

# SNAPSHOT

## *Tongaat Hulett*

Agriculture and agri-processing (sugarcane/sugar and maize/starch) and renewable energy (electricity generation and ethanol production)

Conversion of agricultural land to development (urban expansion and prime coastal land)

Large-scale operations located in six countries in the SADC region

Long-standing and deep appreciation of socio-economic dynamics of the region



## INVESTMENT CASE

### **Tongaat Hulett creates value for all stakeholders through an all-inclusive approach to growth and development.**

From an investor perspective, the business's strategic positioning and objectives focus on the following key points:

- **Growth from existing sugar and starch asset and business base**
  - Firstly, increasing sugar production by some 50 percent from existing unutilised milling capacity - low cost and high incremental profit per additional ton of sugar produced. Platform for further brownfield/greenfield regional expansion
  - Increasing cane supplies - higher yields and greater areas under cane, with a particular focus on developing private farmers
  - Well-established market positions, brands and market opportunities - local, African, EU and other international markets
  - Renewable energy opportunities to increase revenue from sugarcane - electricity generation from fibre and ethanol production to replace export sugar
  - Starch - local and African market growth, supplied from existing available wet-milling capacity
- **Socio-economic position going from strength to strength**
  - Strategic positioning in the region is underpinned by the inextricable link between agriculture, sugar production, rural jobs and community development, government and local authorities, unlocking infrastructure investment and the conversion of cane land to development
- **Land conversion**
  - Unique land portfolio and well-established development platform - in the fastest-growing area of KwaZulu-Natal
  - Accelerating pace of land conversion, increasing momentum and substantial step-up in value being unlocked, with cash generation
- **People** - multiple advanced core competencies, good governance, strong executive and Board leadership
- **Sound sustainability strategy and track record** - from environmental stewardship through to the specifics of safety at the operations
- **Strong balance sheet with high-quality assets**
- **Increasing earnings and cash flows** - leading to higher dividends

## SALIENT FEATURES OF 2013/14

REVENUE  
**R15,716 billion**  
**+ 9%**  
 (2013: R14,373 billion)

OPERATING PROFIT  
**R2,374 billion**  
**+ 11%**  
 (2013: R2,131 billion)

OPERATING CASH FLOW  
**R2,934 billion**  
**+ 34%**  
 (2013: R2,182 billion)

HEADLINE EARNINGS  
**R1,106 billion**  
**+ 4%**  
 (2013: R1,067 billion)

ANNUAL DIVIDEND  
**360 cents per share**  
**+ 6%**  
 (2013: 340 cents per share)



**Profit from land conversion of R1,080 billion** on sales of 259 developable hectares. A further **8 200 developable hectares still available** and earmarked for development.



**Starch** operations generated operating profit of **R482 million (+24%)**.



**Sugar production increased by 170 000 tons to 1,424 million tons** (existing capacity > 2,1 million tons per annum). **Major cost reductions** were achieved. Low international sugar prices and severe import competition were experienced. Overall **revenue** earned and **cane valuations** were negatively impacted by some R1,5 billion compared to the prior year.



In **Kwazulu-Natal**, new sugarcane planting totalled **24 979 hectares** over the last three years and has created some **6 250 direct jobs in rural areas**. A Jobs Fund grant of R150 million has been secured for further new planting over the next three seasons. In **Zimbabwe**, there are now some **813 active indigenous private farmers, farming on some 14 000 hectares** and employing more than 6 700 people, who supplied 1 017 000 tons of cane generating US\$58 million in annual revenue in 2013/14.

An **Integrated Human Settlement project in Cornubia** was officially opened on 6 April 2014. The project will provide 15 000 fully subsidised houses and 10 000 houses that will be sold by the municipality at market-related prices. It includes **social infrastructure, commercial and industrial developments**.

### OPERATING PROFIT



# 2007 and prior: profit from Tongaat Hulett operations within the old Tongaat-Hulett Group  
 \* Change in financial year end from December to March



Xinavane - Mozambique

Tongaat Hulett is an agriculture and agri-processing business, focusing on the complementary feedstocks of sugarcane and maize. Its ongoing activities in agriculture have resulted in the company having a substantial land portfolio. Tongaat Hulett's unique skill and competence in the conversion of agricultural land to development, is a key driver of the fundamental shift in the pace and value unlock from the company's land conversion activities and property portfolio. Through its sugar and starch operations, Tongaat Hulett produces a range of refined carbohydrate products from sugarcane and maize, with a number of products being interchangeable. The business's sugar operations are well placed to benefit from evolving dynamics of renewable electricity and ethanol in South Africa, and the Southern African Development Community (SADC) region. Tongaat Hulett's long-standing and deep appreciation of the socio-economic profile of the region is an integral component of the business being able to deliver on its strategic objectives.

The business as it stands today arose from the merger of the Tongaat Group Limited and the Huletts Corporation Limited, and its operations date back to the mid-1800s. The company has a primary listing on the Johannesburg Stock Exchange which dates back to 1952, and a secondary listing on the London Stock Exchange.

Details of the business's ongoing activities in partnering with its stakeholders together with initiatives undertaken in dealing with these stakeholders are set out on page 41. The business's key stakeholders include shareholders, governments, third party farmers and their representative bodies, suppliers, communities, employees and people impacted by company operations and its growth and development activities.

## SUGAR OPERATIONS

### Mozambique

The Mozambique sugar operations comprise the expanded sugar mills and estates surrounding Xinavane and Mafambisse. As at 31 March 2014, 22 072 hectares of Tongaat Hulett land was farmed under sugarcane with 6 155 hectares under private grower and community-based schemes. Sugar production capacity at the Xinavane mill is now more than 240 000 tons in a 32-week crushing season, while the Mafambisse mill has an existing 90 000 tons of sugar production capacity. The two operations have a combined installed milling capacity in excess of 330 000 tons of sugar per annum. The sugar estates are irrigated and are located in areas with favourable growing conditions, resulting in high cane and sucrose yields. These favourable agricultural conditions, close proximity to ports, and the technical support from South Africa, position the Mozambique operations well for further growth.

### South Africa

The company's South African sugar operations, on the KwaZulu-Natal north coast and in the Zululand region, operate four sugar mills at Maidstone, Darnall, Amatikulu and Felixton. These mills have an installed capacity to crush more than 8,5 million tons of cane per annum, which is equivalent to over 1 million tons of raw sugar. Cane supplies come from a combination of own estates (predominately rain-fed), large-scale commercial and small-scale farmers in rural KwaZulu-Natal. The operation's central refinery in Durban produces some 600 000 tons of high-quality refined sugar per annum, with the primary product being the leading Huletts® brand. The South African sugar product range offers a total sweetener solution including a range of high-intensity sweeteners.

The animal feeds operation, Voermol Feeds, is located at the Maidstone mill in Tongaat, KwaZulu-Natal. Tongaat Hulett manufactures and markets a range of energy and supplementary feeds to the livestock farming community through its Voermol® brand, using bagasse and molasses. Voermol Feeds is the market leader in the molasses and pith-based animal feeds industry in South Africa.

### Zimbabwe

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 more than 640 000 tons. As at 31 March 2014, the Zimbabwe operations are supplied by 44 833 hectares of sugarcane land (own estates and private farmers) with a potential to produce in excess of 4 million tons of sugarcane. The total refined sugar installed capacity is 140 000 tons and the Triangle ethanol plant has an installed capacity of 40 million litres over a 48-week production season. The Huletts Sunsweet® brand is the leading sugar brand in the county. The Lowveld in Zimbabwe, with





excellent topography, climate and established water storage and conveyance infrastructures for irrigation, is recognised globally as a highly competitive sugar production area.

### Swaziland

Tongaat Hulett's Tambankulu sugarcane estate in Swaziland is situated in the north east of the country and comprises 3 838 hectares of fully irrigated estates. The estates have consistently achieved excellent sucrose yields and deliver cane to the nearby Simunye and Mhlume sugar mills. The estates have the capacity to produce a Raw Sugar Equivalent (RSE) of 61 000 tons per annum.

### Botswana and Namibia

The Namibian operation has the capacity to pack and distribute 80 000 tons of sugar per annum while in Botswana, Tongaat Hulett has a 60 000 tons per annum packing and distribution operation. Tongaat Hulett will benefit from future growth in consumption in Botswana and Namibia with its leading Blue Crystal® and Marathon® brands.

### Renewable energy

The eight sugar mills in Mozambique, South Africa and Zimbabwe all generate electricity from fibre in sugarcane (bagasse) during the sugarcane crushing season. In some instances these operations supply electricity to the grid. In Zimbabwe, Triangle has an ethanol plant, which provided supplies to the fuel pool during 2013/14. Tongaat Hulett is well placed to benefit from evolving renewable energy dynamics with the potential to replace its existing power stations with latest-technology, higher efficiency electricity plants, as well as the opportunity to convert its export sugar to ethanol.

## STARCH AND GLUCOSE OPERATION

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 bought-in maize per annum into starch and starch-based products. The business manufactures a wide range of products, from unmodified maize starch to highly refined glucose products, which are key ingredients for manufacturers of foodstuffs, beverages and a variety of industrial products. The company's Amryal corn starch, Hydex and Vaalgold Gluten 60 are some of the leading starch, glucose and animal feed ingredient brands in South Africa. The business 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.

## LAND CONVERSION ACTIVITIES

Urbanisation is continuing and accelerating in KZN. Tongaat Hulett presently owns 8 200 developable hectares of land that it has identified for conversion from agriculture to other uses. All of this land is situated in the primary growth corridors of the KZN Province and has strong government policy support for conversion at the appropriate time.

Land conversion takes place over a number of years, and the land is used to optimal productivity throughout the conversion process, remaining under sugarcane until the final transition to development takes place.

Tongaat Hulett has long recognised the conversion of agricultural land to other uses in a proactive and optimised manner as a central strategy through which it creates substantial value in cooperation with and for many stakeholders. Through its long-established core competencies, relationships and track record that cannot easily be replicated, Tongaat Hulett has been part of the establishment of an exceptional platform for investment and value creation from the growth and competitiveness of Durban, Umhlanga, Ballito and the KZN north coast region.



# GEOGRAPHIC FOOTPRINT



- OFFICES
- SUGAR OPERATIONS
- STARCH OPERATIONS

SUGAR OPERATIONS	STARCH OPERATIONS	LAND
<p><b>Mozambique</b> Xinavane Mafambisse</p> <hr style="border-top: 1px dashed #ccc;"/> <p><b>South Africa</b> Felixton Mill Amatikulu Mill Darnall Mill Maidstone Mill Huletts Refinery</p> <hr style="border-top: 1px dashed #ccc;"/> <p><b>Swaziland</b> Tambankulu</p> <hr style="border-top: 1px dashed #ccc;"/> <p><b>Zimbabwe</b> Hippo Valley Triangle</p> <hr style="border-top: 1px dashed #ccc;"/> <p><b>Namibia</b> Tsumeb Distribution Facility Walvis Bay Distribution Facility</p> <hr style="border-top: 1px dashed #ccc;"/> <p><b>Botswana</b> Distribution Facility</p>	<p>Wet-milling operations Sales and distribution</p> <p><b>South Africa</b> Germiston Mill Meyerton Mill Kliprivier Mill Bellville Mill Chloorkop Mill</p> <p><b>Zimbabwe</b> Harare</p>	<p>Detailed maps of Tongaat Hulett's land conversion activities can be found from page 30 onwards</p>
OFFICES		
<p>Amanzimnyama Land and Property Developments Starch - Meadowdale Tongaathulett Namibia Tongaathulett Botswana Harare Maputo</p>		



