

CHAIRMAN'S STATEMENT



Aliko Dangote, GCON
Chairman

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Dear Shareholders, Members of the Board of Directors, Invited guests, Gentlemen and Ladies of the Press, Ladies and Gentlemen; I welcome you all to the 14th Annual General Meeting of our Company, Dangote Sugar Refinery Plc.

I shall present to you the Annual Report and Financial Statements as well as the activities in the business environment that impacted the performance for the year ended 31st December 2019.

OPERATING ENVIRONMENT/PROJECTIONS

During the year under review, the global and local economy maintained a slow but steady growth despite key economic and political events that occurred, e.g the Brexit, Nigeria's general elections and other policies implemented globally and locally to bolster economic growth. The successful re-election of President Muhammadu Buhari, saw to the continued implementation of the administration's fiscal and monetary economic policies which led to the sustained but modest economic growth rate we witnessed in 2019.

These policies, with a stabilized exchange rate regime, though high, slowed down the pace of inflation during the year. Though there were reservations from some quarters; the closure of our land borders in August 2019, helped keep the menace of smugglers in the sugar sector in check for the rest of the year.

Consumer spending remained on a very tight rope owing to the persistent liquidity squeeze and downward trend on foreign investments, which led to the reduced supply of forex. The CBN however, intervened in the foreign exchange market with close monitoring of the activities in the Financial sector.

Crude oil price (Brent) declined to an average of \$64.34 per barrel. The weakening oil prices impacted the general economy, but the Governments continued drive to diversify the economy from reliance on crude oil yielded results. The non-oil sector contributed 1.87% to the national GDP growth rate of 2.27% improvement recorded in 2019. The finance bill

was also passed during the year to reform the tax laws in alignment with global best practices, address government's tax-revenue, saw the increase of VAT rate from 5% to 7.5%.

Generally, the economy recorded slight improvements during the year under review, and it was hoped that 2020 will progress further, which became bleak due to the impact of the COVID 19 pandemic.

PERFORMANCE

Despite the challenging business environment and the intense competition witnessed by the industry, the company posted a Group turnover of ₦161.1 billion, a 7.1% increase over ₦150.4 billion in 2018. A PBT (Profit Before Tax) of ₦29.8 billion, a Profit After Tax of ₦22.4 billion. Earnings per share increased to ₦1.87kobo against ₦1.85kobo, a 1.1% increase over 2018. EBITDA decreased to ₦35.6 billion, with EBITDA margin of 22.1% a 5.4% decrease compared to the ₦37.6 billion with EBITDA margin of 25% achieved in 2018.

The above performance was achieved despite the menace of smuggled sugar that found its way into key markets nationwide, for the greater part of the year before the land borders were closed; and the continued gridlock at Apapa which led to the difficulty experienced in evacuating finished products from the refinery, during the year.

Despite these challenges, the Board and Management remains confident that the strategic initiatives being implemented in our refinery operations and commitment to the achievement of the Backward Integration goals will deliver sustained growth to the business.

DIVIDENDS

The Board is pleased to recommend for the Shareholders approval payment of a total dividend of ₦13.2 billion, being ₦1.10kobo per ordinary share of fifty (50) kobo each, held in the company as at December 31st 2019. If approved at the Annual General meeting, the dividend will be to the shareholders in the register of members at the close of business on June 19th 2020, net withholding tax at the standard rate.

We continue to encourage all shareholders to embrace the e-dividend option for the prompt payment of their dividends.

THE BACKWARD INTEGRATION PROJECTS

Dangote Sugar Refinery (DSR) continued the implementation of the "Dangote Sugar for Nigeria" Master plan to ensure the achievement of the strategic goal to produce 1.5million metric tonnes of refined granulated white sugar locally every year. Our main focus remained to resolve the lingering community relations issues over land we have acquired for this projects.

These challenges led to the delays in keeping to the project timelines and despite the concerted efforts and huge investments being made towards the actualization of the project goals at Savannah Sugar Company Limited, Nasarawa Sugar Company Limited and the Lau/Tau Sugar Projects, Taraba State.

Rehabilitation and expansion of the Savannah Sugar estate continued, with the development of the expansion projects for the 12,000 TCD factory. Unfortunately, delivery of the expansion project within the timelines is being delayed by the incessant community disturbances, and sometimes attack on our workers. We have however, continued to engage the communities and state government to resolve these issues. The factory upgrade to 6,000TCD is nearer completion, and hopefully following the gradual easing of the COVID 19 lockdown delivery of some of the equipment delayed will be made and the project would be completed this year as scheduled.

Development of the Nasarawa Sugar Company Limited, project at Tunga is well underway. Preliminary surveys on the land and water surveys have completed, while the some of the irrigation systems that will be used at the project have been installed and installation of others are ongoing. Planting of the 600ha B nursery is underway in preparation for the commercial planting of 6000ha in 2022. Unfortunately, the situation at Lau/Tau remained the same over the alleged claims of unpaid compensation by some of the communities. The committee set up by

the state government to review the issue have since submitted its report, but no action has been taken on their submission. We were however forced to stop work at the site till date.

This and several other communities related issues hampering access to land at the projects sites led to a 2-day working visit by the Honourable Minister of Industry, Trade & Investment to the various Sugar project sites on the 12th and 13th of December 2019. The visit was a very welcome development because it gave the Honourable Minister an opportunity to see and access the quantum of development, investments and progress recorded at these projects.

The BIP targets were revised for the 3 major refiners in the country. DSR's was revised to 550,000 metric tonnes achievable by 2024. We have submitted the revised plan for the achievement of these targets. The Ministry is also reviewing the efforts made so far towards the resolving these community relation issues to support the projects. We are hopeful that these efforts will yield the expected outcomes and our commitment to the achievement of the Dangote Sugar Master Plan will be realized.

SUSTAINABILITY

At Dangote Group, our approach to sustainability remains making very positive impact in the communities we operate and the society at large. This is in line with the global sustainability principles and regulations which now mandates businesses to look at performance from the triple bottom line (3Ps) perspective of **PEOPLE, PLANET & PROFIT.**

In 2019, DSR remained conscious of the environmental, social and governance obligations of our operations, and deployed a conscious effort to identify the challenges faced by communities in which we operate through stakeholder engagements and consultations. As such, the Dangote Group's 7 Sustainability Pillars which are Institutional, Cultural, Operational, Environmental, Economic, Social and Financial have been entrenched in our business operations, in line with the Principles of the United Nations Global Compact.

Against this backdrop, our Corporate Social Responsibility initiatives at DSR, during in 2019 were focused on promoting quality education, provision of infrastructure, clean source of water, free medical care and support for various causes not only in our immediate communities but across the Country. This led to the various CSR projects executed across communities at DSR; Savannah and Nasarawa Sugar communities. School projects were executed to make the environment conducive for pupils. We have introduced a robust scholarship schemes for the communities at our Nasarawa Sugar project site, as well as renovation of schools, healthcare centers, roads, and the provision of portable water with solar powered boreholes.

More of these community improvement projects are ongoing both at Savannah and Nasarawa sugar companies which will be completed in the current business year.

Employee involvement and volunteerism is also encouraged. During the annual Dangote Group Sustainability Week, our employee came out in large numbers to support local communities with their time, skills, and other resources. At the BIP sites we continued to deploy the outgrower scheme as planned. The Savannah Sugar 'Out-growers Scheme' continued to receive the needed support during the year, and have grown to over 420 outgrowers in the scheme till date.

BOARD OF DIRECTORS

During the review period, there were no changes in the structure and composition of the Board. The Directors retiring by rotation, being eligible will offer themselves for re-election in the course of this Annual General meeting.

THE FUTURE

Looking to the future with positive vistas, the unprecedented situation of the coronavirus (Covid-19) outbreak has put the world in a crisis and poses a significant threat to the global economy. With growing concerns over travel restrictions, slowed economic and industrial activities, as well as losses that have already been recorded all over the world. There are glimmers of hope as the corona virus pandemic is being contained and governments are implementing economic policies and actions, which will support growth for businesses in the real sector; despite the perceived threats to economic growth this year.

The Board remains positive about the Company's future. We are resolute and committed to the achievement of the Sugar for Nigeria Project plans.

Ladies and Gentlemen, in conclusion, I thank our distinguished shareholders for their unwavering support and commitment over the past years. I also thank our customers and other business partners for their partnership over the years.

I also thank my distinguished Board members, our Management and employees for their unrelenting dedication and commitment to the achievement of the Company's shared goals.

Thank you and God bless you all.



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