

# AT A GLANCE

AGRICULTURE AND AGRI-PROCESSING (SUGARCANE/SUGAR AND MAIZE/STARCH) WITH RENEWABLE ENERGY OPPORTUNITIES (ELECTRICITY GENERATION AND ETHANOL PRODUCTION)

PORTFOLIO OF LAND FOR CONVERSION (UNIQUE PORTFOLIO AND WELL-ESTABLISHED DEVELOPMENT PLATFORM IN KWAZULU-NATAL)

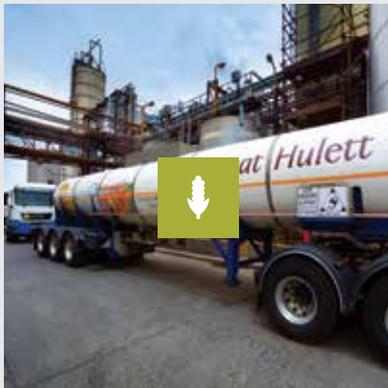
OPERATIONS LOCATED IN SIX COUNTRIES IN SUB-SAHARAN AFRICA

LARGEST PRIVATE SECTOR EMPLOYER IN BOTH MOZAMBIQUE AND ZIMBABWE

APPROXIMATELY ONE MILLION PEOPLE IN SOUTH AFRICA ARE DIRECTLY IMPACTED BY THE SOUTH AFRICAN SUGAR INDUSTRY

Agriculture and agri-processing is a fundamental element of socio-economic development in Africa - particularly in the development of rural communities, farming activities, food security and water management, housing and land conversion to development as urban areas expand. This is also linked to the socio-political dynamics of the region. Tongaat Hulett is well positioned in the nexus of these dynamics.

**TONGAAT HULETT CREATES VALUE FOR ALL STAKEHOLDERS THROUGH AN ALL-INCLUSIVE APPROACH TO GROWTH AND DEVELOPMENT, WHICH FOLLOWS THE INTERCONNECTED NATURE OF ITS ACTIVITIES**



## STARCH OPERATIONS

- 630 000 tons of maize converted to starch and glucose per annum
- Available wet-milling capacity and enhanced product mix
- Only wet-miller of maize in Africa south of Egypt



## SUGAR OPERATIONS

- 201 153 hectares (own and third-party) of sugarcane supplying eight Tongaat Hulett sugar mills
- Intensive agricultural improvement programmes to grow cane yields and increase sugar production
- Low-cost incremental sugar production from existing 2 million tons milling capacity



## LAND CONVERSION AND DEVELOPMENT ACTIVITIES

- 7 709 hectares of developable land identified for conversion
- Act 70 of 1970 approvals (release from agriculture for development) on some 3 582 developable hectares
- 1 314 developable hectares in the portfolio have EIA approval, while a further 1 100 developable hectares are well advanced in EIA processes

**CONSTRUCTIVE INTERFACE WITH GOVERNMENTS AND SOCIETY**

# SALIENT FINANCIAL FEATURES 2016/17

<b>REVENUE</b> <b>R17,915 BILLION</b> <b>+7,4%</b> <small>(2016: R16,676 BILLION*)</small>	<b>OPERATING PROFIT</b> <b>R2,333 BILLION</b> <b>+39,8%</b> <small>(2016: R1,669 BILLION*)</small>	<b>HEADLINE EARNINGS</b> <b>R982 MILLION</b> <b>+44,6%</b> <small>(2016: R679 MILLION*)</small>	<b>CASH FLOW FROM OPERATIONS</b> <b>R3,176 BILLION</b> <b>+70,5%</b> <small>(2016: R1,863 BILLION*)</small>	<b>ANNUAL DIVIDEND</b> <b>300 CENTS PER SHARE</b> <b>+30,4%</b> <small>(2016: 230C / SHARE)</small>
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## THE RESULTS FOR THE YEAR ENDED 31 MARCH 2017 SHOW

- an improvement in sugar revenue and operating profit under difficult conditions
- starch operations negatively impacted by maize costs that traded at import parity levels as a result of the past season's drought
- sales concluded in land conversion and developments lower than the prior year
- operating cash flow, after working capital movements, advanced substantially



### SUGAR OPERATIONS

- Operating profit of R1,271 billion (2016: loss of R15 million)
- Sugar production totaled 1 056 000 tons (2016: 1 023 000 tons)
- Volumes impacted by low cane yields due to drought and poor growing conditions



### STARCH OPERATIONS

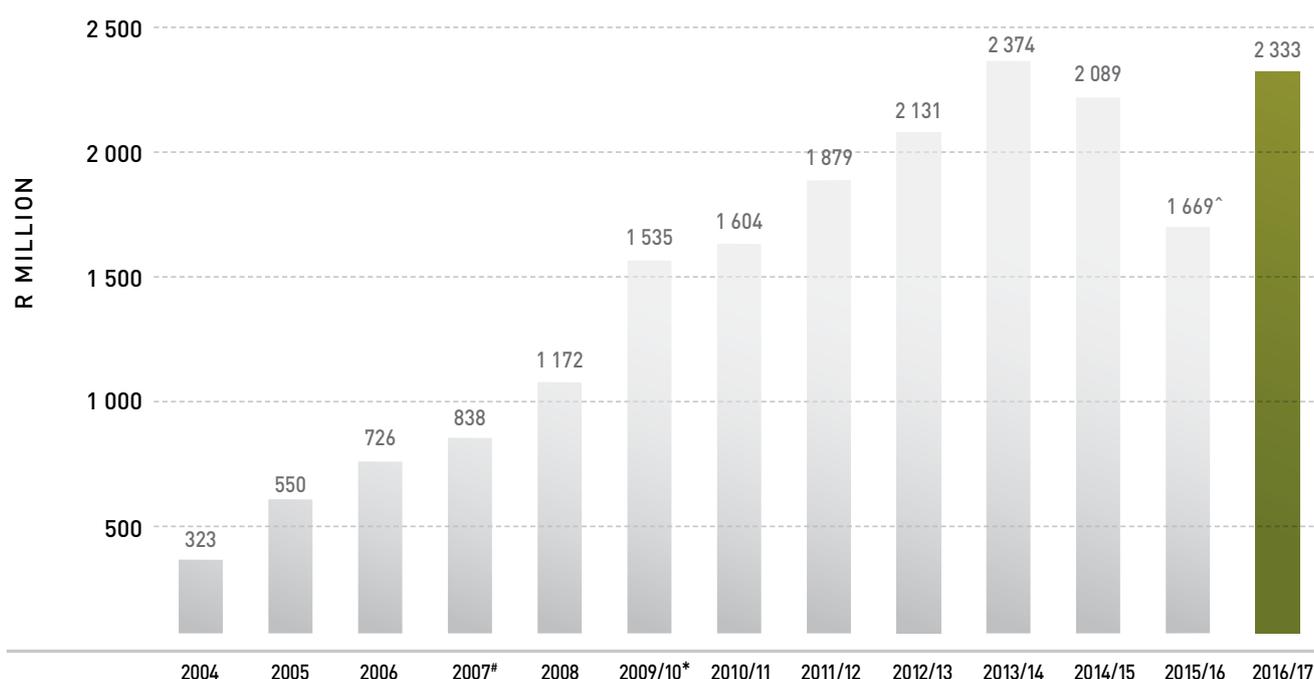
- Operating profit of R510 million (2016: R658 million)
- Margins negatively impacted in the second half of the year by maize costs which were at import parity levels
- Improved sales mix achieved by replacement of imported volumes with local production and ongoing market development, offset by lower volumes as the prevailing economic climate led to lower consumer demand



### LAND CONVERSION AND DEVELOPMENT ACTIVITIES

- The sale of 75 developable hectares resulted in operating profit of R641 million (2016: R1,115 billion from the sale of 121 developable hectares)
- Negotiations on some 233 developable hectares are underway, representing profit potential of around R1,58 billion

## 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  
 ^Restated for revised international financial reporting standards on accounting for sugarcane roots (IAS 41 and IAS 16)

# INVESTMENT CASE

Tongaat Hulett strives to be a proactive and resilient organisation working in collaboration with all its stakeholders in a focused, constructive, mutual value-adding and developmental manner. It has operations in six countries in the Southern African Development Community (SADC), significant sugarcane and maize processing facilities, a unique land conversion platform, a sizeable animal feeds thrust and possibilities to further grow ethanol and electricity generation.

## TONGAAT HULETT'S STRATEGIC POSITIONING AND OBJECTIVES FOCUS ON THE FOLLOWING KEY POINTS:

### INCREASING RETURNS FROM THE SUGAR ASSET BASE - RECOVERING CANE YIELDS, GROWING SUGAR PRODUCTION, USING EXISTING CAPACITY, WITH LOW INCREMENTAL COSTS

- The primary focus is on increasing cane supplies through higher yields from existing hectares under cane, which benefit when there are better growing conditions. It further entails improving sugar content/extraction, leading to additional sugar production which typically has a low incremental cost as milling and agricultural costs per hectare are mostly fixed.
- Weather and growing conditions over the past two years have masked substantial progress made with intensive agricultural improvement programmes, increased hectares under cane, irrigation efficiency and power reliability. The estimated impact is an increase of some 500 000 tons of annual sugar production.
- The existing sugarcane footprint, with regular growing conditions, the agricultural improvement programmes and the completion of the few new planting partnership initiatives underway, should produce some 1 650 000 tons of sugar. Tongaat Hulett's objective is to continue with these actions until it fully uses its installed milling capacity of more than 2 000 000 tons per annum.
- An early season estimate for total sugar production in 2017/18 is between 1 176 000 tons and 1 278 000 tons, compared to 1 056 000 tons in 2016/17. Total sugar production is expected to recover over two years, to between some 1 485 000 and 1 588 000 tons in 2018/19. Tongaat Hulett's marginal cost of additional sugar production is typically some US\$100 per ton from own cane (40%) and US\$280 per ton from third-party cane (60%). Realisations, ex-mill, based on current regional and EU market dynamics are approximately US\$390 per ton.
- The decrease in costs achieved over the previous four years (equivalent to some R1,45 billion in real terms) provides good momentum for ongoing cost reduction in the sugar operations. Unit costs of sugar production will benefit substantially from future volume increases.
- The recent completion in Zimbabwe of the Tokwe-Mukorsi dam and, in Mozambique (Xinavane), the raising of the Corumana dam wall and the construction of the new Moamba dam on the Incomati river, will diversify the water catchment area and provide increased stability in future water supply.
- Tongaat Hulett benefits from multiple market positions, strong brands, distribution, packing and market opportunities in local, regional, African, EU and other international markets.
- Domestic markets, where Tongaat Hulett produces sugar, remain a key focus. There has been some progress in South Africa and significant success in Zimbabwe and Mozambique with the required protection from imports, with government support.
- Key market positions and experience in both the region (southern and eastern Africa) and the EU will drive the sale of additional sugar. Tongaat Hulett is developing and expanding its positions in regional deficit markets, where a premium is earned over world market prices, as well as broadening its footprint in key value-add markets in the EU where it enjoys preferential access.





**STARCH AND GLUCOSE - MORE COMPETITIVE MAIZE AND BETTER VOLUME PROSPECTS**

- The starch and glucose operation is well-positioned strategically and is focused on growing its sales volume, as it consolidates its gains from replacement of imports in the coffee and coffee creamer and other sectors. It continues enhancing its product mix and developing opportunities which have been identified and targeted for growth through exports.
- Working together with customers, further opportunities are being targeted for growth through customer exports. Market development to increase the production of value added modified starches is progressing.
- These initiatives are underpinned by improving use of available capacity and the efficiency of operations.



**VALUE CREATION FROM LAND CONVERSION AND DEVELOPMENT**

- Tongaat Hulett has a unique land portfolio and well-established development platform in the fastest growing area of KwaZulu-Natal.
- The value creating capability of the land conversion activities continues to increase, with good progress in the important value drivers.
- The positive, constructive and inextricable link to sugarcane farming activities and rural socio-economic development is maintained. Over the past five years 24 560 hectares of new cane land have been planted, mainly in communal areas.
- 3 582 developable hectares have been released from agriculture (Act 70 of 1970) out of the 7 709 developable hectares in the portfolio. Currently 1 314 developable hectares have environmental impact assessment (EIA) approvals, with a further 1 100 developable hectares being well advanced in EIA processes.
- Negotiations on some 233 developable hectares are currently underway, representing profit potential of around R1,58 billion.

**LEADERSHIP AND STRENGTH OF MANAGEMENT TEAM**

- Ability and multiple advanced core competencies, good governance, strong executive and Board leadership.

**SOCIO-ECONOMIC POSITIONING AND CONSTRUCTIVE INTERFACE WITH GOVERNMENTS AND SOCIETY**

- Tongaat Hulett’s strategic positioning in the region is underpinned by the fundamental 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.

**STRONG BALANCE SHEET WITH HIGH QUALITY ASSETS**

- Increase ROCE through growth in operating profit and cash flow from existing asset base.

**ADDITIONAL FUTURE GROWTH OPPORTUNITIES**

- Expand white sugar refining capacity, replacing imports.
- Increased beneficiation of molasses and fibre into animal feeds, electricity, fuel ethanol and potable alcohol.
- Ethanol production - to replace export sugar.
- Electricity generation - to generate more electricity from sugarcane fibre than at present, using modern technology.

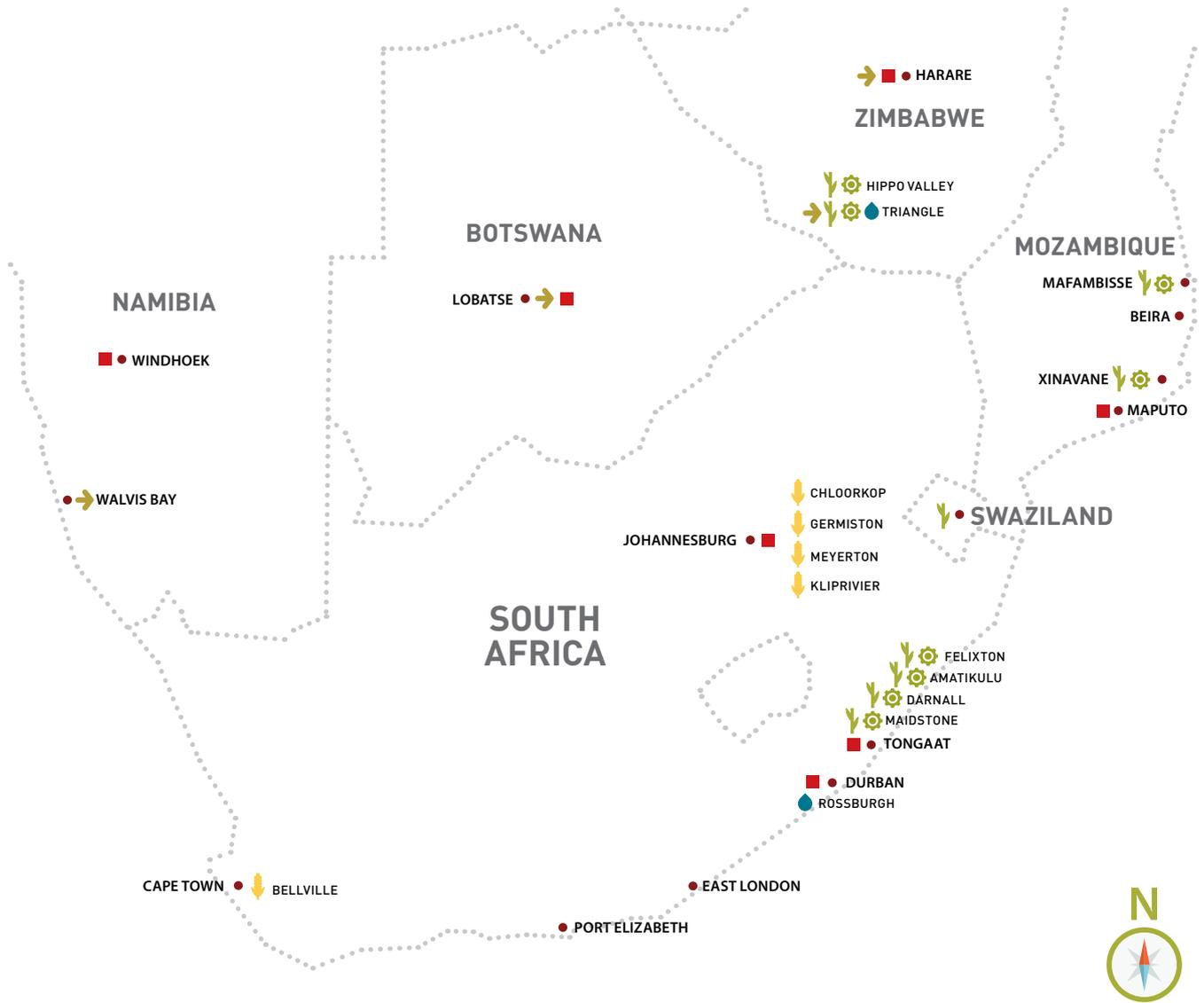
# BUSINESS MODEL

PEOPLE | LAND | COMMUNITIES



# GEOGRAPHIC FOOTPRINT

- THE EIGHT SUGAR MILLS ARE SUPPLIED BY SOME 201 153 HECTARES OF SUGARCANE, SOURCED FROM A COMBINATION OF OWN ESTATES, LARGE-SCALE, SMALL-SCALE AND LAND REFORM FARMERS
- MORE THAN 30 YEARS SELLING TO REGIONAL MARKETS WITH ESTABLISHED OPERATIONS IN SIX COUNTRIES
- THE THIRD LARGEST MAIZE BUYER IN SOUTH AFRICA
- THE ONLY MAIZE WET-MILLER SOUTH OF EGYPT
- TOTAL PORTFOLIO OF 7 709 HECTARES AVAILABLE FOR LAND CONVERSION IN SOUTH AFRICA



## KEY

- OFFICES
- ↓ STARCH MILLS
- ↘ CANE FARMING
- ⚙ SUGAR MILLS
- SUGAR/ETHANOL REFINERIES
- DISTRIBUTION AND PACKAGING FACILITIES

## SUGARCANE HECTARES SUPPLYING TONGAAT HULETT'S MILLS IN 2016/17

SOUTH AFRICA	122 856 HA	61%
ZIMBABWE	45 339 HA	23%
MOZAMBIQUE	29 120 HA	14%
SWAZILAND	3 838 HA	2%





# TONGAAT HULETT PROFILE

 <p><b>MANUFACTURED CAPITAL</b></p>	<p><b>&gt;630 000 TONS</b></p> <p>OF MAIZE CONVERTED TO STARCH AND GLUCOSE PER ANNUM</p>	<p><b>&gt;2 MILLION TONS</b></p> <p>INSTALLED SUGAR MILLING CAPACITY</p>	<p><b>7 709 HECTARES</b></p> <p>DEVELOPABLE LAND IDENTIFIED FOR CONVERSION</p>
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 <p>SUGAR OPERATIONS</p>	 <p>STARCH OPERATIONS</p>	 <p>LAND CONVERSION ACTIVITIES</p>
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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 within the primary growth corridors of KwaZulu-Natal with strong policy support for conversion at the appropriate time. A core element of Tongaat Hulett’s strategic vision is to maximise the value generated from the conversion of land in the portfolio by responding to key demand drivers and

identifying its optimal end use for all stakeholders. 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. Global sweetener markets continue to be dynamic and the business seeks to optimise its various market positions, leveraging off its current base to maximise revenue from these products. The business’s sugar operations are well placed to benefit from evolving dynamics of renewable electricity and ethanol in South Africa, and the SADC region. Value creation for all stakeholders through an all-inclusive approach to growth and development is a key focus area for the business and Tongaat Hulett regards its constructive interfaces with governments and society to be of significant importance.

The current structure of the company arose from the merger of the Tongaat Group Limited and the Hulett's Corporation Limited, and its operations date back to the mid-1800s. The company has a primary listing on the Johannesburg Stock Exchange dating back to 1952, and a secondary listing on the London Stock Exchange since 1939.

Societal dynamics are increasingly relevant, and therefore the strong relationships that Tongaat Hulett has developed with various stakeholders are of significant importance. These partnering relationships continue to contribute towards the achievement of the business's strategic objectives, while also meeting the objectives of its various stakeholders, including shareholders, governments, private farmers and their representative bodies, communities, employees and people impacted by the company's operations and its growth and development activities.

## SUGAR OPERATIONS

### 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 produce more than 1 million tons of sugar per annum. Cane supplies come from a combination of predominately rain-fed own-estates, large-scale commercial and small-scale private farmers in rural KwaZulu-Natal. At the beginning of the 2016/17 season, the South African operations were supplied by 122 856 hectares. 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 Hulett's® brand. The South African sugar product range offers a total sweetener solution including a range of high-intensity sweeteners.

### ZIMBABWE

The sugar operations in Zimbabwe consist of Triangle and a 50,3% stake in Hippo Valley Estates, representing a combined installed sugar milling capacity of more than 640 000 tons.

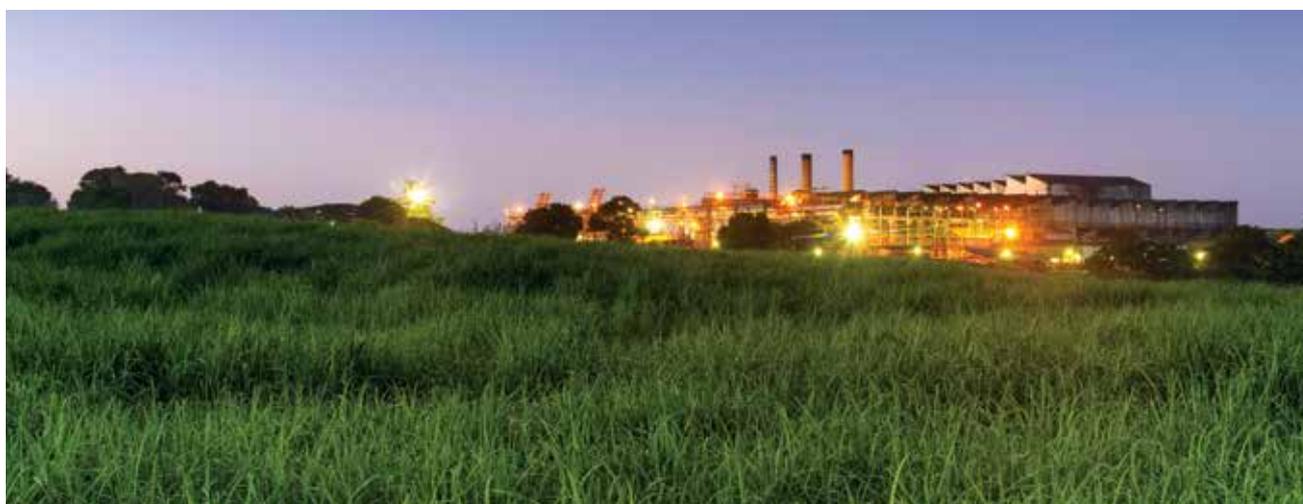
At the beginning of the 2016/17 season, the Zimbabwe operations were supplied by 45 339 hectares of sugarcane land (own-estates and private farmers) with a potential to produce more than four million tons of sugarcane. The total refined sugar installed capacity is 140 000 tons and the Triangle ethanol plant has an installed capacity of 42 million litres over a 48-week production season. The securing of adequate water availability is important, and the completion of the Tokwe-Mukorsi dam (1,803 million megalitre capacity), in addition to the existing 1,740 million megalitres of the Mutirikwi dam, significantly improves water security of the operation.

The Hulett's Sunsweet® brand is the leading sugar brand in the country. The Lowveld in Zimbabwe, with excellent topography, climate and established water storage and conveyance infrastructure for irrigation, is recognised globally as a highly competitive sugar producer. The Zimbabwean operations include the business running the largest cattle herd and extensive game reserves, which have significant potential for tourism.

### MOZAMBIQUE

The Mozambique sugar operations comprise the expanded sugar mills and estates surrounding Xinavane and Mafambisse. At the beginning of the 2016/17 season, 29 120 hectares supplied Tongaat Hulett operated mills. Sugar production capacity at the Xinavane mill is more than 250 000 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 340 000 tons of sugar per annum. The sugar estates are irrigated and are generally located in areas with favourable growing conditions, resulting in high cane and sucrose yields. The larger Xinavane operation will benefit from the construction of the Moamba dam (760 000 megalitre capacity) and the extension of the Corumana dam wall which will result in its capacity being increased from 880 000 megalitres to 1,260 million megalitres by May 2019.

The favourable agricultural conditions, proximity to ports, and the technical support from South Africa, position the Mozambique operations well for further growth. The operations



also include extensive landholdings, which border the Kruger National Park, and have high tourism potential.

#### 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 farms of which approximately 3 740 hectares are harvested annually. The estate has consistently achieved excellent sucrose yields due to the good soil and growing conditions in the region and delivers its cane to the nearby Simunye and Mhlume sugar mills. The estate has the capacity to produce a Raw Sugar Equivalent (RSE) of some 60 000 tons per annum.

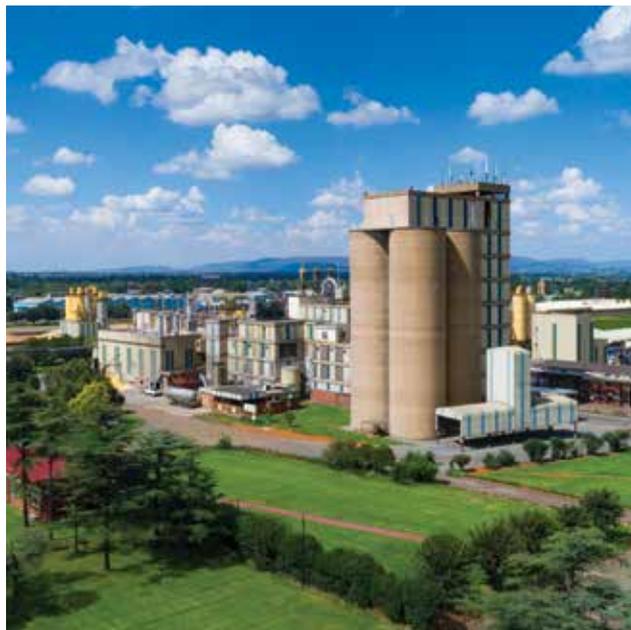
#### NAMIBIA AND BOTSWANA

The Namibian operation has the capacity to pack and distribute 80 000 tons of sugar per annum using its Marathon® brand while in Botswana, Tongaat Hulett has a 60 000 ton per annum packing and distribution operation with its leading Blue Crystal® brand.



## RENEWABLE ENERGY

The eight sugar mills in Mozambique, South Africa and Zimbabwe all generate electricity from 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 21,4 million litres for blending with petrol during the 2016/17 year. Tongaat Hulett is well placed to benefit from evolving renewable energy dynamics with the potential to build large-scale renewable electricity plants, as well as the opportunity to convert its export sugar to ethanol in its southern African operations.



## VOERMOL FEEDS

The company's 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. The production and marketing of high-quality, cost-effective products over more than 50 years, combined with the development of long-term relationships with farmers, agricultural companies and suppliers, has established Voermol Feeds as the market leader in the molasses and pith-based animal feeds industry in South Africa.

## 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 is 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 630 000 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 remain some of the leading starch, glucose and feed ingredient brands in South Africa. The co-products that are produced during the starch and glucose manufacturing process supply the animal

feed industry. The business operates a dedicated Sorbitol facility, which is in Chloorkop in Gauteng, and has distribution networks and facilities in Zimbabwe, Australasia and the Far East.

The world is continuing to evolve in terms of the selection of a feedstock to produce sweeteners, with both maize and sugarcane being suitable alternatives. Tongaat Hulett's significant investments in the production of sweeteners using both feedstocks will ensure that the business is well positioned to benefit from global developments in this area.

## LAND CONVERSION ACTIVITIES

Tongaat Hulett has an unequalled portfolio of some 7 709 developable hectares of land in prime positions near Durban and on the north coast of KwaZulu-Natal earmarked for conversion from agriculture to a range of urban and tourism uses over time. The company's sugar mills in South Africa are supplied by more than 120 000 hectares of sugarcane land, of which some 34% is farmed by communal or small-scale farmers and land reform growers, and just over 7% is owned by Tongaat Hulett. The business is focused on creating stakeholder

value through converting land within its portfolio of prime land near Durban and Ballito to enable investors, developers, end-users and authorities to access bankable shovel-ready real estate investment projects that yield the best possible urban use.

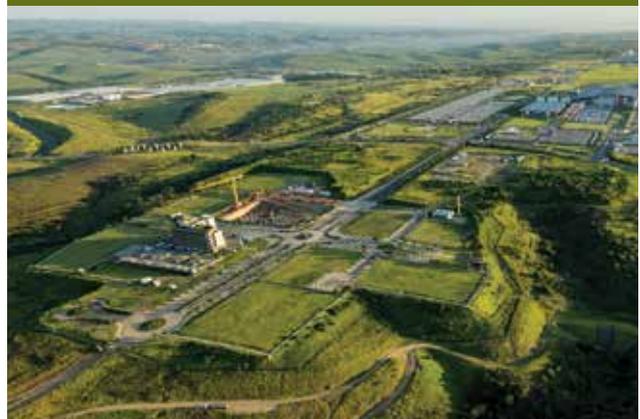
Durban is one of the fastest growing cities and as part of its endeavours to improve its sustainability the city has joined the Rockefeller Foundation's 100 Resilient Cities Programme. Tongaat Hulett has partnered with the city on this initiative which aims to improve the city's resilience and long-term sustainability.

These activities are underpinned by ongoing use of the land under agriculture throughout the development cycle and commence with collaborative planning with authorities on optimum use of land for all stakeholders. This leads to the release from agriculture and other development approvals, simultaneously strengthening demand drivers and unlocking infrastructure at key points, while executing optimal sales and development strategies for the various parcels of land.

Further details regarding these ongoing processes are provided in Tongaat Hulett's Portfolio of Land for Conversion in KwaZulu-Natal, available at [www.tongaat.com](http://www.tongaat.com).



### CASE STUDY RESILIENT CITIES PROGRAMME



Tongaat Hulett's commitment to ZERO HARM and sustainable development has been reinforced by its recent partnership with the eThekweni Municipality and Dube TradePort Corporation, through which Durban has joined the Rockefeller Foundation's 100 Resilient Cities Programme. Focused on building a city that will withstand the changes of time, climate and society, it aims to create a city that will survive and thrive in spite of environmental and societal changes.

To read more go to [www.tongaat.com/2017/rcp](http://www.tongaat.com/2017/rcp)