **58,599** | 61,438 |

During the year, the Company entered into the following trading transactions with related parties:

| | Sale of goods | | Purchases of goods | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Parent company | **–** | – | **–** | – |
| Entities controlled by the parent company | **19,036** | 6,669 | **85,865** | 62,678 |
| Affiliates and associates of the parent company | **–** | – | **4,242** | 11,528 |

In addition to sales and purchases of goods, the Company charged interest amounting to ₦29.9 billion (2017: ₦29.4 billion) on loans granted to subsidiaries. This interest is eliminated on consolidation.

Also during the year, the parent company charged the Group a total interest of ₦12.5 billion (2017: ₦22.3 billion), being the cost of borrowing to finance capital projects and other operational expenses.

Balances at year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related-party receivables.

# Notes to the consolidated and separate financial statements continued

## For the year ended 31st December 2018

### 30. Related-party transactions continued

#### 30.1 Trading transactions continued

The following balances were outstanding at the end of the reporting year:

| | Group | | | |
|---|---|---|---|---|
| | Amounts owed by related parties | | Amounts owed to related parties | |
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| **Current** | | | | |
| Parent company | **524** | — | **—** | 8,133 |
| Entities controlled by the parent company | **65,481** | 75,733 | **17,644** | 12,741 |
| Affiliates and associates of the parent company | **—** | — | **17,316** | 19,889 |
| | **66,005** | 75,733 | **34,960** | 40,763 |

| | Company | | | |
|---|---|---|---|---|
| | Amounts owed by related parties | | Amounts owed to related parties | |
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| **Non-current** | | | | |
| Entities controlled by the Company | **560,277** | 455,792 | **—** | — |

The above balances represent expenditures on projects in African countries. These are not likely to be repaid within the next twelve months and have been classified under non-current assets.

| | Company | | | |
|---|---|---|---|---|
| | Amounts owed by related parties | | Amounts owed to related parties | |
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| **Current** | | | | |
| Parent company | **524** | — | **—** | 8,133 |
| Entities controlled by the parent company | **61,627** | 72,706 | **10,529** | 9,346 |
| Affiliates and associates of the parent company | **—** | — | **14,219** | 15,083 |
| Subsidiaries of the Company | **168,173** | 157,397 | **12,889** | 18,406 |
| | **230,324** | 230,103 | **37,637** | 50,968 |

#### 30.2 Loans from related parties

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Affiliates and associates of the parent company | **17,765** | 16,159 | **1,184** | 1,093 |
| Entities controlled by the parent company | **42,776** | 39,262 | **42,776** | 39,262 |
| Loans from the parent company | **56,956** | 159,595 | **56,956** | 159,595 |

## 30. Related-party transactions continued

### 30.3 Compensation of key management personnel

The remuneration of Directors and other members of key management personnel during the year was as follows :

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Short-term benefits | **1,116** | 1,071 | **1,116** | 1,062 |
| Provision for staff pension benefits | **—** | — | **—** | — |
| | **1,116** | 1,071 | **1,116** | 1,062 |

### Other related-party transactions

In addition to the above, Dangote Industries Limited performed certain administrative services for the Company, for which a management fee of ₦3.63 billion (2017: ₦3.85 billion) was charged and paid, being an allocation of costs incurred by relevant administrative departments.

## 31. Supplemental cash flow disclosures

### 31.1 Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Cash and bank balances | **94,704** | 82,297 | **46,810** | 30,141 |
| Short-term deposits | **72,192** | 86,090 | **62,170** | 72,327 |
| Total cash and bank balances | **166,896** | 168,387 | **108,980** | 102,468 |
| Bank overdrafts used for cash management purposes | **(7,870)** | (6,632) | **—** | — |
| Cash and cash equivalents | **159,026** | 161,755 | **108,980** | 102,468 |

Cash and cash equivalents includes restricted cash of ₦22.03billion (2017: ₦46.6 billion ) on letters of credit for the acquisition of inventories and property, plant and equipment.

## 32. Operating lease arrangements

Operating leases relate to leases of depots, offices and land. The Group does not have an option to purchase the leased land at the expiry of the lease periods.

### Payments recognised as an expense

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Minimum lease payments | **1,622** | 1,752 | **603** | 634 |

### Non-cancellable operating lease commitments

| | Group | | Company | |
|---|---|---|---|---|
| | **31/12/18 ₦'million** | 31/12/17 ₦'million | **31/12/18 ₦'million** | 31/12/17 ₦'million |
| Not later than one year | **1,777** | 1,539 | **562** | 432 |
| Later than one year and not later than five years | **4,191** | 3,943 | **336** | 113 |
| Later than five years | **16,307** | 15,910 | **—** | — |
| | **22,275** | 21,392 | **898** | 545 |

# Notes to the consolidated and separate financial statements
continued
## For the year ended 31st December 2018

### 33. Commitments for expenditure

| | Group | | Company | |
|---|---|---|---|---|
| | 31/12/18 ₦'million | 31/12/17 ₦'million | 31/12/18 ₦'million | 31/12/17 ₦'million |
| Commitments for the acquisition of property, plant and equipment | **96,156** | 105,599 | **47,001** | 12,248 |

### 34. Contingent liabilities and contingent assets
No provision has been made in these consolidated and separate financial statements for contingent liabilities in respect of litigations against the Company and its subsidiaries to ₦67.2 billion (2017: ₦16.3 billion). According to the solicitors acting on behalf of the Company and its subsidiaries, the liabilities arising, if any, are not likely to be significant.

### 35. Subsequent events
On 25th February 2019 a dividend of ₦16.00 per share was proposed by the Directors for approval at the Annual General Meeting. This will result in a dividend payment of ₦272.6 billion.

# Five-year financial summary – other national disclosure
## Group balance sheet

| | 2018 ₦'million | 2017 ₦'million | 2016 ₦'million | 2015 ₦'million | 2014 ₦'million |
|---|---|---|---|---|---|
| **Assets/liabilities** | | | | | |
| Property, plant and equipment | **1,171,864** | 1,192,140 | 1,155,711 | 917,212 | 747,794 |
| Intangible assets | **5,969** | 6,355 | 4,145 | 2,610 | 3,699 |
| Investments | **4,312** | 3,749 | 1,582 | 1,582 | — |
| Prepayments for property, plant and equipment | **36,383** | 16,101 | 13,196 | 9,094 | 79,491 |
| Finance lease receivables | **6,475** | 6,614 | — | — | — |
| Net current liabilities | **(66,668)** | (110,177) | (222,629) | (36,932) | (95,846) |
| Deferred taxation assets/(liabilities) | **(42,728)** | (86,273) | (51,856) | (35,876) | (3,840) |
| Long-term debts | **(125,725)** | (242,894) | (152,475) | (208,329) | (131,942) |
| Long-term payables | **—** | — | (17,730) | (24,442) | — |
| Staff gratuity | **—** | — | — | (3,992) | (2,070) |
| Other non-current liabilities | **(3,269)** | (4,255) | (4,416) | (4,258) | (5,401) |
| **Net assets** | **986,613** | 781,360 | 725,528 | 616,669 | 591,885 |
| **Capital and reserves** | | | | | |
| Share capital | **8,520** | 8,520 | 8,520 | 8,520 | 8,520 |
| Share premium | **42,430** | 42,430 | 42,430 | 42,430 | 42,430 |
| Capital contribution | **2,877** | 2,877 | 2,877 | 2,877 | 2,877 |
| Employee benefit reserve | **—** | — | — | (1,007) | (16) |
| Currency translation reserve | **72,605** | 75,441 | 78,964 | (22,366) | (3,837) |
| Revenue reserve | **848,695** | 639,462 | 605,662 | 592,450 | 537,750 |
| Non-controlling interest | **11,486** | 12,630 | (12,925) | (6,235) | 4,161 |
| | **986,613** | 781,360 | 725,528 | 616,669 | 591,885 |
| **Turnover, profit or loss account** | | | | | |
| Turnover | **901,213** | 805,582 | 615,103 | 491,725 | 391,639 |
| Profit before taxation | **300,806** | 289,590 | 180,929 | 188,294 | 184,689 |
| Taxation | **89,519** | (85,342) | (38,071) | (35,022) | (25,188) |
| Profit after taxation | **390,325** | 204,248 | 142,858 | 153,272 | 159,501 |
| **Per share data (Naira):** | | | | | |
| Earnings (basic and diluted) | **22.83** | 11.65 | 8.78 | 9.21 | 9.42 |
| Net assets | **57.90** | 45.85 | 42.58 | 36.19 | 34.73 |

Earnings per share are based on profit after taxation and the weighted average number of issued and fully paid ordinary shares at the end of each financial year.

Net assets per share are based on net assets and the weighted average number of issued and fully paid ordinary shares at the end of each financial year.

# Five-year financial summary – other national disclosure
## Company balance sheet

| | 31/12/18 ₦'million | 31/12/17 ₦'million | 31/12/16 ₦'million | 31/12/15 ₦'million | 31/12/14 ₦'million |
|---|---|---|---|---|---|
| **Assets/(liabilities)** | | | | | |
| Property, plant and equipment | **535,934** | 549,962 | 569,017 | 577,017 | 526,722 |
| Intangible assets | **48** | 37 | 113 | 385 | 682 |
| Investments | **163,653** | 163,539 | 80,255 | 27,657 | 26,075 |
| Receivables from subsidiaries | **715,561** | 594,783 | 601,871 | 383,845 | 273,229 |
| Prepayments for property, plant and equipment | **–** | 1,600 | – | – | 1,773 |
| Finance lease receivables | **6,475** | 6,614 | – | – | – |
| Net current liabilities | **983** | (56,078) | (210,171) | (30,214) | (87,944) |
| Deferred taxation liabilities | **(65,472)** | (109,817) | (70,741) | (36,981) | (6,096) |
| Long-term debts | **(62,168)** | (157,195) | (86,182) | (181,384) | (95,435) |
| Long-term payables | **–** | – | – | (24,442) | – |
| Staff gratuity | **–** | – | – | (3,992) | (2,070) |
| Other non-current liabilities | **(1,466)** | (2,428) | (2,931) | (1,594) | (1,685) |
| **Net assets** | **1,293,548** | 991,017 | 881,231 | 710,297 | 635,251 |
| **Capital and reserves** | | | | | |
| Share capital | **8,520** | 8,520 | 8,520 | 8,520 | 8,520 |
| Share premium | **42,430** | 42,430 | 42,430 | 42,430 | 42,430 |
| Capital contribution | **2,828** | 2,828 | 2,828 | 2,828 | 2,828 |
| Employee benefit reserve | **–** | – | – | (1,007) | (16) |
| Revenue reserve | **1,239,770** | 937,239 | 827,453 | 657,526 | 581,489 |
| | **1,293,548** | 991,017 | 881,231 | 710,297 | 635,251 |
| **Turnover, profit or loss account** | | | | | |
| Turnover | **618,301** | 552,364 | 426,129 | 389,215 | 371,534 |
| Profit before taxation | **392,223** | 342,153 | 355,016 | 212,416 | 209,119 |
| Taxation | **89,233** | (87,523) | (48,765) | (34,136) | (26,596) |
| Profit after taxation | **481,456** | 254,630 | 306,251 | 178,280 | 182,523 |
| **Per share data (Naira):** | | | | | |
| Earnings (basic and diluted) | **28.25** | 14.94 | 17.97 | 10.46 | 10.71 |
| Net assets | **75.91** | 58.16 | 51.71 | 41.68 | 37.28 |

Earnings per share are based on profit after taxation and the weighted average number of issued and fully paid ordinary shares at the end of each financial year.

Net assets per share are based on net assets and the weighted average number of issued and fully paid ordinary shares at the end of each financial year.

# Statement of value added – other national disclosure

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | **2018 ₦'million** | **%** | 2017 ₦'million | % | **2018 ₦'million** | **%** | 2017 ₦'million | % |
| Sales | **901,213** | | 805,582 | | **618,301** | | 552,364 | |
| Finance income | **11,323** | | 35,926 | | **79,378** | | 71,286 | |
| Other income | **10,222** | | 5,213 | | **3,783** | | 3,386 | |
| | **922,758** | | 846,721 | | **701,462** | | 627,036 | |
| Bought-in materials and services: | | | | | | | | |
| – Imported | **(178,831)** | | (89,060) | | **(78,566)** | | (59,699) | |
| – Local | **(239,859)** | | (281,461) | | **(123,686)** | | (117,428) | |
| Value added | **504,068** | **100** | 476,200 | 100 | **499,210** | **100** | 449,909 | 100 |
| **Applied as follows:** | | | | | | | | |
| **To pay employees:** | | | | | | | | |
| Salaries, wages and other benefits | **57,281** | **12** | 49,960 | 10 | **32,613** | **7** | 28,762 | 6 |
| **To pay government:** | | | | | | | | |
| Current taxation | **(43,401)** | **(9)** | 49,061 | 10 | **(44,888)** | **(9)** | 48,447 | 11 |
| Deferred taxation | **(46,118)** | **(9)** | 36,281 | 8 | **(44,345)** | **(9)** | 39,076 | 9 |
| **To pay providers of capital:** | | | | | | | | |
| Finance charges | **49,778** | **10** | 52,711 | 11 | **22,565** | **5** | 35,035 | 8 |
| **To provide for maintenance of fixed assets:** | | | | | | | | |
| – Depreciation | **95,578** | **19** | 83,377 | 18 | **51,793** | **10** | 43,862 | 10 |
| – Amortisation | **625** | **—** | 562 | — | **16** | **—** | 97 | — |
| **Retained in the Group:** | | | | | | | | |
| – Non-controlling interest | **1,342** | **—** | 5,663 | 1 | **—** | **—** | — | — |
| – Profit and loss account | **388,983** | **77** | 198,585 | 42 | **481,456** | **96** | 254,630 | 56 |
| | **504,068** | **100** | 476,200 | 100 | **499,210** | **100** | 449,909 | 100 |

Value added represents the additional wealth which the Group and Company have been able to create by their own and their employees' efforts. The statement shows the allocation of that wealth to employees, government and providers of finance, and that retained for future creation of more wealth.

# Share capital history

| | Authorised | | Issued and Fully Paid | | Consideration/Remarks |
|---|---|---|---|---|---|
| Date | Increase | Cumulative | Increase | Cumulative | Cash/Bonus/Others |
| 1992 | 500,000,000 | 210,000,000 | 210,000,000 | 210,000,000 | Cash |
| 2001 | 0 | 500,000,000 | 290,000,000 | 500,000,000 | Cash |
| 2010 | 9,500,000,000 | 10,000,000,000 | 7,000,000,000 | 7,500,000,000 | Bonus |
| 2010 | 0 | 0 | 245,685,184 | 7,745,685,184 | Share Exchange (Merger) |
| 2011 | 0 | 10,000,000,000 | 0 | 7,745,685,184 | No Change |
| 2012 | 0 | 10,000,000,000 | 774,568,578 | 8,520,253,762 | Bonus |
| 2013 | 0 | 10,000,000,000 | 0 | 8,520,253,762 | No Change |
| 2014 | 0 | 10,000,000,000 | 0 | 8,520,253,762 | No Change |
| 2015 | 0 | 10,000,000,000 | 0 | 8,520,253,762 | No Change |
| 2016 | 0 | 10,000,000,000 | 0 | 8,520,253,762 | No Change |
| 2017 | 0 | 10,000,000,000 | 0 | 8,520,253,762 | No Change |
| 2018 | 0 | 10,000,000,000 | 0 | 8,520,253,762 | No Change |

# Related-party transactions

| | |
|---|---|
| **AG Dangote Construction Limited** | The entity buys cement from Dangote Cement and is controlled by Dangote Industries Limited (DIL). |
| **Amaras Nigeria Limited** | The entity buys cement from Dangote Cement and is guaranteed by Sani Dangote, Director of Dangote Cement. |
| **Bulk Commodities International Inc. /Bulk Commodities International Dubai** | The entity, controlled by DIL, procures gypsum, coal, clinker, bulk cement and spare parts for Dangote Cement. |
| **DANCOM Technologies Limited** | The entity, which is controlled by DIL, provides internet services, and IT support to Dangote Cement. |
| **Dangote AD Star Limited** | Dangote Cement purchases LPFO in bulk and on behalf of some subsidiaries/affiliates of DIL, including this entity. Dangote Cement is reimbursed for expenses incurred on behalf of this entity. |
| **Dangote Agro Sacks Limited** | Dangote Agro Sacks produces bags for Dangote Cement and also purchased cement from the Company during the year. Dangote Cement also shares one of its power plants with this entity. |
| **Dangote Coal Limited** | Dangote Cement buys coal from this entity, which is controlled by Dangote Industries Limited. |
| **Dangote Fertilizer Limited** | Dangote Cement purchases LPFO and AGO in bulk and on behalf of some subsidiaries/affiliates of DIL, including DFL. Dangote Cement is reimbursed for expenses incurred on its behalf. |
| **Dangote Flour Mills Plc** | Dangote Cement purchases AGO in bulk and on behalf of this entity. Dangote Cement also purchases trucks on behalf of this entity for which it is reimbursed. |

| | |
|---|---|
| **Dangote Global Services** | This entity, controlled by DIL, assists Dangote Cement in importing parts. |
| **Dangote Industries Limited** | Dangote Industries Limited is the major shareholder of Dangote Cement. It provides short-term financing and manages Dangote Cement expatriates' salaries and receives management fees for its services. |
| **Dangote Noodles Limited** | Dangote Cement purchases AGO in bulk and on behalf of some subsidiaries and affiliates of DIL, including this entity. Dangote Cement is reimbursed for expenses incurred on behalf of this entity. |
| **Dangote Oil & Gas** | This entity, which is controlled by DIL, imports AGO and LPFO on behalf of Dangote Cement. |
| **Dangote Oil Refinery** | Dangote Cement is reimbursed for expenses incurred on behalf of this entity, which is an affiliate of Dangote Industries Limited. |
| **Dangote Pasta Limited** | Dangote Cement purchases LPFO in bulk and on behalf of some subsidiaries/ affiliates of DIL, including this entity. Dangote Cement is reimbursed for expenses incurred on behalf of this entity. |
| **Dangote Sugar Refinery Plc.** | Dangote Cement purchases LPFO in bulk and on behalf of some subsidiaries/ affiliates of DIL, including DSR Plc. Dangote Cement is reimbursed for expenses incurred on behalf of DSR. |
| **DANSA Foods Limited** | Dangote Cement purchased products from this entity for sales promotion. The entity is related to Sani Dangote, a Director of Dangote Cement. |
| **Ecobank** | The bank provides loans and other banking services to Dangote Cement. Emmanuel Ikazoboh, a Non-Executive Director of Dangote Cement, is the Chairman of Ecobank. |
| **Fidelity Bank** | The bank provides loans and other banking services to Dangote Cement. Ernest Ebi, a Non-Executive Director of Dangote Cement, is also the Chairman of Fidelity Bank. |
| **Greenview Development Nigeria Limited** | This entity, which is controlled by DIL, assists Dangote Cement with procurement, clearing of bulk materials, imported goods and spares. |
| **Greenview International Corporation** | This entity manages the Dangote. It is controlled by Dangote Industries Limited. |
| **Integrated Steel Limited** | Dangote Cement purchases AGO in bulk and on behalf of some subsidiaries/ affiliates of DIL, including this entity. Dangote Cement is repaid for expenses incurred on its behalf. |
| **Kura Holdings** | This company, which is an affiliate of Dangote Industries Limited, provides travel agency services to Dangote Cement. |
| **MHF Properties** | This company, which is an affiliate of Dangote Industries, provides accommodation and property services to Dangote Cement. |
| **NASCON Allied Industries** | Dangote Cement purchases AGO in bulk and on behalf of some subsidiaries/affiliates of DIL, including this entity. In addition, Dangote Cement purchases trucks and earthen salt on behalf of this entity for which it is reimbursed. |
| **Savannah Sugar** | Dangote Cement is reimbursed for payments for duties on equipment and terminal charges on behalf of this entity. The entity is controlled by Dangote Sugar. |
| **SIAO** | The entity provides accounting and professional services to Dangote Cement. The entity is related to Robert Odiachi, who is the Chairman of the Statutory Audit Committee. |

# Board policies

| Board policy | Description |
|---|---|
| **Anti-Bribery and Corruption Policy** | This sets out the Group's anti-corruption policy and is part of the overall Anti-Fraud Compliance Programme. It aims to align with all relevant acts, codes, laws, guidelines, policies, etc. designed to prevent, detect and respond to issues of corruption and bribery.<br>The policy demonstrates the Company's zero tolerance for all forms of fraud including but not limited to bribery, corruption, asset misappropriation and financial statement fraud.<br>The Company has established a robust Anti-Fraud Programme that sets out the following:<br>• anti-fraud awareness and communication strategies;<br>• fraud and corruption prevention mechanisms;<br>• fraud and corruption detection mechanisms;<br>• fraud response mechanisms; and<br>• enforcement initiatives and sanction grid.<br>In addition, we established an Anti-Fraud Management Committee to implement the Anti-Corruption Programme and to report fraud and misconduct-related issues to the Group CEO and the Board Audit, Compliance and Risk Management Committee. |
| **Board Appointment Policy** | This policy sets out the standards for the appointment of the Directors and aims to achieve a balance of experience, knowledge and skills amongst its Directors. |
| **Board Development Policy** | This policy seeks to institutionalise training and continuous development of the Directors of Dangote Cement. |
| **Board Evaluation Policy** | This policy provides a systematic and ongoing method of assisting Board members in the assessment of the Board's scope of operation, responsibilities and effectiveness. |
| **Board Remuneration Policy** | This policy reflects the Group's desire to sustain long-term value creation for shareholders and aims to attract and retain people with integrity, ability, skill and experience to deliver the Group's strategy. |
| **Communication Governance Policy** | This establishes guidelines for communication of general and price-sensitive information about the Company to the investors, the media, the public and other stakeholders in line with any regulatory requirements that may apply to such communication. |
| **Conflict of Interest/ Related Party Transaction Policy** | This provides a framework to identify, disclose and manage actual and perceived conflicts of interest. |
| **Directors' Code of Conduct Policy** | The Board has adopted a Code of Conduct Policy for Directors.<br>This sets out the standards that each Director is expected to adhere to while conducting his/her fiduciary duties.<br>This Code is intended to focus the Board and each Director on areas of ethical risk, provide guidance to Directors to help them recognise and deal with ethical issues, provide mechanisms to report unethical conduct and help foster a culture of honesty and accountability on the Board.<br>Directors are expected to adhere to this Code while conducting their fiduciary duties. During the year, all Directors attested to their compliance with the provisions of this Code. |
| **Insider Trading Policy** | Dangote Cement is guided by a strong commitment to maintain the integrity of its business dealings. The Board has established an Insider Trading Policy designed to prohibit the purchase and sale of Dangote Cement shares or securities on the basis of potentially price-sensitive information that is not yet in the public domain. This is in line with Section 315 of the Investment and Securities Act (ISA) 2007 and the SEC Rules and Regulations.<br>The Insider Trading Policy provides Directors, Officers and employees of Dangote Cement with guidelines regarding trading in shares or securities of the Company. The Company issues a "close period" notification to all relevant staff, Directors and entities at least two weeks prior to the anticipated date of a Board meeting where non-public information or other information capable of impacting the shares or securities of the Company is to be discussed. This close period lapses 24 hours after the information is made public in line with the Nigerian Stock Exchange (NSE) rules.<br>Having enquired, I can confirm that all our Directors complied with the Insider Trading Policy during all the close periods throughout the year 2018. |
| **Board Reporting Framework** | This provides guidance on information to be provided by Senior Management to the Board and Board Committees, to aid the discharging of their roles and responsibilities in line with their respective charters and leading practices, throughout the course of the year. |

| Board policy | Description |
|---|---|
| **Annual Agenda Cycle** | This represents the minimum agenda to be considered by the Board and Board Committees at any point in time during the year considering the current information needs of the Board. Additional matters requiring the Board's attention may be added during the year. |
| **Board Tenure Policy** | This outlines the criteria for ensuring the periodic rotation and appointment of Board members in order to retain valuable skills, maintain continuity of knowledge and experience and introduce people with new ideas and expertise. |
| **Group Executive Committee Charter** | This Charter governs the operations of the Group Executive Committee (ExCo) of Dangote Cement Plc. |
| **Subsidiary Governance Framework** | This articulates the structures, policies and processes that will assist the Board of Directors in the governance and control of subsidiary companies, with the goal of enhancing its shareholder value and achieving the Company's vision, strategic objectives and business goals. |
| **Succession Planning Policy** | This policy describes the process of identifying, assessing and developing successors for critical positions in the Company.<br><br>The focus of this policy is to ensure that highly qualified people are available to fill vacancies at Executive Management level within the Company, as and when needed. It seeks to avoid hasty decision making or the creation of vacuums when vacancies arise in key management positions. |
| **Complaints Management Policy** | This policy has been designed in line with the requirements of the SEC's Rules Relating to the Complaints Management Framework of the Nigerian Capital Market. It defines a transparent procedure for receiving, responding to, monitoring and resolving complaints and enquiries from shareholders of Dangote Cement in a timely and efficient manner.<br><br>The policy enables shareholders of Dangote Cement to direct any complaints or enquiries to the Registrar (United Securities Limited, 10, Amodu Ojikutu Street, Victoria Island, Lagos, Nigeria; customercare@unitedsecuritieslimited.com) or to the Company Secretary (Dangote Cement Plc, Union Marble House, 1 Alfred Rewane Road, Ikoyi, Lagos (complaintsmanagement@dangote.com), depending on the nature of the complaint.<br><br>It is our policy to acknowledge complaints within 24 hours of receipt and communicate the final resolution to the complainant within ten business days of receiving the complaint. |
| **Executive Management Remuneration Framework** | This policy seeks to create a strong link between performance and reward by providing a variable/at risk element of Executive remuneration that focuses on performance over a period of one year. It is designed to encourage and stimulate enhanced performance among Senior Executives so as to increase the short and long-term profitability of the Company. |
| **Whistle Blowing Policy** | At Dangote Cement, we continually strive to create a work environment where employees, contract workers, vendors, service providers, customers and other stakeholders have the opportunity to make confidential disclosures on misconduct, irregularities or malpractice, without fear of harassment and/or victimisation and with the assurance that their concerns will be taken seriously and investigated, and appropriate action will be taken.<br><br>In line with Section 32 of the SEC Code and international best practice in corporate governance, the Board has established a Whistle Blowing Policy to enable staff, in confidence, to raise concerns about possible improprieties in financial and other matters and to do so without fear of reprisal, provided that such concerns are raised in good faith.<br><br>Employees and other stakeholders are encouraged to report incidents of misconduct in a confidential and anonymous manner through the internal reporting channels (i.e. Line Manager, Head of Department and Group CEO) and/or the outsourced KPMG Ethics Line.<br><br>The Board subscribes to the KPMG Ethics Line to strengthen confidence in our Whistle Blowing Policy.<br><br>The KPMG Ethics Line contact details are: 0703 000 0026, 0703 000 0027, 0808 822 8888, 0708 060 1222, 0809 993 6366, or email: kpmgethicsline@ng.kpmg.com.<br><br>The Board has delegated oversight over whistle blowing to the Audit, Compliance and Risk Management Committee. All matters reported are investigated and reported to the Committee including the actions taken.<br><br>Statistics on the volume and general nature of all disclosures made are periodically reported to the Committee, which has the power to request further information, conduct its own inquiries or order additional action as it sees fit. |
| **Dangote Safety Golden Rule** | This describes mandatory safety rules and regulations applicable to all staff, contractors and visitors. |
| **Group HSSE Incident Reporting and Investigation Standard** | This describes the arrangement and requirements for reporting, classification, escalation and investigation of health, safety, security and environment (HSSE) incidents across Dangote Group. |
| **Group HSSE Performance Reporting Standard** | This ensures that Dangote Cement keeps track of, and regularly reports on, the performance of its HSSE KPIs in order to support the decision-making process of the business. |
| **Group HSSE Risk Management Standards** | These ensure that occupational HSSE-related risks and opportunities are managed in an effective manner, and that the Group adopts a rigorous risk analysis process to make informed and productive decisions. |

# Compliance with SEC disclosure requirements

## Overview

At Dangote Cement, we aspire to maintain high standards of corporate governance, both at Board level and throughout the Group. Increasingly, good governance includes the consideration of our impacts on society and the environment and whether we are operating in a sustainable way.

We aim to comply with, and exceed where practicable, all applicable legislation, regulations and codes of practice as they relate to sustainable operations. We will integrate sustainability considerations into all our business decisions and ensure that our staff, clients and suppliers are fully aware of our Sustainability Policy.

We are committed to implementing and improving the Sustainability Policy across all office and site activities. In commitment to this, we aimed to comply with the provisions of the SEC's National Code of Corporate Governance ("the Code") throughout 2018 and will progressively act in accordance with the Code's sustainability provisions highlighted in Sections 28 and 32 respectively.

Compliance by the Company with each principle and provision of the Code on sustainability issues is set out below.

| Requirement of the SEC Code of Corporate Governance for Public Companies | Dangote Cement compliance statement |
|---|---|
| Dangote Cement should pay adequate attention to the interests of its stakeholders such as its employees, its host community, the consumers and the general public.<br><br>Dangote Cement should demonstrate sensitivity to Nigeria's social and cultural diversity and should as much as possible promote strategic national interests as well as national ethos and values without compromising global aspirations where applicable. | • We recognise our commitment to our employees and workforce. As a result, we strive to respect the dignity of our employees and their rights to decent working conditions.<br>• We aim to have community stakeholder engagement plans in place which will allow us to implement our journey towards sustainable development. |
| Dangote should recognise corruption as a major threat to business and to national development and therefore as a sustainability issue for businesses in Nigeria. Companies, boards and individual directors must commit themselves to transparent dealings and to the establishment of a culture of integrity and zero tolerance for corruption and corrupt practices. | • Dangote Cement is committed to fighting bribery and corruption in all high-risk countries in which we operate.<br>• We have an Anti-Bribery and Anti-Corruption Policy which is part of the overall Anti-Fraud Compliance Programme. It aims to align with all relevant acts, codes, laws, guidelines and policies designed to prevent, detect and respond to issues of corruption and bribery.<br>• The policy demonstrates the Company's zero tolerance for all forms of fraud including but not limited to bribery, corruption, asset misappropriation and financial statement fraud.<br>• Details of this have been included in the Corporate Governance Report of the Annual Report. |
| The Board of Dangote Cement should report annually on the nature and extent of its social, ethical, safety, health and environmental policies and practices. | • The Board of Directors is committed to promoting sustainability. Concern for the environment and promoting a broader sustainability agenda are integral to the Company's professional activities and the management of the organisation.<br>• We have provided details of our sustainability efforts throughout this Annual Report. |
| Disclosure of Dangote Cement's business principles and codes of practice and efforts towards implementation of the same. | • These are outlined in the Corporate Governance report of this Annual Report. |

**Overview** continued

| Requirement of the SEC Code of Corporate Governance for Public Companies | Dangote Cement compliance statement |
|---|---|
| Description of workplace accidents, fatalities and occupational and safety incidents against objectives and targets and a suitable explanation where appropriate. | • The Company continuously strives to improve its operations to ensure a safe working environment. Safety and environment workshops are organised for all senior employees with a broad focus on good housekeeping to ensure a good and safe working environment. Firefighting and prevention equipment are installed in strategic locations in the offices and plants.<br>• We place health and safety at the centre of everything we do. Our aim is zero harm, and we act to improve the health of employees, contractors, third parties and communities. Our target is to achieve zero accidents.<br>• The workplace accidents monitoring and reporting we have include:<br>i. lost-time accidents; and<br>ii. fatal accidents.<br>• In line with Company policy, any accident or injury sustained by any employee in the course of executing his/her work must be reported immediately to his/her immediate supervisor, who will ensure that appropriate medical attention is given to such an employee.<br>• All employees are expected to abide by the Company's Safety Policy which emphasises that employees must make use of the protective equipment provided for their use during the working hours.<br>• Employees are not allowed to operate any machine/equipment unless they have been trained to do so and have been authorised by their supervisor. |
| Disclose Dangote Cement's policies, plans and strategy of addressing and managing the impact of HIV/AIDS, malaria and other serious diseases on the Company's employees and their families. | • We have a policy on HIV/AIDS, which will be applicable and implemented across the Company and all subsidiaries.<br>• We do not discriminate against staff with HIV/AIDS or any other ill health. Periodic medical tests are conducted on staff and all ailing staff are treated in the Company's in-plant medical clinic or referred to Company-retained hospitals. They are allowed to return to their duties as soon as they are fit in line with a medical report. |
| Application, in Dangote Cement's operations, of options with the most benefit or least damage to the environment, particularly for companies operating in disadvantaged regions or in regions with delicate ecology in order to minimise the environmental impact of the Company's operations. | • We will ensure that the adverse impact of our operations is minimal on the environment.<br>• Our plants are designed to perform at better than European standards of emissions, dust control and noise abatement. As outlined elsewhere in this report, we plan to introduce global standards of sustainability reporting from the beginning of 2017, so that we measure and disclose key variables such as $CO_2$ emissions, dust control and water usage.<br>• We believe our focus on environmental care will bring advantages as African countries increasingly impose stronger regulations to protect the environment, thus obliging other operators to invest more in pollution control. |
| The nature and extent of employment equity and gender policies and practices, especially as they relate to the executive level opportunities. | • We are developing a gender-balanced and inclusive work environment where diverse talent can thrive and contribute to superior business results.<br>• There is gender employment equity in the Company especially at the executive level. There are no discriminatory gender policies and practices.<br>• In line with Company policy, the organisation has equal regard for all its employees irrespective of race, colour, religion, sex or ethnic background.<br>• Suitability for the job position or advancement in the organisation shall be based purely on qualification and merit, job knowledge, relevant experience, analytical/practical skills, good conduct and character, sincerity, hardworking nature and leadership qualities amongst other relevant requirements. |

# Compliance with SEC disclosure requirements continued

## Overview continued

| Requirement of the SEC Code of Corporate Governance for Public Companies | Dangote Cement compliance statement |
|---|---|
| Information on the number and diversity of staff, training initiatives, employee development and the associated financial investment. | • We believe in unity in diversity and accordingly we seek to employ and retain the best human resources irrespective of disability, gender, race, ethnic origin or religion. We strive to provide employees with an atmosphere that promotes their productivity and develops their potential.<br>• In 2018, the Nomination Committee continued to focus on gender diversity, following a Board review in 2015 that acknowledged the need for diversity in its composition and, in particular, the need for a stronger representation of women.<br>• We will champion diversity in our sector and we want to promote equality and diversity at Dangote Cement.<br>• Some of the Company's staff training initiatives embarked upon include: management and soft skills programmes, functional and non-technical skills, employee induction, IT skills, technical skills, health, safety and environment amongst others.<br>• In 2018 we continued to roll out the business transformation initiative begun in 2015. This had the HR team embarking on a series of organisational development programmes to ensure the achievement of this initiative.<br>• We have embarked on a series of programmes that will ensure that our talent pool is adequately developed and retained and also ensure that we attract the best calibre of people.<br>• The Dangote Academy was established in 2010 to provide training in technical and management skills for employees and people wishing to join the Dangote Group of companies.<br>• Key initiatives include the Graduate Engineers Training Scheme (GETS), the Vocational Training Scheme (VTS) and the Junior Technician Scheme (JTS). This is listed in the section on "Our People" in the Annual Report. |
| Disclosure on the conditions and opportunities created for physically challenged persons or disadvantaged individuals. | • There are no special conditions or opportunities created for physically challenged persons. However the Company does not discriminate against physically challenged persons where they prove capable of carrying out the required tasks.<br>• There are some physically challenged persons currently in the employment of the Company. |
| The nature and extent of Dangote Cement's social investment policy. | • We regard the provision of social investment and charitable donations as an important part of our strategy to maintain good relationships with communities and other stakeholders in all of its operating locations across Africa.<br>• Some of our initiatives are conducted directly by the Company and its staff, some in collaboration with third parties and other organisations, while others are managed by the Aliko Dangote Foundation, which is a non-commercial and charitable organisation that focuses on empowerment, education, health and disaster relief on behalf of all companies in the Dangote Group. |
| Disclosure on Dangote Cement's policies on corruption and related issues and the extent of the compliance with the policies and the Company's Code of Ethics. | • This has been reported above and in the Corporate Governance Report. |

# Notice of 10th Annual General Meeting

Notice is hereby given that the 10th Annual General Meeting (AGM) of Dangote Cement Plc will be held on Monday, June 17, 2019, at Zinnia Hall, Eko Convention Centre, Eko Hotels & Suites, Victoria Island, Lagos at 11.00 a.m. to transact the following business:

## Agenda

### Ordinary Business

1. To receive the audited Financial Statements for the year ended 31st December 2018 and the Reports of the Directors, Auditors and the Audit Committee thereon;
2. To declare a dividend;
3. To elect or re-elect Directors;
4. To authorize the Directors to fix the remuneration of the Auditors;
5. To elect members of the Audit Committee.

### Special Business

To consider and if thought fit, pass the following resolution as an ordinary resolution of the Company;

6. To approve the remuneration of Directors.

## Notes:

### Proxies

A member of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company. A proxy for an organization may vote by a show of hand and on a poll. To be valid, executed forms of proxy should be deposited at the Registered Office of the Company or with the Registrars, United Securities Limited, 10, Amodu Ojikutu Street, Off Adeola Odeku Street, Victoria Island, Lagos not later than 48 hours before the time of holding the meeting. A blank proxy form is attached to the Annual Report.

### Closure of Register of Members

Notice is hereby given that the Register of Members and the Transfer Books of the Company will be closed from Tuesday, June 4, 2019 to June 10, 2019, both days inclusive.

### Dividends and closure of Register of Members

If the Dividend recommended by the Directors is approved by members at the Annual General Meeting, dividend will be paid on Tuesday, June 18, 2019 to shareholders whose names appear in the Company's Register of Members at the close of business on Monday, June 03, 2019.

### Unclaimed Share Certificates and Dividend Warrants

All Shareholders are hereby informed that the Registrars of the Company are holding Share Certificates and Dividend Warrants which have been returned by the Post Office as "unclaimed". Some Dividend Warrants sent to Shareholders' registered addresses are yet to be presented for payment or returned to the Registrars of the Company for validation. All Shareholders are encouraged to complete e-dividend Mandate Form to ensure that all outstanding dividends are paid electronically.

### Audit Committee

In accordance with Section 395(5) of the Companies and Allied Matters Act, CAP C20 LFN 2004, a shareholder may nominate another shareholder for appointment as member of the Audit Committee by giving notice to the Company Secretary at least 21 days before the Annual General Meeting.

### E-Dividend

Notice is hereby given to all Shareholders to open bank accounts for dividend payment. A detachable application form for e-dividend is attached to the Annual Report to enable all Shareholders furnish their accounts to the Registrars as soon as possible.

### Rights of Securities Holders to ask Questions

Securities holders have a right to ask questions not only at the Annual General Meeting, but also in writing prior to the meeting. Questions should be submitted to the Company Secretary at the Company's registered office by the day before the Annual General Meeting is held.

### Electronic Report

Our Annual Reports are available online for viewing and download from our website at www.dangotecement.com

**By the order of the Board of Directors.**

**Mahmud Kazaure**
Company Secretary

### REGISTERED OFFICE

Union Marble House,
1, Alfred Rewane Road, P.O. Box 40032,
Falomo, Ikoyi, Lagos.

Dated this 25th February 2019

# Directors and professional advisers

## Directors

| | |
|---|---|
| Aliko Dangote | Chairman |
| Engr. Joseph Makoju Mni, OFR. | Group Chief Executive Officer |
| Brian Egan | Group Chief Financial Officer |
| Olakunle Alake | Non-Executive Director |
| Sani Dangote | Non-Executive Director |
| Abdu Dantata | Non-Executive Director |
| Devakumar Edwin | Non-Executive Director |
| Fidelis Madavo | Non-Executive Director |
| Ernest Ebi | Independent Non-Executive Director |
| Emmanuel Ikazoboh | Independent Non-Executive Director |
| Viswanathan Shankar | Non-Executive Director |
| Dorothy Ufot | Independent Non-Executive Director |
| Cherie Blaire CBE, QC | Independent Non-Executive Director |
| Sir Michael Davis | Independent Non-Executive Director |
| Douraid Zaghouani | Non-Executive Director |

## Group General Counsel and Company Secretary
Mahmud Kazaure

## Joint Auditors
Deloitte & Touche
Chartered Accountants
Plot GA 1, Ozumba Mbadiwe Avenue
Victoria Island,
Lagos, Nigeria

Ahmed Zakari & Co.
Chartered Accountants
5th Floor, African Alliance Building
F1, Sani Abacha Way, Kano
Nigeria

## Principal Bankers
Access Bank Plc

First Bank of Nigeria Plc

Guaranty Trust Bank Plc

Zenith Bank Plc

United Bank for Africa Plc

## Primary Legal Advisers
Banwo & Ighodalo

Olaniwun Ajayi

Fola Sowemimo

# Corporate information

## Capital Market Information

Dangote Cement Plc is listed on the main board of the Nigerian Stock Exchange (NSE).

Each share carries one voting right

| | |
|---|---|
| NSE Ticker Symbol | DANGCEM |
| Bloomberg Code | DANGCEM:NL |
| Reuters Code | DANGCEM:LG |
| Date Listed | 26th October, 2010 |
| Market Capitalisation (25-02-19) | ₦3,280,297,675,270 |
| Outstanding Shares | 17,040,507,404 |
| Free Float | 14.75% |

## Registration Information

| | |
|---|---|
| RC Number | 208767 |
| Date of Incorporation | 4th November, 1992 |

## Registered Office

Union Marble House
1, Alfred Rewane Road
P.O. Box 40032
Falomo, Ikoyi
Lagos, Nigeria

## Registrars

United Securities Limited
10, Amodu Ojikutu Street
Victoria Island
Lagos, Nigeria

For any queries regarding Dangote Cement please contact:

## Investor Relations

Carl Franklin
+44 207 399 3070
carl.franklin@dangote.com

## Corporate Communications

Anthony Chiejina
+234 1 448 0815
anthony.chiejina@dangote.com

# Donations and sponsorships

| Beneficiary | Amount ₦ |
|---|---|
| **Senegal** | |
| Ramadan (baskets) to local authorities | 9,058,683 |
| Ramadan (suger & rice) for villagers | 7,059,525 |
| Mecca pilgrimage to communities around the plant | 45,105,993 |
| Rams for villagers and authorities for Tabaski Festival | 4,404,394 |
| Educational kits for schools | 643,479 |
| Youth & sport sponsorship | 296,750 |
| Religious & women's associations | 1,624,316 |
| School and maternity construction for the community | 42,441,720 |
| Cement for mosque and church construction | 9,025,653 |
| **Tanzania** | |
| TUICO | 153,038 |
| Nigerian High Commission in Tanzania | 153,038 |
| Ndanda Football Club | 1,530,379 |
| Sumatra | 18,365 |
| Local communities sponsorship | 18,248,241 |
| **Zambia** | |
| Cement for Chief Chiwala | 1,737,746 |
| Farming inputs donated to community inhabitants around the plant | 468,031 |
| Donation to Chief Chiwala for the local community | 3,406,079 |
| **Ethiopia** | |
| Displaced people in southern Oromia region | 25,353,477 |
| Supply of new desks in Ula Gora schools in Oromia region | 378,401 |
| School construction for the communities at Gatira Nabe in Oromia region | 2,976,486 |
| Construction of a co-operative center at Inchini | 1,548,697 |
| Construction of school at Reji Mokoda | 8,639,984 |
| Meta Walkite food security | 633,837 |
| Office furniture for Holeta town police station | 4,436,858 |
| Construction of elementary school at Ula Gora | 6,250,177 |
| Football team in Mugher | 101,414 |
| Construction of police stations at Dugda Meki Pumice | 3,585,020 |
| Woreda district environmental care | 1,181,726 |
| Supplies of Books for Reji Mekoda elementary school | 778,486 |
| **South Africa** | |
| Sponsorship for the trail run at Lichtenburg Waterfees | 113,243 |
| **Cameroon** | |
| To Douala General Treasurer for humanitarian support to suffering people in the north-west and south-west regions | 24,989,470 |
| Construction of health center/pharmacy for Batoke community in the south-west region | 10,423,983 |
| Back-to-school event in Deido, Douala for school children and youth | 4,997,894 |

| Beneficiary | Amount ₦ |
|---|---|
| **Nigeria** | |
| Kogi state journalists | 1,000,000 |
| Donation to Kogi state Police Command | 500,000 |
| Financial assistance towards completion of mosque in Gboko | 100,000 |
| Help for internally displaced persons in Benue and Nasarawa | 50,000,000 |
| Nigerian Mining and Geosciences Society (NMGS) for 54th Annual International Conference | 2,000,000 |
| The Africa Center, New York | 150,000,000 |
| Bola Tinubu Colloquium | 5,000,000 |
| Nigeria Industrial Policy & Competitiveness Advisory Council (NIPCAC) | 2,500,000 |
| Manufacturers' Association Of Nigeria (MAN) | 30,000,000 |
| Nigeria Industrial Policy & Competitiveness Advisory Council (NIPCAC) | 22,282,400 |
| Nigeria Industrial Policy & Competitiveness Advisory Council (NIPCAC) | 11,758,441 |
| The Nigerian Society Of Engineers | 2,000,000 |
| NYSC orientation course program | 150,000 |
| Hudahuda Publishing Company Ltd for books to schools | 50,000,000 |
| 150 cars for Nigerian police | 646,428,000 |
| Eunice Spring of Life Foundation | 10,000,000 |
| Sponsorship for Gala Night/Command Performance of United Nations World tourism Organisation (UNWTO) | 15,000,000 |
| Gusau Institute | 5,000,000 |
| Nigerian Academy of Neurological Surgeons (NANS) towards Hosting Of 3rd CAANS congress | 5,000,000 |
| CASA AIBA (Nigeria) | 2,000,000 |
| National Union of Chemical Footwear Rubber, Leather & Non-Metalic Products' employees for 27th Annual Industrial Relations | 250,000 |
| Nigerian Bar Association support fund for lawyers affected by insurgency in the North-East Nigeria | 25,000,000 |
| Sponsorship of Dala Hard Court National Tennis Championship for 2018 | 10,000,000 |
| **Total** | **1,287,733,424** |

# Board and Committee meeting dates and attendance

## Board meetings – Directors

| Director | Appointed | Board meeting 27/02/18 | 19/03/18 | 20/04/18 | 20/06/18 | 19/07/18 | 19/10/18 | 05/12/18 |
|---|---|---|---|---|---|---|---|---|
| **Aliko Dangote** Chairman | 4th Nov 2002 | ✗ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Engr. Joseph Makoju Mni, OFR.** Group Chief Executive Officer | 2nd Dec 2010 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✗ |
| **Olakunle Alake** Non-Executive Director | 22nd July 2005 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Sani Dangote*** Non-Executive Director | 22nd July 2005 | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ | ✗ |
| **Abdu Dantata** Non-Executive Director | 22nd July 2005 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Ernest Ebi** Independent Non-Executive Director | 30th Jan 2014 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Devakumar Edwin** Non-Executive Director | 22nd July 2005 | ✗ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Emmanuel Ikazoboh** Independent Non-Executive Director | 30th Jan 2014 | ✓ | ✓ | ✓ | ✓ | ✗ | ✓ | ✓ |
| **Fidelis Madavo** Non-Executive Director | 30th July 2014 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✗ |
| **Olusegun Olusanya** Independent Non-Executive Director | 2nd Dec 2010 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Dorothy Ufot** Independent Non-Executive Director | 19th Apr 2016 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Douraid Zaghouani** Non-Executive Director | 29th April 2015 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Brian Egan** Executive Director, Finance | 27th July 2017 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Viswanathan Shankar** Independent Non-Executive Director | 9th Dec 2017 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Cherie Blair**** Independent Non-Executive Director | 20th June 2018 | n/a | n/a | n/a | ✓ | ✓ | ✓ | ✓ |
| **Sir Michael Davis**** Independent Non-Executive Director | 20th June 2018 | n/a | n/a | n/a | ✓ | ✓ | ✓ | ✓ |

* Sani Dangote has not attended any meetings in 2018 owing to medical absence.

** Cherie Blair and Sir Michael Davis were officially admitted to the Company on 20th June 2018.

## Audit, Compliance and Risk Management Committee

| Director | Meeting attendance 14/02/18 | 17/04/18 | 12/7/18 | 12/10/18 |
|---|---|---|---|---|
| **Ernest Ebi** (Chairman) | ✓ | ✓ | ✓ | ✓ |
| **Sani Dangote** | ✓ | × | × | × |
| **Olakunle Alake** | ✓ | ✓ | ✓ | ✓ |
| **Devakumar Edwin** | ✓ | ✓ | ✓ | ✓ |
| **Olusegun Olusanya** | ✓ | ✓ | ✓ | ✓ |
| **Emmanuel Ikazoboh** | ✓ | ✓ | × | ✓ |
| **Dorothy Ufot** | ✓ | ✓ | ✓ | ✓ |
| **Fidelis Madavo** | × | × | × | × |

## Finance and General Purpose Committee

| Director | Meeting attendance 26/02/18 | 18/04/18 | 18/07/18 | 18/10/18 |
|---|---|---|---|---|
| **Olusegun Olusanya** (Chairman) | ✓ | ✓ | ✓ | ✓ |
| **Olakunle Alake** | ✓ | ✓ | ✓ | ✓ |
| **Sani Dangote** | × | × | × | × |
| **Ernest Ebi** | ✓ | ✓ | ✓ | ✓ |
| **Devakumar Edwin** | × | ✓ | ✓ | ✓ |
| **Emmanuel Ikazoboh** | ✓ | ✓ | × | ✓ |
| **Fidelis Madavo** | ✓ | × | ✓ | × |
| **Douraid Zaghouani** | ✓ | ✓ | ✓ | ✓ |

## Nomination Committee

| Director | Meeting attendance 20/04/18 | 19/10/18 |
|---|---|---|
| **Aliko Dangote** (Chairman) | ✓ | ✓ |
| **Ernest Ebi** | ✓ | ✓ |
| **Olusegun Olusanya** | ✓ | ✓ |
| **Emmanuel Ikazoboh** | ✓ | ✓ |
| **Fidelis Madavo** | ✓ | × |

# Board and Committee meeting dates and attendance continued

## Remuneration Committee

| Director | Meeting attendance 14/02/18 | 17/04/18 | 16/07/18 | 11/10/18 |
|---|---|---|---|---|
| **Emmanuel Ikazoboh** (Chairman) | ✓ | ✓ | ✓ | ✓ |
| **Sani Dangote** | ✓ | × | × | × |
| **Abdu Dantata** | ✓ | × | ✓ | ✓ |
| **Ernest Ebi** | ✓ | ✓ | ✓ | ✓ |
| **Devakumar Edwin** | ✓ | ✓ | ✓ | ✓ |
| **Emmanuel Ikazoboh** | ✓ | ✓ | ✓ | ✓ |
| **Olusegun Olusanya** | ✓ | ✓ | ✓ | ✓ |
| **Dorothy Ufot** | ✓ | ✓ | ✓ | ✓ |

## Technical Committee

| Director | Meeting attendance 26/02/18 | 18/04/18 | 18/07/18 | 18/10/18 |
|---|---|---|---|---|
| **Fidelis Madavo** (Chairman) | ✓ | ✓ | ✓ | × |
| **Olakunle Alake** | ✓ | ✓ | ✓ | ✓ |
| **Abdu Dantata** | ✓ | × | × | ✓ |
| **Ernest Ebi** | ✓ | ✓ | ✓ | ✓ |
| **Devakumar Edwin** | × | ✓ | ✓ | ✓ |
| **Douraid Zaghouani** | ✓ | ✓ | ✓ | ✓ |

## Statutory Audit Committee

| Director | Meeting attendance 26/02/18 | 19/03/18 | 18/07/18 | 18/10/18 |
|---|---|---|---|---|
| **Robert Ade-Odiachio** (Chairman) | ✓ | ✓ | ✓ | ✓ |
| **Olakunle Alake** | ✓ | ✓ | ✓ | ✓ |
| **Nicholas Nyamali** | ✓ | × | ✓ | ✓ |
| **Sheriff Yusuf** | × | ✓ | ✓ | ✓ |
| **Olusegun Olusanya** | ✓ | × | ✓ | ✓ |
| **Emmanuel Ikazoboh** | ✓ | ✓ | × | ✓ |

# Glossary of abbreviations

| | |
|---|---|
| **AGM** | Annual General Meeting |
| **CAC** | Corporate Affairs Commission |
| **CBN** | Central Bank Of Nigeria |
| **CEO** | Chief Executive Officer |
| **CFO** | Chief Financial Officer |
| **CEMAC** | Central African Economic and Monetary Community |
| **CMAN** | Cement Manufacturer Association of Nigeria |
| **COREN** | Council for the Regulation of Engineering in Nigeria |
| **CORBON** | Council of Registered Builders of Nigeria |
| **$CO_2$** | Carbon dioxide |
| **DIL** | Dangote Industries Limited |
| **EBITDA** | Earnings before interest, taxes, depreciation and amortisation |
| **EBIT** | Earnings before interest and tax |
| **ECOWAS** | Economic Community of West African States |
| **EHSS** | Environmental Health, Safety and Security |
| **GDP** | Gross Domestic Product |
| **GETS** | Global Environment Telecommunications Service |
| **IFC** | International Finance Corporation |
| **IMF** | International Monetary Fund |
| **ISO** | International Standards Organisation |
| **LPFO** | Low Pour Fuel Oil |
| **NIOB** | Nigerian Institute of Building |
| **NIQS** | Nigerian Institute of Quantity Surveyors |
| **NIS** | Nigeria Industrial Standards |
| **NSE** | Nigerian Stock Exchange |
| **Mt** | Million Tonnes |
| **Mta** | Million tonnes of capacity |
| **OEM** | Original Equipment Manufacturer |
| **OHSMS** | Occupational Health and Safety Management System |
| **Q** | Quarter |
| **SEC** | Securities and Exchange Commission |
| **SEPCEM** | Sephaku Cement |
| **SON** | Standards Organisation of Nigeria |
| **SOX** | Sulfur Oxides |
| **SAP** | System Application Package |
| **UEMOA** | West African Economic and Monetary Union |
| **VTS** | Vaccination Tracking System |

# Glossary of abbreviations continued

| | |
|---|---|
| **CGRS** | Corporate Governance Rating System |
| **ERM** | Enterprise Risk Management |
| **ICD** | Investment Corporation of Dubai |
| **IASB** | International Accounting Standards Board |
| **CAMA** | Company and Allied Matters Act |
| **FRC** | Financial Reporting Council |
| **GCEO** | Group Chief Executive Officer |
| **VRM** | Vertical Rolling Mill |
| **LPG** | Liquid Petroleum Gas |
| **CBI** | Convention for Business Intelligence |
| **EMS** | Environmental Management System |
| **HSE** | Health, Safety & Environment |
| **KPI** | Key Performance Indicator |
| **DRC** | Democratic Republic of Congo |
| **BACRMC** | Board Audit, Compliance and Risk Management Committee |

# Mandate for E-Dividend Payment

Date (DD/MM/YYYY)

| Kindly tick & quote your shareholder account no. in the box below | |
|---|---|
| Name of Company | Shareholder account no: |
| | |

The Registrar,
United Securities Limited,
10, Amodu Ojikutu Street,
Victoria Island, Lagos, Nigeria.

Dear Sir/Madam,

Kindly find below my/our bank details for the purpose of electronic payments of dividends due to me/us. I/We confirm that all information supplied is to the best of my/our knowledge correct and hereby indemnify United Securities Limited against any loss that may arise from their adoption of the details as supplied hereunder.

Surname/company name:

Other names (for individual shareholder):

Present postal address:

City state:

E-mail address 1:

E-mail address 2:

Mobile (GSM) phone number:

Bank name (section to be completed by your bank):

Bank address:

Bank account number:

Bank sort code:

I/We hereby request that from now, all dividend warrant (s) due to me/us from my/our holdings in all the companies indicated above be mandated to my/our Bank named above.

Shareholder`s signature or thumbprint

Shareholder`s signature or thumbprint

Company Seal/ Incorporation number (Corporate Shareholder)

AUTHORISED SIGNATURE & STAMP OF BANKERS

PLEASE NOTE THAT THE SECTION FOR YOUR BANK ACCOUNT DETAILS HAS TO BE COMPLETED BY YOUR BANK
Kindly return the duly completed form to the Registrar, United Securities Limited at the address stated below

**United Securities limited. RC 126257**
10, Amodu Ojikutu Street, Off Saka Tinubu Street, Victoria Island, P.M.B. 12753 Lagos, Nigeria. Tel: +234(1)271-4566, 271-4567
Website: www.unitedsecuritieslimited.com; Email: info@unitedsecuritieslimited.com
UNITED SECURITIES LIMITED hereby disclaims liability or responsibility for any errors/omissions/misstatements in any document transmitted electronically.

# Proxy Form

## Dangote Cement Plc Rc: 208767

The 10th Annual General Meeting (AGM) of Dangote Cement Plc will be held on Monday, June 17, 2019, at Zinnia Hall, Eko Convention Centre, Eko Hotels & Suites, Victoria Island, Lagos at 11.00 a.m.

I/We ..........................................................................................................................................................................

of ..............................................................................................................................................................................

being a shareholder of Dangote Cement Plc hereby appoint.....................................................................or failing him/her

.......................................................................................................... or ............................................................................

as my/our Proxy to act and vote for me/us on my/our behalf at the 10th Annual General Meeting to be held on 17th June, 2019, and at any adjournment thereof.

Dated the ....................................................... 2019 Shareholder's signature ............................................................................

| | No. | Ordinary business | For | Against |
|---|---|---|---|---|
| I/We desire this proxy to be used in favour of/ or against the resolution as indicated alongside (strike out whichever is not applicable) | 1. | To receive the audited Financial Statements for the year ended 31st December 2018 and the Reports of the Directors, Auditors and Audit Committee thereon | | |
| | 2. | To declare a dividend | | |
| | 3. | To elect or re-elect Directors.<br>Re-election as Director of Aliko Dangote, who is retiring by rotation<br>Re-election as Director of Abdu Dantata, who is retiring by rotation<br>Re-election as Director of Olakunle Alake, who is retiring by rotation<br>Re-election as Director of Ernest Ebi, who is retiring by rotation | | |
| | 4. | To authorize the Directors to fix the remuneration of the Auditors | | |
| | 5. | To elect members of the Audit Committee | | |
| | | Special business | | |
| | 6. | To approve the remuneration of Directors | | |

Please indicate with an "X" in the appropriate column, how you wish your votes to be cast on the resolutions set out above. Unless otherwise instructed, the Proxy will vote or abstain from voting at his/her discretion.

This proxy form should NOT be completed and sent to the registered office if the member will be attending the meeting.

**Note:**

i. A member (shareholder) entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy in his stead. All proxy form should be deposited at the registered office of the Registrar (as in notice) not later than 48 hours before the meeting.

ii. In the case of joint shareholders, any of them may complete the form, but the names of all joint shareholders must be stated.

iii. If the shareholder is a Corporation, this form must be executed under its Common Seal or under the hand of some officers or an attorney duly authorized.

iv. The proxy must produce the admission card sent with the notice of the meeting to gain entrance to the meeting.

v. It is a legal requirement that all instrument of proxy to be used for the purpose of voting by any person entitled to vote at any meeting of the shareholders must bear appropriate stamp duty from the Stamp Duties office (not adhesive postage stamps).

Before posting this form, please tear off this part and retain it for admission to the meeting.

Please be advised that to enable a Proxy entrance to the meeting, the Proxy Form is to be duly completed and delivered to the Company Secretary not later than 48 hours before the time fixed for the meeting.

## Admission card

| Name and address | Number of shares held | Number of shareholder(s) |
|---|---|---|
| | | |

Please admit .............................................................. to the 10th Annual General Meeting of Dangote Cement Plc to be held at Zinnia Hall, Eko Convention Centre, Eko Hotels & Suites, Victoria Island, Lagos on Monday, June 17, 2019, at 11.00 a.m.

Signature of person attending: ....................................................................................

This admission card should be produced by the shareholder or his/her proxy in order to obtain entrance to the Annual General Meeting.

You are requested to sign this card at the entrance in the presence of the Company Secretary or his Nominee on the day of the Annual General Meeting.

**The Registrar,**
United Securities Limited
10, Amodu Ojikutu Street,
Victoria Island,
Lagos, Nigeria

DANGOTE
CEMENT

**Dangote Cement Plc** Annual Report 2018