



## Dangote Sugar Refinery – Results presentation

April 2008

# Dangote Sugar at a glance

- Dangote Sugar Refinery (“DSR”) has the largest sugar refining plant by production capacity in sub-Saharan Africa<sup>1</sup>
- 2<sup>nd</sup> largest sugar refining plant in the world, with a capacity of 1.4m MT per annum<sup>1</sup>
- DSR has a long history in the Nigerian sugar market
  - **1978**: Entered the sugar trading import business
  - **2000**: Commenced domestic production
  - **2001**: Commissioned its sugar refining plant - strategically located in Lagos, West Africa’s largest port
  - **2007**: Listed on the Nigerian Stock Exchange, and is owned 69% by Dangote Industries Limited and 31% by the general public
- DSR imports raw sugar from Brazil, refines it, then sells to domestic distributors and large industrial users
- DSR currently has over 80% of domestic market share<sup>1</sup>
  - Key supplier to 5 of 6 large blue chip industrial companies in Nigeria
  - Strategic objective to begin sugar exports into regional West Africa and beyond

## Business model—geographic overview



<sup>1</sup> Based on internal DSR marketing research

<sup>2</sup> Wholly owned by DIL. Planned integration into DSR within the medium term

# Agenda

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➤ **Highlights**

- Delivering on strategy
- Operational review
- Financials
- Targets

# Highlights for FYE Dec 2007

- Another quarter of delivering strong financial results and improving EBITDA margins
- Delivering on the strategy:
  - Exports to Ghana
  - Tangible progress on Nigerian capacity expansion project and Algeria plant
  - Small packaging plant
- Staff incentivisation programme implemented
- Positive long term outlook on the back of expansion plan
- Awarded the Best African IPO for 2007 by Africa Investors' Index series
- Won the NSE's President Merit Award for best quoted company in the Food and Beverage sector and overall second runner up company

Financial Highlights NGNmillions	Year ended 31 December		
	2006	2007	% Change
Production (mm MT)	0.90	0.91	1.1%
Revenues	83,768	80,649	(3.7)%
EBITDA <sup>1</sup>	17,980	30,384	69.0 %
% margin	21.5%	37.7%	NA
EBIT <sup>1</sup>	17,203	29,466	71.3 %
% margin	20.5%	36.5%	NA
Profit after tax	16,657	21,479	28.9 %
Earnings per share (NGN)	1.67	2.15	28.7 %

- EBITDA of NGN30.4bn for the year (2006: NGN18.0bn)
- EBITDA margins improved to 37.7% in 2007 (2006: 21.5%)
- EPS up 28.7% year-on-year to NGN2.15 (2006: NGN1.67)
- Annual dividend of NGN 1.70 per share (2006: NGN1.15)

<sup>1</sup> See notes on slide 19 for definition

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# Our growth strategy

		Stated strategy	Status
Strategy	Regional expansion	<ul style="list-style-type: none"> <li>■ Enter neighbouring African markets</li> <li>■ Export to commence to Ghana</li> <li>■ Build sugar refinery in Algeria (early stages)</li> </ul>	<ul style="list-style-type: none"> <li>☑ Exports started in Dec 2007</li> <li>☑ Algeria plant on track for commissioning in 2009</li> </ul>
	Capacity expansion	<ul style="list-style-type: none"> <li>■ Production capacity expansion to capture regional and domestic growth</li> </ul>	<ul style="list-style-type: none"> <li>☑ Nigeria plant expansion on track for commissioning in 2009</li> </ul>
	Vertical integration	<ul style="list-style-type: none"> <li>■ Commence vertical integration</li> <li>■ Strategic objective to acquire Savannah Sugar</li> </ul>	<ul style="list-style-type: none"> <li>☑ Savannah integration planned for the medium term</li> <li>☑ Reviewing strategic options</li> </ul>
	Efficiency	<ul style="list-style-type: none"> <li>■ Current production yield at 96%; target of 98%</li> <li>■ Production of ethanol instead of molasses</li> <li>■ Increase warehouse capacity and stocks</li> </ul>	<ul style="list-style-type: none"> <li>☑ Current production yield of 96%</li> <li>☑ New raw material warehouses under construction by the factory (within the Port)</li> </ul>
	Product expansion	<ul style="list-style-type: none"> <li>■ Diversify distribution chain</li> <li>■ Packaged sugar for retail consumers</li> </ul>	<ul style="list-style-type: none"> <li>☑ Small packaging plant being commissioned in H2 2008</li> </ul>
	Cost management	<ul style="list-style-type: none"> <li>■ Vessel acquisition</li> </ul>	<ul style="list-style-type: none"> <li>☑ Looking for opportunities</li> </ul>

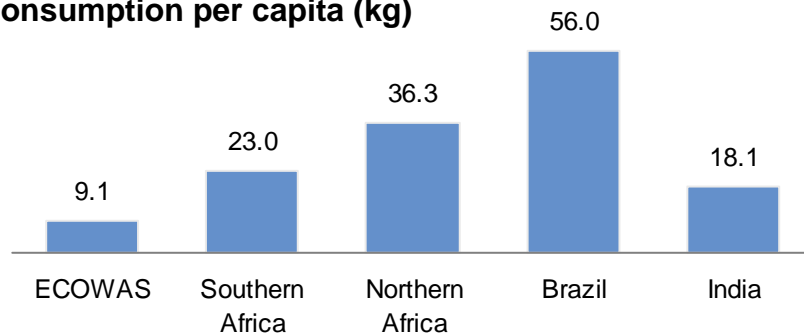
## Goals

**To be among the leading integrated low cost sugar producers in the world by doubling production capacity, with strong domestic and regional African presence and increasingly international focus**

# Exports

- First shipment of 1.5 MT sugar to Ghana in December 2007
- Benefit from Nigerian export promotion council incentive
- Benefit from tariff agreements within the ECOWAS zone
- Region imports<sup>1</sup> total of 1.0 mm MT due to lack of production facilities
  - Strategic location of refinery in Apapa port
- Strong potential for growth on the back of low consumption per capita and growing middle class

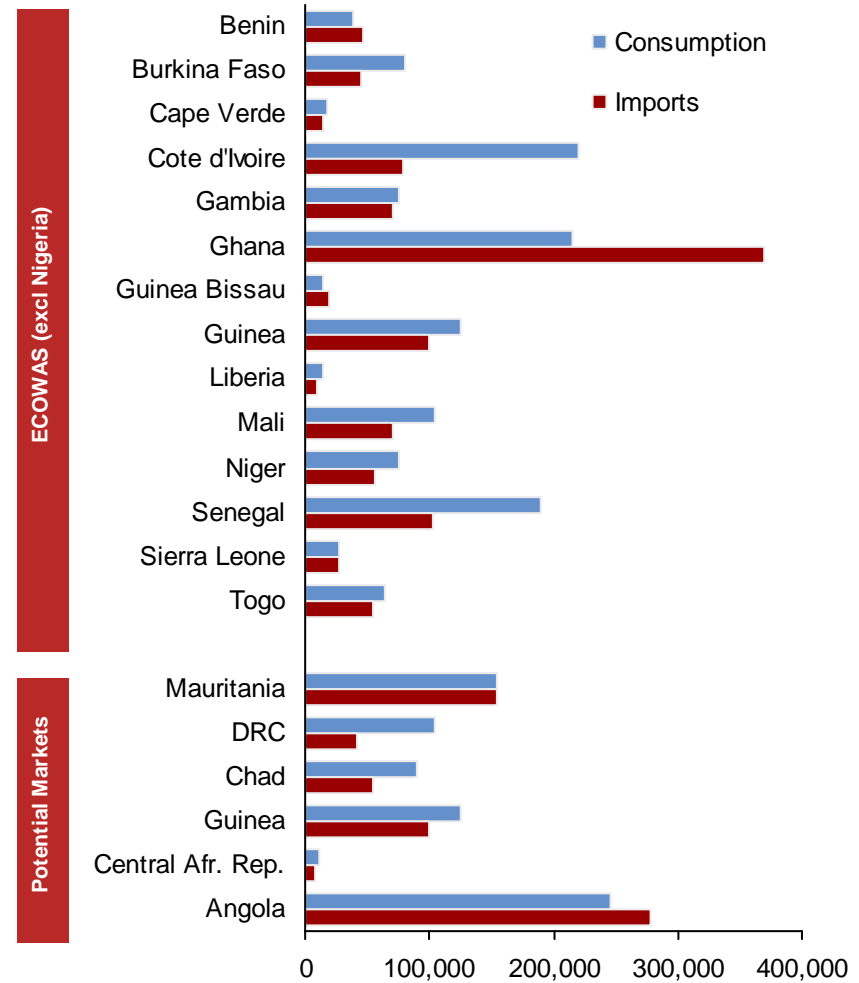
**Consumption per capita (kg)**



Source: IMF, International Sugar Organisation, DSR management estimates

<sup>1</sup> Excluding Nigeria

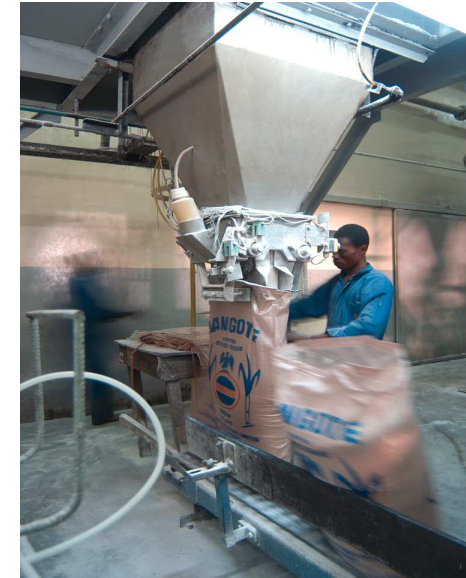
## Consumption and imports - ECOWAS



Source: International Sugar Organisation

## DSR small packaging plant

- Small packaging plant expected to be commissioned in H2 2008
- Target retail market through distributors with small packs of 250g, 500g and 1.0kg branded Dangote
- Leverage Dangote brand at no additional costs through existing management contract
- Equipment already ordered
- Environment Impact Assessment currently underway
- CapEx of approximately US\$2 million
- Positive impact on margins given further penetration of value chain at minimal costs



# Nigerian expansion project

- Expected commissioning: 2009
- Capacity to increase from 1.4mm MT to 2.5mm MT
- Extension to existing factory
- Most equipment already ordered
- Environment Impact Assessment currently underway
- Construction of structure underway
- CapEx of approximately US\$60 million
- Target markets:
  - Domestic market as consumption increases
  - Export to selected ECOWAS markets

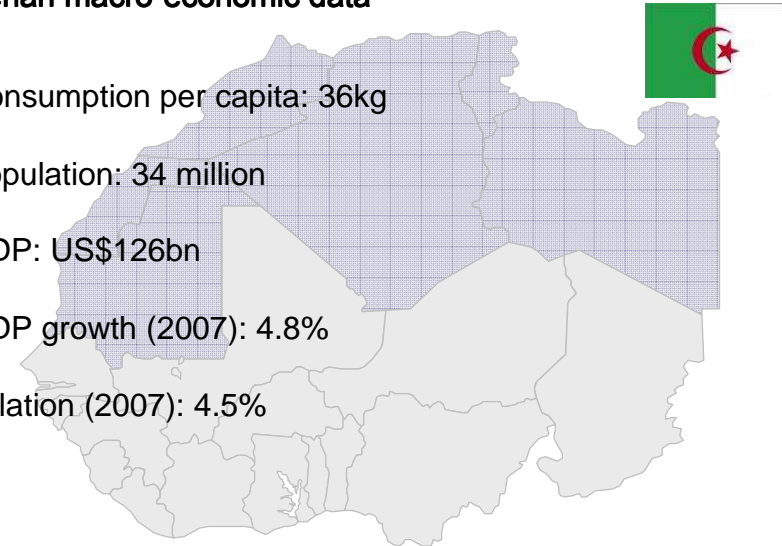


# Algeria expansion project

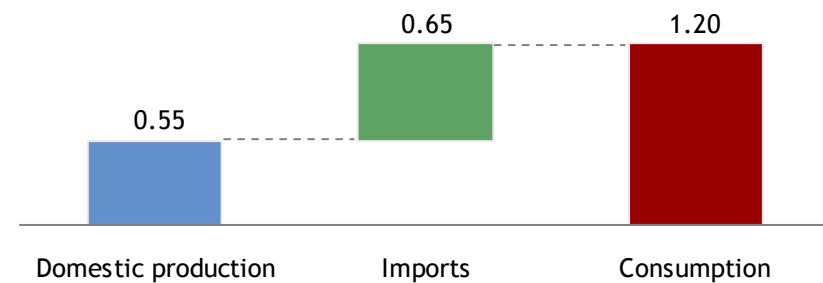
- Expected commissioning: 2009
- Capacity: 1.0 mm MT
- Plant to be located in Algiers
- Equipment already ordered
- Regulatory approvals in process
- Environment Impact Assessment in process
- CapEx of approximately US\$90 million
- Target markets:
  - Domestic Algerian market
  - Export to Arab Maghreb Union Countries, which have a similar market composition as Algeria
    - Sizeable market
    - High sugar consumption per capita
    - High reliance on imports

## Algerian macro-economic data

- Consumption per capita: 36kg
- Population: 34 million
- GDP: US\$126bn
- GDP growth (2007): 4.8%
- Inflation (2007): 4.5%



## Algeria overview (mm MT) 2006



Source: IMF, DSR management estimates

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# Nigeria — Business environment

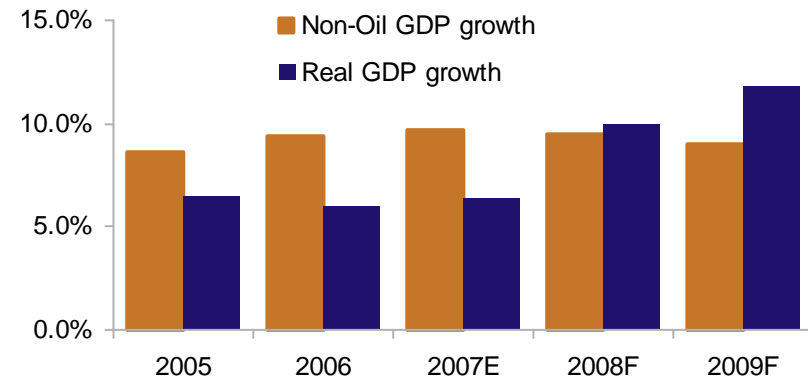
## Political stability

- Peaceful democratically elected Government hand over to another democratically elected Government
  - Contested outcome decided in courts
- Election petition courts' outcome received in good faith – no recourse to violence

## Strong economic growth prospects

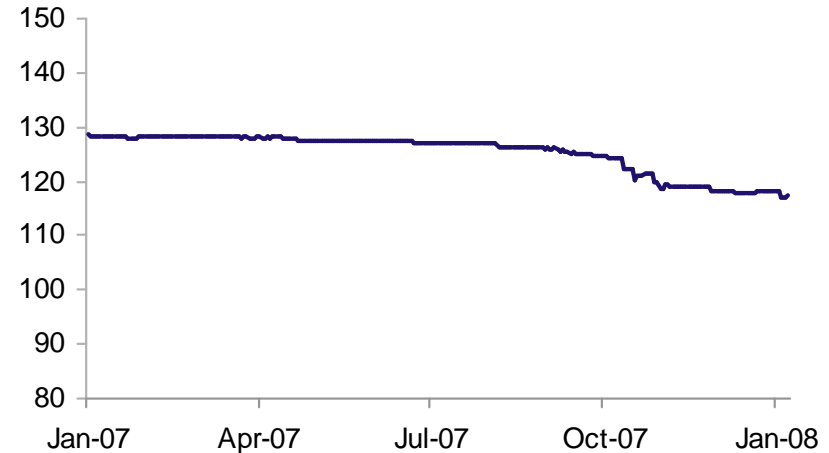
- Real GDP growth at approx. 10% p.a. for 2008 and 2009
  - Non oil GDP growth forecasted between 7-8% in 2008 and 2009
- Inflation under control at approx. 7%
- Improving FX rate environment, resulting in lower raw material costs
  - NGN/US\$ strengthened by approx. 10% in last 12 months
- Continuation of reform programme by new administration

## Economists forecast real GDP growth above 10% p.a.



Source: JPMorgan research

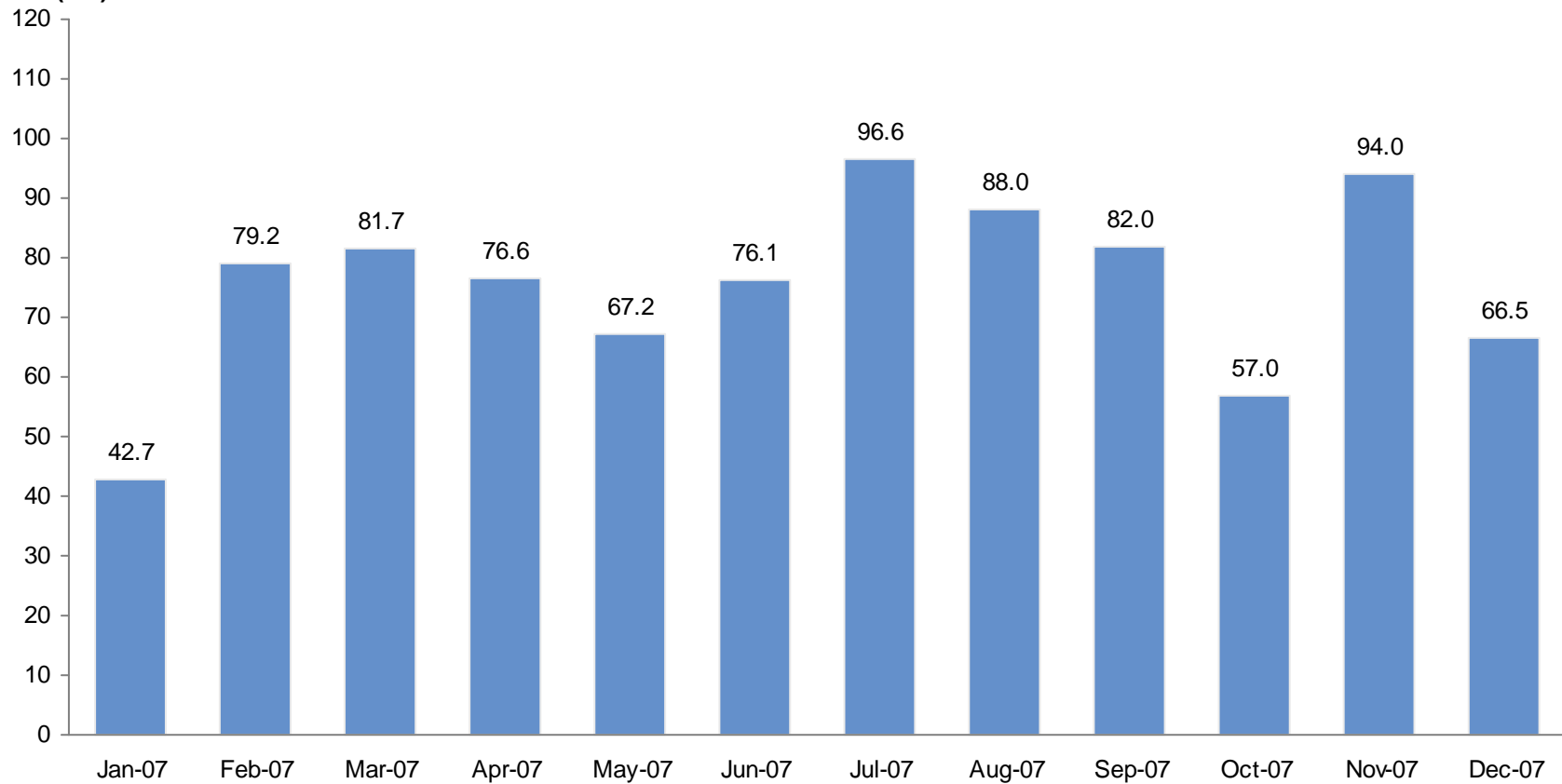
## FX rate



Source: Bloomberg

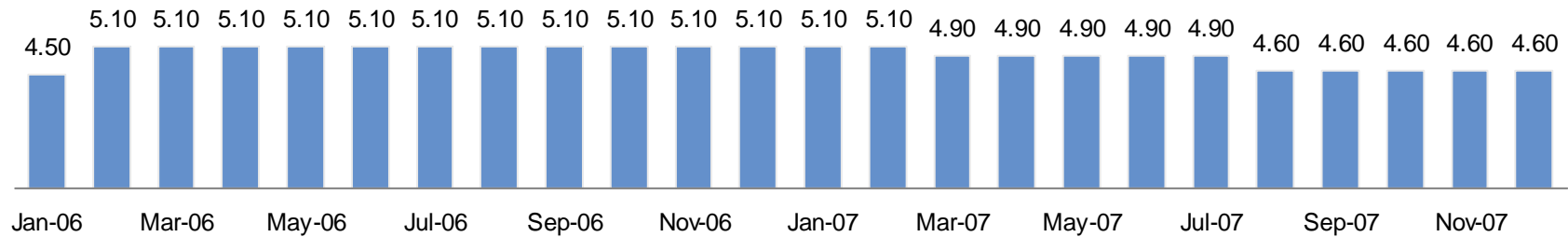
# Production profile

Monthly production  
(MT)



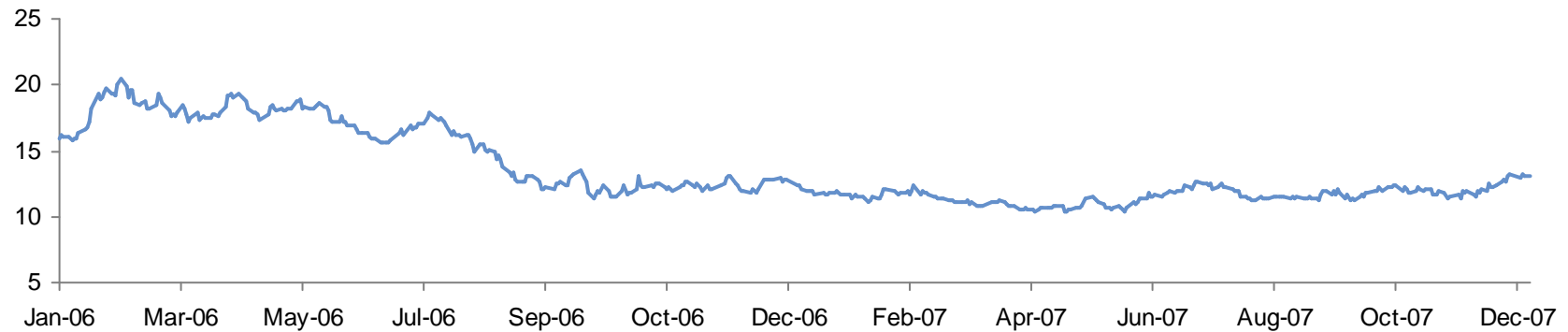
# Sugar price

## DSR selling price in Nigeria - white sugar (NGN '000 per bag)



Source: DSR management estimates

## Raw sugar price #11 — c/lb



Source: Bloomberg

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# Income statement

NGNmm	2006	2007	% Change
Turnover	83,768	80,649	(3.7%)
Cost of sales	(63,624)	(48,184)	(24.3%)
Gross profit	20,144	32,465	61.2%
Distribution and administrative expenses	(3,091)	(3,208)	3.8%
	17,053	29,258	
Other Income	499	1,405	181.6%
Operating profit	17,552	30,663	74.7%
Interest payable and similar charges	(895)	(2)	(99.8%)
Profit on ordinary activities before taxation	16,657	30,661	84.1%
Taxation	0	(9,182)	
Profit on ordinary activities after taxation	16,657	21,479	28.9%
Earnings per share (kobo)	167	215	28.7%

- Turnover decreased 3.7% from NGN83.7 billion to NGN 80.6 billion in 2007
  - Sales volume remained relatively constant
  - Global raw sugar prices saw a 25.2% decrease from an average of approx. 15.5c/lb in 2006 to 11.6c/lb in 2007
    - DSR passed this price reduction on to customers
- EBITDA increased by 69.0% to NGN30.4 billion in 2007. Increase in EBITDA margins to 37.7%
- Profit after tax increased by 28.9%

# Balance sheet

NGNmm	2006	2007
Fixed assets	14,268	14,036
Stocks	3,378	4,098
Trade debtors	5,490	5,435
Other debtors & prepayments	4,348	3,015
Cash and bank balances	3,879	19,987
Trade creditors	8,171	6,541
Other creditors	2,640	8,087
Net assets	13,920	14,271
Shareholders' fund	27,978	25,956
Net debt/(cash)	3,879	19,881

- Cash balance increased to NGN20.0 billion
  - Growing cash balance due to:
    - Shorter working capital cycle
    - Improving margins
- Capital expenditure of NGN0.69 billion

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# Targets

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- DSR expects its growth strategy to have a positive impact on its long term profitability
- DSR operates in a volatile commodity and difficult business environments

## Assumptions

- Long term sugar price of US\$275 per metric tonne
- Stable business environment and stable domestic market conditions

## Targets

- Annual revenue growth of 20%-30% over the next three years
- Maintain EBITDA margins comparable to its current performance
- Expansion plan CapEx: approximately US\$150mm over the next two years

## Tariff analysis

- DSR consistently reviews its strategy given its market position and competitive environment
- Should tariffs on white sugar be reduced from 50% to 20%, DSR expects to be able to maintain EBITDA margins in excess of 25% in the current market, business and economic environments

# Notes

- EBITDA represents earnings before interest, income taxes, depreciation and amortisation. EBITDA is included because it is frequently used by certain investors, securities analysts and other interested parties in evaluating similar companies. However, because all companies do not calculate EBITDA identically, DSR's presentation of EBITDA may not be comparable to similarly titled measures of other companies. EBITDA is not an item recognised under IFRS and should not be considered as an alternative to profit from operations, operating income or any other indicator of a company's operating performance required by IFRS. EBITDA should not in any way be compared to the operating income, net income or cash flow resulting from DSR's activities nor should it be used as an indicator of DSR's past or future profitability or liquidity.
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- EPS represents earnings per share

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