**DANGOTE SUGAR REFINERY**
**RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007**

## HIGHLIGHTS

- EBITDA of ₦30.4bn for the year (2006: ₦18.0bn)
- EBITDA margins improved to 37.7% in 2007 (2006: 21.5%)
- EPS up 28.7% year-on-year to ₦2.15 (2006: ₦1.67)
- Annual dividend of ₦1.70 per share (2006: ₦1.15)
- Production of 0.91mm MT for the year (2006: 0.90mm MT)
- Expansion plans in Nigeria and Algeria are on track
- First sugar consignment to Ghana completed in December 2007
- Staff incentivisation programme implemented

| Financial highlights | Year ended 31 December | | |
|---|---|---|---|
| (₦ mm) | 2006 | 2007 | *Change* |
| Production (mm MT) | 0.90 | 0.91 | *1.1%* |
| Revenues | 83,768 | 80,649 | *(3.7)%* |
| EBITDA | 17,980 | 30,384 | *69.0 %* |
| *% margin* | 21.5% | 37.7% | – |
| EBIT | 17,203 | 29,466 | *71.3 %* |
| *% margin* | 20.5% | 36.5% | – |
| Profit after tax | 16,657 | 21,479 | *28.9 %* |
| Earnings per share (₦) | 1.67 | 2.15 | *28.7 %* |

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**DELIVERING ON STRATEGY**

Dangote Sugar Refinery ("DSR" or the "Company") aims to be among the leading integrated low cost sugar producers in the world by doubling production capacity and capitalising on strong domestic and regional African presence while strategically increasing international focus. DSR has made significant progress in implementing its strategy focused around the following objectives:

- Regional expansion
- Capacity expansion
- Vertical integration
- Focus on efficiency
- Product expansion
- Cost management

DSR commenced exports to Ghana in December 2007, delivering about 1,500 metric tonnes of sugar in what was the first phase of a focused regional export strategy into West-Africa.

DSR intends to leverage its existing facilities in Apapa to grow its export capacity by increasing the current capacity from 1.4 million metric tonnes to 2.5 million metric tonnes by the end of 2009. Capital expenditure of approximately US$60 million has been budgeted for the expansion. Significant progress has been achieved for the commissioning, which is currently expected in 2009:

- Key equipment has been ordered
- Environmental Impact Assessment is currently underway
- Warehouse construction has commenced

DSR has identified Algeria as an attractive market, which consumed 1.2 million metric tonnes of sugar in 2006, of which 0.65 million metric tonnes were imported. Plans are underway in that country for DSR to develop a plant with a processing capacity of 1.0 million metric tonnes for a total cost of approximately US$90 million to serve the Arab Maghreb Union Countries. Commissioning is currently expected in 2009:

- Environmental Impact Assessment is underway and regulatory approvals are being sought
- Machinery has already been ordered
- Construction is currently expected to start in the second quarter of 2008

These initiatives should enable DSR to increase capacity sufficiently so that it may export refined sugar to other African markets, thereby taking advantage of attractive export opportunities to regional West African countries who are net importers of sugar. DSR management estimates that the ECOWAS region, excluding Nigeria, imported a total of 1.0 million metric tonnes of sugar in 2006 and consumed a total of 1.3 million metric tonnes.

DSR continues to contemplate vertical integration into the upstream sugar market by acquiring Savannah Sugar, a subsidiary of Dangote Industries Limited ("DIL"), DSR's parent company, in the medium term. DSR will continue to review its options to achieve its vertical integration strategy.

Nigeria's fast growing domestic retail market has led DSR to explore the possibility of selling smaller packets of sugar in 250g, 500g and 1kg packets in addition to the 50kg packets it currently sells. DSR plans to leverage the Dangote brand at no additional cost as part of its existing management agreement with DIL. DSR believes that such smaller packets will result in higher margins as it further penetrates the value chain. DSR expects to commission a new packaging plant during the course of H2 2008. As a result the company has a capex requirement of approximately US$2 million.

## RESULTS OF OPERATIONS

The following discussion of DSR's results of operations is derived from the Company's audited financial statements prepared in accordance with Nigerian GAAP. The table below sets forth the Company's results of operations in Nigerian Naira and as a percentage of turnover for each of the two years in the period ended 31 December 2007:

| Income Statement | Year ended 31 December | | |
|---|---|---|---|
| | 2006 | 2007 | *% Change* |
| | (₦ mm) | (₦ mm) | |
| Turnover | | | |
| Sugar | 83,659 | 80,606 | *(3.6%)* |
| Molasses | 109 | 43 | *(60.6%)* |
| Total 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 % |
| Sales of scrapped items | 15 | – | |
| Sundry income | 135 | 208 | *54.6%* |
| EBIT[1] | 17,203 | 29,466 | *71.3 %* |
| Interest income | 349 | 1,197 | *242.8%* |
| Operating profit | 17,552 | 30,663 | *74.7 %* |
| Interest payable and similar charges | (895) | (2) | |
| Profit on ordinary activities before taxation | 16,657 | *30,661* | *84.1 %* |
| Taxation | – | (9,182) | |
| Profit on ordinary activities after taxation | 16,657 | 21,479 | *28.9 %* |
| Depreciation and Amortization | 777 | 918 | *18.3%* |
| EBITDA[1] | 17,980 | 30,384 | *69.0 %* |

[1] Please refer to the notes on page 6 for definition

| Balance Sheet | Year ended 31 December | | |
|---|---|---|---|
| | 2006 | 2007 | *% Change* |
| Fixed assets | 14,268 | 14,036 | *(1.6%)* |
| Stocks | 3,378 | 4,098 | *21.3%* |
| Trade debtors | 5,490 | 5,435 | *(1.0%)* |
| Other debtors & prepayments | 4,348 | 3,015 | *(30.7%)* |
| Cash and bank balances | 3,879 | 19,987 | *415.3%* |
| Trade creditors | 8,171 | 6,541 | *(20.0%)* |
| Other creditors | 2,640 | 8,087 | *206.3%* |
| Net assets | 13,920 | 14,271 | *2.5%* |
| Shareholders' fund | 27,978 | 25,956 | *(7.2%)* |
| Net debt/(cash) | 3,879 | 19,881 | *412.6%* |

DSR's Turnover decreased by 3.7% from ₦83.7 billion to ₦80.6 billion in 2007.

Global raw sugar prices saw a 25.2% decrease from an average of about 15.5c/lb in 2006 to 11.6c/lb in 2007. DSR passed this price reduction on to customers, reducing the Company's average selling price of white sugar.

Despite more than normal disruptions to production activity as a result of 2007 Presidential Elections and the national strike in Nigeria in 2007, production volume increased from 0.90 million tonnes to 0.91 million tonnes per annum. Sales volume also remained constant at the 2006 level. DSR effectively achieved higher daily sales in 2007 than in 2006.

DSR's Cost of sales decreased by 24% from ₦63.6 billion in 2006 to ₦48.2 billion in 2007 principally due to a decrease in cost of raw sugar and an increase in production operations efficiency driven by (i) improved yield, (ii) reduction in effective cost of fuel and (iii) improved logistics and raw material handling.

DSR's gross profit increased by 61% from ₦20.1 billion in 2006 to ₦32.5 billion in 2007. Gross profit margin increased from 24% in 2006 to 40% in 2007.

Distribution and administrative expenses increased by 3.7% from ₦3.1 billion in 2006 to ₦3.2 billion in 2007.

EBITDA increased by 69.0% from ₦18.0 billion in 2006 to ₦30.4 billion in 2007 due to a decrease in cost of sales on the back of lower global raw sugar costs and improvements in internal cost management initiatives employed by DSR. This has had a positive impact on EBITDA margins, increasing from 21.5% in 2006 to 37.7% in 2007.

Other income includes interest income, sales of scrapped items and sundry income. Other income increased by 182% from ₦498.8 million in 2006 to ₦1.4 billion in 2007, driven by increased cash position of about ₦3.9 billion in 2006 to about ₦20 billion in 2007.

Corporate and deferred taxation increased from Nil in 2006 to ₦9.2 billion in 2007, as the Company enjoyed a tax holiday in 2006.

Capital expenditure was ₦15 billion in 2006 and ₦0.7 billion in 2007. The 2006 capital expenditure was substantially for the value of fixed assets as at 1 January 2006 when the Company commenced operations. The 2007 expenditure was utilised for improvements to assets.

As of December 31, 2007 DSR had a net cash position of ₦19.9 million from a net cash position of ₦3.9 billion as of 31 December 2006.

**TARGETS**

DSR expects its growth strategy to have a positive impact on its long term profitability. Assuming a long term sugar price of US$275 per metric tonne, stable business environment and stable domestic market conditions, DSR has targeted annual revenue growth of 20%-30% over the next three years as it enters new markets. DSR targets to maintain EBITDA margins comparable to its current performance.

The total anticipated cost associated with the Company's expansion plan (Apapa expansion and Algeria plant) is still in line with previous estimates of approximately US$150 million over the next two years.

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%.

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**DIVIDEND DECLARATION**

In respect of the current year, first quarter, second quarter and third quarter interim dividends of 40 kobo each per ordinary share respectively were approved by the Board of Directors. The interim dividends paid totalled ₦12 billion.

The Board of Directors in a meeting held on Tuesday, 12 March 2008 proposed a final dividend of 50 kobo each per ordinary share, and this will translate to a total dividend of 170 kobo per share in 2007 (2006 – 115 kobo). This dividend was approved at the annual general meeting on Thursday, 10 April 2008.

**BONUS**

The Board of Directors in its meeting held on Tuesday, 12 March 2008 proposed a bonus issue of one ordinary share for every five ordinary shares held by shareholders whose names appear in the Register of shareholders on 27 March 2008. This bonus issue was approved at the annual general meeting on Thursday, 10 April 2008.

**CLOSURE OF REGISTER**

The Register of members and Transfer Books of the Company closed from Friday, 28 March 2008 to Friday, 4 April 2008, both days inclusive.

**DATE OF DIVIDEND PAYMENT**

Dividend was paid on 11 April 2008 to shareholders in the Register of Shareholders at the close of business on Thursday, 27 March 2008.

**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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