DANGOTE SUGAR

Unaudited Group Results for Six Months Ended 30 June 2014

Lagos, 4 August 2014: Dangote Sugar Refinery PLC (Bloomberg: DANGSUGA-NL), Nigeria's largest sugar producer, announces unaudited group results for the six months ended 30 June, 2014.

Financial highlights

- Cost of raw sugar 16.6% lower than H1 2013, enabling 12% price cut to consumers
- Revenue down 9.9% to ₦49.6 billion
- Gross profit down 16.0% to ₦12.9 billion, 26.1% margin
- EBITDA down 5.9% to ₦11.1 billion, EBITDA margin increases to 22.3%
- Profit before tax down 5.5% ₦10.3 billion
- Net cash of ₦7.1 billion

Operating highlights

- Seasonal sugar production at Savannah 6,245 tonnes (2013, 5,112 tonnes)
- H1 Refinery production at Apapa down 9.5% to 423,628 tonnes
- Apapa Refinery maintenance upgrade, gas supply disruptions
- Sugar sales volume reduced by 1.1% to 420,862 tonnes

Graham Clark, Group Managing Director, said:

"The Group remains focused on increasing sugar production and achieving greater capacity utilisation. A comprehensive maintenance upgrade was completed at the Apapa Refinery in May 2014, which will improve output for the remainder of the year. Challenges with disrupted gas supply during June 2014 were overcome by alternative firing of the Apapa boilers on Low Pour Fuel Oil. Gas supply has since returned to normal."

"Harvesting of sugar cane at Savannah was completed in early May 2014, and focus has turned to upgrading the management for the next crop which is expected to produce improved cane yields. The Savannah factory crushed all available sugar cane in 2014 and produced 25% more sugar than in the previous period. Planned factory maintenance is underway to prepare for an increased cane crop in the coming season. Preparations for further expansion at Savannah include the planting of some 800 hectares of new seed cane for use in the coming planting season."

"Our greater expansion plans continue to gain momentum."

About Dangote Sugar Refinery

Dangote Sugar is Nigeria's largest producer of household and commercial sugar with 1.44 million tonnes of refining capacity able 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 sugar 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 one and a half million 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 farmed acreage and upgrading its production facilities. We intend to augment's Savannah's 32,000 hectares in Adamawa state by acquiring and planting as much as 200,000 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.

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Conference call details

A conference call for analysts and investors will be held on **6 August 2014, at 4:00pm** Lagos time.

The dial-in details are as follows:

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Speakers: Graham Clark, Group Managing Director

Abdullahi Sule, Deputy Group Managing Director

Key Performance Indicators

	Group	Group	
	6 months 2014	**6 months 2013**	**% change**
Refined Sugar Produced (mt)	423,608	468,432	-9.5%
Refined Sugar Sold (mt)	420,862	425,441	-1.1%
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Revenue	49,601	55,034	-9.9%
Gross profit	12,959	15,428	-16.0%
Gross margin (%)	26.1	28.0	-1.9pp
EBITDA	11,063	11,759	-5.9%
EBITDA margin (%)	22.3	21.4	0.9pp
Profit before taxation	10,263	10,859	-5.5%
Profit for the year	6,835	7,013	-2.5%
EPS – Kobo	57	58	-1.7%

Global sugar pricing and demand

Across the first half of 2014, the average price of raw sugar was around 16% lower than it was in the same period last year. However prices remained volatile in the period. Having started 2014 at 15.71c/lb the price rose steadily as fears of drier weather and later harvests in Brazil weighed on market sentiment. The onset of rain and an early start to cane crushing in Brazil pared prices back in March and April and downward momentum was maintained by increased sales in India in response to government incentives. Thereafter prices again reacted to adverse weather in Brazil and India and, by the end of June the price was 18.13c/lb. The price has since fallen again, to below 17 c/lb driven by increased availability in Brazil.

Sugar industry analysts expect the global sugar market to face a mild supply deficit of 1.2mt in 2014 due to weather risks in major producers, along with rising consumption. However, analysts expect European producers to increase production in response to any weather concerns and this should help to stabilise the price.

Nigerian market overview

Nigeria's consumption of sugar is rising as an emerging class of consumers create a bigger market for manufacturers and sellers of FMCG products. Sugar consumption per capita has risen in the past year from 7kg to 9.5kg, which is still very low compared to a global average of 32kg.

Local sugar demand is expected to grow from 1.3 to 1.7 million tonnes by 2016, as projected GDP growth along with a burgeoning middle class and increasing disposable income, continue to stimulate demand for sugar in the near to medium term.

The Nigerian National Sugar Master Plan continues to encourage local production of sugar from own grown sugar cane. 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 expansion plans of the group.

Operating review

Savannah Sugar

The 2014 sugar production season at Savannah was concluded on 2 May 2014, with 122,452 tonnes of sugar cane crushed and 6,245 tonnes of sugar produced. This was an improvement on the previous season which produced 102,181 tonnes of sugar cane and 5,011 tonnes of sugar. Average cane yields were poor as anticipated but post-harvest remedial action has significantly improved the quality of the emerging cane crop. The factory operated below capacity at throughput levels matched to crush all available sugar cane. Factory maintenance is well underway in preparation for the next campaign.

Apapa Refinery - constrained by gas supply challenges and maintenance upgrade

Sugar production at our Apapa Refinery fell by 9.9% as gas supply disruptions and a seven-day maintenance upgrade in May restrained our output and increased costs. Sales volumes from Apapa declined by 1.8% to 417,362 tonnes in the first half of 2014, compared with 463,319 tonnes in 2013, at an average selling price of ₦5,685 per 50kg bag (H1 2013: ₦6,460 per 50kg bag).

We estimate our market share of refining to be above 70%, slightly above the level achieved in 2013. Capacity utilization was just below 60% in the first half of 2014, down from 64% in 2013, for the reasons detailed above.

Sales & Distribution

Lagos and the Northern part of Nigeria continue to make up the majority of our sales at about 43% each and therefore accounted for about 86% of our revenue. We continue to align with our third-party distributors to consolidate access to these growing markets. As our corporate customers commission new factories around the country, consumption of refined white sugar is expected to increase further.

New projects

Technical assessments and data collection are underway on our identified development sites in Taraba, Kebbi and Kwara states. The layout and design of the proposed agricultural estates will be based on this technical data. Additional land in Jigawa state has been made available to the Group by the local authorities. Boundary surveys are underway and technical evaluation will follow confirmation of this site boundary. Indications are that this area is suitable for sugar cane cultivation and will complement the other development sites already identified.

Financial Review

Group revenue fell by 9.9% to ₦49.6bn (H1 2013: ₦55.0bn), reflecting the lower selling price and disruptions to refining at Apapa experienced in the period. Our landed cost of raw sugar decreased from an average of USD439/t in the first half of 2013 to USD365/t in 2014, while the price at which we sell refined sugar to customers fell by 12% per 50kg bag to an average of ₦5,685.17 (H1 2013: ₦6,460.48).

Gross profit fell by 16.0% to ₦12.9bn, (H1 2013: ₦15.4bn) with revenue impacted by lower sales prices and volume, and higher production costs mainly driven by increased fuel costs. However, lower raw sugar costs and other cost optimization strategies helped us to offset some of the impact of higher fuel costs and as a result, gross margins fell only slightly from 28.0% in H1 2013 to 26.1% this year.

A reduction in promotional activity resulted in lower sales and distribution costs of ₦0.6bn in the first six months of 2014, compared to ₦1.8bn in 2013. Administrative expenses of ₦2.3bn were 51.7% lower year on year (H1 2013: ₦4.7bn) reflecting a suspension of management fees for the period, whilst the impact of newly effective transfer pricing legislation is assessed.

Investment income was significantly lower as we redeploy cash resources away from the money markets that had previously generated additional income. Other income fell this year, following our fire insurance claim in 2013.

Group profit before tax for the period fell slightly to ₦10.2bn (H1 2013: ₦10.8bn).

Earnings per share for the period was 57 kobo (H1 2013: 58 kobo).

Outlook

We do not expect raw sugar prices to exceed the current peak as other producers are likely to offset any fall in production from Brazil. Our selling price will respond to any shifts in the raw sugar price, and we remain confident that per-capita consumption will increase with the economic growth of the nation.

Although we anticipate a challenging environment for the rest of 2014, given disruptions to gas and LPFO supplies, our focus remains on increasing our local market share to reinforce Dangote Sugar's position as Nigeria's leading producer. We will ramp up production at Apapa to produce refined sugar at levels close to capacity so that we can cater for growing demand.

The rehabilitation of Savannah is well underway and a start has been made to seed cane development at the first of our new sites in Taraba State. We look forward to increasing sugar production from locally grown sugar cane as the country moves towards self-sufficiency.