

CHAIRMAN'S STATEMENT



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It is my pleasure to welcome you Distinguished Shareholders, Fellow Directors, and Representatives of the Regulatory Authorities, to the 18th Annual General Meeting of Dangote Sugar Refinery Plc, and to present to you the Annual Report and Financial Statements for the year ended December 31, 2023.

As customary, we start with a review of the global and domestic economies in 2023.

OPERATING ENVIRONMENT

During the year, the anticipated hope of a global economic recovery following the lifting of restrictions as the World Health Organisation declared that COVID-19 was no longer a global health emergency, was dashed due to the lingering impact of the pandemic on economic activities. Geopolitical tensions across the globe continue to plague projected global economic growth and recovery; with the ongoing Russian-Ukrainian war, Israeli-Palestinian conflict and Houthi attacks on the Red Sea disrupted shipping, which contributed to the rising cost of living for the global majority.

Also, in the year under review, China's economy recorded a slowdown with manufacturing activity shrinking

unexpectedly in October. The European economy avoided recession in 2023, with a growth rate of one percent, while the European Union (which contains 27 European countries) and the Eurozone (which contains 20) grew by 0.7 percent each. Eastern Europe reported markedly higher GDP growth than Western Europe in 2023, at 1.6 percent.

However, the US recorded economic growth that defied pessimistic forecasts. The economy progressed at a significant pace over the course of 2023. The growth was fuelled by strength in consumer spending, a revival in manufacturing structures investment and increased state & local government purchases. The level of US real GDP in 2023 even exceeded some pre-pandemic forecasts, with sound household balance sheets and a strong labour market as the primary drivers of consumer expenditures, which continue to grow at a pace close to the average among prior expansions.

The domestic operating environment was however harsh, being an election year that saw a new government sworn into office on May 29, 2023. The announcement of removal of fuel subsidies led to shortages and increases in price. Attempts were made to unify the exchange rates and subsequent devaluations resulted in the astronomical price increases and lower purchasing power for households.

Many manufacturing companies were affected and reported operational losses arising from fluctuations in the value of the Naira against the US dollar. Vital components and materials essential in the manufacturing sector recorded astronomical increases in prices between the first and last months of the year. Automotive Gas Oil (Diesel) price fluctuated widely within the year and affected activities in the economy. According to the National Bureau of Statistics (NBS), the average retail price of Automotive Gas Oil (Diesel) was 828.32 per litre in January 2023 and closed the year at about N1,055.57 per litre, indicating a 28 percent increase. There were shortages of the product in the period with attendant negative impact on the operating environment.

In the period under review, data from the NBS indicated Nigeria's gross domestic product (GDP) grew to 2.54 percent year-on-year in real terms in the third quarter of 2023, higher than the 2.25 percent recorded in the corresponding quarter in 2022. The GDP inched by 0.03 percent in third quarter, higher than the 2.51 percent reported in the second quarter of 2023's growth. Changes in GDP in the review quarter was from the services sector, which recorded a growth of 3.99 percent and contributed 52.70 percent to the aggregate GDP growth.

The domestic currency Naira depreciated by 25 percent, falling to NGN 632 per USD from NGN 463 per USD after



**ALIKO
DANGOTE, GCON**
CHAIRMAN

the Central Bank of Nigeria (CBN) abolished the multiple exchange rate window and temporarily halted interventions in FX markets, continued to depreciate and displayed significant volatility. The Naira traded between NGN 589 and NGN 1,013 per USD. The free fall of the naira has helped fuel inflation to a near two-decade high in recent months, exacerbating the cost-of-living crisis and weighing on the domestic economy.

A new governor, Olayemi Cardoso was appointed to head the apex bank in the closing quarter of the year. The insecurity situation continued unabated with kidnapping and killings which engendered an atmosphere of fear and hampered business activities.

OUR PERFORMANCE

2023 was indeed a very challenging year, not only for the company but for every business operating in this environment and beyond. These challenges ranged from the sharp depreciation of the exchange rate of naira to the dollar, scarcity of the US dollar to meet organisations needs and its attendant impact on the import of raw sugar, which remains the key component of our raw material input to our production process. As a result, we experienced increased cost for importation of raw sugar, and delays in approvals and opening of letter of Credit by banks. All these amongst others led to the results recorded by our company in the year under review.

The Company recorded a Group turnover of N441.5billion, a 9.5% increase over N403 billion in the corresponding period in 2022. Operating profit of N82.26 billion which was 18.6% of revenue compared to N85.7 billion (91.2%) showed a strong attempt by the company to recover cost increases. Profit Before Tax (PBT) of N108.9 billion, Profit After Tax of (N73.8B) billion, due to the non-cash foreign exchange loss of 171.4 billion. This excludes the non-cash foreign exchange loss, recurring PAT was up 71%, at 97.66 billion.

SUSTAINABLE GROWTH & DEVELOPMENT

Despite the challenges in the business

environment, our commitment to the achievement of a continued growth, building a sustainable business and the socioeconomic development of the communities we operate in remains unwavering.

We continue to employ the necessary steps and maximise every opportunity in growing our business with focus on impact management, governance and ethics. It is in this light that I am happy to share with you that Moody's affirmed DSR's national scale rating at Baa3.ng; with an A+ rating affirmed by Agosto & Co. Also, a grade C Score by Carbon Disclosure Project (CDP) in our 2023 Disclosure Report, in recognition of our efforts at combating climate change and maintaining water security, respectively in line with our priority Sustainable Development Goals 6 and 13. With this, DSR is now internationally recognised for its support of, and contribution to global sustainability initiatives in water conservation (SDG 6) and climate action (SDG 13).

In addition, we successfully completed the Bonsucro membership process. Bonsucro is an international organisation that independently assures that our Sugar is produced through sustainable agricultural practices and supply chain processes, a key requirement by our major customers which underpins DSR's commitment to the achievement of sustainable production. With these successes, DSR becomes the first organisation to achieve such membership in Nigeria and is positioned to be the preferred choice for Customers, investors, and all stakeholders.

Our Social Impact Management process with a review of our Stakeholder Engagement process were not left out during the year under review. Guided by the three sustainability bottom lines: People, Planet & Profit, efforts were made towards sustaining the cordial relationship in our host communities, with the creation of sustainable value for all stakeholders through an inclusive approach and improved social impact management process.

A Board Technical and Sustainability Committee has been established to have oversight of the operations of the Company with six members of the Board as its members. The committee is charged with the oversight of the company's operations in the areas of Production, Transportation & Logistics, Environmental, Social & Governance (ESG), Health, Safety, Security & Environment, Implementation, and Projects monitoring.

Our vision remains the creation of a sustainable business and value for all stakeholders by making substantial positive impact through job creation, sports development, quality education, women and youth empowerment, skills acquisition schemes, food security, healthcare, and wellbeing amongst other developmental activities to support the socio-economic development of our communities and the company at large – **The Dangote Way**.

We remain fully aligned with international and national sustainability and governance standards, principles and

guidelines that are applicable to our business and reporting requirements. We will continue to build expertise where required in these areas to sustain and improve on the achievements recorded to date.

THE DANGOTE SUGAR FOR NIGERIA PROJECT

In alignment with the Federal Government of Nigeria policy guidelines, DSR continues to focus on its Backward Integration Project (BIP) by deploying and reviewing project strategies to ensure efficient delivery.

The 10-year sugar development plan to produce 1.5 million MT Sugar per annum from locally grown sugarcane remains a germane roadmap to attainment of the Company's objectives.

Our focus is on achieving the revised targets set for DSR Numan Operations, Dangote Adamawa Sugar Limited, and Nasarawa Sugar Company Limited, while we are hopeful that the Taraba State Government will resolve the community payment issues that have led to the stoppage of activities at the Dangote Taraba Sugar Limited, Lau/Tau project. During the year under review, despite the challenges we were faced with, the company significantly scaled up investment in the Backward Integration Projects with the ongoing expansion of the DSR Numan factory refining capacity from 3,000TCD to 9,800TCD year end. The factory will be increased with an additional 5,200TCD to 15,000 TCD eventually to meet the need in view of the massive land development activities also going on at the site. The aim is to achieve 24,200 hectares in total by year 2029.

Despite the adverse impact on the business environment by continued increase in inflationary trend, lack of liquidity and FX to fund our equipment import amongst others for the backward integration projects, concerted efforts are ongoing to secure the needed funds for the development of the Nasarawa Sugar Company Limited, project at Tunga in Awe Local Government Area of the state. This will enable the Company to put in place the needed infrastructure for the eventual commencement of full-scale production and ensure that the Dangote Sugar Backward Integration Sugar for Nigeria Project is achieved.

In the end, over \$700 (USD) million investment would be committed to the Backward Integration Programme.

Also, Dangote Sugar (Ghana) Limited, was established as a subsidiary of the Company during the year under review. This is in line with the plan to expand the Company's presence in the sugar industry across Africa – **The Dangote Way**.

BOARD OF DIRECTORS

During the year under review, there were a few changes in the composition of the Board. The Board of Directors made two appointments to Board. Mrs Yabawa Lawan Wabi (mni) as an Independent Non-Executive Director on February 28, 2023. and Ms. Mariya Aliko Dangote as Executive Director on July 28, 2023. Mrs. Lawan Wabi's appointment was ratified at the Annual General Meeting held on April 14, 2023. Ms.

Dangote's appointment is subject to the ratification of Members at the Annual General Meeting. All the Directors retiring by rotation, being eligible will offer themselves for re-election during this Annual General Meeting.

OUTLOOK

Distinguished Shareholders, Ladies and Gentlemen, though the outlook remains challenging, the Board and Management will continue to employ pragmatic approach to the management of the operations as we navigate through the scarcity of foreign exchange and escalating costs of raw materials. We will ensure cost and process optimisation, improved efficiencies in every area of our operations and service delivery to our customers.

Our employees remain our best asset. their resilience during these challenging years is worthy of commendation. We continued with the manpower development and empowerment of our teams, right placement, and realignment of functions to ensure optimal performance with focus on the entrenchment of a culture of exceptional performance with a view to attract and retain the best talents in our employment, as a preferred employer in the Food & Beverage industry.

I want to sincerely appreciate our distributors and every customer for their continued partnership, support, and patronage through the years. Their unending vote of

confidence in the Board and Management has helped in giving us the encouragement to keep going against all odds. To every member of the Board of Directors, I am grateful for their immense contributions and continuously bringing their vast experience to bear in their service to the company.

Ladies and Gentlemen, achievement of the goals of the Sugar Backward Integration Master Plan remains our focus. This will go a long way in delivering the anticipated benefits especially in FX savings and cushioning its impact on our operations amongst other benefits to the company, all stakeholders, and the nation.

I call on all stakeholders to stay the course as we continue this path to greatness.

Thank you.



Aliko Dangote, GCON
Chairman

April 2024