

CHAIRMAN'S STATEMENT



**Aliko Dangote, GCON
Chairman**

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Fellow Shareholders, Distinguished Guests, Gentlemen of the Press, Ladies and Gentlemen.

It is my pleasure to welcome you all to the 12th Annual General Meeting of your Company, Dangote Sugar Refinery Plc. I shall be presenting to you the Annual Report and Financial Statements, with the excellent results achieved by your Company for the year ended December 31, 2017. Please permit me to present a brief review of the operating environment in 2017, its impact on businesses and consumers as well as brief expectations for 2018.

PERFORMANCE/PROJECTIONS

In spite of the gloomy economic outlook at the dawn of 2017 - due to persistent depletion of the country's external reserves, high inflation rate, and a foreign exchange crisis that weakened the Naira; DSR was able to weather through the economic downturn, which fortunately took a better turn mid-year 2017. The recession eased, and Naira stabilized against the dollar as the economy continued on a steady recovery pace.

Aided by a range of forex policies introduced by the CBN, the Nigerian economy was led to shore in the final quarter of 2017, seeing growth rise to a two-year high on an impressive performance in the

non-oil sector; a turnaround that presented a positive outlook for the ailing economy and much needed boost for investor confidence.

The economic landscape improved progressively with expected growth at 2.1% in 2018 and 2.5% in 2019; a projection based on higher oil prices and production, inclusive of stronger agricultural performance. With a major improvement in oil prices from \$43 per barrel in 2016, to an average of \$52 per barrel (Brent Crude) in 2017, it is projected to have a bounce back at \$54 in 2018. In addition, oil production gladly increased from 1.45 million barrels per day in the first quarter of 2017 to 2.03 million barrels per day in the third quarter of 2017, and is expected to maintain that pace in 2018, thanks to the cutback of hostilities in the delta region.

2017 PERFORMANCE

DSR put up a rather impressive performance since the inception of the company against all odds, given the uncertainties and various socio-economic challenges that gritted the year under review. The company forged stronger to achieve a Group turnover of ₦204.42 billion, 20.44% increase over the comparative period in 2016. A PBT (Profit Before Tax) of ₦53.6 billion, 173% increase over 2016, and a Profit After Tax of

₦39.78 billion.

EBITDA rose to ₦51.4 billion, a 113.28% increase compared to the ₦24.14 billion, margins of 25% and 14% for 2017 and 2016 respectively. Earnings per share grew to ₦3.31, a 175.8% increase over 2016.

DIVIDENDS

The Board has recommended to the shareholders for approval at this meeting, the payment of a final dividend of ₦15 billion, being ₦1.25 per share per ordinary share of 50 kobo each for the year ended December 31st 2017. The board had earlier approved the payment of an interim dividend of ₦6 billion, being ₦0.50 per share. This brings the total dividends for the year under review to ₦21 billion; being ₦1.75 per ordinary share of 50 kobo each for the year ended December 31st 2017, a record 192% increase over year 2016.

On approval, the final dividend will be paid to shareholders in the register of members at the close of business on Friday, 13th April, 2018, net withholding tax at the standard rate. Shareholders are also encouraged to embrace the e-dividend option to ensure prompt payment of the dividends to their bank accounts.

THE BACKWARD INTEGRATION PROJECTS

The company has spent ₦121 billion on equipment, land acquisition, compensation to land owners, consultancy and related services towards a progressive actualization of the company's Sugar for Nigeria Backward Integration Project Plan. In accordance with plans to realign implementation in phases, the 60, 000ha Tunga Sugar Project in Nasarawa was included in the project during the year under review. Full payment was made for the land to the tune of ₦3.250 billion, with an MOU signed by the state government; sequel to which necessary developmental work has been mobilized on site.

Despite major setbacks like flood, community

relations issues and most recently communal clashes between host community and Fulani Herdsmen that hampered progress, Savannah Sugar remained the only company producing sugar from own grown sugarcane in the country, with over ₦30 billion spent to date; a purposeful investment towards rehabilitation of land and infrastructure, field expansion projects and equipment. Further commitment has been displayed by significant investment in replanting existing fields and increase factory capacity from its current 3,000TCD to 6,000TCD. With the introduction of new irrigation system to improve cane output and production, a 12,000TCD factory was installed.

Negotiations with the Government and local communities of Kwara and Niger on land acquisition processes are ongoing, in line with the backward integration sites plan. Project activities will resume in Taraba State when the rain assuages - after issues with the Government and local communities over the Lau/Tau project which has recently been resolved.

SOCIAL RESPONSIBILITY & GOVERNANCE

In addition to the support and sponsorship of various causes by the Company, a robust social responsive scheme has been developed and will be implemented across all the backward integration projects communities. Under which are direct and induced employment of locals, hospitals, schools, roads etc.

The CGRS certification was attained in 2017, as conducted by the Convention for Business Integrity.

The Directors all passed the Fiduciary Awareness. Sustainability is assured, and risks minimized due to the prompt supervision of the Board Risk and Assurance Committee.

BOARD OF DIRECTORS

No major changes in Board composition since last

Annual General Meeting. However, the Directors retiring by rotation, being eligible offered themselves for re-election during the meeting.

EMPLOYEES, CUSTOMERS & OTHER STAKEHOLDERS

Many thanks to the management and staff for their resilience and hard work in delivering a successful year under review. Also, to the customers for their continued loyalty and patronage. Not forgetting the stakeholders for their continued support and needed inputs.

THE FUTURE

The Board remains committed to the medium and long-term goals of the Sugar for Nigeria Project, despite challenges that surround. The cost efficiency project in Apapa refinery prior to and

during the year under review will impact positively on the Company's performance in the years ahead.

The Board remains focused on engaging more strategies for optimum delivery to all stakeholders. I thereby solicit your unrelenting support and renewed commitment to achieving set goals for 2018 and beyond.

Thank you.

A handwritten signature in blue ink, appearing to read 'Aliko Dangote'.

Aliko Dangote, GCON

Chairman

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June 2018