Audited Group Results for the full year Ended 31 December 2015

Lagos, 17 March 2016: Dangote Sugar Refinery PLC (Bloomberg: DANGSUGA-NL), Nigeria's largest sugar producer, announces audited Group results for the full year ended 31 December, 2015.

Financial highlights

- Group revenue up 7% to ₦101.06 billion (2014: ₦94.86bn)
- Gross profit increased 11% to ₦20.73 billion, 21% margin achieved (2014: ₦18.63bn)
- EBITDA up 13% to ₦21.08 billion, EBITDA margin 21% (2014: ₦18.61bn)
- Profit before tax increased 8% to ₦16.55 billion (2014: ₦15.27bn)
- Profit after tax ₦11.54 billion (2014: ₦11.64bn)
- EPS at ₦0.96 (2014 : ₦0.97)
- Proposed dividend of ₦0.50 (2014:₦0.40)

Operating highlights

- Seasonal sugar production at Savannah 6,610 tonnes (2014: 6,333 tonnes)
- Full year refinery production at Apapa 740,350 tonnes (2014: 832,660 tonnes)
- Group Sugar sales volume 782,120 tonnes (2014: 781,319 tonnes)
- 100 trucks added to fleet under management
- Construction of 1-tonne bagging facility ongoing

Abdullahi Sule, Acting Group Managing Director, said:

"2015 ended with remarkable volume pickup in the fourth quarter as our strategy to reduce margins in September by 28% and the addition of 100 trucks to our fleet improved delivery to customers. As a result we gained market share from competition and smugglers.

I am glad that we were able to grow our revenue by 11% and improve sales volumes compared to 2014 despite the current macro-economic challenges which we face in Nigeria, with an especially difficult first and second quarter.

To improve efficiency, we have redeveloped our sequencing strategy to self-sufficiency through the production of refined sugar from cane and remain zealous in our efforts to execute the "Sugar for Nigeria" project, which will replace our current production in the next 4-5 years as we execute the first phase of our backward integration plans, which now includes the Savannah rehabilitation, Guyuk and Zaria projects."

About Dangote Sugar Refinery

Dangote Sugar Refinery Plc 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 sugar factory located near Numan, in Adamawa State has an installed capacity of 50,000 tonnes of sugar. 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 produce 1.5 million metric tonnes of sugar from cane to sell 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 the factory. 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.

Contact details

Ayeesha Aliyu
Investor Relations Lead
Lagos
+234 1 448 0815-6
ayeesha.aliyu@dangote.com

Conference call details

A conference call for analysts and investors will be held on **Tuesday, 22 March 2016, at 3:00pm** Lagos time. Management will take questions from investors and analysts at the end of the presentation.

The dial-in details are as follows:

Nigeria: +234 (0) 800 1234 646 / +234 (0) 1440 5158

UK: +44 (0) 800 327 7280 / +44 (0) 207 043 4129

USA: +1 866 840 9752 / +1 646 663 7922

South Africa: +27 (0) 800 982 759

Pin code: 252481#

Speakers: Abdullahi Sule, Acting Group Managing Director

Babatunde Ajao, Chief Financial Officer

Key Performance Indicators

	Group	Group	
	31-12-2015	**31-12-2014**	**% change**
Refined Sugar Produced (tonnes)	762,710	838,993	-9%
Refined Sugar Sold (tonnes)	782,120	781,324	0.1%
	₦ B	**₦ B**	
Revenue	101.06	94.86	7%
Gross profit	20.73	18.63	11%
Gross margin (%)	21%	20%	1pp
EBITDA	21.08	18.61	13%
EBITDA margin (%)	21%	20%	1pp
Profit before taxation	16.55	15.27	8%
Profit for the year	11.54	11.64	-1%
EPS –(Naira)	0.96	0.97	-1%

Global sugar pricing and demand

World raw sugar prices averaged around 13.32USc/lb in 2015 as sugar futures rose in 2015 for the first time in four years after we saw prices reach USc10.13/lb in August, the lowest seen in the past seven years as consecutive years of global production surplus persisted. However weather setbacks prompted by El Niño and weakening prices, have challenged global output. The depreciation in the Brazilian real also played a big role in these weakening prices.

The prospects of global deficits in the 2015/2016 season rallied with prices at the end of 2015 reaching the highest levels of the year at USc15/lb. The International Sugar Organisation's global production projections in 2015 showed contraction of 1.2% year-on-year to 169million tonnes in the 2015/2016 season, which is expected to correspond with a 2.2% rise in global sugar consumption to around 172.9million tonnes. This will mean an estimated deficit of 3.5million tonnes.

In Brazil, dryness in the Centre South sugarcane belt, the stabilization in the real, increased demand and higher prices for ethanol prompted by a higher admixture requirement and rising gasoline prices also contributed to this marked improvement.

In Thailand, El Niño induced drought delayed the 2015 harvest season. The Indian domestic prices are currently more favourable than export prices but as the harvest begins, prices do drift lower, as new sugar is available to the Indian domestic market. This could potentially open the Indian sugar farmers towards exports.

However production levels may go, demand levels also have a role to play. East European imports are expected to decline for the second season in a row, estimated at 3.2million tonnes, down from 3.7million tonnes in 2013/2014 and 3.4million tonnes in 2014/2015. Chinese imports may also retreat from the 2014/2015 levels as consumption is expected to reduce by 200,000tonnes to 4.6million tonnes from the previous year.

For the prices to continue at the higher levels, demand needs to increase or reduced production will not make any further impact if stocks remain high in consumer and producer countries.

Nigerian Market Overview

The Nigerian market in 2015 was challenging, characterised by political uncertainties with the Presidential elections, security concerns as a result of the activities of terrorist group Boko Haram, foreign exchange volatility from Nigeria's import dependent economy, fall in the price of oil and petroleum product shortages all leading to a reduction in consumer disposable income, which affected consumer spending across board as average inflation for the year, according to the National Bureaux of Statistics, rose to 9.0%, largely driven by imported food inflation which stood at 11.1%.

Businesses faced various challenges in the country as their costs continued to rise following various restrictive policies on foreign exchange transactions and availability by the CBN that put pressure and restrictions on forex transactions. This led to an ensuing build-up in FX demand pressures. Banks were unable to fully meet FX demand at ₦199/$1. Manufacturing output, which accounts for 10% of GDP, contracted during the year as local businesses struggled to get sufficient FX to import raw materials. The official FX rate has stabilized at ₦197 to ₦199:$1 and the CBN continues to support the Naira at these levels and supply to local business that qualify. However, the lead time to receive dollars at these official rates has increased and has contributed to the rapidly widening spread between these CBN rates and the parallel markets at an average of ₦260:$1 by December 2015.

Nigeria consumed around 1.4 million tonnes of sugar in 2015 as sugar continued to be consumed majorly in food and medicine. As the country moves towards backward integration, sugar consumption will increase per capita as we begin to consume sugar as ethanol, power and animal feed. To this end the Nigerian Sugar operators continue activities towards the implementation of the Federal Government's National Sugar Development Plan. This plan has seen the existing sugar operators begin to invest in existing non-performing sugar plantations and develop green-field sites, which are already identified in the National Sugar Master Plan across the country in addition to consolidating their own refining activities to achieve Nigeria's self-sufficiency of 1.7million tonnes by 2020.

A phased increase in tariff on imported raw sugar for refining to a maximum of 60% duty and 10% levy, together with fiscal incentives to encourage local sugar cane production provides a backdrop to the backward integration and these expansion plans. The import duty concession of 5% duty and 5% levy given to local sugar producers expired at the end of 2015. The Federal Government after consultation with industry players and taking into account the impact of the maximum tariff on sugar prices to the end consumer is working on another concession of 10% duty and 10% levy.

The Federal Government also introduced a quota system for the import of raw sugar for the sugar refiners that is tied to the level of commitment to backward integration, production capacity and existing market share with progress measured periodically by the Sugar Industry Monitoring Council.

Operating review

Savannah Sugar

The 2015 harvesting season commenced at Savannah in January 2015 and ended in April with 124,723 tonnes (2014: 122,452 tonnes) of cane harvested. Cane quality has been better than the cane harvested in 2014, following new area planted and improved cane husbandry. The sucrose content in the cane has also improved and we expect this to improve further in the next season as the fields fully recover. The average yield per hectare improved significantly to 65 tonnes compared to 35 tonnes in 2014. Our target is to reach global producers efficiency levels of 100 tonnes/hectare.

A total of 6,440 tonnes (2014: 6,368 tonnes) of refined white sugar had been bagged at Savannah by the end of 2015.

Savannah's 2016 crop season kicked off mid December 2015, with target production of 29,153MT of refined sugar; as an area of 1867 hectares was planted to cane from all the previously existing cane area. After the rains, a further 421 hectares of fallow land was planted to sugar cane during the crop season.

Apapa Refinery

Production was constrained in the first nine months of 2015 as operational challenges experienced in the previous quarters were sustained. Heavy traffic jams at the Apapa area where the Refinery is located, restricted movement of our delivery trucks in the area as a result we had insufficient trucks for deliveries. By the fourth quarter, the Lagos State Government was able to improve the traffic situation by filling in the large potholes in the access roads with inward movement of trucks restricted to 6pm-9pm. The increased turn-around times of delivery trucks experienced in the previous quarters also improved in the fourth quarter as we increased our fleet by 100 trucks to better service our warehouses and customers. The collapsed bridge en-route to the North, which doubled the turn-around times of our trucks has also been rebuilt. This has improved our delivery times to our Northern markets.

During the fourth quarter of 2015, we were able to increase production to 216,656 tonnes, our highest compared to previous quarters to match demand as we were able to get our products out of the Apapa area. Production totalled 740,346 tonnes for the year compared to the same period in 2014, when 832,660 tonnes was produced.

The factory was shut down for ten-day maintenance in August 2015, which also affected total production for the year.

There was continued disruptions to the supply of natural gas, resulting in higher consumption of LPFO for the period compared to 2014. GAS/LPFO ratio deteriorated to 86/14, compared to 90/10 in 2014.

We began the construction of 1-tonne bagging facility at the refinery to enhance bulk deliveries to our corporate customers, which will reduce costs and improve our revenue. This facility is expected to be completed in Q1 of 2016.

Sales & Distribution

Group sugar sales volume was 782,120 tonnes (2014: 781,319 tonnes). In the first 9months of 2015, despite increasing demand, trucks were unavailable for sales deliveries due to Apapa traffic gridlock which constrained our ability to fulfil customer orders. We explored the rail transportation route to move our products upcountry, but this did not prove economical. With an additional 100 trucks on the road, we have been able to meet our customer demand across the country and sold everything that we produced in the fourth quarter.

We sold 771,560 tonnes (2014: 774,956 tonnes) of sugar from the Apapa refinery. Savannah Sugar began their sales campaign late in the first quarter after sufficient stock had been accumulated with sales for the period totalling 6,440 tonnes (2014: 6,368 tonnes) at prices aligned with those achieved at the Apapa refinery. No export sales were made in 2015 due to current unfavourable pricing regime in the West African market.

In the first half of 2015, we progressively increased our selling prices during the period to offset cost increases brought about by currency devaluation, gas shortages and other increased operating costs. However, in September 2015, we reduced prices from ₦8,000 per 50kg bag to ₦5,750 per 50kg bag. This is was to combat the influx of smuggled sugar at the higher prices and a reduction in price discouraged smugglers from further activity, which increased the demand for our sugar by around 10%. The average selling price for the period was ₦6,554 per 50kg bag compared to an average price of ₦6,071 in 2014.

Our retail business (250g, 500g and 1kg packages) continues to grow and is now up 62% at ₦1.99 bn compared to ₦1.23 bn in the same period of 2014, representing 2% of our total refined sugar sales. Our target is to expand our retail market share to 5% in the next three years. We are also partnering with cube manufacturers to supply our sugar to the 100,000 tonnes p.a. market. We are committed to serving this growing market via our packaged sugar product range as the Nigerian consumer becomes more sophisticated in their shopping habits as hygiene is a major concern, preferring company packaged sugar sold in supermarkets to "scoop and tie" products largely sold in the open markets.

The Lagos region picked up sales in the fourth quarter and accounted for the majority of our sales in 2015 at about 44% of our revenue. Sales to the North, also including products from the Savannah estate follows closely at 39%, while the Western and Eastern part of the country accounts for 12% and 5% respectively.

New projects "Sugar for Nigeria"

As our sugar development projects continued throughout the year, with agricultural, technical evaluation and design activities for our identified opportunities being progressed, we changed our approach to the development of our sites. Our previous strategy included development of the 5 sites in two phases, where phase 1 included the rehabilitation and expansion of Savannah and the development of Lau/Tau sites in Taraba. These sites were close to each other with an hour apart and a 20 hectare seed cane farm at Lau had been developed with plans to plant an additional 200 hectares of sugarcane by January – March 2016 and 2000 hectares in the next planting season. However, the Lau/Tau site can only give us 250,000 tonnes of sugar based on its available land. If we are to achieve our target of at least 1 million tonnes in the next five years, the Lau/Tau will be insufficient. It is for this reason that we decided to put all efforts towards the larger site of Zaria in Kebbi State, which will produce 460,000 tonnes of sugar from 46,000 hectares of land. We were also able to acquire additional 6,400 hectares of land in Guyuk, very close to our Savannah plantation, which will be contribute another 64,000 tonnes of refine sugar towards the phase 1 production targets.

Phase 1

Site	State	Type of Development	Area under cane(Ha)	Refined sugar produced (mt)
Savannah	Adamawa	Rehabilitate and Expand	16,600	166,000
Guyuk	Adamawa	Greenfield	6,400	64,000
Zaria	Kebbi	Greenfield	46,000	460,000

Total commercial acreage of cane under cultivation by end of 5 years will be: 69,000Ha

Average rate of expansion across both sites: ~6,500 Ha per annum

Savannah rehabilitation

The agricultural and factory rehabilitation of Savannah remain ongoing, and a further total of 2,288 hectares was redeveloped, with plant, equipment and field machinery deployed as necessary.

- 6,200ha is to be planted in the 2015/16 season, increasing land under cane to over 8,000ha
- 12,000TCD factory on schedule to be commissioned in 2017

Develop greenfield site of Zaria

- Community sensitization ongoing
- Site acquired

Lau/Tau seed cane farm

The 20 hectare seed cane farm is being maintained. The seed cane are healthy and very promising and will be harvested for propagation at the new developments in Savannah.

Phase 2

The strategic plan for the second phase has been redeveloped by our strategy team. We have decided to commence the development of the site at Hadejia in Jigawa State in the second phase with our other sites in Kpada and Lau/Tau. Site evaluation and technical design work is progressing in respect of these new sites and land acquisition procedures are nearing completion at the various sites. It is anticipated that these projects will also span a 5-year horizon, the intention being to produce up to 800,000 tonnes of refined sugar in the second phase.

Financial Review

Group revenue increased by 7% to ₦101.06bn (2014: ₦94.86bn), reflecting the average price increase for the period compared to 2014. Raw sugar remains our major cost driver and decreased by 15% from an average of USD374 in the equivalent period in 2014 to USD317 in 2015. We did not have challenges sourcing FX to fund our raw sugar imports as it is on the priority list for the CBN as sugar refiners have shown a substantial commitment to backward integration which will benefit Nigeria in the long run. However, when there are emergency situations such as the need for a spare part, we do source for FX from the parallel markets.

Gross profit increased by 11% to ₦20.73bn, (2014: ₦18.63bn). Our production costs were mainly driven by increased LPFO usage, though declining oil prices reduced the unit cost of LPFO, it is still two times more expensive than gas due to a weaker Naira. The Naira has now been stable at ₦197-₦199 (2014: ₦160) to the US Dollar officially. 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 year. The effect of lower raw sugar costs did offset some of these higher costs and as a result, gross profit margins increased slightly from 20% in 2014 to 21% in 2015.

Other Income for the period totalled ₦1.33 billion, which includes miscellaneous income of ₦621.06million representing gratuity provisions that are no longer required; ₦240.11 million for electricity distributed to Sister Companies and ₦67.50 million representing Rental Income for from Sister Companies.

Our selling and distribution expenses decreased from ₦1.96bn in 2014 to ₦0.89 bn in 2015 as we leveraged on the investments made in 2014. Administrative expenses reduced to ₦5.32bn in 2015 (2014:N6.37bn) mainly as a result of a reduction in employee costs during the year.

Investment income, which reflects interest earned on bank deposits at an average rate of 11.45 % p.a. on short term (30days) bank deposits, was significantly lower at ₦11.87million (2014: ₦285.59mn) as we redeploy cash resources away from the money markets that had previously generated additional income to fund our "Sugar for Nigeria" projects. Investments made in respect of the various projects we have embarked upon in sugar production and equipment/operational upgrades were funded from these internal resources, as well as our expansion project needs. We also invested ₦1.7 billion towards the purchase of 100 trucks to strengthen our fleet.

Finance costs of ₦406.12 million relate to a loan of ₦2.50 billion taken from Dangote Industries Limited during the year to finance agricultural activities at the Savannah estate while ₦258.77million relate to interest on loans from banks to finance working capital at Savannah.

Group profit before tax for the period increased by 8% to ₦16.55bn (2014: ₦15.27bn). Group taxation at 32% including a deferred tax expense of ₦0.60bn was ₦5.01 billion and Group profit after taxation for the year decreased slightly to ₦11.54bn (2014: ₦11.6bn).

Proposed Dividend

In view of the significant investments required for the backward integration projects, the Board has recommended a dividend pay-out ratio of 52%, which is ₦0.50 per ordinary share to be paid to shareholders (total value of ₦6.00bn) for the year ended 31 December 2015. This is subject to approval at the 10th Annual General Meeting of the Group.

Outlook

We have already had a strong start to 2016 as we pick up market share from competitors and smugglers. We have increased our fleet and are now able to meet our customer orders timely.

We expect raw sugar prices to remain volatile for the rest of the year as weather conditions continue to threaten production in 2015/2016 season but do not expect to exceed the average achieved in 2015. We do not envisage challenges sourcing foreign currency as the Federal Government has insisted on its commitment to the current exchange rate and the CBN will continue to fund our raw material requirements at this level.

Refined sugar from cane remains the priority and this path to self-sufficiency will eliminate our reliance on foreign exchange as well as the volatility of raw sugar prices that we currently import.

Ends…