

Tongaat Hulett is an agricultural and agri-processing business which includes integrated components of land management and property development. Through its sugar and starch operations, Tongaat Hulett produces a range of refined carbohydrate products from sugar cane and maize. The business has considerable expertise in downstream agricultural products, biofuel production and electricity generation. Tongaat Hulett balances the operational requirement for cane supplies to its sugar cane processing operations with the transition of agricultural land to other uses at the appropriate times. The energy-food-water nexus is an evolving dynamic presenting both opportunities and risks. Tongaat Hulett is well placed to capitalise on emerging opportunities for expansion and growth in Africa, with unconstrained access to sugar markets, its independent position, established business platform and size.

The successful management of the socio-economic-political dynamics of agriculture, land, water, agri-processing, food and renewable energy are key to the continued success and value creation of the business. The growth and development of the company's operations, in the selected regions in which it operates, have involved establishing credible partnering relationships with farmers, local communities, governments and employees. Tongaat Hulett's independent status and local ownership is critical to the continuation of these relationships.

Tongaat Hulett employs more than 42 000 employees during its peak milling season, and conducts its business operations in a manner that seeks to create value for all stakeholders, in a sustainable manner that contributes meaningfully to the social and physical environment in which it operates.

A fundamental shift has been taking place in the global sugar industry as increasing quantities of cane are directed at producing ethanol as an effective carbon dioxide (CO₂) mitigation strategy. The fibre in sugar cane is increasingly being used for renewable electricity generation and global demand for sugar continues to grow at an average of 2 percent per annum, which currently equals 3,2 million tons of sugar. Traditionally, the growing demand for sugar worldwide has been met by Brazil, but this position has changed, creating opportunities for other regions. Sub-Saharan Africa, with ample unutilised arable land and using less than 10 percent of its available fresh water, is well positioned to benefit from these developments.

SUGAR OPERATIONS

Tongaat Hulett is in the favourable position of being able to capitalise on the changing sugar fundamentals with low cost sugar operations located in six Southern African Development Community (SADC) countries, the leading Huletts® sugar brand, world class technology and preferential market access.

For a number of years production has amounted to 1 million tons of sugar compared to an installed milling capacity that is in excess of 2 million tons. This resulted largely from the less favourable sugar revenue dynamics that existed until recently, as well as the Mozambique expansion being completed in 2009/10 and the turbulent macro-economic fundamentals in Zimbabwe up to the end of 2009. The existing unutilised capacity has a replacement cost in excess of R10 billion.

Against the background of a more favourable revenue expectation, and the question as to where the world will source more sugar, Tongaat Hulett's strategy over the next 5 years is to facilitate an increase in cane supplies in order to increase sugar production to more than 2 million tons per annum. The increased sugar volumes will also lead to a substantial reduction in unit costs of production. Numerous cane supply initiatives are underway in all the sugar operations.

Tongaat Hulett's South African sugar milling, refining and agricultural operations are located on the north coast of KwaZulu-Natal. The sugar mills at Maidstone, Darnall, Amatikulu and Felixton have an installed capacity to produce approximately 1 million tons of raw sugar and a central refinery in Durban produces in excess of 600 000 tons of refined sugar per annum. The South African sugar product range offers a total sweetener solution including





a range of high intensity sweeteners. The company's Hulett's® brand has consistently been acknowledged as the leading sugar brand. An animal feeds operation, Voermol Feeds is located at the Maidstone mill and this operation manufactures and markets a range of energy and supplementary feeds to the livestock farming community through its leading Voermol® brand.

The Mozambique sugar operations consist of the expanded sugar mills and estates surrounding Xinavane and Mafambisse. The expansion of the Xinavane sugar mill was completed in 2009/10. There were 24 664 hectares of Tongaat Hulett owned and leased land, under cane, available for harvest as at 31 March 2011. Private farms supply cane from a further 2 544 hectares. Sugar production capacity has increased to more than 226 000 tons in a 32 week crushing season. Together with the existing 87 000 tons of capacity at the Mafambisse sugar mill, the Mozambique operations have the installed milling capacity to produce in excess of 310 000 tons per annum. The sugar estates are irrigated and are located in areas with ideal growing conditions, resulting in high cane and sucrose yields. These favourable agricultural conditions, combined with the sugar mills' close proximity to the ports, the technology availability and support from South Africa, ensure that the Mozambique operations are well positioned for future growth.

The sugar operations in Zimbabwe consist of Triangle and a 50,3 percent stake in Hippo Valley Estates, representing a combined installed sugar milling capacity of 600 000 tons. The Zimbabwe operations comprise 28 494 hectares of developed cane land with a potential to produce in excess of 3,0 million tons of sugar cane. Private farmers

occupy 15 880 hectares of developed cane land with a potential to produce a further 1,4 million tons of cane per year. The Triangle and Hippo Valley Estate sugar mills have a combined annual milling capacity to crush about 4,8 million tons of cane. The total refined sugar installed capacity is 140 000 tons and the Triangle Estates ethanol plant has an installed capacity of 40 million litres over a 48 week production season. The lowveld in Zimbabwe, with excellent topography, climate and established water storage and conveyance infrastructures for irrigation, is recognised as a globally competitive sugar producer.

Tongaat Hulett's sugar cane estate in Swaziland is situated in the north-east of the country and comprises 3 838 hectares of fully irrigated estates. The Botswana and Namibia packing and distribution operations have capacities of 60 000 and 80 000 tons per annum respectively.

RENEWABLE ENERGY

Evidence of climate change because of increased levels of greenhouse gases such as CO₂ is becoming more compelling. The recent Cancun Accord accepted that cuts in global emissions are required in order to ensure that the rise in global temperature is kept to below two degrees Celsius. South Africa is under pressure to reduce its CO₂ footprint as a result of its reliance on fossil fuels for energy.

The rapidly escalating price of crude oil is a further economic driver towards the use of alternate liquid fuels. The large scale adoption of bio-fuels, in particular ethanol to replace petrol, has the potential to make a very



significant contribution to South Africa and SADC reducing carbon emissions. Equally critical, the development of a large scale ethanol bio-fuel industry within SADC has the potential to make a major contribution to employment, rural development and food security within the region.

South Africa currently consumes 70 percent of the fuel in SADC and has limited agricultural potential to supply a significant portion of its petrol from ethanol. Many of the other SADC countries have excellent agricultural potential but limited markets. The adoption of a phased-in 60 percent ethanol replacement of petrol within SADC over the next 15 years would result in the construction of over 100 sugar milling / ethanol facilities, each larger than Tongaat Hulett's Felixton mill. This would result in the creation of about 3 million direct jobs, at least as many indirect jobs and support the livelihood of 24 million people, mostly in rural areas. SADC agriculture is well below its potential both in terms of areas under intensive crop farming and productivity. The development of an ethanol industry on the scale described above would require the use of 3 to 6 percent of available land based on a combination of irrigated and rain-fed sugar cane farming.

A second thrust in terms of renewable energy is the production of electricity from the burning of sugar cane fibre. While this has been carried out by the sugar industry for many years, it has not been exploited from a South African perspective on a commercial scale. The adoption of high efficiency boiler and electricity generating technology will allow sugar mills to produce substantially more electricity from the same quantity of fibre, allowing for meaningful quantities of renewable electricity to be made available to the national grid. If this thrust is developed in parallel with a bio-fuel regime, then the 100 plus sugar mills discussed above in terms of ethanol production could potentially create 8 000 MW to 10 000 MW of renewable electricity-generating capacity.

STARCH OPERATIONS

Tongaat Hulett's wet-milling operation is the major producer of starch and glucose on the African continent. Established in 1919, the starch operation has grown to be an important supplier to a diverse range of South African and African industries. Operating four wet-milling plants, located in Kliprivier, Germiston and Meyerton in Gauteng and Bellville in the Western Cape, Tongaat Hulett converts more than 600 000 tons of maize per annum into starch and starch-based products. It also operates a dedicated Sorbitol facility which is located in Chloorkop in Gauteng and has distribution networks and facilities in

Zimbabwe, Australasia and the Far East. It manufactures a wide range of products, from unmodified maize starch to highly refined glucose products, which are key ingredients for local manufacturers of foodstuffs, beverages and a variety of industrial products. The expansion of the economically active population in South Africa is positive for the volume growth of these products and with the ability to increase production, from installed milling capacity, by a further 20 percent the company is well placed to benefit from increased demand.

The past few years have seen the United States convert an increasing amount of its maize to ethanol. International maize prices have historically been trading close to US\$90 per ton. Current projections indicate a maize price going forward of above US\$170 per ton. This has resulted in the South African maize industry becoming more competitive.



LAND FOOTPRINT

Tongaat Hulett's operational land footprint within the SADC region amounts to approximately 550 000 hectares. This footprint consists of 274 000 hectares of land owned or controlled by Tongaat Hulett. A further 110 000 hectares of private grower land supply cane to the four South African sugar mills, 15 880 hectares to the two Zimbabwe mills and 2 544 hectares to the two Mozambique mills. Approximately 150 000 hectares of private maize farmland supply the four starch operations.

Mr Michael Mabuyakhulu, MEC KwaZulu-Natal DED&T with small-scale farmers from Operation Vuselela



LAND CONVERSION

In South Africa, 8 657 developable hectares (13 654 gross hectares) of company owned land have been identified for conversion to other uses when conditions are appropriate. This conversion process takes place over a number of years, and the land remains under sugar cane until the transition to development takes place.

Durban/eThekweni, South Africa's third largest city, continues to expand into Tongaat Hulett's land holdings to the north and west. The King Shaka International Airport, with its ability to attract direct international flights and the development of the surrounding Dube Trade Port are providing further impetus for this growth. Over the past 12 years Tongaat Hulett's development operation has converted some 2 600 gross hectares to development.

The company is a proactive partner with governments and communities in this conversion process. Key mechanisms to create optimal value are large scale strategic planning with regulatory authorities to position the landholdings correctly, including a socio-economic development plan, securing development rights, facilitating the requisite investment in bulk infrastructure and then converting the landholdings.

SUSTAINABILITY

Over the past century, Tongaat Hulett has established itself as a leading large scale agricultural and agri-processing business which has its base firmly established in Southern Africa.

Tongaat Hulett follows a philosophy of sustainable development and continues to make good progress in entrenching and enhancing the various programmes and initiatives it has in place in the areas of safety, health, environment and community relationships. This,

together with the commitment to sound corporate governance, is consistent with the principles of the King III corporate governance framework, including ensuring that sustainability matters are an integral component of the company's strategy.

With a significant number of the business operations being located in rural communities including Mozambique, Zimbabwe and the north coast of KwaZulu-Natal, there is a strong commitment to facilitate the development of successful indigenous private farmers. In keeping with this commitment, the company has already seen the benefit of partnering with the KZN Department of Economic Development and Tourism in developing black sugar cane farmers through its Operation Vuselela project. Ensuring the viability and success of private farmers remains a critical success factor for the sugar mills and the provision of support to farmers includes the supply of the correct seed cane varieties, extension services for training and development to improve farming practices and the establishment of the necessary logistics and cane harvesting service to ensure that the cane is delivered to the mill. The company is committed to the development of successful rural communities in the regions that surround its operations and the business will continue to identify how best it can further partner with farmers, communities and governments in order to achieve this objective.

The safety and the welfare of all employees remains a key priority as the business strives to create a workplace free of injuries. The company's participation in various sustainability reporting initiatives, including the Carbon Disclosure Project (CDP), the CDP Water Disclosure Project and its listing on the JSE's Social Responsibility Investment index for the seventh consecutive year are testimony to Tongaat Hulett's approach to sustainable development.

OPERATIONS AT A GLANCE

