Tongaat Hulett

Interim Results for the half-year ended 30 June 2008

- **Revenue of R3,1 billion**
  (2007: R2,4 billion)
- **Profit from Tongaat Hulett operations of R443 million**
  (2007: R308 million)
- **Headline earnings of R252 million**
  (2007: loss of R155 million – affected by corporate structuring transactions)
- **Interim dividend of 160 cents per share**
  (2007: 150 cents per share)

INCOME STATEMENT

Condensed consolidated Rmillion	Note	Unaudited half-year 30 June 2008	Unaudited half-year 30 June 2007	Audited year ended 31 December 2007
Revenue - continuing operations		**3 109**	2 434	6 395
Profit from Tongaat Hulett operations		**443**	308	838
Capital profit on land		**15**	5	48
BEE IFRS 2 charge and transaction costs		**(17)**	(354)	(383)
Valuation adjustments	1	**6**	3	(1)
Fair value adjustment of investment in Hulamin			3 348	3 348
Operating profit after corporate transactions		**447**	3 310	3 850
Net financing costs	2	**(85)**	(37)	(119)
Profit before tax		**362**	3 273	3 731
Tax	3	**(84)**	(106)	(288)
Net profit after tax		**278**	3 167	3 443
Discontinued operation				
Hulamin unbundling			42	42
Net profit for the period		**278**	3 209	3 485
Attributable to:				
Shareholders		**266**	3 198	3 457
Minority interest		**12**	11	28
		278	3 209	3 485
Headline earnings/(loss) attributable to shareholders	4	**252**	(155)	61
Earnings per share (cents)				
Net profit per share				
Basic		**258,1**	2 993,9	3 292,8
Diluted		**251,6**	2 935,0	3 220,7
Headline earnings/(loss) per share				
Basic		**244,6**	(145,1)	58,1
Diluted		**238,3**	(142,3)	56,8
Dividend per share (cents)		**160,0**	150,0	310,0
Currency conversion				
Rand/US dollar average		**7,66**	7,16	7,05
Rand/US dollar closing		**7,83**	7,05	6,84
Rand/GB pound closing		**15,58**	14,14	13,61

SEGMENTAL ANALYSIS

Rmillion	2008	2007 half-year	2007 year
REVENUE			
Starch	**982**	751	1 679
Land and Property Developments	**322**	205	892
Sugar	**1 805**	1 478	3 824
Consolidated total	**3 109**	2 434	6 395
PROFIT FROM TONGAAT HULETT OPERATIONS			
Starch	**103**	37	105
Land and Property Developments	**115**	127	428
Sugar	**218**	167	307
Triangle dividend	**35**		53
Centrally accounted costs	**(28)**	(23)	(55)
Consolidated total	**443**	308	838

CASH FLOW STATEMENT

Rmillion	2008	2007 half-year	2007 year
Operating profit	**447**	3 310	3 850
Profit on disposal of property, plant and equipment	**(15)**	(6)	(48)
Non-cash items:			
Depreciation	**120**	106	222
BEE equity and corporate structuring transactions	**15**	(3 011)	(2 998)
Other non-cash items	**(208)**	(73)	(56)
Tax payments	**(99)**	(108)	(293)
Change in working capital	**(73)**	39	(175)
Cash flow from operations	**187**	257	502
Net financing costs	**(84)**	(37)	(119)
Cash flow from operating activities	**103**	220	383
Expenditure on property, plant and equipment:			
New	**(437)**	(134)	(516)
Replacement	**(163)**	(141)	(193)
Major plant overhaul costs capitalised	**(38)**	(40)	(46)
Expenditure on intangible assets			(4)
Expenditure on growing crops	**(26)**		(14)
Proceeds on disposal of property, plant and equipment	**16**	6	58
Investments	**(54)**	(9)	(2)
Net cash flow before dividends and financing activities	**(599)**	(98)	(334)
Dividends paid	**(175)**	(389)	(551)
Net cash flow before financing activities	**(774)**	(487)	(885)
Borrowings raised	**668**	602	712
Non-recourse equity-settled BEE borrowings	**(9)**		812
Shares issued	**5**	48	49
Settlement of share-based payment awards	**(9)**	(87)	(73)
Share issue expenses		(9)	(9)
Share repurchase			(450)
Equity contribution by BEE minorities			18
Net (decrease)/increase in cash and cash equivalents	**(119)**	67	174
Balance at beginning of period	**396**	509	509
Foreign exchange adjustment	**27**		15
Exchange rate translation gain/(loss)	**13**	3	(1)
Subsidiaries consolidated			46
Hulamin unbundling		(347)	(347)
Cash and cash equivalents at end of period	**317**	232	396

CORPORATE INFORMATION

Tongaat Hulett Limited
(formerly The Tongaat-Hulett Group Limited)
Registration No: 1892/000610/06 JSE share code: TON ISIN: ZAE000096541

Directorate: C M L Savage (Chairman), P H Staude (Chief Executive Officer)*, P M Baum, E le R Bradley, B G Dunlop*, J John, J B Magwaza, M Mia, M H Munro*, T H Nyasulu, C B Sibisi, R H J Stevens, J G Williams
* Executive directors

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Telephone: +27 32 439 4019, Facsimile: +27 32 945 3333

Transfer secretaries: Computershare Investor Services (Pty) Limited
Telephone: +27 11 370 7700

Sponsor: Investec Bank Limited
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COMMENTARY

Revenue increased by 28% to R3,1 billion in the first half of 2008. Tongaat Hulett's profit from operations grew by 44% to R443 million (2007: R308 million). Benefits arose from a more competitive maize price, improved margins and volume growth in the starch operations. Higher contributions were earned from products supplied into the animal feeds and edible oil market sectors from both starch and sugar operations in South Africa. Increased profit contributions came from the sugar operations in Mozambique, Zimbabwe and Swaziland.

Profit from the starch operations increased to R103 million (2007: R37 million) as market conditions for starch and glucose improved. The rise in international maize prices encouraged increased plantings by South African maize farmers and this, coupled with good weather conditions, has led to an increase in the South African maize crop to 11,6 million tons. This has resulted in local maize prices trading close to world prices. Starch and glucose selling prices have improved as demand for agricultural commodities across all sectors in international markets continues to increase due to changing dietary requirements and demand from biofuels. Sales volumes in the domestic market grew by 2,4% with the successful recovery of volumes in the coffee creamer sector previously supplied by imported product and with good growth in the paper-converting sector, offset by declines in the alcoholic beverage sector. A shortage internationally of protein for animal feeds and edible oils has resulted in significant improvements in co-product prices.

Profit from the sugar operations grew to R253 million (2007: R167 million). This includes the Zimbabwean operations being accounted for on a dividend received basis. The 5 major operations in Mozambique, Zimbabwe and Swaziland contributed R141 million (2007: R67 million) to operating profit.

In Mozambique, the planting of an additional 3 509 hectares has been completed and this cane is growing well. An additional 5 000 hectares are planned to be planted by the end of 2008 and the related land preparation has been substantially completed. Sugar production in 2008 at Xinavane is expected to increase to 75 000 tons (2007: 67 000 tons) and at Mafambisse to 59 000 tons (2007: 41 000 tons).

Dividends of R35 million (2007: Nil) were received from Triangle Sugar in Zimbabwe, which was a declaration from prior year profits. This coincided with the acquisition, for a similar amount, of a shareholding in Botswana Sugar Industries, previously held by Triangle and now held from South Africa. The Botswana and Namibia packing and distribution operations delivered a consistently good performance. Tambankulu Estates in Swaziland is expected to produce a raw sugar equivalent of 56 000 tons in 2008 (2007: 58 000 tons) and has benefited from higher realisations within the Swaziland sugar industry. Voermol, the South African downstream animal feeds operation performed well, with higher margins and volumes increasing.

The below average 2007 South African sugar crop resulted in lower export sales volumes in the first half of 2008 and an increased cost per ton of sugar produced. Raw sugar export volumes from South Africa reduced to 66 000 tons (2007: 84 000 tons) and were sold at an effective world sugar price of 10,8 US c/lb (2007: 14,4 US c/lb) at an average R7,50/US$ (2007: R6,70/US$). South African domestic sales in the first half of the year increased to 230 000 tons (2007: 210 000 tons). Sugar production in 2008 is estimated to be 722 000 tons (2007: 604 000 tons). On 9 May 2008 a fire at the refinery's raw sugar storage facility destroyed buildings, conveyer equipment and approximately 5 000 tons of raw sugar. Production at the refinery resumed on 28 May 2008. Comprehensive insurance cover is in place and a R32 million insurance claim has been accrued for lost production up to the end of June 2008.

Operating profit from land developments was R115 million (2007: R127 million). In addition, capital profit of R15 million (2007: R5 million) was realised. The residential property market is being affected by the prevailing difficult economic climate. Sales into the industrial and commercial markets are being constrained by a shortage of saleable stock and the lack of final unconditional development approvals, despite continuing demand for property in certain areas of these sectors. In this market, a number of transactions were concluded from the limited available stock, reflecting the benefit of the well established property development platform. In the first half of 2008, fifteen hectares of developable land were sold. Major contributions to profit came from the mixed-use developments in Umhlanga Ridge Town Centre and Ridgeside. Zimbali experienced continued market interest and is nearing sell-out of the existing development. Bulk infrastructure timing is limiting saleable stock in Ridgeside. Residential sales in Kindlewood were muted. Bridge City is in its early stages of development and is attracting market interest.

Tongaat Hulett's net debt has increased to R1,8 billion from R991 million at the end of 2007. Finance costs have increased with the higher interest rates and the increased borrowings in the business. This period has seen higher working capital levels as well as significant capital expenditure, mainly on the Mozambique expansion.

The 2007 financial results included the main effects of the completed corporate structuring transactions – the listing and unbundling of Hulamin, a share buy-back and the 25% BEE equity participation transactions. The 2008 results include the ongoing amortisation of the employee BEE equity transactions' IFRS2 charge to the income statement and the consolidation of the BEE special purpose vehicles, as required by International Financial Reporting Standards (IFRS). The balance sheet thus reflects the consolidation of the debt in the BEE equity participation entities. This BEE debt does not have recourse to Tongaat Hulett and will effectively be equity settled.

Headline earnings for the first half of 2008 grew to R252 million (2007: headline loss of R155 million which included the once-off corporate structuring and BEE equity transaction costs and excluded the Hulamin fair valuation gain prior to listing and unbundling).

The Board has declared an interim dividend for the half-year of 160 cents per share (2007: 150 cents per share).

OUTLOOK

The starch operations should continue to benefit from the recovery in margins, mainly as a result of competitive maize prices.

At the beginning of July 2008, the stock of unconditional saleable land has reduced to 69 hectares. Progress is being made to increase available land, with final unconditional development approvals, from Tongaat Hulett's 14 500 gross hectares of agricultural land with development potential. In the prevailing market, the focus has shifted to specific opportunities such as retirement villages, hotel sites, logistics facilities around the new international airport at La Mercy, Tongaat and the industrial and affordable housing sectors.

In Zimbabwe, the current unsustainable macroeconomic conditions, including hyperinflation, foreign currency shortages, non-availability of key inputs and local price controls, are challenging the profitability of the Zimbabwean operations. Attention is currently on ensuring that the infrastructure and skills base are maintained. Tongaat Hulett's operations are positioned for a rapid turnaround once the macroeconomic conditions in Zimbabwe are restored.

In Mozambique, the R1,3 billion agricultural and milling expansion projects at Xinavane and Mafambisse are progressing well towards substantially increased production in the 2009 season and to benefit from greater preferential access to the European Union, with institutional prices well above the world price. The 2008 sugar production at Xinavane is increasingly being impacted by the modification and upgrading of the existing mill, in order to increase production in 2009 by 140% over 2008.

Tongaat Hulett is fast tracking the planning of renewable power generation at four of its eight sugar mills in the region, against the background of predictions that electricity demand in South Africa will exceed generating capacity for a five to seven year period.

Overall, the growth in profit from operations for the full 2008 year is expected to be at a lower rate than that of the first six months.

For and on behalf of the Board

C M L Savage — Chairman
P H Staude — Chief Executive Officer

Amanzimnyama, Tongaat, KwaZulu-Natal 31 July 2008

DIVIDEND DECLARATION

Notice is hereby given that the Board has declared an interim dividend (number 162) of 160 cents per share for the half-year ended 30 June 2008 to shareholders recorded in the register at the close of business on Friday, 29 August 2008.

The salient dates of the declaration and payment of this interim dividend are as follows:

Last date to trade ordinary shares "CUM" dividend	Friday	22 August 2008
Ordinary shares trade "EX" dividend	Monday	25 August 2008
Record date	Friday	29 August 2008
Payment date	Thursday	4 September 2008

Share certificates may not be dematerialised or re-materialised, nor may transfers between registers take place between Monday 25 August and Friday 29 August 2008, both days inclusive.

The dividend is declared in the currency of the Republic of South Africa. Dividends paid by the United Kingdom transfer secretaries will be paid in British currency at the rate of exchange ruling at the close of business on Friday, 22 August 2008.

For and behalf of the Board

M M L Mokoka
Company Secretary

Amanzimnyama, Tongaat, KwaZulu-Natal 31 July 2008

BALANCE SHEET

Condensed consolidated Rmillion	Unaudited half-year 30 June 2008	Unaudited half-year 30 June 2007	Audited year ended 31 December 2007
ASSETS			
Non-current assets			
Property, plant and equipment	**3 855**	2 847	3 210
Growing crops	**575**	380	353
Long-term receivable	**196**	203	203
Goodwill	**86**	42	42
Intangible assets	**5**	2	6
Investments	**267**	267	267
	4 984	3 741	4 081
Current assets	**3 920**	2 787	3 546
Inventories	**1 207**	972	1 331
Trade and other receivables	**2 310**	1 575	1 742
Derivative instruments	**21**	8	12
Tax	**65**		65
Cash and cash equivalents	**317**	232	396
TOTAL ASSETS	**8 904**	6 528	7 627
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	**138**	108	138
Share premium	**1 503**	978	1 517
BEE held consolidation shares	**(1 038)**		(1 053)
Retained income	**1 884**	1 654	1 796
Other reserves	**384**	315	337
Shareholders' interest	**2 871**	3 055	2 735
Minority interest in subsidiaries	**247**	187	223
Equity	**3 118**	3 242	2 958
Non-current liabilities	**2 564**	967	2 156
Deferred tax	**688**	606	673
Long-term borrowings	**806**	109	410
Non-recourse equity-settled BEE borrowings	**803**		812
Provisions	**267**	252	261
Current liabilities	**3 222**	2 319	2 513
Trade and other payables (note 8)	**1 862**	1 150	1 494
Short-term borrowings	**1 350**	1 118	977
Derivative instruments		7	2
Tax	**10**	44	40
TOTAL EQUITY AND LIABILITIES	**8 904**	6 528	7 627
Number of shares (000)			
– in issue	**103 078**	107 789	103 005
– weighted average (basic)	**103 043**	106 816	104 987
– weighted average (diluted)	**105 734**	108 962	107 337

STATEMENT OF CHANGES IN EQUITY

Rmillion	2008	2007 half-year	2007 year
Balance at beginning of period	**2 735**	4 957	4 957
Net profit	**266**	3 198	3 457
Dividends paid	**(168)**	(373)	(531)
Reallocation of minority interest	**(11)**		(7)
Share capital issued - ordinary	**5**	48	49
Share capital issued - B ordinary shares			227
Share capital issued - A preferred ordinary shares			839
Repurchase of ordinary shares			(450)
BEE held consolidation shares	**15**		(1 053)
Share-based payment charge	**13**	364	374
Settlement of share-based payment awards	**(13)**	(87)	(81)
Share issue expenses		(9)	(9)
Movement in hedge reserve	**(3)**	(1)	
Foreign currency translation reserve	**32**	2	19
Distribution in specie on unbundling of Hulamin		(5 044)	(5 056)
Shareholders' interest	**2 871**	3 055	2 735
Minority interest in subsidiaries	**247**	187	223
Balance at beginning of period	**223**	76	76
Share of profit	**12**	11	28
Dividends paid to minorities	**(7)**	(16)	(20)
Reallocation of minority interest	**11**		7
Consolidation of subsidiaries	**(12)**	132	129
Equity contribution by BEE minorities			18
Hulamin unbundling		(19)	(19)
Foreign currency translation reserve	**20**	3	4
Equity	**3 118**	3 242	2 958

NOTES

Rmillion	2008	2007 half-year	2007 year
1. Valuation adjustments			
Exchange rate translation gain/(loss)	**13**	3	(1)
Fair value adjustment on long-term receivable	**(7)**		
	6	3	(1)
2. Net financing costs			
Interest paid	**(155)**	(90)	(208)
Interest capitalised	**42**		15
Interest received	**28**	53	74
	(85)	(37)	(119)
3. Tax			
Normal	**(46)**	(63)	(98)
Deferred	**(38)**	4	(63)
Rate change adjustment (deferred)	**22**		
Secondary tax on companies	**(22)**	(47)	(127)
	(84)	(106)	(288)
4. Headline earnings			
Profit attributable to shareholders	**266**	3 198	3 457
Less after tax effect of surplus on sale of fixed assets	**(14)**	(5)	(48)
Reversal of fair value adjustment of Hulamin		(3 348)	(3 348)
	252	(155)	61
5. Capital expenditure commitments			
Contracted	**143**	196	539
Approved	**611**	1 298	796
	754	1 494	1 335
6. Operating lease commitments	**15**	20	23
7. Guarantees and contingent liabilities	**86**	27	35

8. Trade and other payables
Included in trade and other payables is the maize obligation (interest bearing) of R209 million (30 June 2007: R160 million and 31 December 2007: R163 million).

9. Basis of preparation
The condensed consolidated unaudited results for the half-year ended 30 June 2008 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. The accounting policies are consistent with those used for the audited 2007 annual financial statements which fully comply with International Financial Reporting Standards. Tongaat Hulett continues to account for its Zimbabwean operations on a dividend received basis.