



Unaudited Group Results for the six months Ended 30 June 2016

Lagos, 30 July 2016: Dangote Sugar Refinery PLC (Bloomberg: DANGSUGA-NL), Nigeria's largest sugar producer, announces unaudited Group results for the six months ended 30 June, 2016.

Financial highlights

- Group revenue increased to ₦70.5billion (2015: ₦51.1bn)
- Gross profit increased to ₦13.9billion (2015: ₦12.7bn)
- EBITDA increased to ₦13.4billion 2015 (₦11.7bn)
- Profit before tax increased to ₦11.2billion (2015: ₦9.8bn)
- Profit after tax increased to ₦7.4billion (2015: ₦6.3bn)

Operating highlights

- Group Sugar sales volume 434,885 tonnes (2015: 367,283 tonnes)
- Group production volume 416,209 tonnes (2015: 367,852 tonnes)
- Apapa Refinery production volume 403,514 tonnes (2015: 361,416 tonnes)
- Apapa Refinery sales volume 422,488 tonnes (2015: 361,083)
- Savannah production 12,695 tonnes (2015: 6,436 tonnes)
- Savannah sales volume 12,397 tonnes (2015: 6,200 tonnes)

Abdullahi Sule, Acting Group Managing Director, said:

"Despite market challenges experienced in the first quarter and operating challenges in the second quarter of 2016, we were able to grow our revenue compared to the same period in the previous year.

Our focus for the remainder on the year will be to increase sugar production at reduced conversion cost and improve distribution to match the increasing demand from our customers.

Our greater growth strategy "Sugar for Nigeria" continues to gain momentum as we execute the first phase of our expansion plans."

The various operational and economic challenges we were faced with during the period under review notwithstanding, the overall performance shows an improved outlook for the period. Operating cost increased due to the devaluation of the naira.

Conference call details

A conference call for analysts and investors will be held on **Thursday, 4 August 2016, at 4:00pm** Lagos time.

The dial-in details are as follows:

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Speakers: Abdullahi Sule, Acting Group Managing Director
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Dangote Sugar Refinery Plc

Dangote Sugar is Nigeria's largest producer of household and commercial sugar with 1.44 million tonnes of refining capacity, with the ability to supply most of the country through an extensive network of distributors. Our refinery at Apapa imports raw sugar from Brazil and refines it into white, Vitamin A fortified sugar suitable for household and industrial uses. Our Savannah cane sugar factory located near Numan, in Adamawa State has an installed factory capacity of 50,000 tonnes. Covering 32,000 hectares in extent, the Savannah estate has considerable opportunity for expansion which is underway.

Our strategy is to become a global force in sugar production, working within Nigeria's National Sugar Master Plan to end importation and sell more than 1.5 million metric tonnes of locally produced sugar in Nigeria and neighbouring countries. As part of this plan we acquired Savannah Sugar in December 2012 and are currently improving its farm acreage and upgrading its production facilities. We intend to augment Savannah's 32,000 hectares in Adamawa state by acquiring and planting a further 150,000 hectares across Nigeria, supporting the new plantations with modern production facilities that are located closer to the consumer.

Dangote Sugar Refinery was spun out of Dangote Industries in 2006 and was listed on the Nigerian Stock Exchange in March 2007.

Key Performance Indicators

	Group	Group	
	30-06-2016	30-06-2015	% change
Refined Sugar Produced (mt)	416,209	367,852	13.1
Refined Sugar Sold (mt)	434,885	367,283	18.4
Average Selling Price per bag(N)	8,102.37	6,959.21	16.4
	N' billion	N' billion	
Revenue	70.5	51.1	37.9
Gross profit	13.9	12.7	9.6
Gross margin (%)	19.8	24.8	(20.2)
EBITDA	13.4	11.7	14.5
EBITDA margin (%)	19.0	22.9	(17.0)
Profit before Tax	11.1	9.8	13.3
Profit after Tax	7.4	6.3	17.5
EPS –(Kobo)	123	105	17.14

Group revenue increased by 37.86% to ₦70.5bn (2015: ₦51.1bn), reflecting the increase in sales volumes during the period.

Gross profit increased by 9.57% to ₦13.9bn, (2015: ₦12.7bn) despite higher production costs mainly driven by increased LPFO usage and currency devaluation. The unit prices for gas and LPFO were also higher than in the comparative period. A combination of lower production and higher unit costs resulted in an increase in conversion costs for the period. The effect of lower raw sugar costs did offset some of these higher costs and as a result, gross margins fell slightly from 24% in 2015 to 20% in 2016.

Group profit before tax for the period increased to ₦11.2bn (2015: ₦9.8bn) and Group profit after taxation for the year increased to ₦7.4bn (2015: ₦6.3bn).

The cost of raw sugar increased by 10.69% from an average of USD346 in the same period in 2015 to USD383 in 2016.

Investment income increased by about 1,598% to 126m (2015:7.4m) as the demand for Sugar continued on an upward trend driven by the various economic uncertainties in the market.

Nigerian Market Overview

The period under review continued to be characterized by several uncertainties ranging from monetary and fiscal policies, to the continued decline in commercial activities due to reduced consumer purchasing power and spend. There were disruptions in gas and fuels supplies, in addition to the persistent foreign exchange volatility leading to the rising cost of input materials.

Though the Central Bank of Nigeria (CBN) implemented some policy actions, which anchored at about N197/US\$1, and prioritized provision of foreign exchange to cater for some critical areas in the economy; the forex demand outweighed supply. This affected business performance all round.

On the 16th of June 2016, the Central Bank of Nigeria unveiled the new Framework for re-introduction of Managed Float Exchange Rate System, as a guideline to its much awaited flexible exchange rate regime at the interbank market. The new guidelines was an indication that the Central Bank could not sustain the exchange rate of NGN197/\$. Hence, its decision to adopt a market driven Foreign Exchange Market against the two-tier market system under a managed float anticipated by the market players. The new forex regime saw the CBN peg the official rate at NGN285/\$, which affected the cost of our Raw Sugar import, import duty, LPFO, AGO and Gas prices.

Nigeria's consumption of sugar in the second quarter of 2016 continued to gain momentum despite the depressed economic outlook. Consumption is estimated to be around 1.6 million tonnes for the period.

The Nigerian Sugar operators continue with activities geared towards the implementation of the Federal Government's National Sugar Development Plan. This plan has seen the existing sugar operators begin to invest in sugar plantations across the country in addition to consolidating their own refining activities to achieve Nigeria's self-sufficiency of 1.7million tonnes. A phased increase in duty on imported raw sugar for refining, together with fiscal incentives to encourage local sugar cane production provides a backdrop to the backward integration and these expansion plans.

OPERATIONS REVIEW

Savannah Sugar

The first phase of the 2015/2016 sugar cane harvest season commenced on the 5th of January, 2016 and ended on the 20th of May 2016, due to the rains. A total of 12,695 tonnes of sugar were produced during the period against 6,4376 tonnes produced during the comparative period in 2015. About 80% of the stood over cane, which resulted in lower yields during the period have been harvested, and the fields replanted against the next crop season, which begins in November 2016.

Apapa Refinery

Total production for the period under review was 403,514 tonnes; being 216,364 tonnes for the second quarter, which is 15.6% higher than 187,150 tonnes produced in the first quarter of 2016, and 180,998 tonnes produced, during the comparative period in 2015.

Production for the period at the Apapa refinery improved compared to the previous quarter but did not reach our target utilization rate as gas supply disruptions, bad road networks across our key markets in the Northern part of Nigeria; and insufficient LPFO supplies, our back up energy source. Gas to LPFO usage ratio for the period was 53:47.

However, the new Boiler number 7 was commissioned towards the end of the quarter and it will contribute to efficiency of the refinery operations.

Sales & Distribution

Total sales for the period under review was 422,488 tonnes. Apapa Refinery sales in the second quarter was 216,140 tonnes compared to 211,793 tonnes in the first quarter. Apapa Refinery sales in the second quarter of 2016 improved by 4.7% as demand picked up following uncertain market conditions experienced in the quarter.

Prices were progressively increased during the period to offset cost increases brought about by currency devaluation, gas shortages and amongst other conditions that increased operating costs. The average selling price for the period was ₦8,102 per 50kg bag compared to the average selling price of ₦6,959 in 2015.

Retail sales increased further by 56.28% over the comparative period in year 2015. No export sales was recorded during the period due to the unfavourable pricing and market conditions in the West African markets.

Backward Integration Projects

“Sugar for Nigeria” Our sugar development projects continued throughout during the period, with the technical evaluation, design activities and sensitization campaign for the identified sites. Our goal remains the achievement of 1.5 million metric tonnes of refined sugar per annum within the next 10 years, from locally grown sugar cane.

The first phase of the project implementation received a boost with the continuous evaluation of our implementation strategy to suit the realities we are confronted with in the course of the project; and our visit to Brazil. During the visit meetings were held with several companies on the factory and other equipment required for our backward integration projects. As a follow up, a team of Brazilian sugar industry equipment manufacturers and representatives of financial institutions led by APLA, visited Dangote Sugar Refinery Backward Integration Project sites in Numan, Adamawa and Lau, Taraba States, between the 26th and 30th of June 2016, between the 26th and 30th of June 2016. The team accompanied by representatives of KETS took a tour of our facilities at Savannah Sugar, and the apapa refinery, and made useful recommendations for the efficient operation of the existing factory at Savannah Sugar.

At the Lau/Tau project development, the site for the factory was identified during the visit, and the topographic survey of the Tau & Lau sugar project, has commenced.

Outlook

The outlook for the remaining quarters of the year remains promising despite the various economic challenges in the country.

The balance sheet remains strong with Zero Gearing ratio. The company has capability to generate sufficient cash flow to fund its operations. The Company will be able to raise any additional fund for the Backward Integration Projects (BIP).

We are optimistic that barring any unforeseen circumstance, the Company will achieve its set goals through the continued review and implementation of its initiatives to grow sales and market share with focus on the actualization of the backward integration projects.

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