

## **THE TONGAAT-HULETT GROUP LIMITED**

### **INTERIM RESULTS for the half-year ended 30 June 2004**

- Revenue of R2,95 billion (2003: R3,0 billion)
- Headline earnings of R56 million (2003: loss of R199 million)
- Interim dividend of 50 cents per share (2003: 40 cents per share)

#### **COMMENTARY**

The Group recorded headline earnings of R56 million, generated off revenue for the half-year of R2,95 billion (2003: R3,0 billion). These earnings show an improvement of R255 million from the headline loss in the same period last year.

Management actions taken throughout the Group to improve profitability have not yet fully impacted on Tongaat-Hulett's results. The benefits of these and further actions will flow into the second half of 2004 and beyond. Results for the first half of 2004 are detailed below.

African Products' underlying operating profit for the first half of 2004 reduced to R7 million (2003: R67 million). The high priced maize procured during the previous cycle, under the previous business model, and the strengthening Rand's effect on domestic selling prices and export margins were the main influencing factors. Domestic volumes of starch and glucose declined by 6%, compared to the first half of 2003, due to imported glucose in the spray drying industry and increased imports of final products such as confectionery. Export volumes reduced by 21% due to the strengthening currency. Initiatives to maintain key export markets and combat imports in the local market are ongoing with significant success in terms of volumes recovered for the second half of 2004 and for 2005. Fixed cash costs have been held at levels below those of the comparable periods in 2002 and 2003. The ongoing efficiency programmes yielded savings in variable costs.

All unhedged maize futures contracts have been eliminated and the substantially revised approach to maize procurement will have a positive impact towards the end of 2004. Based on current consumption, the higher priced maize will all have been used by October 2004.

Hulett Aluminium's underlying operating profit increased to R78 million, with the Group's share being 50% thereof. Rolled products sales volumes grew to 142 000 tons annualised, a 19% increase over the same period last year. This was achieved despite an interruption on the Camps Drift hot mill that affected output for approximately two weeks. Local sales increased by 5% and exports by 26%. The mix improved, with sales of clad products and exports of closure sheet being three times those of the first half of last year while exports of can end stock and painted products

continued to show strong growth. Total rolled products manufacturing costs, excluding metal, have been limited to an increase of 4% despite the growth in volumes, resulting in a 13% reduction in conversion costs per ton. The stronger Rand offset much of these gains.

Moreland continued to capitalise on the solid platform of its leading property developments and the prime land previously under sugar cane, increasing revenue for the first six months by 318% to R272 million. A milestone underlying operating profit of R118 million (2003: R20 million) was achieved. The buoyant property market, especially on the KwaZulu-Natal North Coast, is contributing to Moreland unlocking extensive value from its Zimbali, La Lucia Ridge and Umhlanga Ridge developments. Outstanding performances were achieved in the residential and resort portfolios due to the strong demand for new phases and developments launched during the period. Sales also increased in both the commercial and industrial portfolios.

Tongaat-Hulett Sugar's revenue of R1,2 billion for the half-year was 15% below the comparable period last year, with underlying operating profit reducing to R38 million from R183 million. Sales volumes in South Africa were 211 767 tons and raw sugar export volumes at 120 345 tons were affected by lower carry-in stocks. The particularly small crop harvested in 2003 resulted in an increase in the production cost per ton of sugar that was carried forward and sold in the first half of 2004. This, together with the decrease in the South African domestic sugar price in October 2003 and the strengthening Rand's effect on export realisations, depressed margins in the first six months of the year. In Mozambique, domestic market sales grew by 24% in the drive to increase market share. Triangle continues to operate profitably in the difficult Zimbabwean economic and business environment. Dividends of R21 million were received from Triangle and brought to account.

Year on year, consolidated sugar production for the 2004 year is expected to grow by 5,8% to 1,113 million tons. Sugar production from South African operations is estimated to increase by 9% to 712 000 tons while that of Mozambique is expected to rise to 99 000 tons (2003: 82 000 tons). In Swaziland, Tambankulu is estimated to produce the raw sugar equivalent of 52 000 tons. Triangle Sugar in Zimbabwe is expected to produce 250 000 tons this year.

Tongaat-Hulett Sugar's actions completed in the first six months included the closure of the Entumeni sugar mill with the diversion of cane to the Amatikulu mill, the closure of the sugar head office, downsizing of centralised services and the reorganisation of the South African milling operations from five mill structures to two regional business units. The benefits of these and the further substantial actions being taken will flow in future periods. Restructuring costs of R22 million have been incurred in the current period.

The Group's underlying operating profit decreased by R80 million and the valuation adjustments charged against income improved by R354 million, compared to the 2003 interim results. This led to the total operating profit improving to R159 million from the 2003 first half loss of R115 million.

The valuation adjustments charged against income amounted to R21 million, compared with the charge of R375 million for the first half of 2003. These items relate mainly to the valuation of certain contracts and balance sheet items based on the exchange rate and maize price at the end of the period. The open maize futures position reported in previous periods has been eliminated and a valuation gain of R18 million has been realised, compared to the R255 million charge in the same period last year.

The Group's balance sheet remains sound with net borrowings as a percentage of equity at 15,7% (2003: 14,9%).

The board declared an interim dividend for the half-year of 50 cents per share (2003: 40 cents per share).

## **OUTLOOK**

All the operating companies have programmes in place, which span the next two years, to grow earnings through internal actions. Benefits will increase as the solid progress made in the first half of 2004 is combined with the additional actions being taken.

Hulett Aluminium and Tongaat-Hulett Sugar will benefit from sales that are being booked for late 2004 and into 2005 at higher US dollar prices than those of earlier in 2004.

The Group expects headline earnings for the second six months of 2004 to be considerably above those for the first half, on the basis of similar exchange rates, with underlying operating profit having a sensitivity of approximately R10 million for every 10 South African cents move against one US dollar.

For and on behalf of the board

C M L Savage  
Chairman

P H Staude  
Chief Executive Officer

Amanzimnyama,  
Tongaat, KwaZulu-Natal

30 July 2004

## **DIVIDEND DECLARATION**

Notice is hereby given that the board has declared an interim dividend (number 154) of 50 cents per share for the half-year ended 30 June 2004 to shareholders recorded in the register at the close of business on Friday 27 August 2004.

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

|                                |          |                  |
|--------------------------------|----------|------------------|
| Last date to trade             |          |                  |
| ordinary shares "CUM" dividend | Friday   | 20 August 2004   |
| Ordinary shares trade          |          |                  |
| "EX" dividend                  | Monday   | 23 August 2004   |
| Record date                    | Friday   | 27 August 2004   |
| Payment date                   | Thursday | 2 September 2004 |

Share certificates may not be dematerialised or re-materialised, nor may transfers between registers take place between Monday 23 August 2004 and Friday 27 August 2004, 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 20 August 2004.

For and on behalf of the board

M A Kennedy  
Group Secretary

Amanzimnyama,  
Tongaat, KwaZulu-Natal

30 July 2004

## **CORPORATE INFORMATION**

Executive directors: B G Dunlop, A Fourie, G R Hibbert, G P N Kruger, M H Munro, S J Saunders, M Serfontein, P H Staude (Chief Executive Officer)

Non-executive directors: D D Barber, P M Baum, I Botha, L Boyd, E le R Bradley, B E Davison, M W King, J B Magwaza, M Mia, T H Nyasulu, C M L Savage (Chairman), R H J Stevens, A M Thompson

Alternate directors: J Thomas, G F Young

Registered Office: Amanzimnyama Hill Road, Tongaat, KwaZulu-Natal

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Transfer Secretaries: Computershare Investor Services 2004 (Pty) Limited

Telephone: (011) 370 7700

Sponsor: HSBC Investment Services (Africa) (Pty) Limited

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# THE TONGAAT-HULETT GROUP LIMITED

Registration No. 1892/000610/06    Share code TNT    Issuer code THGL    ISIN ZAE000007449

## INTERIM RESULTS for the half-year ended 30 June 2004

| <b>Income Statement</b>   |      |   |   |  |
|---|------|---|---|--|
| Rmillion  | Note | <b>Unaudited<br/>Half-year<br/>30 June<br/>2004</b> | Unaudited<br>Half-year<br>30 June<br>2003<br>Restated | Audited<br>Year ended<br>31 December<br>2003 |
| <b>Revenue</b>  |      | <b>2 950</b>  | 3 021   | <b>6 559</b>                                 |
| Underlying operating profit                                       |      | <b>180</b>  | 260   | 452  |
| Triangle dividend   |      | <b>21</b>   |   | 19   |
| Restructure costs   |      | <b>(22)</b>   |   |  |
| Valuation adjustments on<br>financial instruments and other items | 1    | <b>(21)</b>   | (375)   | (398)  |
| Exceptional items   |      | <b>1</b>  |   | 7  |
| <b>Operating profit</b>   | 9    | <b>159</b>  | (115)   | 80   |
| Net financing costs   | 2    | <b>(70)</b>   | (102)   | (152)  |
| <b>Earnings/(loss) before tax</b>                                 |      | <b>89</b>   | (217)   | (72)   |
| Tax   | 3    | <b>(14)</b>   | 33  | 77   |
| <b>Earnings/(loss) after tax</b>                                  |      | <b>75</b>   | (184)   | 5  |
| Share of associate company's loss                                 |      | <b>(12)</b>   | (15)  | (45)   |
| Minority shareholders' share of earnings                          |      | <b>(6)</b>  |   | (1)  |
| <b>Total net earnings/(loss)</b>                                  |      | <b>57</b>   | (199)   | (41)   |
| <b>Headline earnings/(loss)</b>                                   |      | <b>56</b>   | (199)   | (93)   |
| <b>Earnings/(loss) per share (cents)</b>                          |      |   |   |  |
| <b>Total net earnings/(loss)</b>                                  |      |   |   |  |
| Basic   |      | <b>56.2</b>   | (196.3)   | (40.4)                                       |
| Diluted   |      | <b>55.8</b>   | (195.3)   | (40.3)                                       |
| <b>Headline earnings/(loss)</b>                                   |      |   |   |  |
| Basic   |      | <b>55.2</b>   | (196.3)   | (91.7)                                       |
| Diluted   |      | <b>54.8</b>   | (195.3)   | (91.3)                                       |
| <b>Dividend per share (cents)</b>                                 |      | <b>50.0</b>   | 40.0  | 120.0  |
| <b>Currency conversion</b>  |      |   |   |  |
| Rand/US dollar average  |      | <b>6.67</b>   | 8.03  | 7.55   |
| Rand/US dollar closing  |      | <b>6.23</b>   | 7.48  | 6.67   |
| Rand/GB pound closing   |      | <b>11.29</b>  | 12.37   | 11.94  |

| <b>Balance Sheet</b>                     |                                       |  |                                |
|--|---------------------------------------|--|--------------------------------|
|  | <b>Unaudited<br/>30 June<br/>2004</b> | Unaudited<br>30 June<br>2003<br>Restated | Audited<br>31 December<br>2003 |
| Rmillion                                 |                                       |  |                                |
| <b>ASSETS</b>                            |                                       |  |                                |
| <b>Non-current assets</b>                |                                       |  |                                |
| Property, plant and equipment            | 4 130                                 | 4 198                                    | 4 162                          |
| Growing crops                            | 205                                   | 219                                      | 179                            |
| Long-term receivable                     | 210                                   | 210                                      | 210                            |
| Goodwill                                 | 36                                    | 39                                       | 37                             |
| Investments                              | 7                                     | 14                                       | 5                              |
| Derivative instruments                   | 20                                    | 36                                       | 11                             |
|  | <b>4 608</b>                          | 4 716                                    | 4 604                          |
| <b>Current assets</b>                    |                                       |  |                                |
| Inventories                              | 1 307                                 | 1 518                                    | 1 769                          |
| Trade and other receivables              | 1 454                                 | 1 095                                    | 1 132                          |
| Cash resources                           | 797                                   | 842                                      | 808                            |
|  | <b>3 558</b>                          | 3 455                                    | 3 709                          |
| <b>TOTAL ASSETS</b>                      | <b>8 166</b>                          | 8 171                                    | 8 313                          |
| <b>EQUITY AND LIABILITIES</b>            |                                       |  |                                |
| <b>Capital and reserves</b>              |                                       |  |                                |
| Share capital                            | 101                                   | 101                                      | 101                            |
| Share premium                            | 734                                   | 730                                      | 730                            |
| Non-distributable reserves               | 55                                    | 88                                       | 29                             |
| Retained income                          | 3 309                                 | 3 216                                    | 3 333                          |
| Equity                                   | <b>4 199</b>                          | 4 135                                    | 4 193                          |
| Minority interests in subsidiaries       | 12                                    | 5  | 6                              |
| Deferred tax                             | 867                                   | 943                                      | 866                            |
| Long-term borrowings                     | 324                                   | 814                                      | 371                            |
| Provisions                               | 264                                   | 244                                      | 260                            |
| Derivative instruments                   | 41                                    | 156                                      | 53                             |
| <b>Current liabilities</b>               | <b>2 459</b>                          | 1 874                                    | 2 564                          |
| Trade and other payables (note 7)        | 1 305                                 | 1 222                                    | 1 551                          |
| Short-term borrowings                    | 1 136                                 | 643                                      | 998                            |
| Tax                                      | 18                                    | 9  | 15                             |
| <b>TOTAL EQUITY AND LIABILITIES</b>      | <b>8 166</b>                          | 8 171                                    | 8 313                          |
| <b>Number of shares (000)</b>            |                                       |  |                                |
| – in issue                               | 101 590                               | 101 461                                  | 101 467                        |
| – weighted average (basic)               | 101 499                               | 101 370                                  | 101 418                        |
| – weighted average (diluted)             | 102 197                               | 101 883                                  | 101 816                        |
| <b>Net asset value per share (cents)</b> | <b>4 133</b>                          | 4 075                                    | 4 132                          |
| <b>Debt to equity</b>                    | <b>34.7%</b>                          | 35.2%                                    | 32.6%                          |
| <b>Net debt to equity</b>                | <b>15.7%</b>                          | 14.9%                                    | 13.4%                          |

| <b>Cash Flow Statement</b>                                     |   |   |  |
|--|---|---|--|
| Rmillion   | <b>Unaudited<br/>Half-year<br/>30 June<br/>2004</b> | Unaudited<br>Half-year<br>30 June<br>2003<br>Restated | Audited<br>Year ended<br>31 December<br>2003 |
| Operating profit   | <b>159</b>  | (115)   | 80   |
| Net financing costs  | <b>(70)</b>   | (102)   | (152)  |
| Non-cash items:  |   |   |  |
| Depreciation   | <b>109</b>  | 108   | 223  |
| Adjustment for exchange rate translation loss                  | <b>28</b>   | 61  | 80   |
| Provisions   | <b>4</b>  | (1)   | 15   |
| Surplus on disposal of plant and equipment                     |   |   | (2)  |
| Other non-cash items   | <b>(53)</b>   | 26  | (99)   |
| Tax payments   | <b>(16)</b>   | (31)  | (42)   |
| Change in working capital                                      | <b>(93)</b>   | (17)  | (3)  |
| <b>Cash flow from operating activities</b>                     | <b>68</b>   | (71)  | 100  |
| Expenditure on property, plant and equipment:                  |   |   |  |
| New  | <b>(23)</b>   | (136)   | (206)  |
| Replacement  | <b>(46)</b>   | (57)  | (106)  |
| Major plant overhaul costs capitalised                         | <b>(34)</b>   | (43)  | (39)   |
| Growing crops  | <b>21</b>   | (78)  | 21   |
| Proceeds on disposal of property, plant and equipment          | <b>16</b>   | 40  | 43   |
| Investments  | <b>(9)</b>  | 1   | (19)   |
| <b>Net cash flow before dividends and financing activities</b> | <b>(7)</b>  | (344)   | (206)  |
| Dividends paid   | <b>(81)</b>   | (193)   | (233)  |
| <b>Net cash flow before financing activities</b>               | <b>(88)</b>   | (537)   | (439)  |
| Borrowings raised  | <b>112</b>  | 590   | 553  |
| Hedges of foreign loans  | <b>(11)</b>   | (86)  | (161)  |
| Shares issued  | <b>4</b>  | 2   | 2  |
| <b>Net increase/(decrease) in cash resources</b>               | <b>17</b>   | (31)  | (45)   |
| Cash resources at beginning of period                          | <b>808</b>  | 938   | 938  |
| Exchange rate translation loss                                 | <b>(28)</b>   | (61)  | (80)   |
| Foreign exchange adjustment                                    |   |   | (9)  |
| (Loss)/gain on cash equivalent investment                      |   | (4)   | 4  |
| <b>Cash resources at end of period</b>                         | <b>797</b>  | 842   | 808  |

### Statement of Changes in Equity

| Rmillion  | <b>Unaudited<br/>Half-year<br/>30 June<br/>2004</b> | Unaudited<br>Half-year<br>30 June<br>2003<br>Restated | Audited<br>Year ended<br>31 December<br>2003 |
|---|---|---|--|
| Balance at beginning of period                                | 4 193   | 4 567   | 4 567  |
| Effect of change in accounting policy                         |   | (16)  | (16)   |
| Restated balance  | <b>4 193</b>  | 4 551   | 4 551  |
| Total net earnings/(loss) for the period                      | 57  | (199)   | (41)   |
| Dividends paid  | (81)  | (193)   | (233)  |
| Share capital issued  | 4   | 2   | 2  |
| Hedge reserve released to income statement                    | 17  | (23)  | (23)   |
| Gains/(losses) from cash flow hedges                          | 6   | (8)   | (27)   |
| (Loss)/gain on cash equivalent investment                     |   | (4)   | 4  |
| Realised gain on cash equivalent investment sold (note 2)     |   |   | (43)   |
| Share of associate's movement in currency translation reserve | 5   | 6   | 16   |
| Currency exchange rate changes                                | (2)   | 3   | (13)   |
| <b>Balance at end of period</b>                               | <b>4 199</b>  | 4 135   | 4 193  |

### Headline Earnings

| Rmillion   | <b>Unaudited<br/>Half-year<br/>30 June<br/>2004</b> | Unaudited<br>Half-year<br>30 June<br>2003<br>Restated | Audited<br>Year ended<br>31 December<br>2003 |
|--|---|---|--|
| Total net earnings/(loss)                        | 57  | (199)   | (41)   |
| Less after tax effect of:                        |   |   |  |
| Realised gain on cash equivalent investment      |   |   | (42)   |
| Surplus on sale of property held as fixed assets | (2)   |   | (15)   |
| Goodwill amortisation                            | 1   | 1   | 3  |
| Impairment of assets                             |   |   | 2  |
| Surplus on disposal of plant and equipment       |   | (1)   | (1)  |
| Other  |   |   | 1  |
| <b>Headline earnings/(loss)</b>                  | <b>56</b>   | (199)   | (93)   |

| Notes  |   |   |  |
|--|---|---|--|
| Rmillion   | Unaudited<br>Half-year<br>30 June<br>2004 | Unaudited<br>Half-year<br>30 June<br>2003<br>Restated | Audited<br>Year ended<br>31 December<br>2003 |
| <b>1. Valuation adjustments on financial instruments and other items</b> |   |   |  |
| Maize procurement contracts  | 18  | (255)   | (211)  |
| Translation of foreign currency:   |   |   |  |
| Foreign cash   | (28)                                      | (61)  | (80)   |
| Other  | (9)                                       | (25)  | (57)   |
| Export receivables   | (3)                                       | (22)  | (33)   |
| Other financial instruments  | 1   | (12)  | (17)   |
|  | <u>(21)</u>                               | <u>(375)</u>  | <u>(398)</u>                                 |
| <b>2. Net financing costs</b>  |   |   |  |
| Interest paid  | (189)                                     | (210)   | (438)  |
| Financial instrument income  | 98  | 83  | 174  |
| Realised gain on cash equivalent investment                              |   |   | 43   |
| Interest received  | 21  | 25  | 69   |
|  | <u>(70)</u>                               | <u>(102)</u>  | <u>(152)</u>                                 |
| <b>3. Tax</b>  |   |   |  |
| Normal   | (34)                                      | (7)   | (24)   |
| Deferred   | 25  | 64  | 130  |
| Secondary tax on companies   | (5)                                       | (24)  | (29)   |
|  | <u>(14)</u>                               | <u>33</u>   | <u>77</u>                                    |
| <b>4. Capital expenditure commitments</b>                                |   |   |  |
| Contracted   | 73  | 95  | 46   |
| Approved but not contracted  | 62  | 107   | 85   |
|  | <u>135</u>                                | <u>202</u>  | <u>131</u>                                   |
| <b>5. Operating lease commitments</b>                                    |   |   |  |
|  | <u>34</u>                                 | <u>37</u>   | <u>59</u>                                    |
| <b>6. Guarantees and contingent liabilities</b>                          |   |   |  |
|  | <u>47</u>                                 | <u>55</u>   | <u>43</u>                                    |

#### 7. Trade and other payables

Included in trade and other payables is the maize obligation (interest bearing) of R203 million (30 June 2003: R384 million and 31 December 2003: R553 million).

#### 8. Changes to comparatives - 30 June 2003

In preparing its financial statements for the year ended 31 December 2003, the Group implemented an accounting policy for the recognition of maize purchase commitments that are considered to be constructive obligations. Maize that relates to such constructive obligation is recognised as inventory, the related liability is recognised as a current liability and to the extent that the final purchase price includes a financing element, this is recognised as interest over the period of the obligation. Comparative figures for the half-year ended 30 June 2003 have been restated to recognise the financing element, resulting in underlying operating profit increasing by R27 million, finance costs increasing by R40 million and the loss after tax for the half-year ended 30 June 2003 increasing by R9 million. The cumulative effect on the balance sheet resulted in equity reducing by R25 million, deferred tax by R10 million and inventories by R35 million. Inventories and current liabilities of R384 million had been recognised in this regard at 30 June 2003.

#### 9. Operating profit

Operating profit includes underlying operating profit, Triangle dividend, restructure costs, valuation adjustments and exceptional items. It replaces the line in the Income Statement previously referred to as earnings before interest and tax. This presentation is as required by AC101: Presentation of Financial Statements.

#### 10. Basis of preparation of the results

The unaudited results of the Group for the half-year ended 30 June 2004 have been prepared on a basis consistent with the audited annual financial statements at 31 December 2003. The accounting policies of the Group conform with South African Statements of Generally Accepted Accounting Practice. The interim report has been prepared in accordance with AC127: Interim Financial Reporting.

### Segmental Analysis

| Rmillion                           | Unaudited<br>Half-year<br>30 June<br>2004 | Unaudited<br>Half-year<br>30 June<br>2003<br>Restated | Audited<br>Year ended<br>31 December<br>2003 |
|------------------------------------|---|---|--|
| <b>REVENUE</b>                     |   |   |  |
| African Products                   | 650                                       | 756   | 1 487  |
| Hulett Aluminium (50%)             | 819                                       | 773   | 1 600  |
| Moreland                           | 272                                       | 65  | 226  |
| Tongaat-Hulett Sugar               | 1 209                                     | 1 427   | 3 246  |
| <b>Group total</b>                 | <b>2 950</b>                              | <b>3 021</b>  | <b>6 559</b>                                 |
| <b>UNDERLYING OPERATING PROFIT</b> |   |   |  |
| African Products                   | 7   | 67  | 114  |
| Hulett Aluminium (50%)             | 39  | 0   | 22   |
| Moreland                           | 118                                       | 20  | 92   |
| Tongaat-Hulett Sugar               | 38  | 183   | 263  |
| Corporate                          | (22)                                      | (10)  | (39)   |
| <b>Group total</b>                 | <b>180</b>                                | <b>260</b>  | <b>452</b>                                   |
| <b>OPERATING PROFIT (note 9)</b>   |   |   |  |
| African Products                   | 26  | (191)   | (104)  |
| Hulett Aluminium (50%)             | 45  | (18)  | 3  |
| Moreland                           | 117                                       | 20  | 90   |
| Tongaat-Hulett Sugar               | 28  | 159   | 233  |
| Corporate                          | (30)                                      | (24)  | (69)   |
| Exchange rate translation loss     | (28)                                      | (61)  | (80)   |
| Exceptional items                  | 1   |   | 7  |
| <b>Group total</b>                 | <b>159</b>                                | <b>(115)</b>  | <b>80</b>                                    |