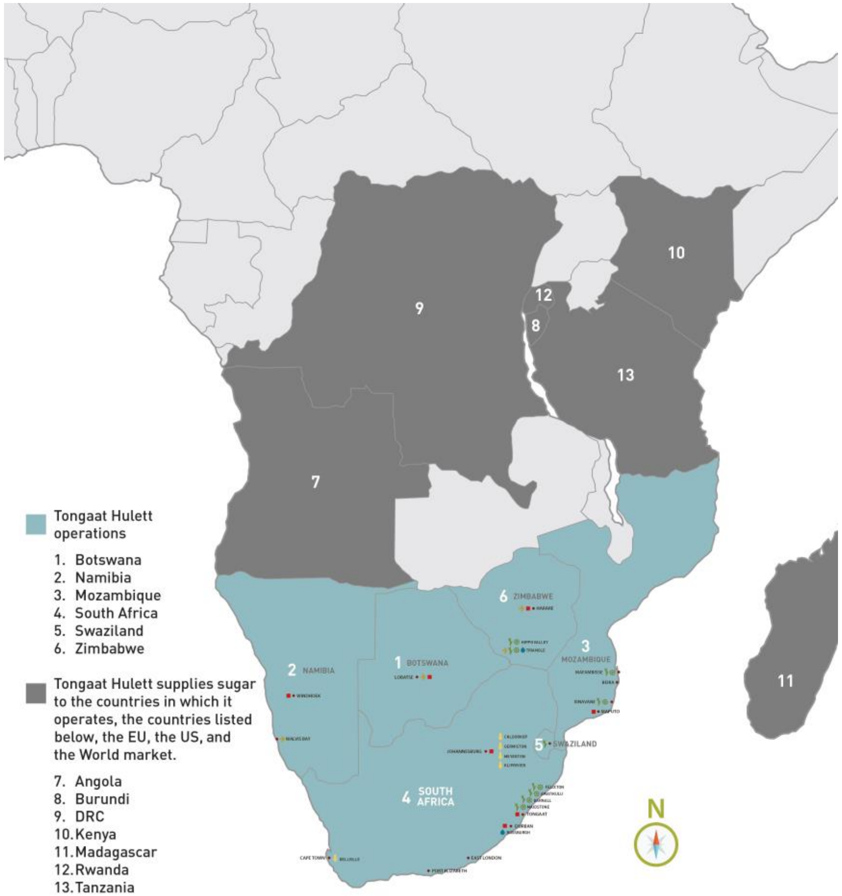
FINANCIAL INFORMATION CAN NO LONGER BE RELIED UPON

Tongaat Hulett

NOVEMBER 2018 | Interim results

Index

Tongaat Hulett operations and regional markets



Overview

- Tongaat Hulett encountered significant challenges during the six months ended 30 September 2018
- Operating profit for the period of R530 million was 64% below the R1,471 billion earned in the six months ended 30 September 2017
- In the land conversion and development activities, the major transactions under negotiation for the period were not concluded by 30 September 2018
- Operating profit from the starch and glucose operation benefitted from lower maize costs
- The difficult local market conditions experienced by the sugar operations in South Africa and Mozambique during the second half of 2017/18 continued into the first half of 2018/19, with a resultant negative impact on both revenue and cane valuations

Financial overview

R million	6 months to 30 September 2018	6 months to 30 September 2017	
Revenue	8 808	8 118	+9%
Operating profit	530	1 471	- 64%
Headline (loss)/earnings	(87)	661	- 113%

Operating cash flow (before working capital)	1 978	2 447
Cash flow - highlighting sugar related dynamics and land conversion cash flow profile - refer slide 8		

- Sugar operations - difficult local market conditions experienced by the sugar operations in South Africa and Mozambique during the second half of 2017/18, continued into the first half of 2018/19
  - The cane valuation charge of R796 million (2017: R473 million) was R323 million higher than the prior period
  - Sugar production for the six month period increased by 13% to 954 000 tons
- Starch operations - operating profit benefitted from lower maize costs
- Land conversion and development activities - the major transactions under negotiation for the period were not concluded by 30 September 2018

No interim dividend declared (2017/18: interim 100 cps and final 60 cps)

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Revenue and impact of IFRS 15

IFRS 15 *Revenue from Contracts with Customers* affects commercial transactions within its land conversion and development activities as well as certain of the customary transactions within the sugar operations where sugar is sold to industry (or similar) bodies

R million	6 months to 30 Sept 2018	6 months to 30 Sept 2017	12 months to 31 March 2018
Sugar			
Zimbabwe	2 584	2 063	3 918
Eswatini	170	162	210
Mozambique	1 108	1 191	1 584
South Africa	3 046	2 004	6 332
Sugar operations - total	6 908	5 420	12 044
Starch operations	1 872	1 993	3 913
Land Conversion	28	705	1 025
Consolidated total	**8 808**	**8 118**	**16 982**

Sale to third party at September and March
IFRS 15 impact: Revenue: (R101 million)
Profit: (R68 million)

Sale to industry at March annually
IFRS 15 impact: Revenue: R621 million
Profit: nil

Sales transactions - 2 performance obligations:
1. Sale of land
2. Provision of infrastructure

Impact on H1: Revenue: R26 million
Profit: R6 million

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Operating profit

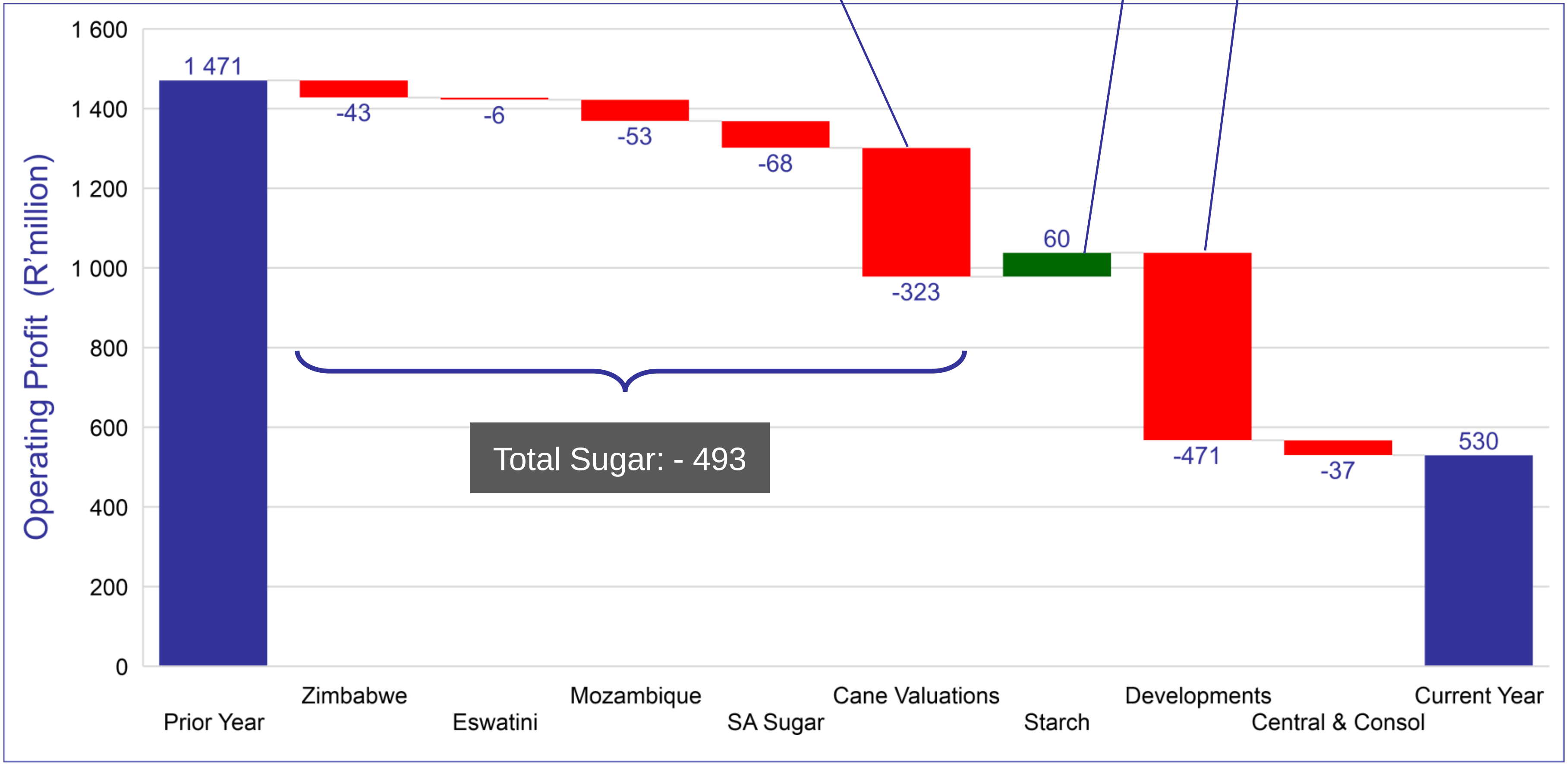
R million	6 months to 30 Sept 2018	6 months to 30 Sept 2017	12 months to 31 March 2018
Sugar			
Zimbabwe	537	580	363
Eswatini	55	61	4
Mozambique	341	394	71
South Africa	205	273	29
Sugar operations before cane valuations	1 138	1 308	467
Cane valuations	(796)	(473)	370
Sugar operations total	342	835	837
Starch operations	300	240	572
Land Conversion and Developments	(30)	441	661
Centrally accounted and consolidation items	(46)	(39)	(59)
Other capital items	(31)		(39)
BEE IFRS 2 charge and transaction costs	(5)	(6)	(14)
Consolidated total	**530**	**1 471**	**1 958**

Operating profit: current year versus prior year

Lower domestic prices, reduction in Mozambique's cane area due to end of lease arrangements and a lower cane age profile due to an accelerated harvest programme

Low maize costs support higher margins. Improved co-product realisations

Major transactions anticipated not concluded - 0,6 hectares sold



Cash flow and borrowings

In light of the current debt levels, tight cash flow management will continue to receive focussed attention across the business

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Cash Flow - Highlighting Sugar Related Dynamics and Land Conversion Cash Flow Profile

R million	2018/19 H1	2017/18 H1	2017/18 FY
Operating profit	+ 530	+ 1 471	+ 1 958
Growing crop fair value adjustment	+ 796	+ 473	- 370
Other non-cash items (including depreciation)	+ 652	+ 503	+ 994
Operating cash flow (before working capital)	+ 1 978	+ 2 447	+ 2 582
Working capital	- 1 795	- 2 500	- 307
Cash flow from operations (after working capital)	+ 183	- 53	+ 2 275
Replacement capital expenditure (including intangible assets)	- 369	- 361	- 816*
Root planting costs	- 226	- 348	- 887
Other proceeds		+ 51	+ 155
	- 412	- 711	+ 727
Interest and tax	- 759	- 631	- 1 232
Free cash flow	**- 1 171**	**- 1 342**	**- 505**
Net debt	**7 754**	**6 514**	**6 463**

* R411 million of new capital expenditure for the year ended 31 March 2018 has been reclassified as replacement capital expenditure in the table above, in line with management reporting. This follows a re-evaluation of new capital expenditure for the purposes of defining free cash flow.

Sugar operations H1

- The South African sugar operations benefitted from a sizeable "buy-in" ahead of the September 2018 price increase
- New capital expenditure of R343 million was mainly in respect of the refinery project in Mozambique

Land Conversion and Developments Cash Flow Profile

- Proceeds from previous land sales totalling R112 million were collected by 30 September 2018, with a further R630 million received in October 2018
- At October 2018 land debtors was R1,934 billion - most of which will be collected over the next twelve months
- Cash outflows invested in planning and infrastructure exceeded cash inflows by R24 million (2017: R51 million net inflow)

Emphasis on cash management

- Debt repayment
- No new capital expenditure in the pipeline

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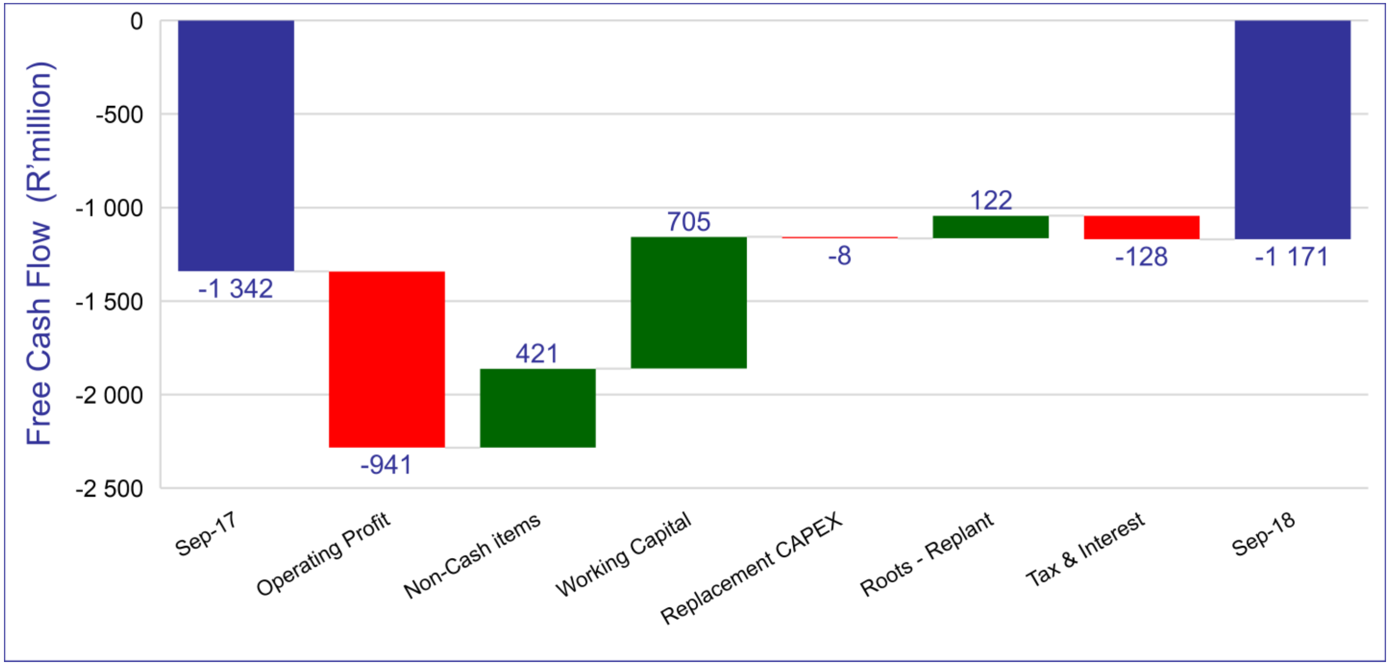
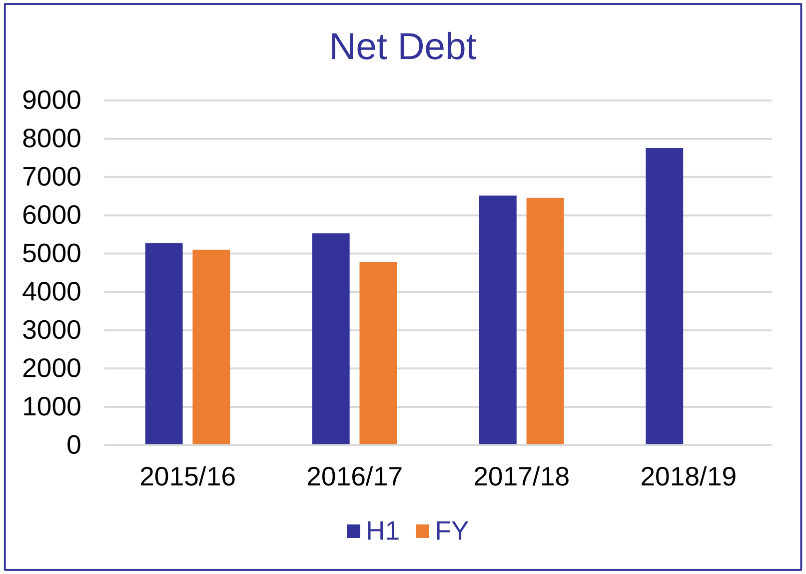
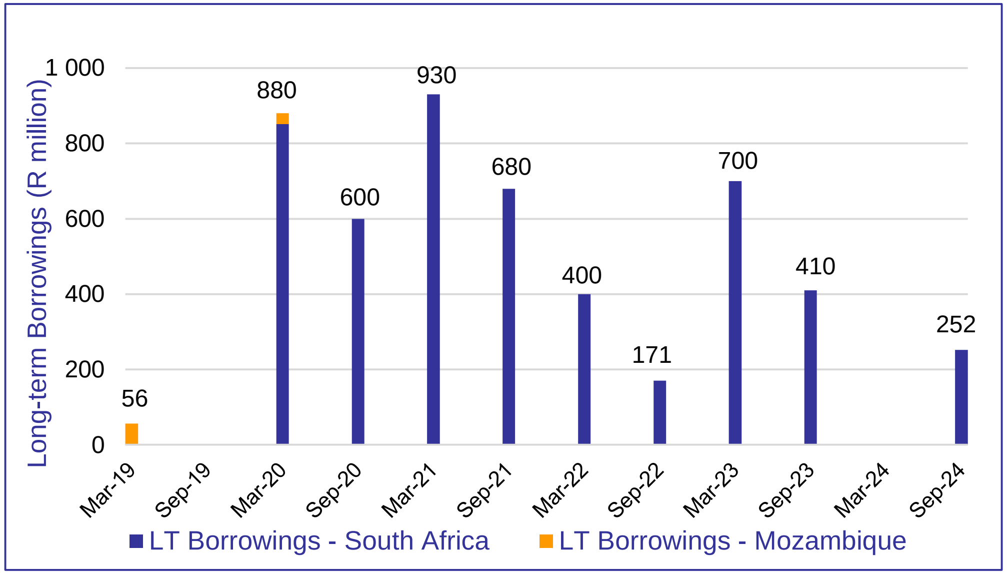
Free cash flow by activity - current year vs prior year



- Weekly cash flow analysis and projections receiving significant attention
- Various initiatives are in progress to reduce working capital requirements, limit capital expenditure and improve operating cash flows
- Proceeds from previous land sales totalling R112 million were collected by 30 September 2018, with a further R630 million being received in October 2018
- Land debtors of R1,934 billion, most of which is expected to be collected over the next twelve months
- Capital expenditure was limited to essential replacement items only
- Sugarcane root replanting programme, aside from normalising after the drought, took into account current market fundamentals in determining the required pace of replanting

Net debt levels





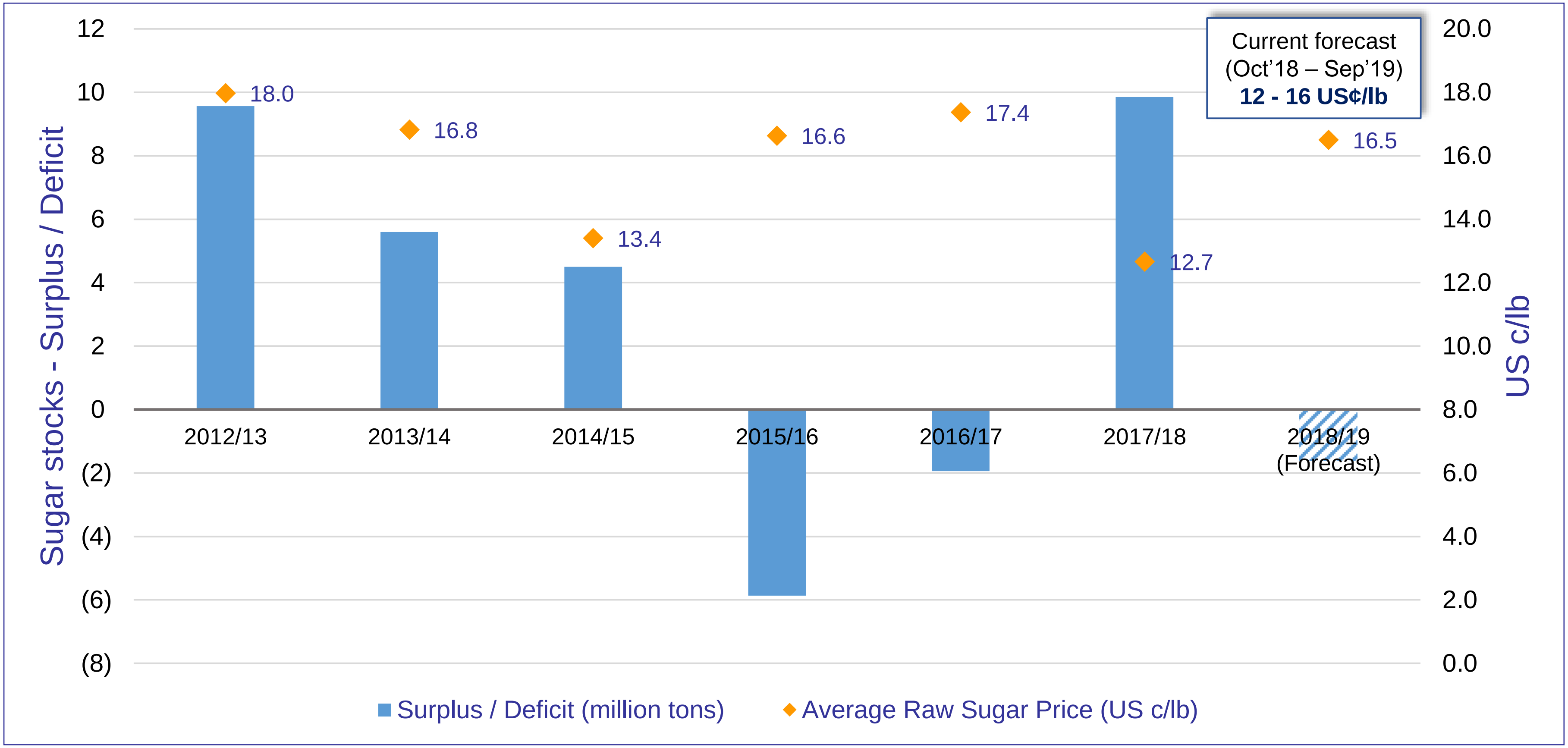
- As sugar operations produce for nine months and selling for twelve month, there is a significant absorption of working capital during the season
- Long-term borrowings of R5,079 billion, of which R56 million is due within twelve months; short-term borrowings are largely 365-day notice facilities with headroom at 30 September 2018 of R1,8 billion
- Covenants exist on unsecured, long-term facilities in South Africa and consist of gearing ratios; banks understand the seasonal nature of the business an agreed to an annual end-of-season measurement point (31 March)
- A dividend payment of R114 million was received from Triangle in Zimbabwe, bringing the total dividend received since the beginning of September 2017 to R372 million. A process to remit a further dividend from Zimbabwe is currently underway
- The capital structure of each business continues to be reviewed and over the past six months, the South African borrowings benefitted from the receipt of R362 million from the Mozambique sugar operations

Sugar operations

To focus on generating cash flow and increasing returns on capital employed

Global sugar market dynamics and prices

- The average world market sugar price in H1 2018/19 was 11,35 US c/lb and 14,53 US c/lb in H1 2017/18
- Revenue from the higher production was offset by the lower world market raw sugar price, which was on average 22% below the comparative period



Source: LMC International
Years run from 1 October to 30 September

Zimbabwe - sugar production

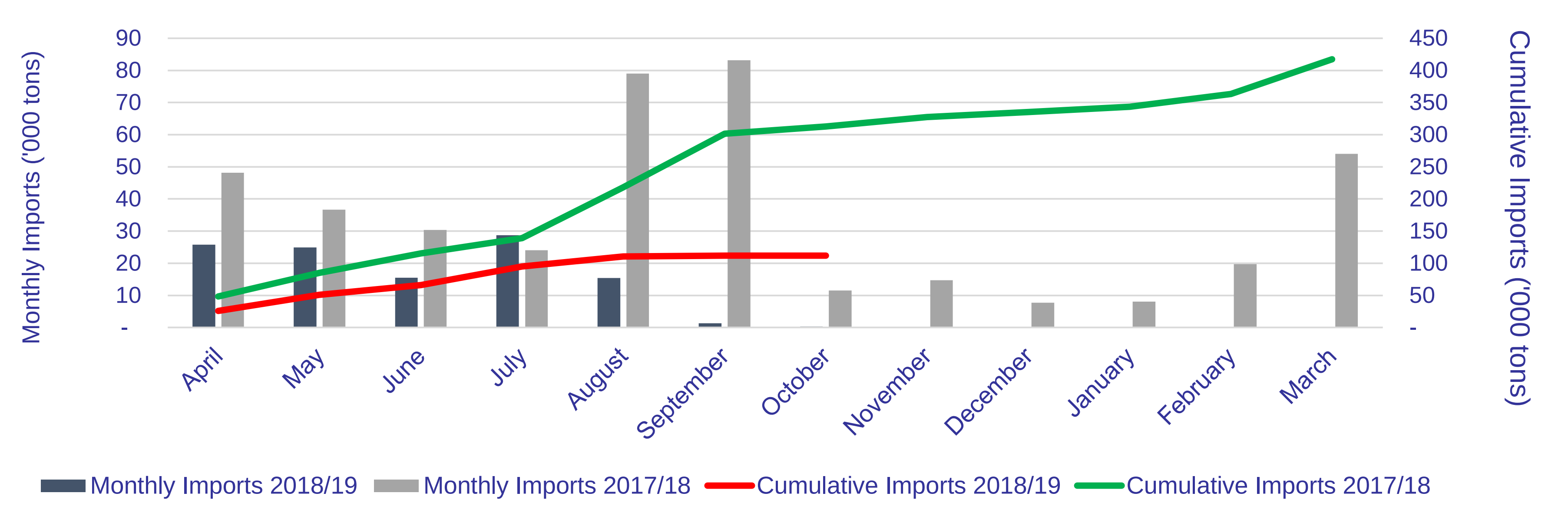
Sugar produced (tons)	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Estimate
Hippo and Triangle	412 000	454 000	392 000	450 000 - 460 000

Continued focus on agricultural improvement plans leading to ongoing yield improvements on a sustainable basis

- McP - 102 tons cane per hectare (tcph) in 2018/19 compared to 79 tcph in 2017/18
- Long-term yield potential of 115 tcph achievable by 2021/22
- Private farmers - 71 tcph in 2018/19 compared to 68 tcph in 2017/18
- Rejuvenation of roots and strategic repositioning of replanting windows (30% in April/September and 70% in January/March) and optimising irrigation processes
- Focus on precision farming systems and techniques to improve irrigation, land management and crop husbandry practices (redesign field layouts and rehabilitating infield storage dams and canals to enhance irrigation efficiencies)
- Develop and upgrade skills at all levels, improve knowledge transfer through benchmarking, peer reviews, research and extension

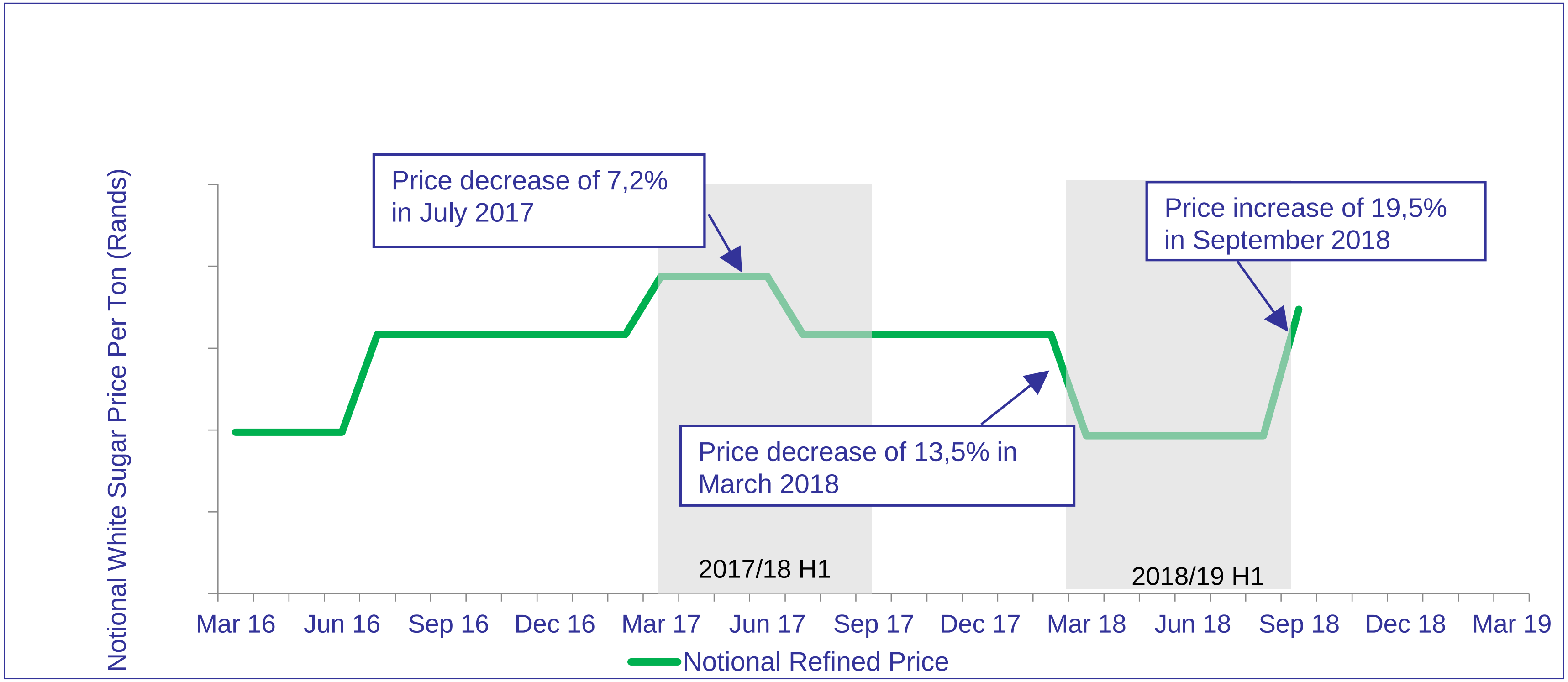
South Africa - imports and tariff protection

- After extensive engagement with the International Trade Administration Commission and the South African government, the US dollar-based reference price, was increased 20% in August 2018 from US$566 to US$680 per ton
- Substantial reduction in imports with 112 000 tons for the seven months ended October 2018 (2017: 313 000 tons)
- Imports in September and October were 1 400 tons and 300 tons respectively - which is evidence that the tariff is effective



South Africa - SACU sales volumes and prices

- In response to competition from imported sugar, local prices were reduced both in July 2017 and March 2018 by a cumulative 22%, resulting in lower margins relative to the comparative numbers
- Local prices increased in September 2018 returning to around July 2017 levels
- Local sales volumes were negatively affected by the continued availability of imported sugar in the market
- In August 2018 a sizeable "buy-in" ahead of the price increase occurred

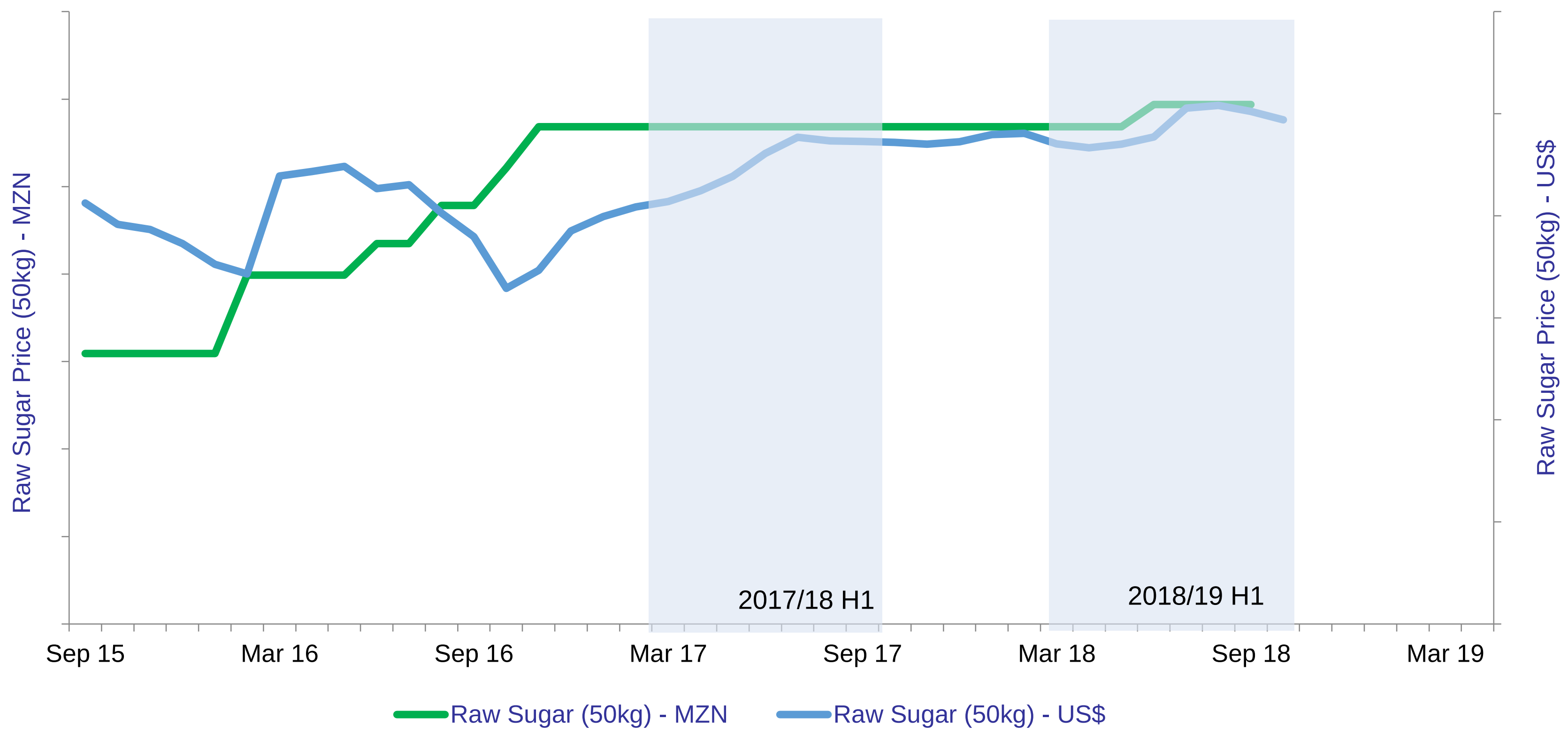


Mozambique - refined sugar to improve realisations

- Robust measures are being taken to stem the flow of illegal sugar imports from the region in order to recover local market share
- The commissioning of the Xinavane refinery will be completed by mid-November 2018 and will deliver a step-change improvement to the sales mix in Mozambique
- The refined sugar will replace imported white sugar, satisfy the country's growing industrial demand and enhance returns from the domestic price premium relative to the realisations from export markets
- An estimated 7 000 tons of refined sugar will be produced in the second half of 2018/19, with the full year benefit to be realised in 2019/20
- Good progress continues to be made with sales volumes into regional deficit markets

Mozambique - domestic price history

- The stronger Metical resulted in a higher local price of sugar in Mozambique than in neighbouring markets in US dollar terms, creating price arbitrage opportunities
- Local market sales volumes were below the comparative period



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Starch and Glucose operations

Favorable maize outlook and sustained profit margins

Maize prices are benefiting operating margins

Relief on margins as maize prices continued to trade closer to export parity

- Record 2016/17 maize harvest led to maize prices trading closer to export parity levels and improved margins
- Improved maize costs coupled with a weaker local currency have offset the impact of lower sales volumes
- Improved co-product realisations have also been beneficial

Export parity maize prices are expected to continue to benefit margins in H2 2018/19

- Despite a reduction in area planted in the current season, the final South African maize crop estimate is 12,9 million tons (2016/17: 16,8 million tons)
- Carry over stock of some 3,7 million tons combined with final crop estimate is expected to support maize prices to continue trading closer to export parity levels, sustaining improved margins throughout 2018/19
    - Current season - SAFEX YM December 2018 price as at October 2018: R2 441 per ton
    - New season - SAFEX YM July 2019 price as at October 2018: R2 536 per ton
- Unpriced customer exposure at October 2018 on non-formula based customers amounted to 12,7%
- Co-product realisations expected to continue being aligned with maize prices, benefiting margins

Evolving product, customer and market mix

- Improved margins
  - Margins continued to recover from the higher drought-induced maize prices of 2017/18
  - Margins benefited from improved co-product realisations
- Market volumes
  - Volume growth continues to be enjoyed from new market development initiatives and in displacing imports
  - Weaker local consumer demand, particularly in the alcoholic beverage sector; and customer production constraints within the coffee creamer sector masked the above successes
  - With its recent investments in, and optimisation of, finishing channel capacity the operation is well positioned to benefit and grow its sales volumes, enhance its product mix, and to maximise growth from export sales
- Market development in paper making and paper converting sector
  - Technical and product application assistance to customers during 2017/18 continued to benefit the operation, with a year to date 15,9% growth in sales volumes to the sector
- New product and market development: Modified starches - growth of 6,9% in the modified starch market year to date was achieved in addition to the 5% growth recorded in 2017/18
- Regional Market Growth: Somewhat constrained due to a shortage of foreign currency in Zimbabwe and increased competitive activity in the Zambian market; an improved regional export product mix, boosted by growth in the modified starch and glucose markets, was achieved

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Land Conversion and Development

Set to unlock further value from a solid platform

Unlocking more value from a solid platform

- Significant cash generation as transfers of sold properties are registered
  - R630 million collected during October
  - Remaining properties for registration represent R1,934 billion - most of which will be collected over the next 12 months
- Key indicators of progress on planning permissions
  - Total land to be converted out of sugarcane into urban land usage is 7 614 developable hectares
  - 3 566 developable hectares (47%) released formally for conversion out of agriculture - approvals by national government; applications made with support of local and provincial government
  - 1 539 developable hectares with environmental approval, providing clarity regarding timing and suitability for ultimate usage
  - 450 developable hectares in zoning processes
  - 189 developable hectares shovel ready that will accommodate 1,3 million square metres of total new building floor area
  - Planning is opening up new geographic markets around King Shaka International Airport, at Ntshongweni west of Durban and around Ballito, that extend the market reach beyond the currently dominant greater Umhlanga footprint
- Core areas of development and commercial focus
  - Focus areas based on planning and infrastructure progress and market enquiries
  - 621 developable hectares across all four geographic market areas, representing 2,8 million square metres of total building floor area
  - Utilising a range of commercial transacting mechanisms to maximise and accelerate value creation from these areas
  - Details, including current commercial engagements, are provided in the Land Conversion and Development Investor Report available from www.tongaat.com

Conclusion

Tongaat Hulett recognises the imperative to restore returns for its shareholders to an acceptable level, improve cash generation and reduce debt levels. Therefore, the business is accelerating a review process across all its operations with the objective of unlocking value

Tongaat Hulett remains focussed on improving its financial performance, notwithstanding the current operating environment, with progress on establishing a platform for earnings growth beyond 2018/19

Additional information

Growing crops on the Tongaat Hulett balance sheet

	30 September 2018					30 Sep 17	31 Mar 18
	Mozambique	South Africa	Eswatini	Zimbabwe	Total	Total	Total
Standing Cane							
Hectares for harvest	22 771	34 387	3 784	27 232	88 174	87 550	89 818
Standing cane value (R per ha)	23 671	16 632	24 663	39 332	25 967	24 410	30 672
Yield (tons cane per ha)	83,3	59,5	123,8	96,8	79,9	75,0	80,9
Statement of financial position (current assets)							
Standing cane (R million)	553	573	93	1 071	2 290	2 137	2 755

March 2018 (R million)	2 755
Change in fair value	- 796
Foreign currency translation	+ 331
September 2018 (R million)	2 290

Growing crops - change in fair value

IAS 41 Fair Value Change included in the Income Statement: Period to 30 September

R million	2018/19 H1	2017/18 H1
South Africa	- 192	- 62
Eswatini	- 52	- 27
Zimbabwe	- 218	- 222
Mozambique	- 334	- 162
Change in fair value	**- 796**	**- 473**

South Africa

- Low export price and lower than expected local market price increase

Mozambique

- Low export price and limited local market price increases

Zimbabwe

- In line with previous period

Eswatini

- Low export price and lower than expected local market price increase

- Standing cane change in fair value

  +/- Change in quantity of standing cane (+ growth and - harvested)

  + Change in sugar pricing

  +/- Change in yield and sugar content

- Growing crops are valued at the end of the reporting period
- The change in fair value of standing cane (sugar content and value) is taken through the income statement
- As hectares under cane grow and/or yields/price increase, a valuation gain is expected
- At September the average age of the cane is less than at March resulting in a lower valuation at the half-year

Exchange rates

	2018/19 H1: Avg.	2017/18 H1: Avg.	30 Sep 2018	31 March 2018
Rand/US$	13,39	13,21	14,21	11,89
Rand/Euro	15,73	15,03	16,41	14,64
Rand/Metical	0,22	0,21	0,23	0,20
US$/Euro	1,18	1,14	1,16	1,23
Metical/Euro	70,1	70	70,3	74,7
Metical/US$	59,4	61,1	60,8	60,7

- Export proceeds: US$ and Euro

  (exchange rates at time of export)
- Earnings conversion on consolidation

  (at average exchange rates)
  - Zimbabwe : US$ → Rands
  - Mozambique : Metical → Rands

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2007 BEE transaction

Details as per SENS Announcement of 2 July 2014

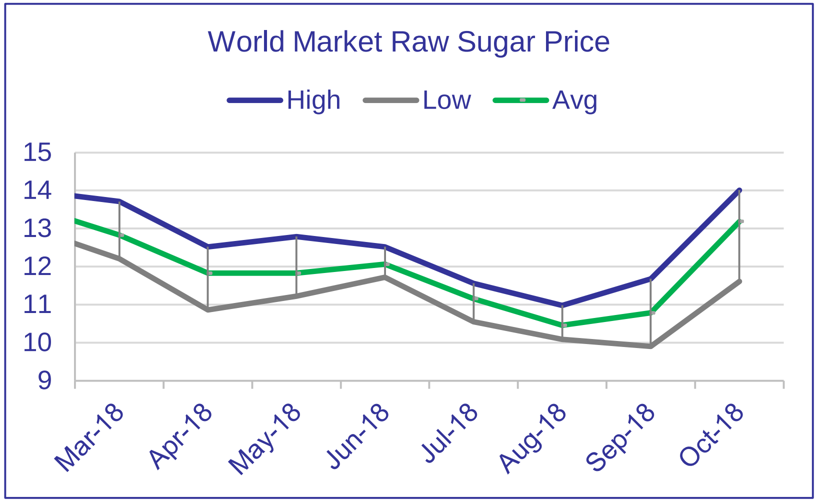
- 2007 structure - an 18% participation structure for two strategic/broad-based groupings
- Original terms and conditions of the transaction agreements have remained in place and have not been altered since their conclusion and approval in 2007
- 25,1 million “A Preferred Ordinary” shares in Tongaat Hulett, which were funded by the BEE SPVs through external funding, BEE participants’ funding and notional vendor finance in 2007
- In accordance with the original agreements and approvals, these shares had a 7 year term, within the overall 10 year transaction period
- On 7 year anniversary (July 2014) - Automatic conversion of the “A Preferred Ordinary” shares to Ordinary shares. The “A Preferred Ordinary” shares thus cease to exist and the A preferred ordinary dividends of some R100 million per annum are no longer payable
- The converted Ordinary shares will be held by the BEE SPVs for the time being and rank equally (pari passu) with other Ordinary shares and listed on the JSE
- A calculation was performed in July 2014 which determined the number of these converted shares that Tongaat Hulett is entitled to buy-back for the consideration of 1 cent per share (the buy-back right), in order to extinguish the notional vendor finance in the transaction (i.e. there was no vesting and there is no additional optionality for the BEE participants)

2007 BEE transaction

- This buy-back right is subordinated in favour of the repayment of the external funding and the BEE shareholder loans, which have no recourse to Tongaat Hulett and are well covered by the assets in the BEE SPVs. This means that the buy-back by Tongaat Hulett can only occur after the repayment, in due course, of the external funding in the BEE SPVs - i.e. sometime after the initial 7 year period
- At the prevailing share price, approximately 9,6 million shares held by the BEE SPVs are required to settle the external funding, which currently amounts to some R600 million in the two BEE SPVs. Simultaneously, in accordance with the original agreements and formulae, at the current share price, Tongaat Hulett is entitled to buy-back the remaining approximately 20 million shares for a consideration of 1 cent per share, in due course in this process
- While the issued share capital of Tongaat Hulett listed on the JSE currently includes these approximately 20 million shares, that are the subject of the buy-back right, these shares are not included in the calculations determining earnings per share and headline earnings per share
- Tongaat Hulett is using this period to assess how best to take the 2007 BEE participation structure forward, both within the context of the original intent of a transaction structure that spans 10 years and the context of the strategic importance to Tongaat Hulett of meaningful black economic empowerment. Shareholders will continue to be kept updated on the progression of these 2007 transaction structures and any material changes will be brought to shareholders for consideration and approval in due course

Global sugar market dynamics

- The price of raw sugar in the world market has been under sustained pressure from supply-side dynamics that resulted in a global surplus in the period October 2017 - September 2018 of some 9 million tons, trading at its lowest point in September 2018 and recovering since then to levels seen in the first quarter of 2018
- Early forecasts of the global production balance in period October 2018 - September 2019 are for a smaller surplus of some 2 million tons, with some analysts touting a deficit of an equivalent amount, the reduction in production (mainly in Brazil, EU and India) being attributed to the low prices that have prevailed over the past 12 months, the improving prospects for the Brazilian Real, and the influence of oil prices on ethanol values
- The price of raw sugar is currently expected to trade in a broad range of 11 US c/lb to 17 US c/lb (in the coming 12 months), impacted by supply prospects over the coming 11 months in the major sugar producing countries. The reaction of farmers to the lower prices is impacted by multiple factors including the value of alternative crops, the extent of subsidies in the value chain and the reinvestment in cane roots. Weather will continue to exert an important influence on agricultural outcomes
- The sugar/ethanol mix in Brazil is expected to continue to impact increasingly on world sugar prices. The Brazilian government recently announced initiatives to increase the production of ethanol from sugarcane
- Global sugar consumption is predicted to continue to grow, albeit at a marginally lower rate than traditionally, with most of the growth coming from low per capita consumption developing countries



Production estimates (national crop year) for key producers, 2017/18 and 2018/19 (tons million)			
Country	2017/18	2018/19	Change
Australia	4,5	4,5	↔
C/S Brazil	36,1	26,1	↓
C America	5,7	5,6	↓
China	10,3	10,7	↑
EU	19,8	16,7	↓
India	32,2	31,0	↓
NAFTA	14,8	15,0	↑
Pakistan	6,8	5,9	↓
Russia	6,5	5,7	↓
Thailand	14,7	13,5	↓
Other	50,6	50,0	↓
World	**202,0**	**184,7**	↓

Source: LMC International

Sugar production

Tons Raw Sugar	2013/14 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Estimate
South Africa	634 000	323 000	353 000	513 000	570 000 - 590 000
Mozambique	249 000	232 000	198 000	218 000	235 000 - 245 000
Zimbabwe	488 000	412 000	454 000	392 000	450 000 - 460 000
Eswatini RSE	53 000	56 000	51 000	48 000	56 000 - 57 000
Total	**1 424 000**	**1 023 000**	**1 056 000**	**1 171 000**	**1 311 000 - 1 352 000**

Variable costs related to sugar production

- Milling costs are approximately 85% fixed and 15% variable
- Agricultural variable costs include harvesting, loading and transport costs of the cane to the mill
- Remaining costs are largely fixed per hectare

Deficit regional sugar markets

- Import demand in target deficit countries is forecast to amount to some 1,76 million tons of sugar per annum, which has been supplied by both the regions' producers and also by India, Thailand, Saudi Arabia, Dubai and Brazil
- Per capita annual sugar consumption is markedly lower (5 kg - 18 kg) than in the South African Customs Union
- Prices trade at a premium to world market sugar prices and move in tandem with changes in those prices
- The demand for refined sugar is for high grade quality, driven in the main by the requirements of industrial customers
- Tongaat Hulett has the capability to supply both brown and refined sugar, with more flexibility being added with the new refinery in Mozambique as from November 2018

Demand for imported sugar in Regional Deficit Markets in 2017/18							
Country	Total Sugar Consumption	Domestic Production	Total Deficit	Brown Deficit	White Deficit	Population (000)	Per Capita Consumption
	Tons '000	Tons '000	Tons '000	Tons '000	Tons '000	'000	kg p.a.
Angola	434	50	384	56	328	28 813	15,1
Burundi	49	23	26	18	8	10 524	4,6
DRC East and West	399	73	326	252	73	78 736	6,0
DRC South	76,4	14	62	59	4		
Kenya	940	524	416	251	165	48 462	19,4
Madagascar	195	87	108	53	55	24 895	7,8
Rwanda	70	13	57	45	12	11 918	5,9
South Sudan	123	0	123	113	10	12 231	10,1
Tanzania	578	320	258	170	88	55 572	10,4
Total	**2 864**	**1 104**	**1 760**	**1 016**	**743**	**271 150**	**10,6**

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Deficit regional sugar markets

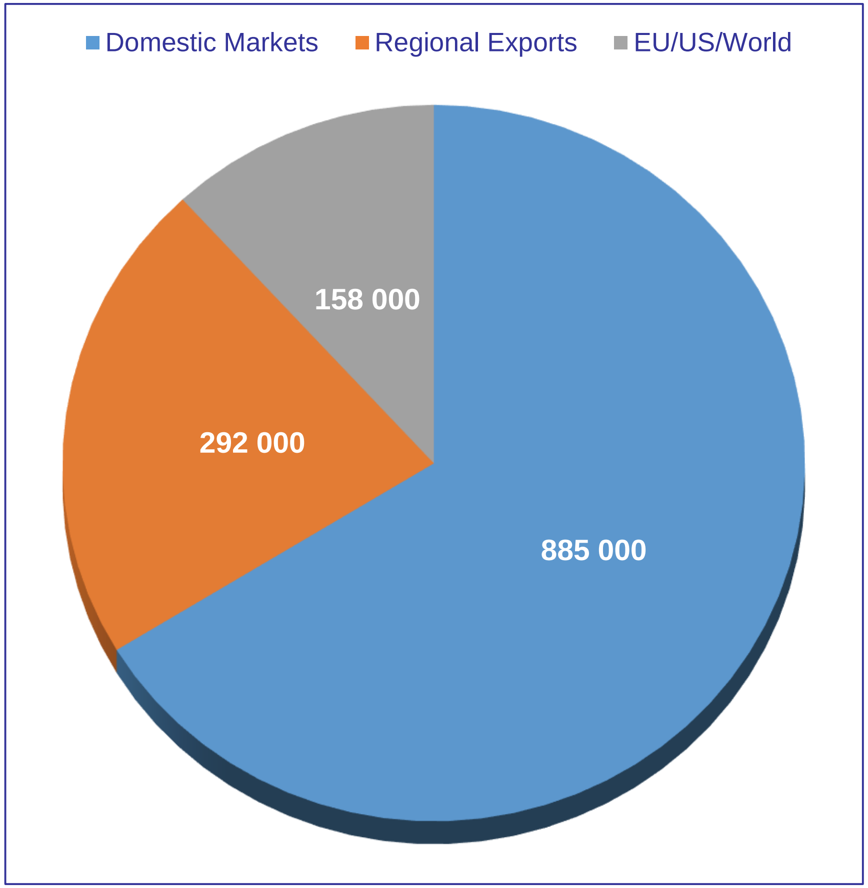
- As Tongaat Hulett fills its production capacity ahead of demand growth in its internal markets, a substantial portion of the additional production will be directed to these markets
- Sugar prices trade at a premium to world market price and move mainly in tandem with changes in this price. Premiums vary from market to market and have been between 1 US c/lb - 5 US c/lb over the past year
- Tongaat Hulett will export some 290 000 tons of Huletts branded brown and refined sugar into these markets in 2018/19
- With the current world market sugar price being below the cash cost of production there is very little investment in new milling capacity globally

Projected growth in regional demand for imported sugar			
Country	2017/18	2020/21	Increase
	Tons '000		
Angola	384	432	48
Burundi	26	32	7
DR Congo	388	447	59
Kenya	416	567	151
Madagascar	108	141	33
Rwanda	57	68	11
South Sudan	123	136	13
Tanzania	258	358	101
Total	**1 760**	**2 181**	**422**

Tongaat Hulett's sugar market positioning

- The domestic markets in countries where Tongaat Hulett produces sugar is a key focus area. There has been progress in South Africa and significant success in Zimbabwe and Mozambique with the protection from imports, with government support, given the high rural job and economic impact of these industries and being in line with international norms
- In Mozambique and Zimbabwe, sugar refining matters are being addressed, which will lead to the replacement of imported industrial white sugar
- For exports
  - The Mafambisse and Xinavane sugar mills (including the sugar refinery currently being constructed at Xinavane) and the Huletts® refinery in Durban are close to ports, providing efficient access to regional markets
  - Zimbabwe and Mozambique are well positioned for supply regional deficit markets. Zimbabwe benefits from being a member of the COMESA trade bloc and both countries are members of the SADC trade bloc
- Most deficit markets of Southern and Eastern Africa aspire to establish their own sugar industries - the development of such industries takes many years. Tongaat Hulett is cautiously positioning itself as a possible long-term agri-processing development partner

Sugar Produced - Markets 2018/19 (tons)



Zimbabwe - local market dynamics

Short to medium-term focus on protecting sales volume and value in view of increasingly unstable economic environment

- Continue to lobby government to maintain existing import controls (on sugar) - proven effective with zero imports in 2017 and 2018
- Sugar price increases ahead of official inflation: 5,41% in March 2018 (year on year inflation of 2,68%), 11,4% in July 2018 (year on year inflation 4,29 %)
- Maximising sales in stable currencies (US$, Rand) and tightening trading terms with emphasis on cash on delivery sales

Year	Total sugar consumption (tons)	Population	Per capita (kg)
2013/14	292 483	13 652 297	23
2014/15	303 324	13 943 242	21
2015/16	307 304	14 240 168	22
2016/17	315 388	14 542 235	22
2017/18	338 100	14 848 905	22
2018/19	350 328	15 159 624	23
2019/20	368 154	15 473 818	24

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Zimbabwe - sugar production

Cane milled and sugar produced	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Estimate	
Total hectares farmed as at 1 April (beginning of the season)	44 952	45 339	45 245	45 274	
Hectares milled	41 683	42 665	41 338	41 307	41 307
Cane yield (tcphm)	80,32	81,63	74,39	85,95	86,87
Cane tons '000	3 348	3 482	3 075	3 550	3 580
Cane to sugar ratio	8,12	7,68	7,91	8,00	8,00
Chisumbanje estate cane tons^	-	-	26 000	50 000	100 000
Sugar production - raw (tons)	**412 000**	**454 000**	**392 000**	**450 000**	**460 000**

^ Cane diversions from Chisumbanje estate

Zimbabwe - rainfall and dam levels

Current levels of existing dams	Full Volume ML	% Full as at 30 April 2018	% Full as at 15 Oct 2017	% Full as at 15 Oct 2018
Tugwi-Mukosi	1 909 294	79,0	68,0	72,0
Mutirikwi-Bangala	1 501 856	57,4	38,9	50,3
Manjirenji-Siya	379 634	92,0	90,2	81,5
Manyuchi	303 473	100,0	86,7	86,1

Current dam levels have adequate water to support full irrigation of the sugarcane crop

- Tugwi-Mukosi/Mutirikwi-Bangala system - 28 months irrigation cover, 33 000 hectares (71% of total industry irrigated crop)
- Manji-Siya - 15 months irrigation cover, 11 000 hectare (23% of industry)
- Manyuchi dam - 22 months irrigation cover, 2 000 hectares (4% of industry)

South Africa - sugar production

Cane milled and sugar produced	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Estimate	
Total hectares farmed as at 1 April (beginning of the season)	121 530	122 856	116 416	116 322	
Hectares milled	78 194	78 252	86 285	86 721	86 721
Cane yield (tcphm)	39,54	47,20	53,90	59,16	59,87
Cane tons '000	3 092	3 719	4 651	5 130	5 192
Cane to sugar ratio	9,59	10,53	9,03	9,00	8,80
Sugar production - raw (tons)	**323 000**	**353 000**	**513 000**	**570 000**	**590 000**

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South Africa - industry transformation

Transformation - industry initiatives

- Transformation initiatives by the industry are gaining momentum and provide a positive platform for government support as a whole, particularly for the funding for small-scale, black growers and land reform beneficiaries
- This provides the catalyst for ethanol, additional tariff increases and may curb or moderate further sugar tax increases
- With the increase in cane production opportunities, by-product beneficiation such as fibre and molasses will be enhanced

Mozambique - domestic sugar market dynamics

- Outlook on future sugar demand in Mozambique is positive and tracking the bullish sentiment sustained by the final investment decisions on the gas projects expected for the first quarter of 2019, resulting in increased FDI
- Demand for industrial refined sugar is expected to continue to increase from the current level of 60 000 tons
- The 9 kg/capita/annum sugar consumption in Mozambique provides a significant opportunity for growth as it is amongst the lowest in the world - consumption in Maputo is 18,5 kg/capita/annum; in rural areas consumption is as low as 4 kg/capita/annum (when and where sugar is available)
- Local market sales of domestically produced sugar have been low due to subdued economic conditions. Government responded positively through lowering interest rates and resolving the sovereign debt crisis related issues and improving fiscal discipline to restore donor confidence
- Access to sugar is somewhat constrained by the reduced aggregate demand and lower economic activity in the country. Actions are underway to increase access to sugar including, consolidation and strengthening of the distribution network despite difficulties with roads/access, and maintaining stringent measures on monitoring imports to ensure compliance with legislation
- Protection of the domestic market is in place via increased US$ based reference prices introduced in February 2016
    - Brown sugar: increased from $365 to $806 (36,6 US c/lb)
    - White sugar: increased from $450 to $932 (42,3 US c/lb)

Mozambique - sugar production

Sugar produced (tons)	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Estimate
Xinavane	168 000	148 000	168 000	185 000 - 190 000
Mafambisse	64 000	50 000	50 000	50 000 - 55 000
Total Mozambique	**232 000**	**198 000**	**218 000**	**235 000 - 245 000**

- 2 848 hectares scheduled for replanting from April 2018 to March 2019 compared to 3 577 hectares from April 2017 to March 2018. Replant areas reduced to manage the reduced cash flows caused by declining sugar prices
- An agricultural development project is under consideration by the Maputo provincial government, involving 10 000 hectares of land for agricultural use (predominantly sugarcane), under irrigation from the Corumana dam (COFAMOSA)
    - Tongaat Hulett has been included as a stakeholder, as the intention is to process the sugarcane at the Xinavane mill
    - A Public-Private Partnership framework agreement for the project has been drawn up

Mozambique - sugar production

Cane milled and sugar produced - Xinavane	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Estimate	
Total hectares farmed as at 1 April (beginning of the season)	18 364	18 130	17 953	18 036	
Hectares milled	16 367	16 504	16 084	16 835	16 835
Cane yield (tcphm)	88,48	78,93	88,04	93,44	95,93
Cane tons '000	1 447	1 303	1 416	1 573	1 615
Cane to sugar ratio	8,57	8,78	8,45	8,50	8,50
Sugar production - raw (tons)	**168 000**	**148 000**	**168 000**	**185 000**	**190 000**
Mafambisse sugar production - tons	**64 000**	**50 000**	**50 000**	**50 000**	**55 000**
Total sugar production Mozambique	**232 000**	**198 000**	**218 000**	**235 000**	**245 000**

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Mozambique - rainfall and dam levels

Current levels of existing dams	Full Volume ML	% Full as at 30 September 2016	% Full as at 30 September 2017	% Full as at 30 September 2018
Corumana dam (Xinavane)	880 000	10,1%	59,1%	43,8%
Muda dam (Mafambisse)	56 000	18,5%	77,3%	76,2%

- Activities underway to protect/mitigate against the impacts of possible future droughts and floods
  - Moamba/Major dam on the Incomati river, supplying Xinavane, is being built (760 000 ML) - commenced October 2015. Project delayed due to lack of funding. The government is currently seeking new funders by tender
  - Corumana dam capacity is being increased from 880 000 ML to 1 260 000 ML - completion date November 2019
- A full irrigation regime has been applied to the crop to be harvested in 2019/20 season to date at both sites
- There is enough water in the dams to irrigate normally until at least August 2019 for Xinavane and April 2020 for Lamego (Mafambisse) with no rain or inflows into the dams

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Ethanol and electricity

Ethanol

- Ethanol is an important complementary product to sugar, providing operational flexibility, longer crushing seasons, molasses beneficiation, product diversification and commodity cycle mitigation
- Zimbabwe
  - Fuel ethanol production is a national strategic sector
  - Triangle distillery produced 21,7 million litres of ethanol in 2017/18, and production for 2018/19 is projected to be 26,1 million litres
  - Transport of molasses from Mozambican mills to Triangle distillery for processing into ethanol taking place in 2018/19
  - Plans are in place to maximise ethanol production (installed capacity of 41 million litres p.a. with opportunity to increase to 80 million litres p.a. in line with growing demand)
- Mozambique
  - Possible ethanol plant at Xinavane sugar mills linked to a new cane estate project under development by the Maputo provincial government
- South Africa
  - Government announced target date of March 2019 to finalise Biofuels policy. The Sugar Industry has completed the updating of the ethanol reference plant and will engage government. Tongaat Hulett will complete ethanol business case
- Southern Africa
  - Options to progress SADC regional ethanol opportunities are being explored

Electricity

- Electricity remains an important co-product in sugar production, as it contributes towards extracting maximum value from the sugarcane. All sugar mills generate their own electrical power needs, using cane fibre as a fuel, and some generate additional power for irrigation and supply into the grid. With capital investment, much more electricity can be produced from the same fibre energy via high pressure boilers and improved sugar mill energy efficiency
- Zimbabwe
  - Opportunities are being explored for increased generation, given increased tariffs
- Mozambique
  - Opportunities for further generation at Xinavane sugar mill are being explored
  - Possibility of third-party-owned power island for Mafambisse sugar mill
- South Africa
  - The draft Integrated Resource Plan (IRP) 2018 has been issued for comment. The industry has again submitted the case for power generation from bagasse
  - Smaller projects using existing capacity are under investigation in starch and sugar
  - The wheeling of power from sugar mills in Northern KZN to starch mills in Gauteng has been operationalised since June 2018 - currently in commercial discussions with electricity traders for sale of electricity

Raw sugar production history

	Milling Season																	
Tons '000	00/01	01/02	02/03	03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12	12/13	13/14	14/15	15/16	16/17	17/18
South Africa	977	762	868	659	731	760	674	612	652	573	455	486	486	634	541	323	353	513
Mozambique	39	36	71	82	85	115	106	108	108	134	164	233	235	249	271	232	198	218
Eswatini RSE	41	45	50	54	50	56	55	58	56	54	54	59	58	53	57	56	51	48
Zimbabwe *	547	509	578	507	422	430	451	349	298	259	333	372	475	488	445	412	454	372
Total	1 604	1 352	1 567	1 302	1 288	1 361	1 286	1 127	1 114	1 020	1 006	1 150	1 254	1 424	1 314	1 023	1 056	1 171
Capacity	1 820	1 820	1 820	1 820	1 820	1 820	1 820	1 820	1 820	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000
% of Capacity	88%	74%	86%	72%	71%	75%	71%	62%	61%	51%	50%	58%	63%	71%	66%	51%	52%	59%

* Hippo Valley acquired in December 2006. Production for Hippo included from the 2000/01 season

Starch and Glucose - key information

- Largest maize wet-miller in Africa
- Use > 670 000 tons maize per annum
- Significant market sectors manufacturing complementary and substitute products from either maize or sugarcane
- Various market segments
  - Fermentation (alcoholic beverages)
  - Spray drying (coffee and coffee creamers)
  - Binder, adhesives (corrugating and paper lamination)
  - Thickener (food applications)
  - Sweeteners (canning and confectionary)
  - Sizing agent (paper industry and textiles)

Starch and Glucose - key drivers

Markets

- Established domestic market with substantial potential for growth as per capita consumption of starch and glucose increases to developed market levels
- Opportunities to grow volumes and improve sales mix through import replacement of both existing and new product portfolios
- Expanding regional market presence and reviewing trade possibilities as new trade regimes develop
- Multi-national customer base with capability to increase sales to other international markets
- Long established international trading network with access to and knowledge of developed and developing markets

Competitive Raw Materials

- Established source of local maize with quality standards above international levels
- International commodity prices expected over the medium to longer term to increase as international demand increases - supporting the competitiveness of local producers
- Support the development and access of black farmers to the South African maize industry
- Ability to expand production of local waxy maize whilst maintaining its international purity advantage
- Continue to assess and develop the viability and attractiveness of maize and other raw materials e.g. cassava in the region

Products

- Wide product range across a diverse range of markets
- Product quality meets the very highest international quality standards
- Starch brands command an international premium
- Good capability for product development following international trends
- Broadening the ingredient portfolio through the introduction and development of new products and markets

Asset Base

- Significant asset base with more than 15% of the upstream wet milling capacity available for growth
- Estimated operating profit of spare capacity > R100 million
- Recent investments in downstream finishing capacity improving production flexibility to further support volume growth aspirations
- Opportunities for further modular investments to increase capacity as new product and market development accelerates
- Continuing improvements in efficiencies and capacity utilisation through operational excellence and asset care programmes

Starch and Glucose - volumes and revenue breakdown

Volume (tons)	September 2018	September 2017	% Change
Local starch	49 893	45 574	9,5%
Local glucose	153 676	174 101	-11,7%
Total local	**203 569**	**219 675**	**-7,3%**
Export starch	17 738	17 150	3,4%
Export glucose	21 467	20 766	3,4%
Total exports	**39 205**	**37 916**	**3,4%**
Total starch and glucose sales	**242 774**	**257 591**	**-5,8%**
Co-products	**91 918**	**96 804**	**-5,0%**
Total	**334 692**	**354 395**	**-5,6%**

R millions	September 2018	September 2017
Revenue	**1 872**	**1 993**
Domestic	1 273	1 410
Exports	279	278
Co-products	320	306

Starch and Glucose - South African maize history

Maize season	1979/80	2012/13	201314/	2014/15	2015/16	2016/17	2017/18 Final Production Estimate
Hectares planted (000 hectare)	4 031	2 781	2 688	2 653	1 947	2 629	2 319
Yield (tons/hectare)	3,37	4,21	5,32	3,75	3,87	6,40	5,58
Production (000 tons)	13 583	11 811	14 307	9 955	7 779	16 820	12 931*
Imports (000 tons)	-	-	-	1 651	2 559	-	-
Carry in stock (000 tons)	2 115	1 406	589	2 074	2 471	1 095	3 689
Total usage incl. exports (000 tons)	8 324	12 628	12 822	11 209	11 714	14 226	13 346
Stock to use ratio	10,02%	4,66%	16,18%	22,04%	9,35%	25,93%	24,53%

Outlook for world maize/corn

- 2017/18 corn production in US was 370,96 million tons - yields at 11,08 tons per hectare compared to 10,96 tons per hectare in 2016/17
- 2018/19 corn production in US is forecast at 375,38 million tons - yields higher at 11,34 tons per hectare
- US prices have traded higher recently due to harvesting delays and some crop quality issues following heavy rains in the US
- Higher crops are expected in Argentina, Brazil and China, while Russia's crop is only marginally lower than the previous year. Usage also higher
- World corn ending stocks are forecast to be 19,61% lower in 2018/19

International starch and glucose prices

- Escalating oil prices expected to impact supply and demand dynamics in agricultural markets
- International corn, starch and glucose prices whilst at low levels, remain low
- Cassava root prices in Thailand remain high due to a shortage of root supply
- Chinese markets remain less competitive due to high domestic corn prices

* Final production estimate announced on 26 September 2018

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Land Conversion and Development

Substantial Social and Economic Impact

- Tongaat Hulett is an active player in KwaZulu-Natal's rural and urban economy
  - Supports agricultural development across the province
  - Land is used productively throughout the land conversion cycle
  - Business activities are carried out in close collaboration with public sector, communities and other businesses
- Social and economic benefits are substantial:
  - Current private sector investment on land previously sold amounts to R7,5 billion, with associated multipliers
  - Activities support a comprehensive, embedded social programme
  - Yielding opportunities for well-located, affordable neighbourhoods
  - Enabling transformation of ownership and participation in the real estate value chain

Further information

For further information

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