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**TongaatHulett**<sup>®</sup>

**Capital Markets Day**

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# Today's Agenda



## 1. Welcome and Update

Michelle Jean-Louis, Gavin Hudson

13:15-13:45

4

## 2. Tongaat Hulett Investment Highlights

Gavin Hudson

13:45-14:15

18

Coffee / Tea Break

14:15-14:30

## 3. Focus on the Group's Divisions

a. Starch – Garth Macpherson

14:30-15:00

b. Sugar – Simon Harvey

15:00-15:30

c. Property – Bongani Gumede

15:30-16:00

Coffee / Tea Break

16:00-16:15

## 4. Financial Overview

Rob Aitken

16:15-17:00

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## 5. Q&A Session

17:00-17:30



# Today's Presenters



**Gavin Hudson**  
*Chief Executive Officer*



**Rob Aitken**  
*Chief Financial Officer*



**Dan Marokane**  
*Strategy and Business  
Transformation  
Executive*



**Garth Macpherson**  
*MD Starch*



**Simon Harvey**  
*MD Sugar*



**Bongani Gumede**  
*MD Property*

# 1. Tongaat Hulett Update

# The Tongaat Hulett Group at a Glance

## Group Highlights

Leading Agri Business in Africa

A Leader in the Starch & Glucose, Sugar, Ethanol, Cattle and Animal Feeds Markets

One of the Largest Portfolios of Premier Commercial Land in KZN/SA

**Starch**

**4**

Plants

**R4.0bn**

In FY19 Revenue

**>850k**

Tons of maize per annum processing capacity

**13**

Production facilities<sup>(1)</sup>

**R12.8bn**

In FY19 Revenue

**~45k**

Hectares farmed<sup>(2)</sup>

**Sugar**

**1.7m**

Tons per annum in sugar production capacity<sup>(3)</sup>

**40m**

Litres per annum in ethanol capacity<sup>(3)</sup>

**~400k**

Tons per annum in animal feed capacity<sup>(3)</sup>

**Property**

**~11.7k**

Hectares of prime commercial land<sup>(4)</sup>

**~R11bn**

Indicative fair value of developable land<sup>(4)</sup>

**>R70bn**

Economic development on land to date<sup>(5)</sup>

**Agri Leader with Unparalleled Footprint**

Notes: Unless otherwise indicated, operational data and company estimates as of December 2019. (1) Including Eswatini. (2) Miller-cum-planter ("MCP"). (3) Based on management estimates as at December 2019. (4) Independent Valuation Report issued on 23 August 2019, valued as at 1 June 2019. (5) Based on internal calculation of investments on Tongaat Hulett land sold since 1990, as at November 2019.

# Why We Find Ourselves in Our Current Predicament

1 Poorly Managed and Underperforming Business

2 Inadequate Governance

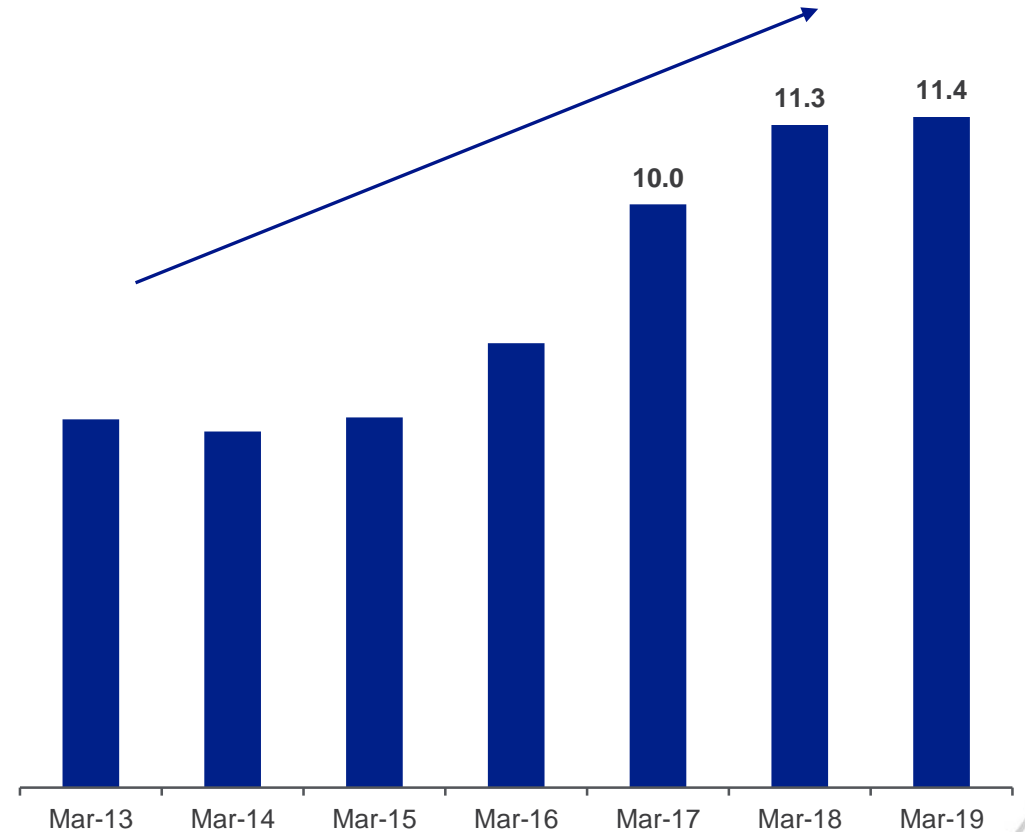
3 Financial Mismanagement and Misrepresentation

4 Weak Relationship with Stakeholders

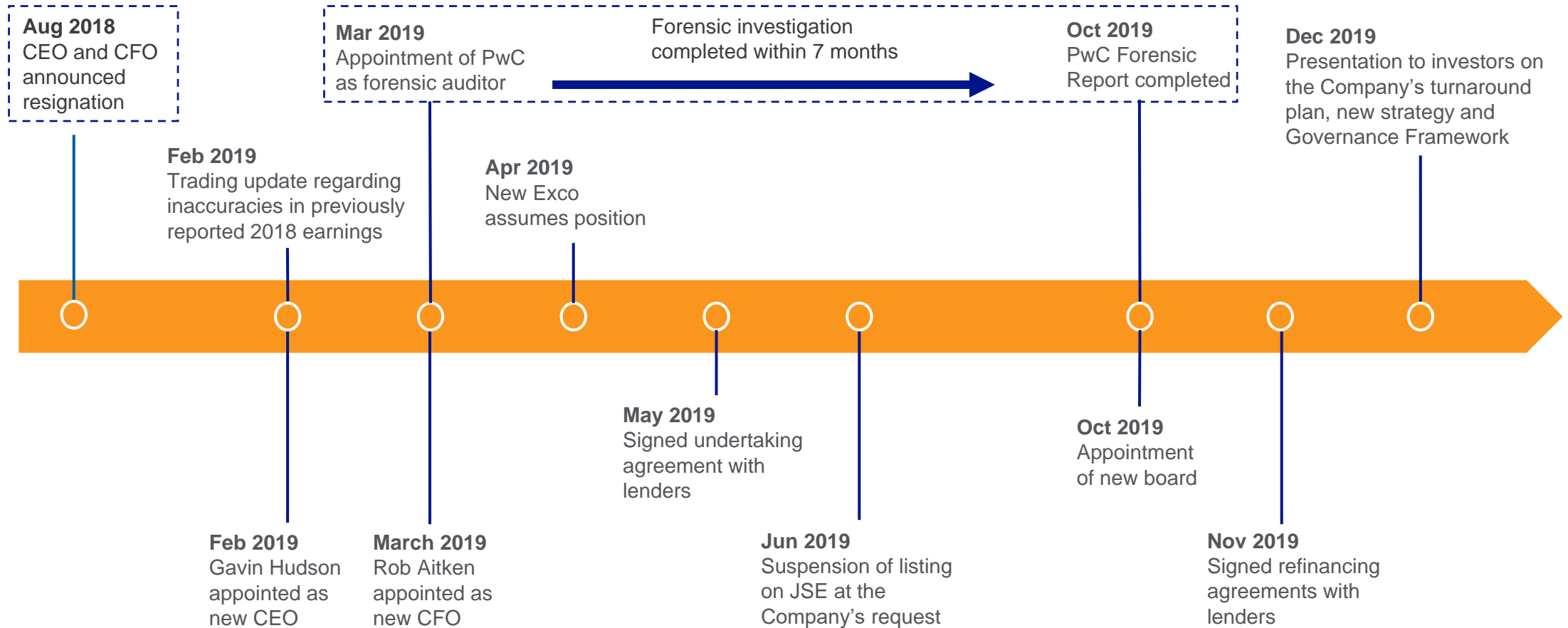
5 Historic Business Plan Reliant on Macroeconomic Tailwinds

## Debt has Doubled over the Last 6 Years

(Debt in Rbn)



# Our Timeline to Date



**Our Challenge Has Been the Extent of the Restatements**



# Key Findings of the PwC Forensic Investigation

The PwC and management's internal investigation uncovered a culture of deference and weak governance

## Categories of Financial Misstatements

1 Early Recognition of Revenue from Land Sales



2 Overstatement of Cane Root and Standing Cane Valuations



3 Overstatement of Value: Capital Work in Progress, Plant and Machinery



4 Overstatement of Sugar Sales in Zimbabwe



5 The Capitalisation of Infrastructure Costs



6 Incorrect Apportionment of Revenue between Land Sales and Infrastructure



7 The Provision of Cash Collateral in Relation to Land Sales



8 The Overstatement of Projected Revenue



Key Priorities to Address: Governance, Process and Procedure

# Addressing the Governance and Process Challenges

## Board and Governance



- Established or Reconstituted Board and Committees



- Re-establishment of Governance and Oversight Roles



- Revision of Capital Approval Process

## Management



- Extensive Review of Management Skill Base



- Creation of Centralised Treasury Oversight Function



- Appointment of Chief Risk Officer

## Business



- Formalisation of Accounting Policies and Procedures



- Implementation of Enterprise Risk Management Programme



- Culture Change Programme

We Have Engaged with Law Enforcement and Regulatory Bodies to Address the Key Challenges

It's a New Dawn, It's a New Day, It's the Tongaat Hulett Way

It's a New Dawn, It's a New Day, It's the Tongaat Hulett Way  
(Video)

# Building a Business for the Future

## Focused on Our Vision and Mission

- **Vision:** To be the most trusted partner in all that we do
- **Mission:** Build our future by creating sustainable value for all our stakeholders



## With a Strategy to Deliver

- Right size and fix the fundamentals of our business
- Drive efficiencies within our business to truly leverage our asset base
- Create a platform for sustainable profitable growth
- Refine processes and build capability in our people



## Supported by Our Core Values

- Innovate and excel in everything we do
- Be ethical, communicate honestly and behave with integrity
- Ensure a safe and healthy work environment
- Succeed through our people and teamwork
- Be accountable for everything we do
- Do the best for local communities and stakeholders



# Key Pillars of Our New Strategy



## Right size and fix the fundamentals of our business

- Resource and headcount optimisation
- Working capital improvement
- Improve plant utilisation
- Reduce waste
- Zero-based budgeting
- Health & Safety
- Plant reliability
- Debt reduction plan



## Drive efficiencies within our business to truly leverage our asset base

- Infrastructure optimisation
- Crop yield improvements
- Embedding strategic sourcing
- Value chain & logistic optimisation
- Industry effectiveness
- Low cost producer
- Leverage land portfolio



## Create a platform for sustainable profitable growth

- Consumer / Brand-led
- Capital deployment and return on invested capital
- Stakeholder relationships
- Revenue growth management
- Innovation & diversification
- Transformation
- Cash flow focus
- Feedstock expansion



## Build capability in our people and processes

- Fit for purpose team
- Value-driven organisation
- Systems utilisation
- Processes focus
- Governance 101
- Integrated management processes & bench strength
- Employee value proposition
- Culture & communication



# Experienced New Team to Lead and Implement the Strategy

## New Management Team



**Gavin Hudson**  
Chief Executive Officer  
CEO since February 2019  
Previously CEO of Anadolu Efes



**Rob Aitken**  
Chief Financial Officer  
CFO since March 2019  
Previously in finance team at Illovo



**Dan Marokane**  
Strategy and Business Transformation Executive  
Group Executive since January 2018  
Over 20 years' experience in the energy and infrastructure sectors



**Garth Macpherson**  
MD Starch  
MD Starch since 2010  
Over 25 years of experience in the agro-processing industry



**Simon Harvey**  
MD Sugar  
MD Sugar since April 2019  
Previously MD of African EM for Diageo



**Bongani Gumede**  
MD Property  
MD Property since May 2019  
Previously Head of CPPP at Tongaat Hulett



**Michelle Jean-Louis**  
Business Assurance  
With Tongaat Hulett since 2001  
Previously CA (SA) with PwC



**Johan van Rooyen**  
Company Secretary  
Starts on 1 Jan 2020  
10 years of experience as an Admitted Attorney at Illovo in Risk, Insurance and Company Secretary role



**Human Resources**  
Appointment to be made

# New Board with a Strong Focus on Governance and Accountability

## Non-Executive Board Members



**Louis von Zeuner**  
Chairman of the Board & Nomination Committee  
Appointed to Board in 2018  
ABSA Group CEO from 2009 – 2012



**Stephen Beesley**  
Chairman Social & Ethics Committee  
Appointed to Board in 2014  
Various executive and leadership roles in BP Africa



**Jean Nel**  
Chairman Risk, Capital & Investment Committee  
Appointed to Board in 2019  
Previously Divisional CEO of Sibanye Platinum and CEO of Aquarius Platinum



**Andile Sangqu**  
Chairman Remuneration & HR Committee  
Appointed to Board in 2019  
Director of Business Leadership SA and Deputy Chairman of NEPAD



**Fatima Daniels**  
Chairman Audit & Compliance Committee  
Appointed to Board in 2008



**Robin Goetzsche**  
Chairman Strategy, Transformation & Operations Committee  
Appointed to Board in 2019  
30 years industry experience at SABMiller



**Linda de Beer**  
Chairman Legal & Regulatory Committee  
Appointed to Board in 2019  
Chairman of the JSE's Financial Reporting Investigation Panel

### Non-Executive Board Members 7

1



Independent Chairman

6



Independent Non-Executive Directors

### Executive Board Members 3

Gavin Hudson  
(CEO)

Rob Aitken  
(CFO)

Dan Marokane  
(Executive)



**TongaatHulett**

# We Are Delivering on Our Strategy

## 1. Completed

- ✓ New Exco and defined strategy
- ✓ New board and governance structure
- ✓ PwC forensic investigation
- ✓ Debt restructured and refinanced
  - Agreement with lenders
  - Entered into agreements to raise R612m (first milestone)
- ✓ On track for targeted cash flow improvement
- ✓ Implementation of FarmCo (B-BBEE)

## 2. Short to Medium-Term

- Absolute focus on growing core business – disposal of non-core assets
- Obtain strategic advantages through transformation initiatives
- Commitment to debt reduction from equity raise and asset sales
- Create a culture of high performance and accountability guided by our core values

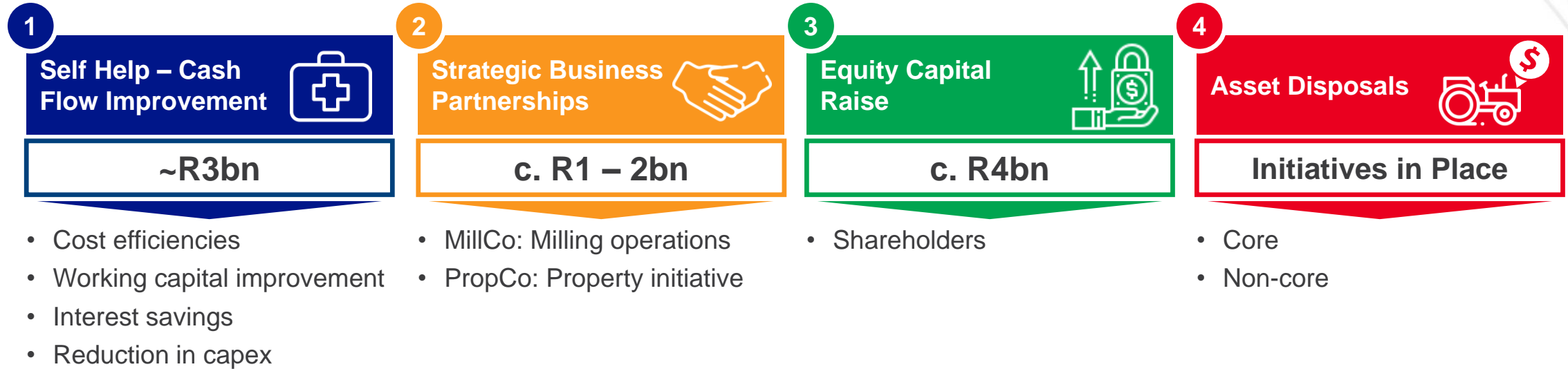
## 3. Long-Term

- Sustainable, fit for purpose business model
- Trusted partner to our key stakeholders
- Leverage our African footprint
- Diversification of business model and revenue streams on all levels
- Enable a brand and consumer-led culture

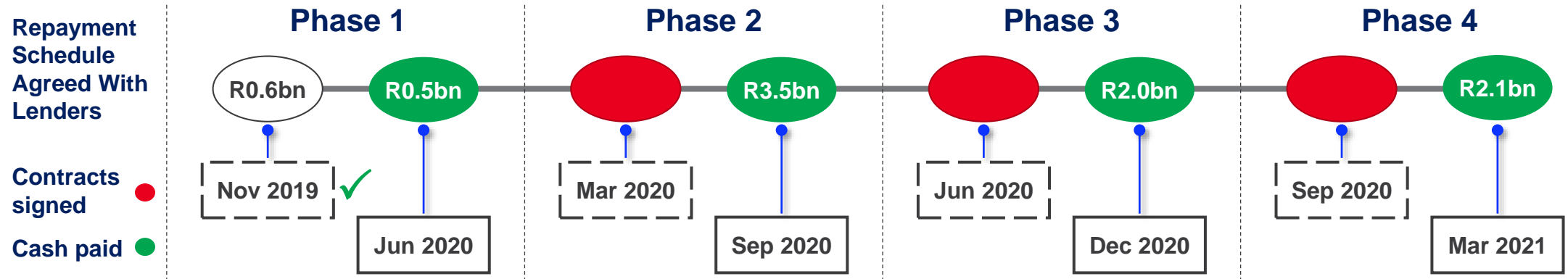
**A Strong Ethical Culture to Deliver a Long-Term Sustainable Business**



# Our Path to Cash Flow Improvement and Debt Reduction



## Debt Reduction of R8.1bn by March 2021



Notes: Includes forward-looking financial data, please refer to disclaimer on forward-looking statements.

## 2. Tongaat Hulett Investment Highlights

# Why Tongaat Hulett Is an Attractive Investment Proposition



- 1 Diversified African Agri Leader
- 2 Largest Starch and Glucose Producer in Africa
- 3 Leading Sugar Producer in Southern Africa
- 4 Premier Commercial Property Portfolio
- 5 Strategic Initiatives to Drive Profitable Growth



# 1. Diversified African Agri Leader

A Significant Player in Southern Africa<sup>(1)</sup>



127-year history



One of the largest employers in Southern Africa



Trusted government partner



SunSweet<sup>®</sup>  
Brown Sugar

Leading household brands

Revenue

**R17.1bn**

FY19

Production

**1.7m**

Tons per annum in sugar production capacity with a 80% utilisation

**40m**

Litres of ethanol per annum

**>850k**

Tons per annum of maize grind capacity with 74% utilisation

**~400k**

Tons per annum animal feeds capacity

African Market Leader with a Well-Located Footprint of Operations

Notes: Unless otherwise indicated, operational data as of December 2019. Notes: (1) Southern Africa is defined as South Africa, Eswatini, Lesotho, Botswana, Namibia, Zimbabwe and Mozambique.

## 2. Largest Starch and Glucose Producer in Africa

FY19 Revenue: R4.0bn

FY19 EBITDA<sup>(1)</sup>: R777m

### Kliprivier Mill



Low-cost manufacturing of unmodified starch and glucose

### Germiston Mill



Low-cost manufacturing of liquid and powdered glucose

### Bellville Mill



Geographical positioning against coastal imports and potential to become a modified starch producer

### Meyerton Mill



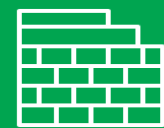
Flexibility to accommodate shorter specialty product runs; both glucose (5) and modified starches (12)



Market Leader with 4 Mills and ~86% Market Share in South Africa<sup>(2)</sup>



Unique Geographic Positioning Relative to Suppliers and Customers



High Barriers to Entry Due to High Fixed Capital Base (R7 – 8bn Replacement Value)

Long-Term Leadership Position Protected from Competitive Threats

Notes: Unless otherwise indicated, management estimates and operational data as of December 2019. (1) EBITDA is defined as operating profit plus depreciation and amortisation. (2) Company Sales Data and SARS Trade Statistics Release.

# 3. Leading Sugar Producer in Southern Africa

FY19 Revenue: R12.8bn

FY19 Adj. EBITDA<sup>(1)</sup>: R395m

## South Africa

- 4 sugar mills
- 1 refinery
- Animal feeds

## Zimbabwe

- 2 sugar mills
- 1 refinery
- 1 ethanol plant
- Animal feeds<sup>(2)</sup>
- Cattle farming

## Mozambique

- 2 sugar mills
- 1 refinery

Leading Player in All Countries of Production

## We Cover Key Regional Deficit Markets



Angola



Burundi



DRC



Kenya



Madagascar



Rwanda



South Sudan



Tanzania

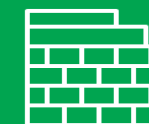
1.7m Ton Growth Opportunity in Key Regional Deficit Markets<sup>(3)</sup>



A Market Leader with 8 Mills, 3 Refineries, 1 Animal Feeds Facility and 1 Ethanol Plant and ~45k ha of Farmland



Well-Located to Access Key Deficit Markets with Further Upside Potential from per Capita Consumption Growth



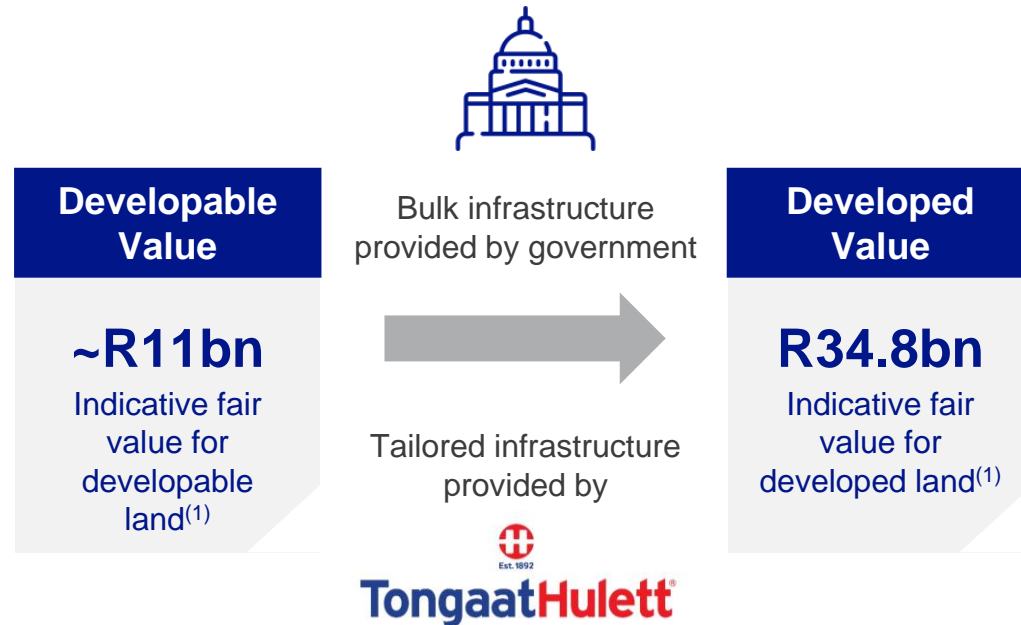
High Barriers to Entry Due to High Fixed Capital Base

Long-Term Leadership Position Protected from Competitive Threats

Notes: Unless otherwise indicated, operational data as of December 2019. (1) Adj. EBITDA ("Adjusted EBITDA") is defined as EBITDA less one-off items (impairments, non-trading items and cane revaluations). (2) Production facility currently closed but scheduled to re-open. (3) International Sugar Organisation.

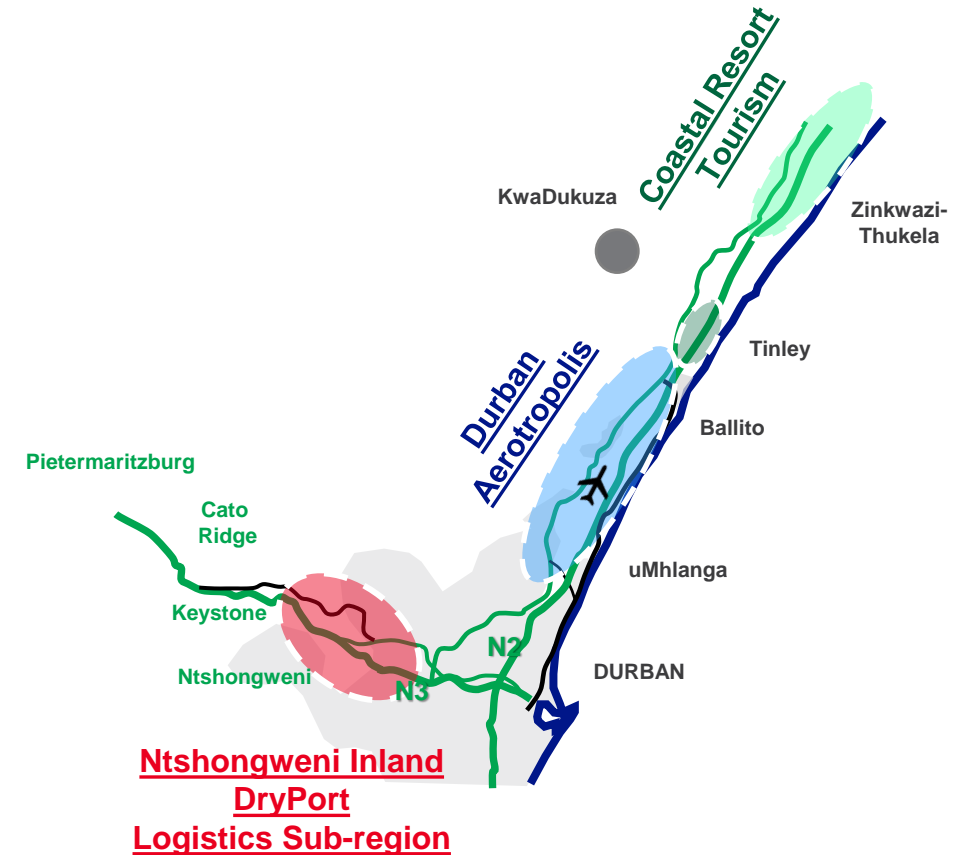
# 4. Premier Commercial Property Portfolio

Significant Current Value with Large Upside Potential



Over R70bn of Economic Development on Tongaat Hulett Land to Date<sup>(2)</sup>

~11.7k ha in Three Prime KZN Commercial Growth Nodes

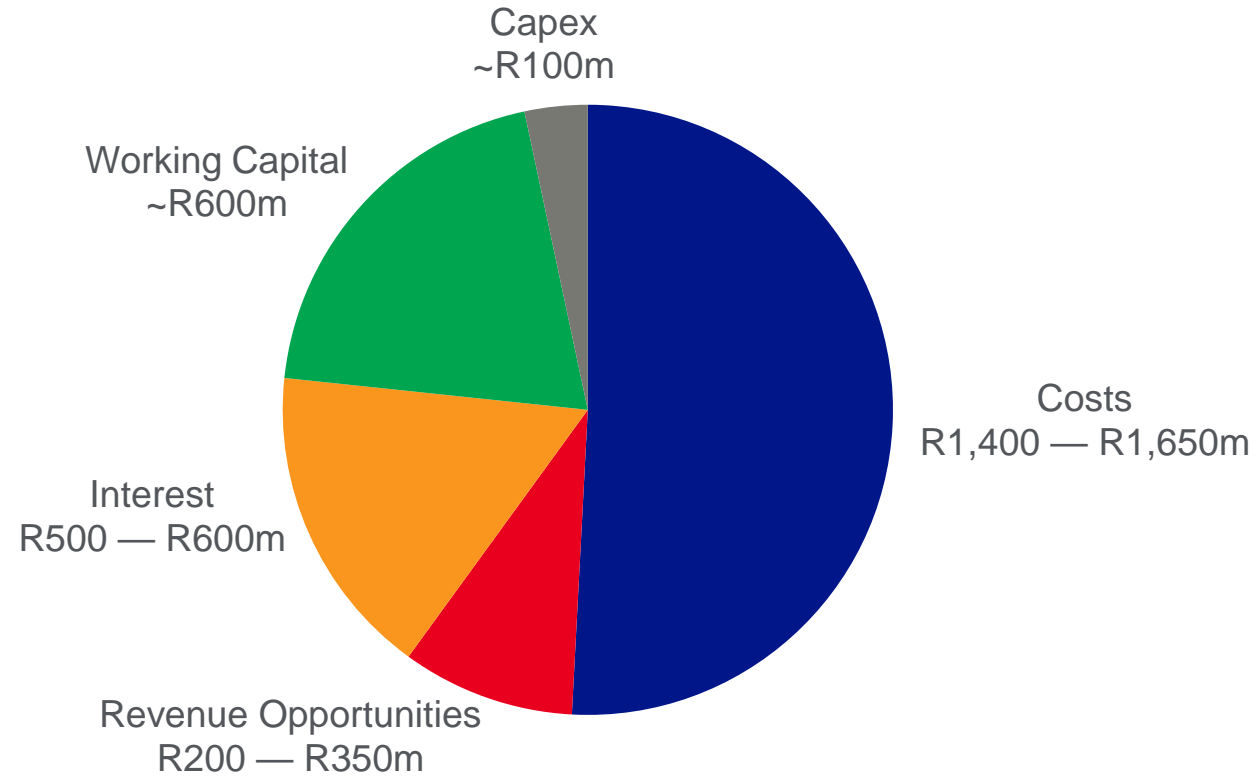


**Prime Land Portfolio Aligned with Government Development Agenda Resulting in Significant Upside Potential**

Notes: (1) Independent Valuation Report issued on 23 August 2019, valued as at 1 June 2019. (2) Based on internal calculation of investments on Tongaat Hulett land sold since 1990, as at November 2019.

# 5. Incremental Cash Flows of R3.0bn

How Do We Expect to Achieve This?



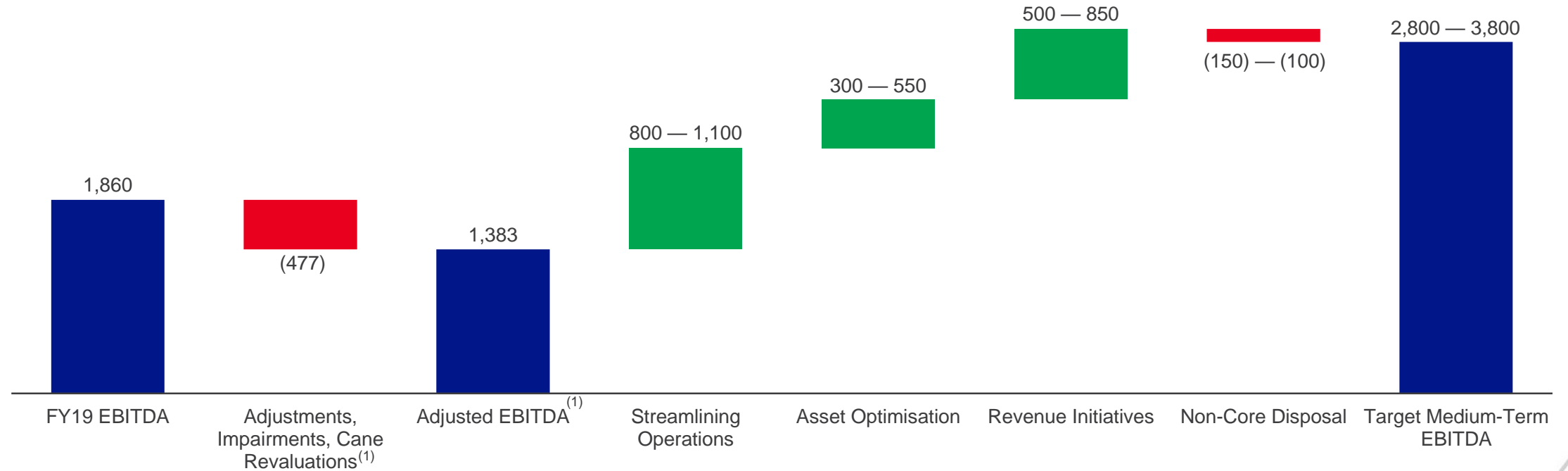
Notes: Includes forward-looking financial data, please refer to disclaimer on forward-looking statements. Includes net one-off implementation costs of R100m (excl. advisor fees) and premised on debt reduction of R8.1bn.



# 5. Strategic Initiatives to Drive Profitable Growth in the Medium-Term

## EBITDA Run-Rate Improvements by Initiatives (in Rm)

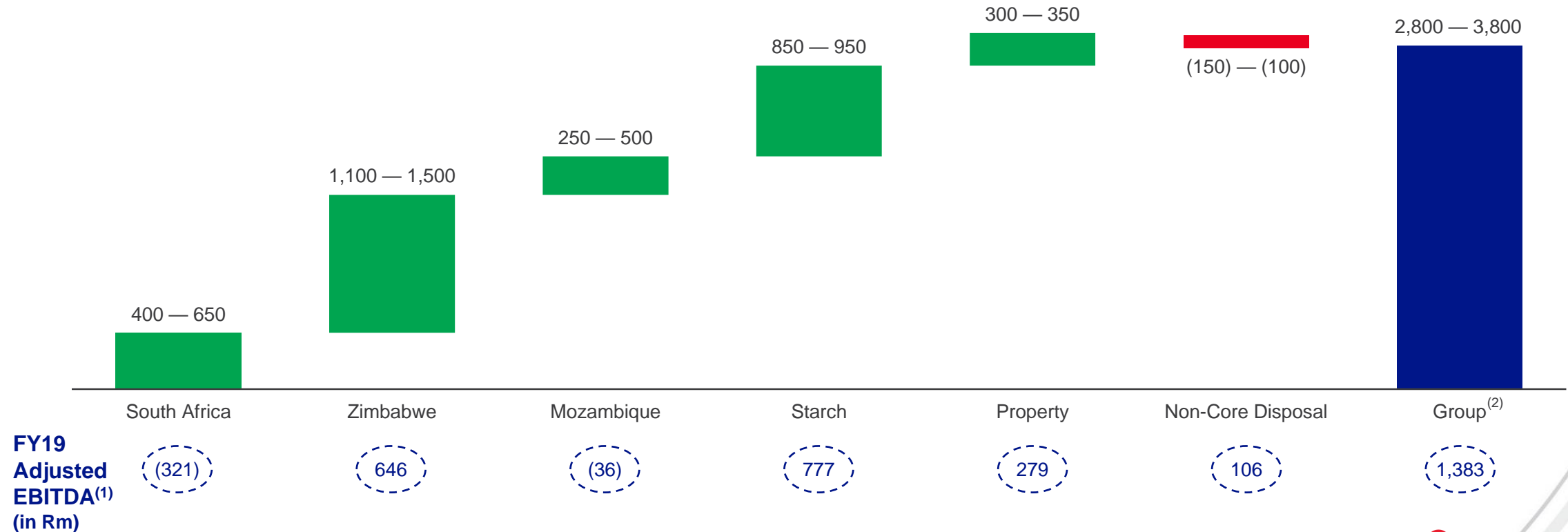
- Group EBITDA
- Initiative impact



Notes: Includes targets that are forward-looking statements which have not been reviewed or reported on by the company's external auditors. Please refer to disclaimer on forward-looking statements. Medium-Term (3-5 years) figures are presented on a constant currency basis. Based on management estimates as of December 2019. (1) Adjustments includes one-off items of impairments, non-trading items and cane revaluations.

# 5. Strong Focus on Each of Our Business Units

**Target Medium-Term EBITDA Run-Rate by Division**  
(in Rm)



Notes: Includes targets that are forward-looking statements which have not been reviewed or reported on by the company's external auditors. Please refer to disclaimer on forward-looking statements. Medium-Term (3-5 years) figures are presented on a constant currency basis. Based on management estimates as of December 2019.

(1) Adjustments includes one-off items of impairments, non-trading items and cane revaluations. (2) Group EBITDA includes the effects of Corporate / Head Office Costs.

# Tongaat Hulett Is an Attractive Investment as a Group

## Starch

- Stable and predictable free cash flow
- Strong market position

## Sugar

- Meaningful short-term upside from cost cutting initiatives
- Future growth opportunities from:
  - Zimbabwe, Mozambique and regional deficit markets
  - Asset optimisation and revenue diversification

## Property

- Prime commercial land bank in key growth nodes
- Significant current value with substantial long-term development potential

## Post Debt Reduction



=

Strong and Sustainable Dividend

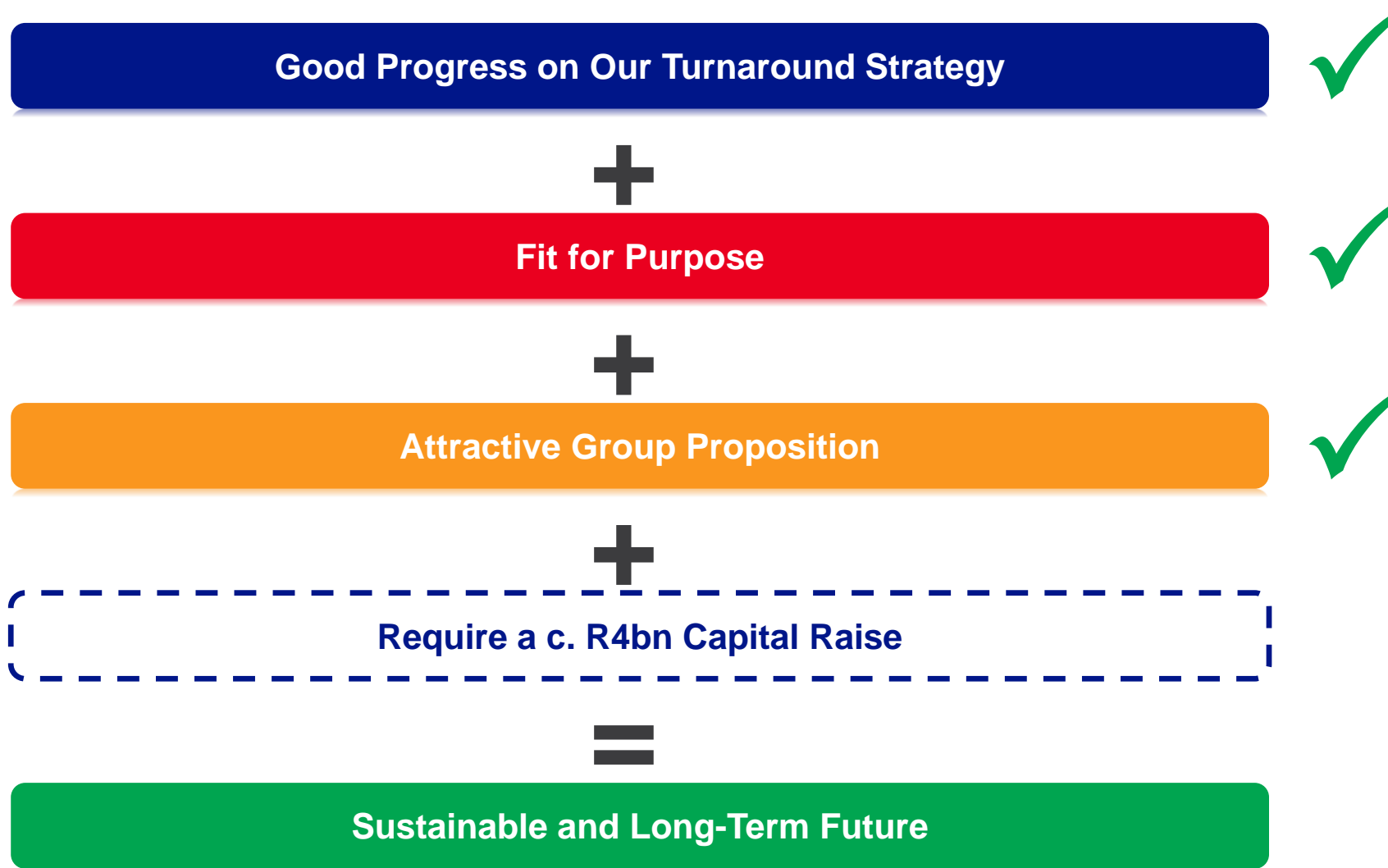
+

Short to Medium-Term Growth

+

Long-Term Upside

# We Are Focused on Building a Sustainable and Long-Term Future



### 3. Focus on the Group's Divisions

## A. Starch Division



# Global Starch and Glucose and Maize Market Dynamics

## Overview

Primary end markets are food & beverage

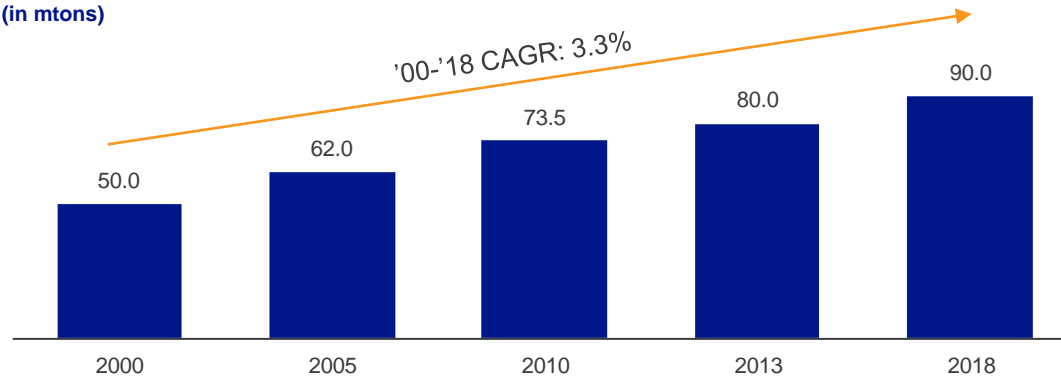
Steady long-term growth in global starch consumption

Industry benefits from positive macroeconomic trends such as a switch to natural ingredients

Maize is the key raw material that drives starch pricing

## Global Starch & Sweeteners Consumption

(in mtons)

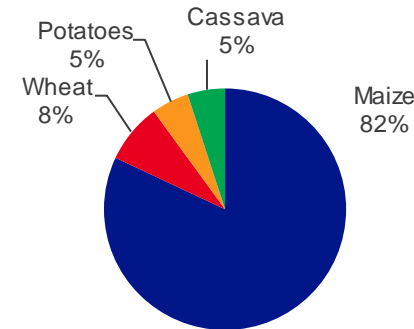


Source: Natixis broker report.

## Key Raw Materials and End Market Splits

### Sources of Starch

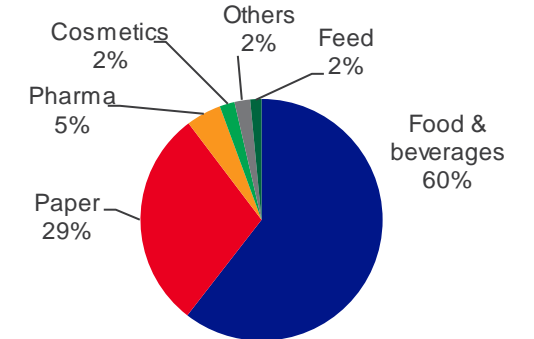
(by volume, 2017)



Source: Urban-Econ Development Economist

### End Market Split

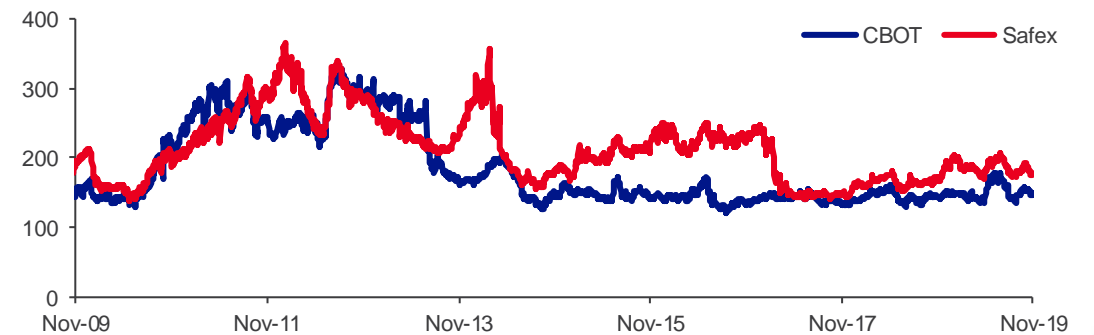
(by volume, 2016)



Source: Grand View Research

## Global Maize Price vs South African Maize Price

(in USD/ton)



Source: Safex, CBOT

# Starch Division at a Glance

## Overview

One of Africa's largest starch and glucose producers with >100-year history

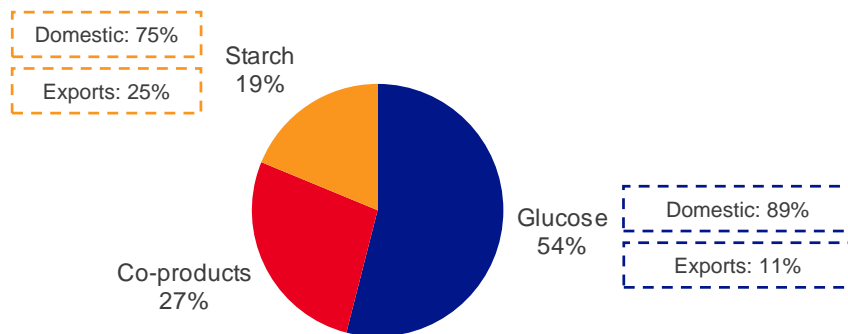
Largest South African manufacturer of starch and glucose in South Africa, with a capacity of >850,000 tons of maize p.a.

Established international market presence with c. 50% of exports going to regional markets in FY19

Strong relationships with local farmers ensure quality while achieving highest purity and quality available internationally

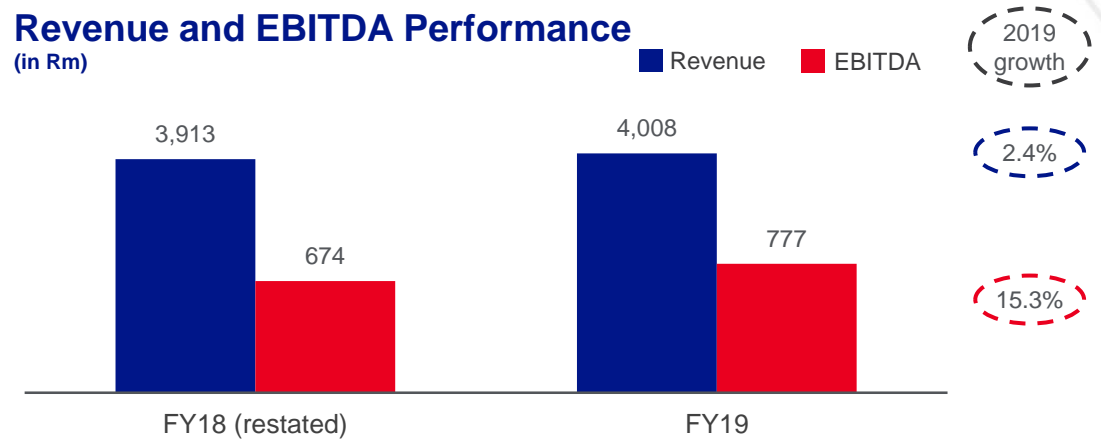
## Breakdown of Sales

(by volume, FY19)



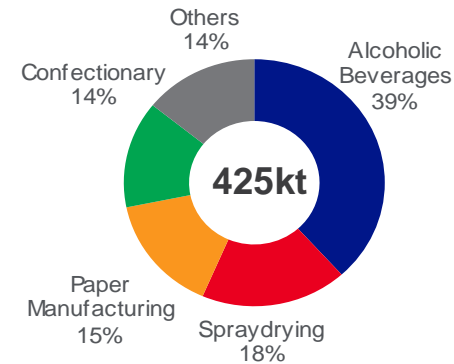
## Revenue and EBITDA Performance

(in Rm)

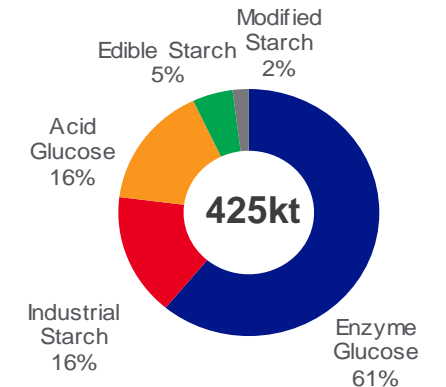


## Breakdown of Domestic Sales

By End Market  
(by volume, FY19)



By Product  
(by volume, FY19)



Notes: Unless otherwise indicated, operational and internal sales data as of December 2019.



# South African Maize Industry at a Glance

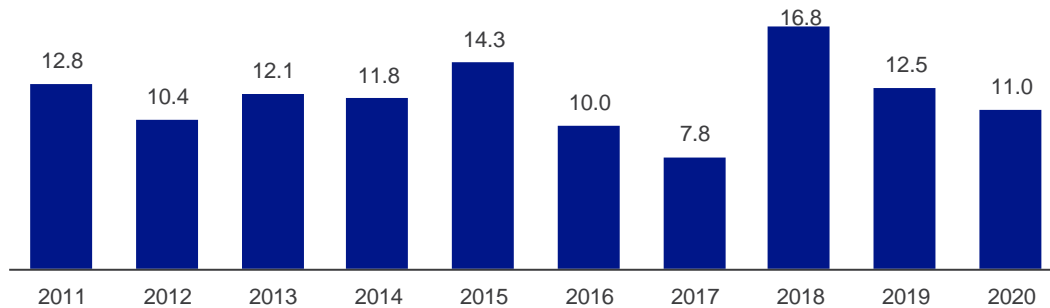
## Maize Pricing

Global maize supply (and prices) driven largely by US (and to some extent China, Brazil) production

South Africa is the largest maize producer in Africa

Locally grown crops have some of the highest purity and quality available internationally

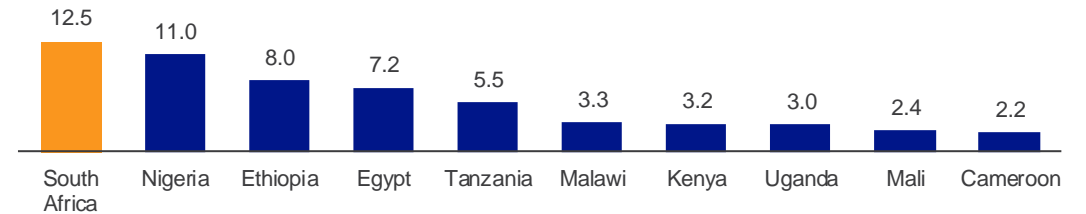
## South African Historic Maize Marketable Volumes<sup>(1)</sup> (in mtons)



Source: US Department of Agriculture

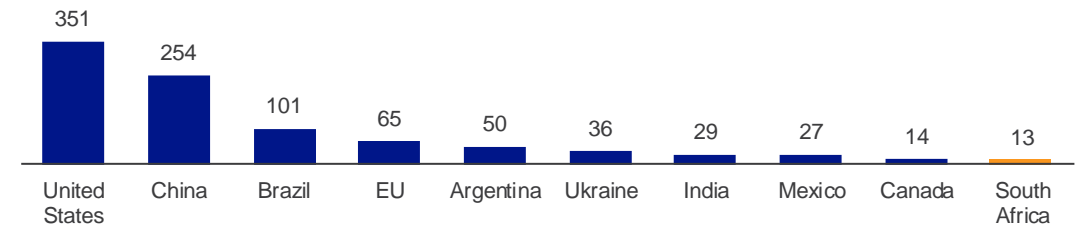
Notes: (1) Years refer to marketing season running from May to April. These marketable volumes are based on the previous year production.

## South Africa is the Largest Maize Producer in Africa... (in mtons, 2019)



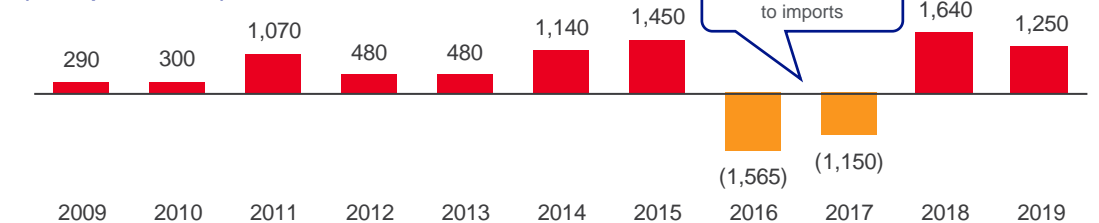
Source: US Department of Agriculture

## ... but a Small Producer Outside of Africa (in mtons, 2019)



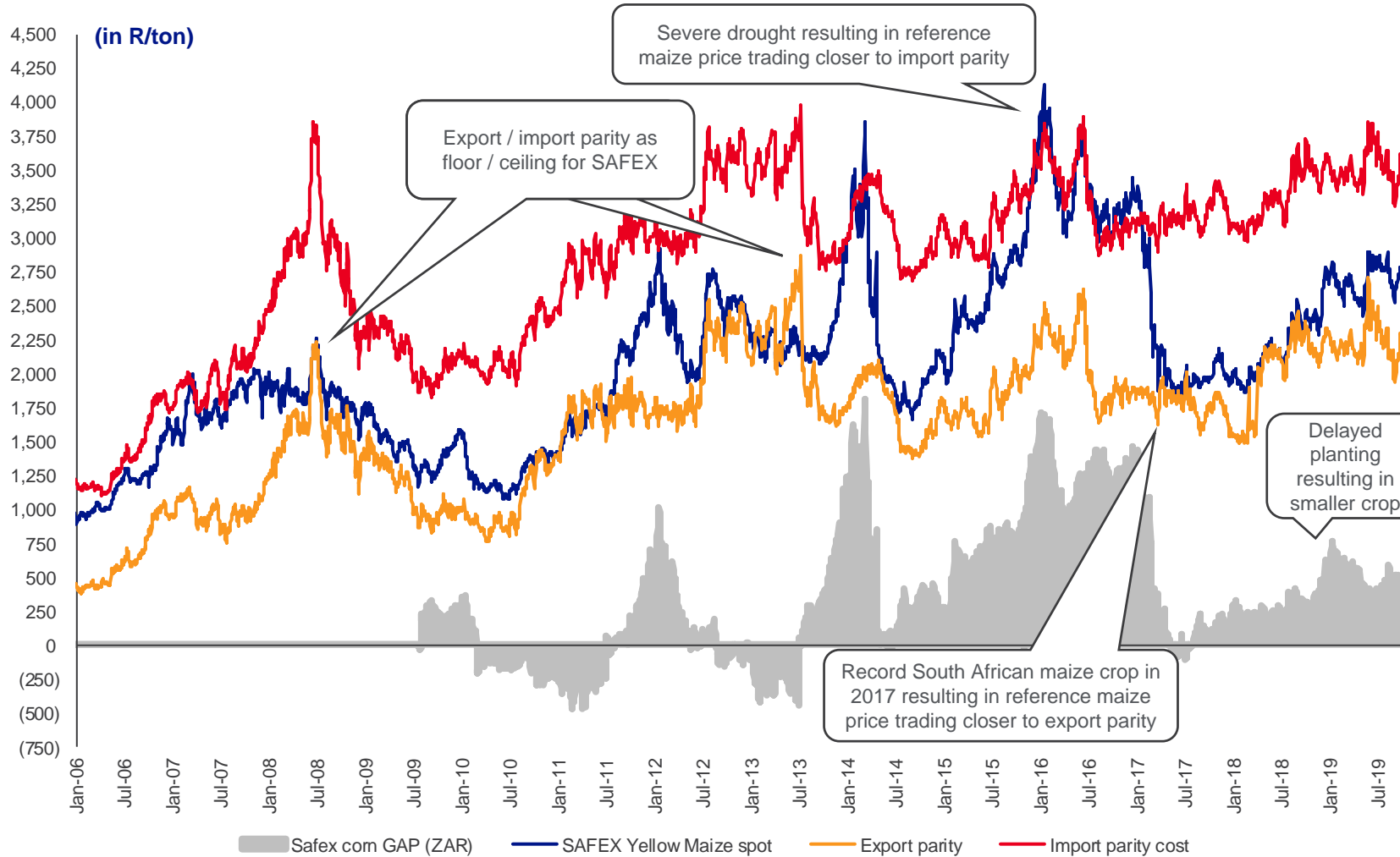
Source: US Department of Agriculture

## ... and Still a Net Exporter of Maize<sup>(1)</sup> (net export in ktons)



Source: Sagis

# Maize Price: Import and Export Parity



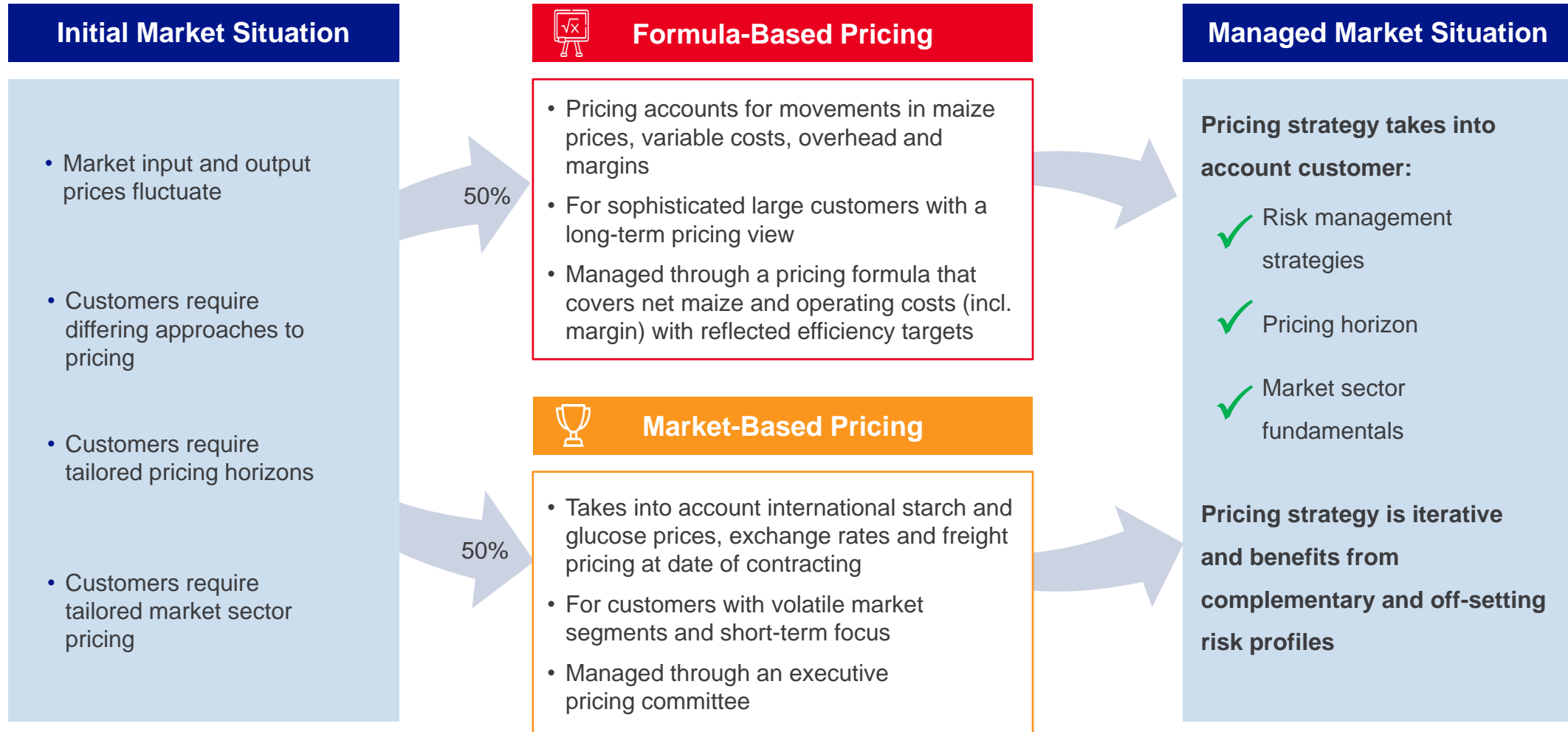
Source: SAFEX, Farmwise Grains Market Data.

**South African maize prices are quoted on SAFEX**

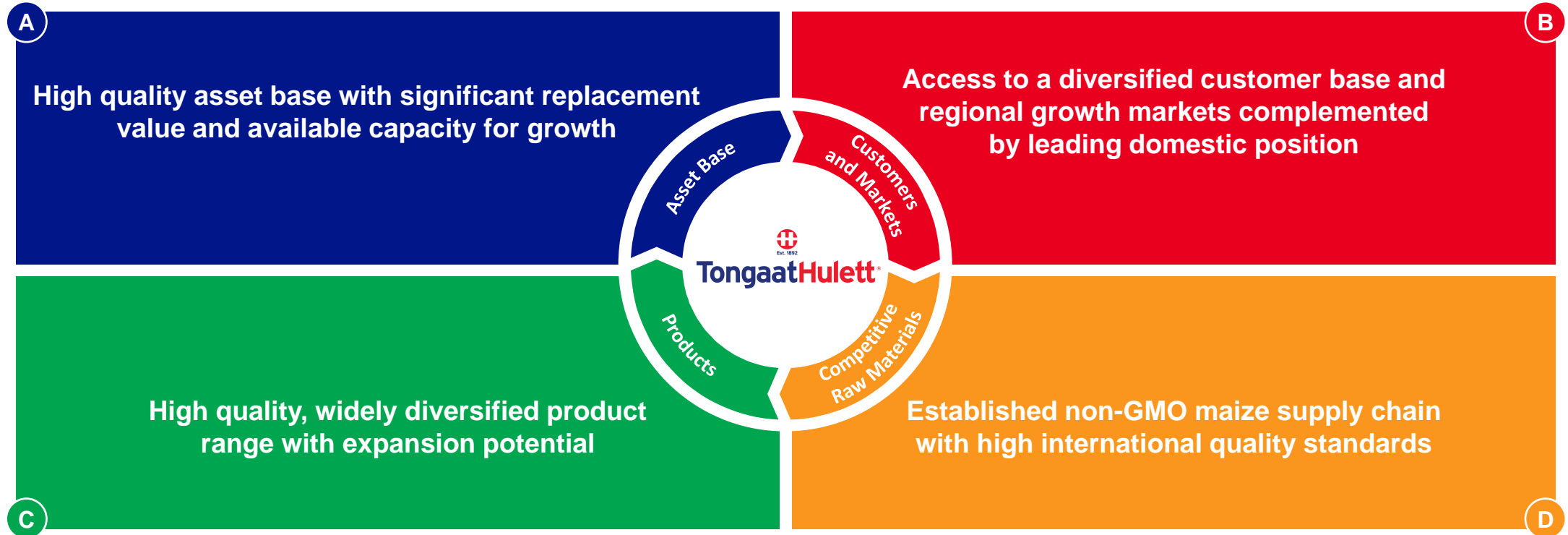
**SAFEX price fluctuates between import and export parity**

**Parity prices are determined by international prices (CBOT), exchange rates and shipping costs**

# Tongaat Hulett's Pricing Strategy



# Key Starch Division Highlights



# A. Large Installed Asset Base with Capacity for Growth

## Significant Barriers to Entry



**Commissioned:** 1997

**Capacity:** 388,800 tpa

**Key products manufactured:**

- Unmodified starch
- Liquid enzyme glucose

**Kliprivier Mill**

**Commissioned:** 1921

**Capacity:** 324,000 tpa

**Key products manufactured:**

- Enzyme glucose (liquid and powdered)
- Liquid acid glucose
- Unmodified starch

**Germiston Mill**

**Commissioned:** 1949

**Capacity:** 81,000 tpa

**Key products manufactured:**

- Liquid enzyme glucose
- Unmodified starch

**Bellville Mill**

**Commissioned:** 1968

**Capacity:** 97,200 tpa

**Key products manufactured:**

- Modified and unmodified starch
- Liquid acid glucose
- Dextrin

**Meyerton Mill**

**Continuously Improving Asset Base with a Total Replacement Value of R7 – 8bn<sup>(1)</sup>**

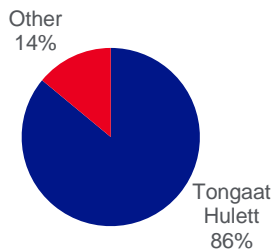
Notes: Nameplate capacities as of December 2019. (1) Based on management estimates as at end of December 2018.

# B. Access to a Diversified Customer Base and Regional Growth Markets Complemented by Leading Domestic Position

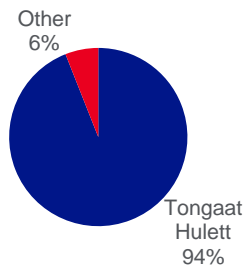
## Leading Manufacturer in Africa

- ✓ Largest manufacturer of starch and glucose products in South Africa
- ✓ Total market share in starch and glucose of ~86%
- ✓ Unmodified starch market share ~94%
- ✓ Glucose market share ~94%
- ✓ Modified starch market share ~17%

**Total Market Share**  
(by volume, FY19)



**Glucose Market Share**  
(by volume, FY19)

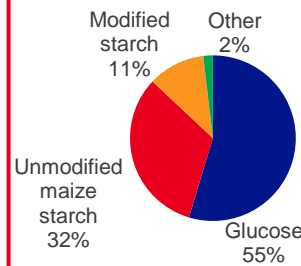


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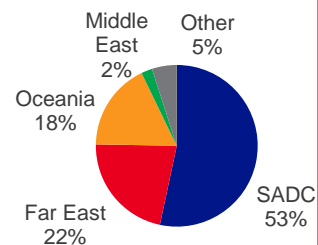
## Growing Regional Exports

- ✓ 53% of starch and glucose exports go to SADC countries
- ✓ Exports to SADC countries have grown by ~13% over the past 5 financial years
- ✓ Two largest export products are glucose and unmodified maize starch which make up 55% and 32% of exports respectively
- ✓ Glucose export volumes have grown 11% over the past 5 financial years

**Exports by Products**  
(by volume, FY19)



**Exports by Region**  
(by volume, FY19)



+

## Blue-Chip Customer Base

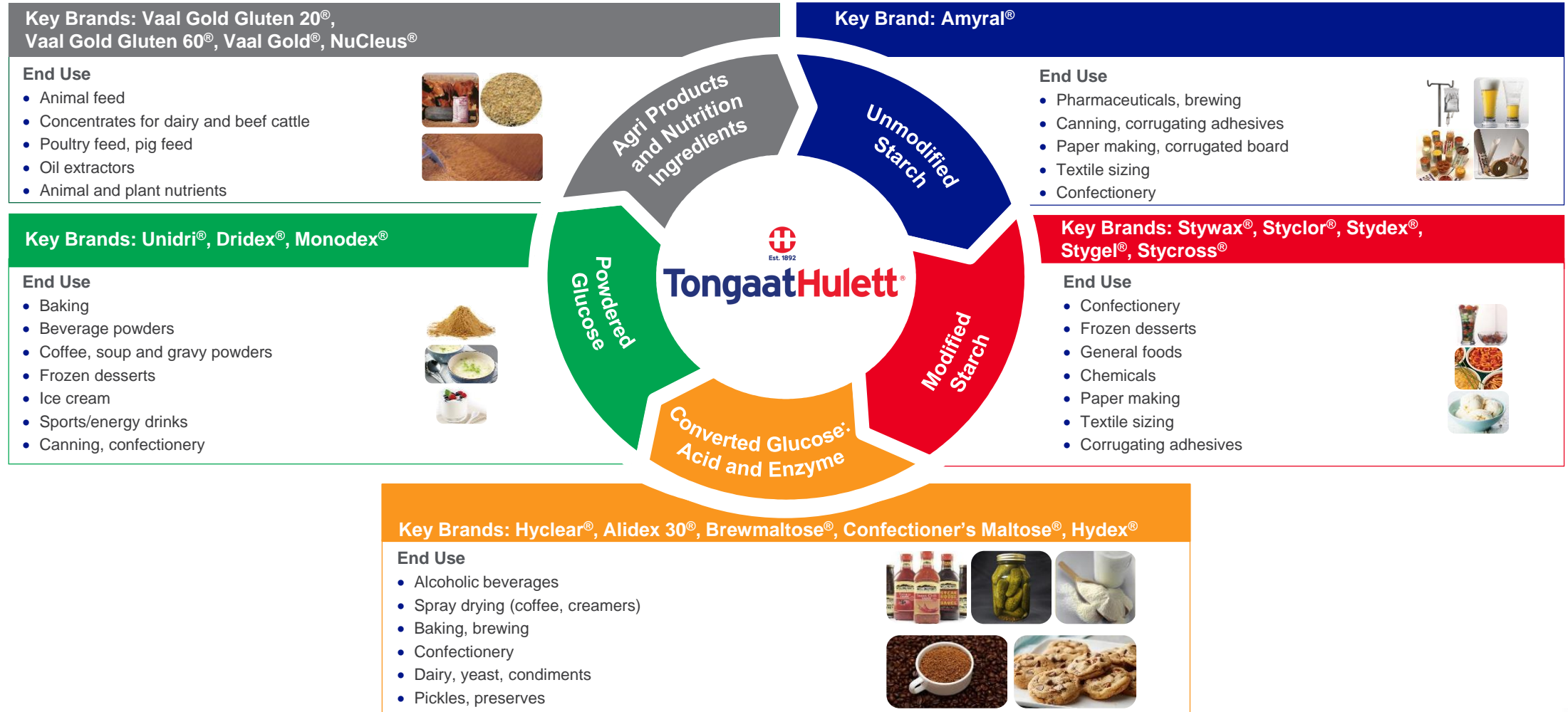
- ✓ Supplies some of the largest local and multinational customers operating in key food and industrial sectors
- ✓ Alcoholic beverages is the largest end market for Tongaat Hulett, accounting for ~39% of domestic volumes in FY19
- ✓ The four largest sectors (alcoholic beverages, spray drying, confectionary and paper) comprised ~82% of all domestic starch volume manufactured by Tongaat Hulett in FY19



Supplier to the  
South African market  
**Since 1921**

Notes: Internal sales and operational data as of December 2019. SARS Trade Statistics Release.

# C. Diversified Product Range with Expansion Potential



## D. Established Supply Chain with High International Quality Standards



✓ Non-GMO

### Locally Grown Non-GMO Maize

- Naturally dried
- Long-term supplier relationship



### Quality Controlled

- Identity preservation protocols throughout the supply chain



### Price Competitive Products

- High international prices, improving productivity and yields support local farmers

Established Non-GMO Supply Chain with Significant Quality Control to Ensure High Quality Standards



# Key Strategic Initiatives

	Initiatives	Targeted Medium-Term EBITDA Impact
~15% Wet-Milling Capacity Available	<ul style="list-style-type: none"> <li>Spare Capacity for Growth</li> <li>Spare Capacity for Cost Base Improvement</li> <li>Enhanced Production Flexibility</li> </ul>	R15 – 20m
Utilising Wet-Milling and Finishing Capacity	<ul style="list-style-type: none"> <li>Replace Starch &amp; Glucose Imports</li> <li>Expand in Modified Starches</li> <li>Expand in Powdered Glucose</li> </ul>	R30 – 40m
Market Expansion	<ul style="list-style-type: none"> <li>Expand Regionally</li> <li>Increase Exports</li> </ul>	R20 – 30m

**Strategic Initiatives Are Expected to Generate Additional R65 – R90m in EBITDA in the Medium-Term**

Notes: Includes targets that are forward-looking statements which have not been reviewed or reported on by the company's external auditors. Please refer to disclaimer on forward-looking statements. Medium-Term (3-5 years) figures are presented on a constant currency basis. Based on management estimates as of December 2019.

## B. Sugar Division



# Global Sugar Dynamics

## Overview

Sugar globally growing at ~1.5%<sup>(1)</sup>

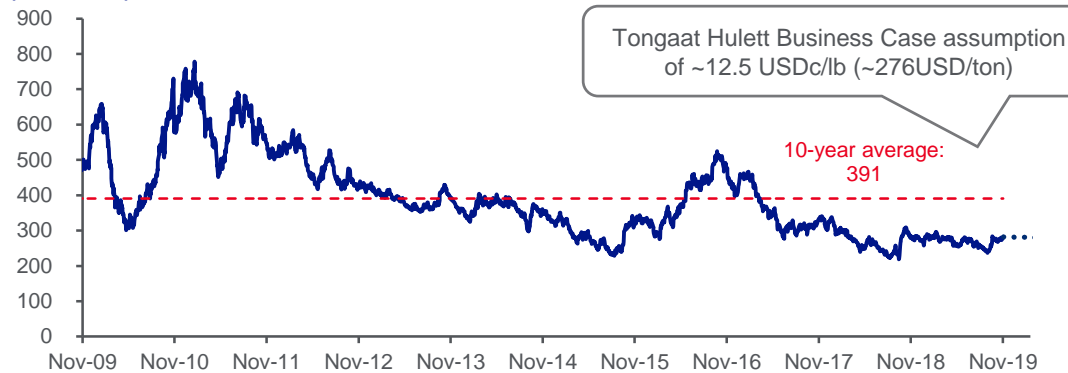
Developing countries will account for 94% of this growth<sup>(1)</sup>

Global sugar prices remain depressed

Cost competitiveness is crucial

## Sugar Price is Currently Trading Below 10Y Average ...

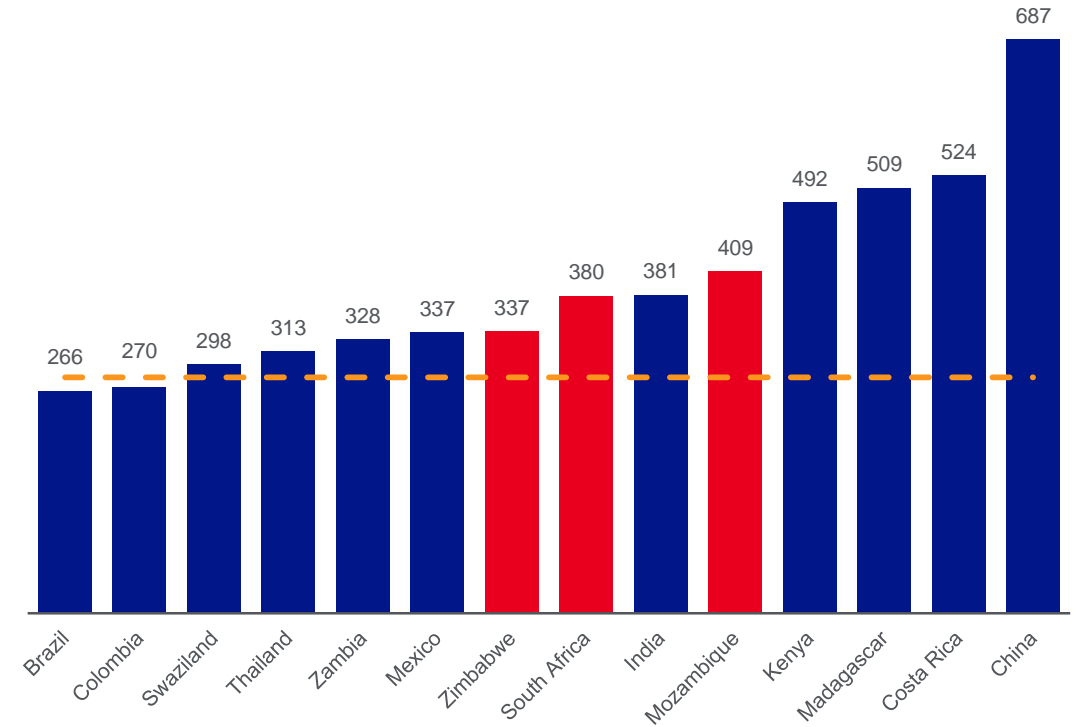
(in USD/ton)



## ... Making Positioning as a Low-Cost Producer Important<sup>(2)</sup>

(in USD/ton)

■ Cost of production  
 ■ Cost of production (Tongaat Hulett countries of operation)  
 - - - Current global sugar price



Source: ED&F Man Market Research as at November 2019. (1) OECD estimates over the next 10 years, sugar consumption and production growth forecasted to be ~1.5%.  
 (2) International Sugar Organisation as at November 2019. Cost of production based on 10-year average, excluding capital.

# Local Sugar Dynamics (Southern Africa)

## Overview

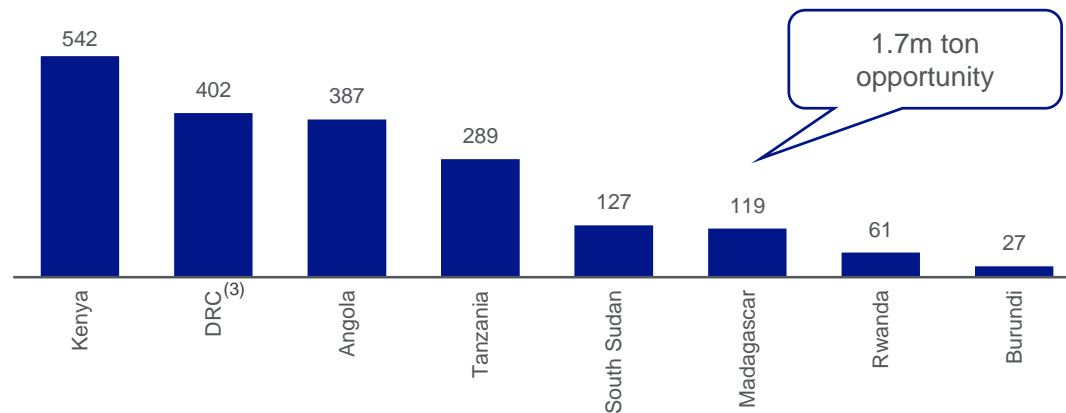
African sugar consumption totals 19.5m ton<sup>(1)</sup> p.a. with growth opportunities

1.7m ton opportunity in deficit markets<sup>(2)</sup>

Significant scope for growth in per capita consumption

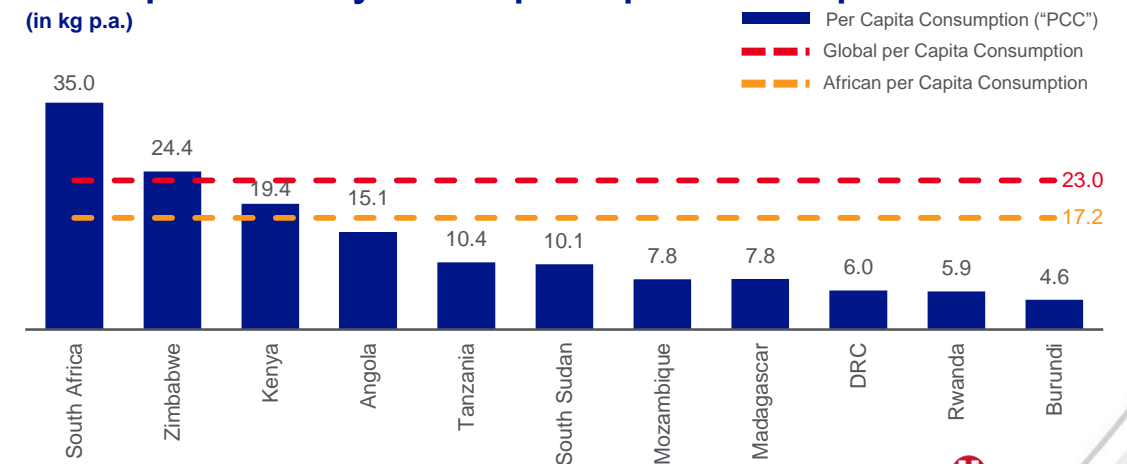
### Growth Opportunity in Key Regional Deficit Markets...

(sugar deficit in ktons)



### ... Complemented by Further per Capita Consumption Growth

(in kg p.a.)



Notes: (1) International Sugar Organisation as at November 2019. (2) International Sugar Organisation as at November 2019. (3) Includes DRC East, South and West

# Industry Sustainability Through Legislation

## South Africa

### Transitional Agreement

- Completed by SASA and submitted to DTI
- SAFDA now officially included as a grower body

### Sugar Master Plan (2030)

- Restore local market and offtake commitments
- Provide producer price certainty
- Strategic trade protection and target transitional relief
- Pricing restraint
- Small scale grower protection

### Sugar Act

- Sugar Act will need to be modified to take into account Master Plan

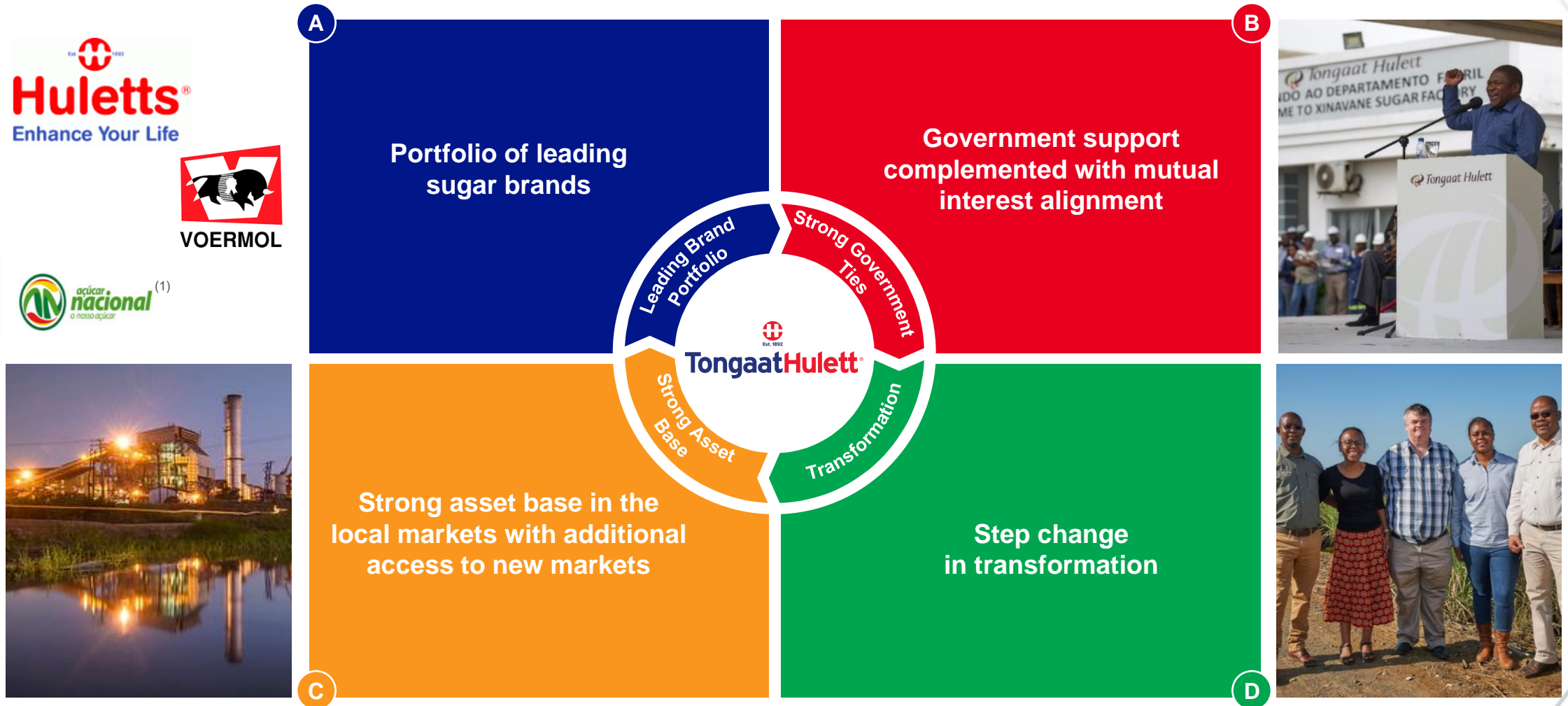
## Mozambique

### Pending Competition Legislation

- Could lead to DNA-brand dissolution
- Tongaat Hulett had a 65% share of market production in FY19 with the one of the largest refining assets<sup>(1)</sup>

Notes: (1) Based on management estimates as of December 2019.

# Key Sugar Division Highlights



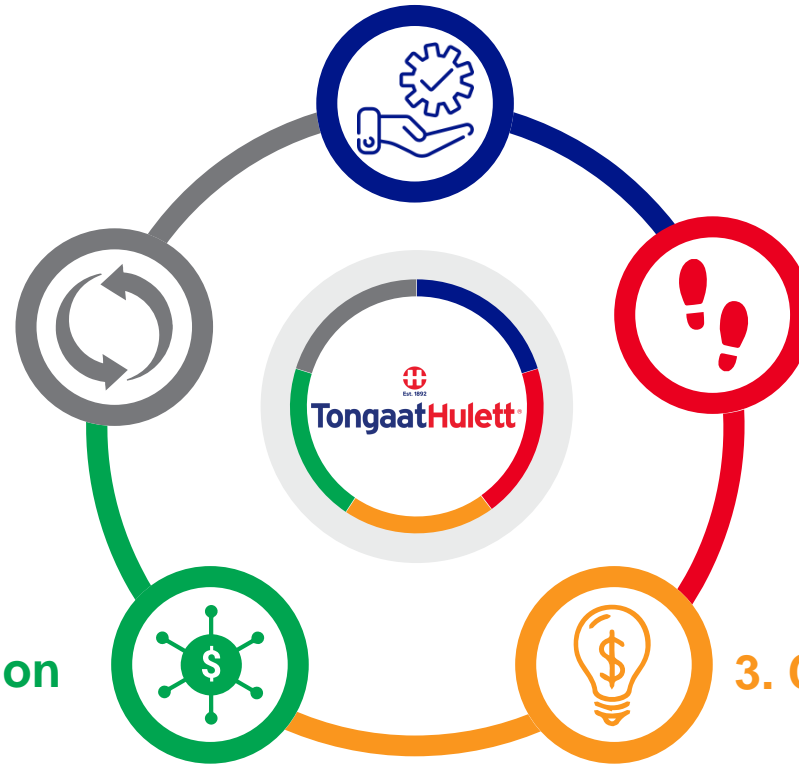
Notes: (1) Tongaat Hulett does not own exclusive rights to the brand. The rights to the brand are shared among all Mozambican industry participants.

# Key Strategic Initiatives

## 1. Streamlining Operations

5. Transformation Step  
Change and Alignment with  
Governments

4. Revenue Diversification



2. Asset Optimisation

3. Commercial Opportunities

Clear Initiatives to Build a Sustainable and Profitable Sugar Business

# 1. Streamlining Operations

	South Africa	Zimbabwe	Mozambique	Targeted Medium-Term EBITDA Impact
Rightsizing	\$\$\$	\$\$\$	\$\$	R380 – 560m
Spending/SG&A Reductions	\$\$	\$\$	\$	R170 – 210m
Efficiency Gains	\$	\$	\$	R70 – 90m
Logistics	\$\$\$	\$	\$	R180 – 240m

... Benefitting from R800 – 1,100m of Additional Estimated EBITDA from Identified Cost Cutting Initiatives ...

\$\$\$ >R100m    \$\$ R50m to R100m    \$ <R50m

Notes: Includes targets that are forward-looking statements which have not been reviewed or reported on by the company's external auditors. Please refer to disclaimer on forward-looking statements. Medium-Term (3-5 years) figures are presented on a constant currency basis. Based on management estimates as of December 2019.



## 2. Asset Optimisation

	South Africa	Zimbabwe	Mozambique	Targeted Medium-Term EBITDA Impact
Optimisation of Non-Core Operations	\$	\$	\$	R30m – R50m
Exit Non-Profitable Business Units	\$\$\$	\$	\$	R100m – R250m
Optimisation of Operations	\$\$\$	\$\$	\$	R170m – R250m

... and R300 – 550m from Asset Optimisation Initiatives in the Medium-Term

\$\$\$ >R100m    \$\$ R50m to R100m    \$ <R50m

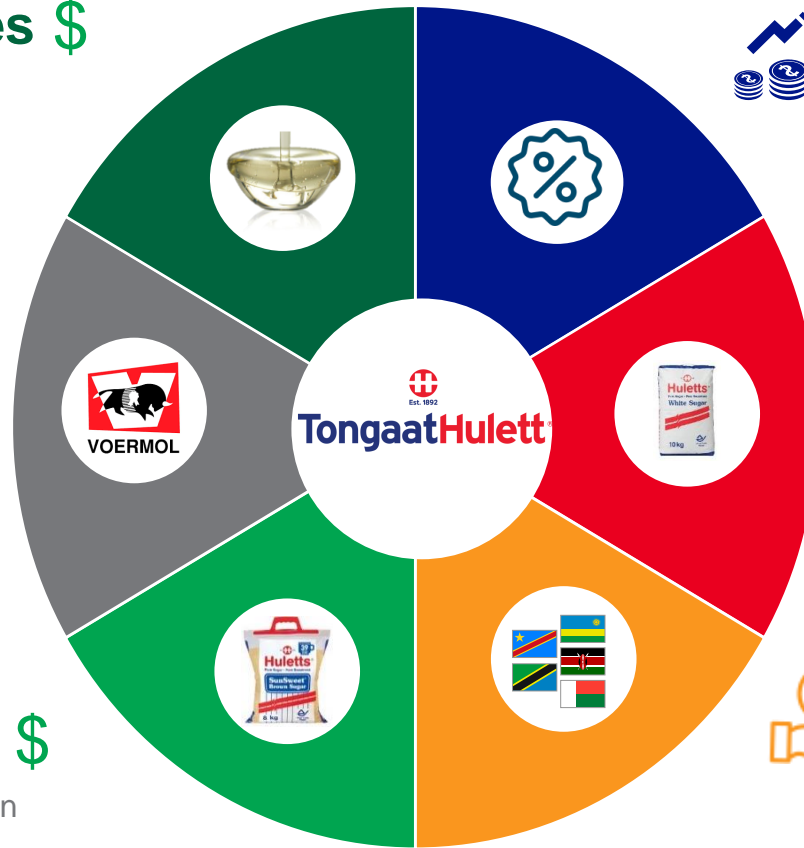
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# 3. Commercial Opportunities Estimated to Increase EBITDA by R350 – 600m

**Adjacent Opportunities \$**  
Liquid sugars and fructose

**Voermol \$**  
Expand into chicken, dairy and pig food and win back lost market share

**Brown Sugar \$**  
Increase market share in South Africa



**Pricing \$\$\$**  
Optimal pricing strategy

**Packaging \$**  
Change packaging material and review pack sizes

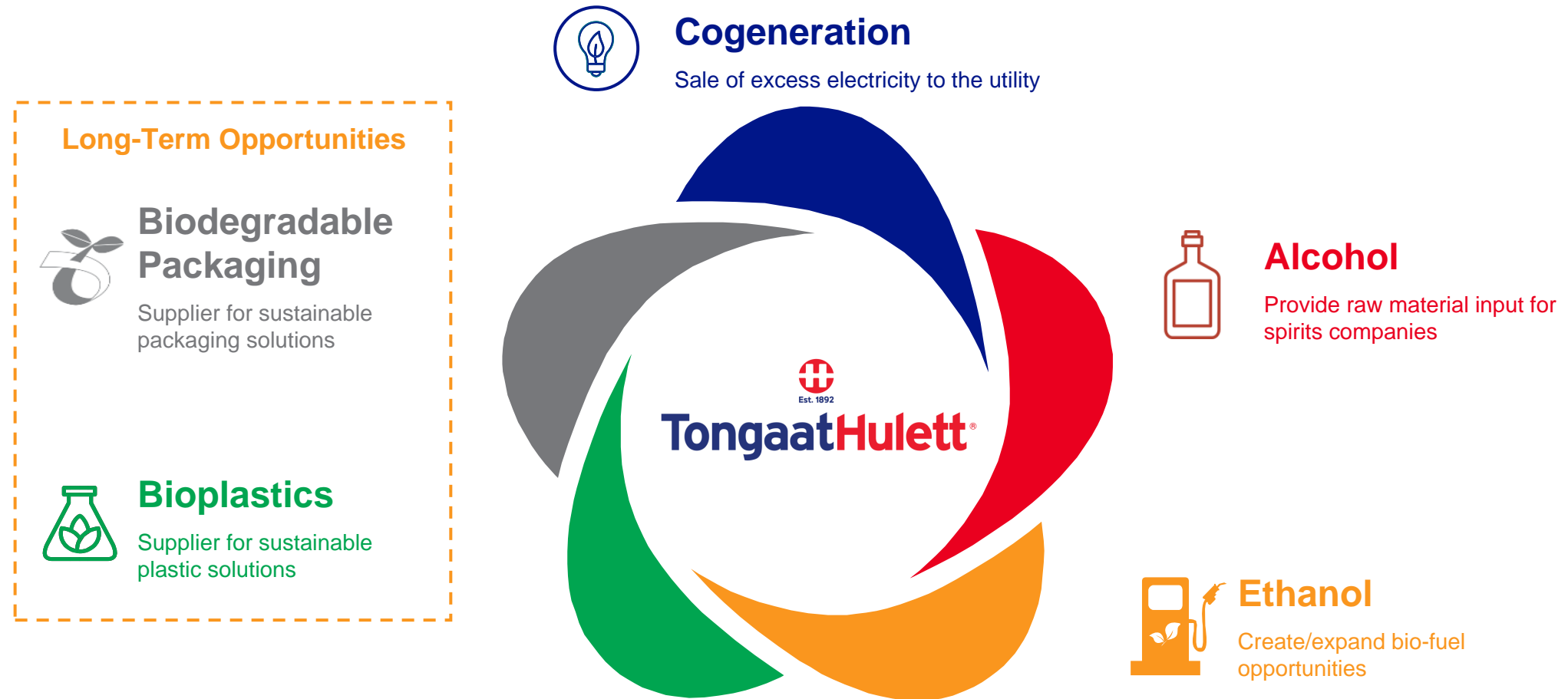
**Exports \$**  
Enter new sugar deficit markets leveraging existing footprint and extracting forex

**Maximise Penetration in Existing Deficit Markets and Leverage New Opportunities Further Down the Value Chain**

Revenue impact  
 EBITDA impact  
 Forex play  
 \$\$\$ >R100m  
 \$\$ R50m to R100m  
 \$ <R50m

Notes: Includes targets that are forward-looking statements which have not been reviewed or reported on by the company's external auditors. Please refer to disclaimer on forward-looking statements. Medium-Term (3-5 years) figures are presented on a constant currency basis. Based on management estimates as of December 2019.

## 4. Revenue Diversification Estimated to Increase EBITDA by R150 – 250m



Notes: Includes targets that are forward-looking statements which have not been reviewed or reported on by the company's external auditors. Please refer to disclaimer on forward-looking statements. Medium-Term (3-5 years) figures are presented on a constant currency basis. Based on management estimates as of December 2019.

# 5. Tongaat Hulett's Commitment to Transformation



## Zimbabwe

### Kilimanjaro

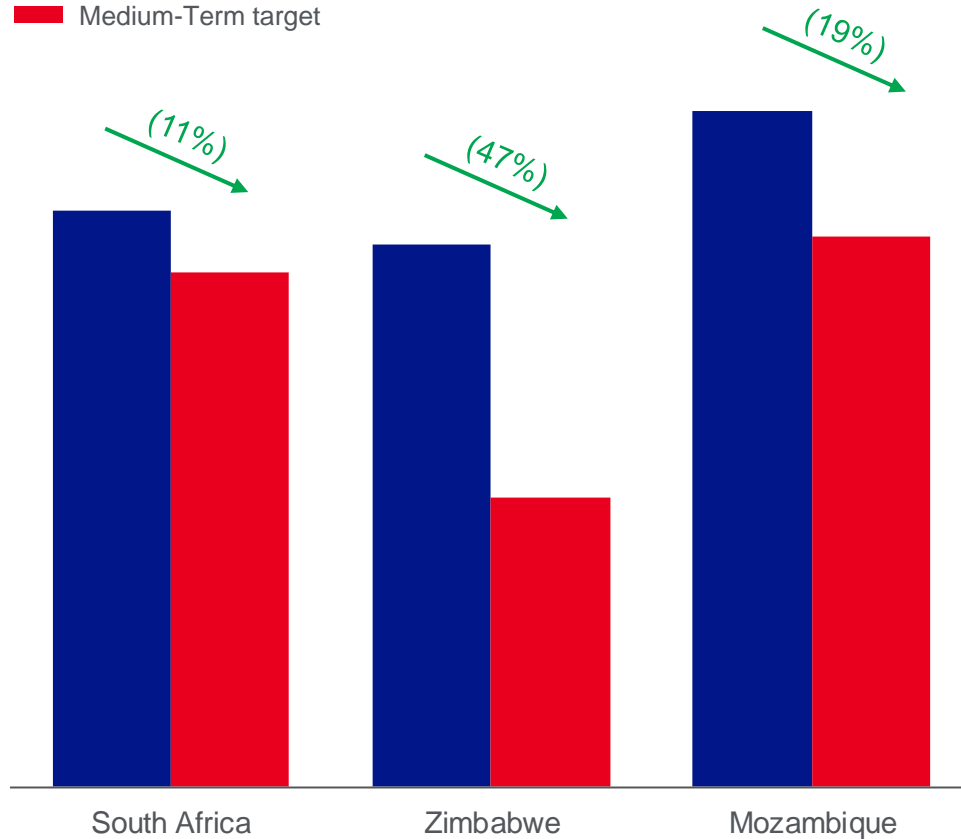
- 4,000ha of new sugarcane for the benefit of indigenous farmers launched Nov 2019
- >2,000 jobs created

Notes: (1) Rating for the period 12 July 2018 to 11 July 2019, the date on which the previous B-BBEE certificate expired. Issuance of a new certificate was delayed pending the publication of Tongaat Hulett's 2019 consolidated financial statements. Management expects a new B-BBEE certificate to be issued in due course.

# Early Initiatives Drive Results

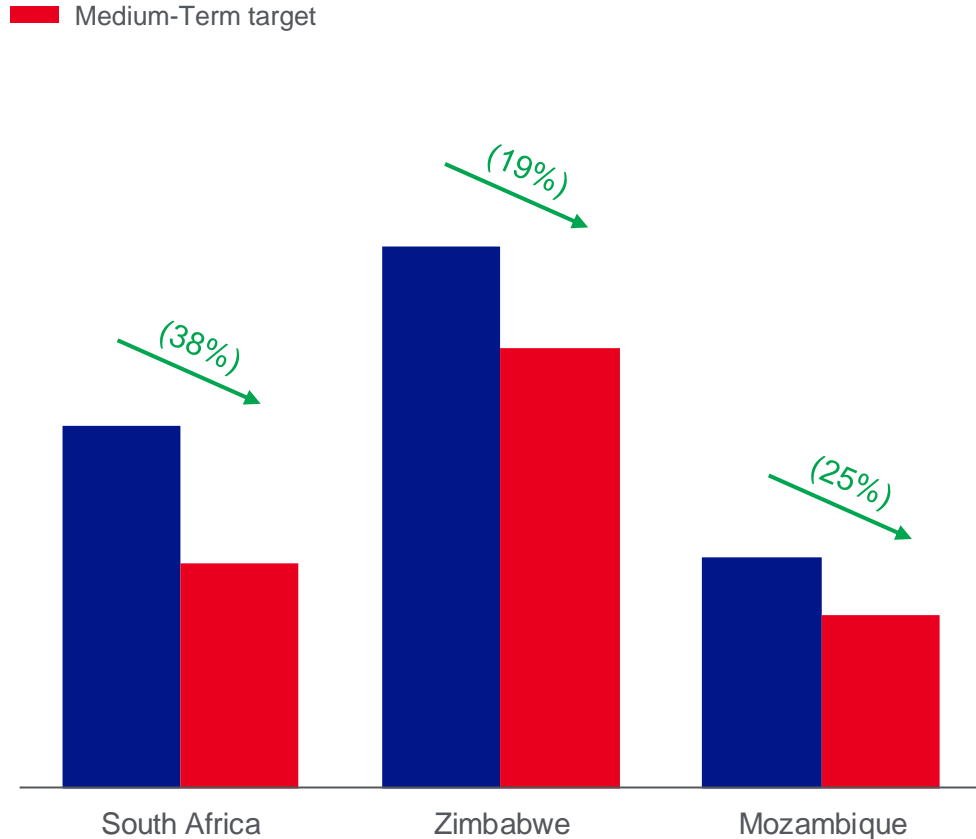
## Reducing Milling Cost ... (in R/ton)

■ FY19  
■ Medium-Term target



## ... and Refining Cost ... (in R/ton)

■ FY19  
■ Medium-Term target



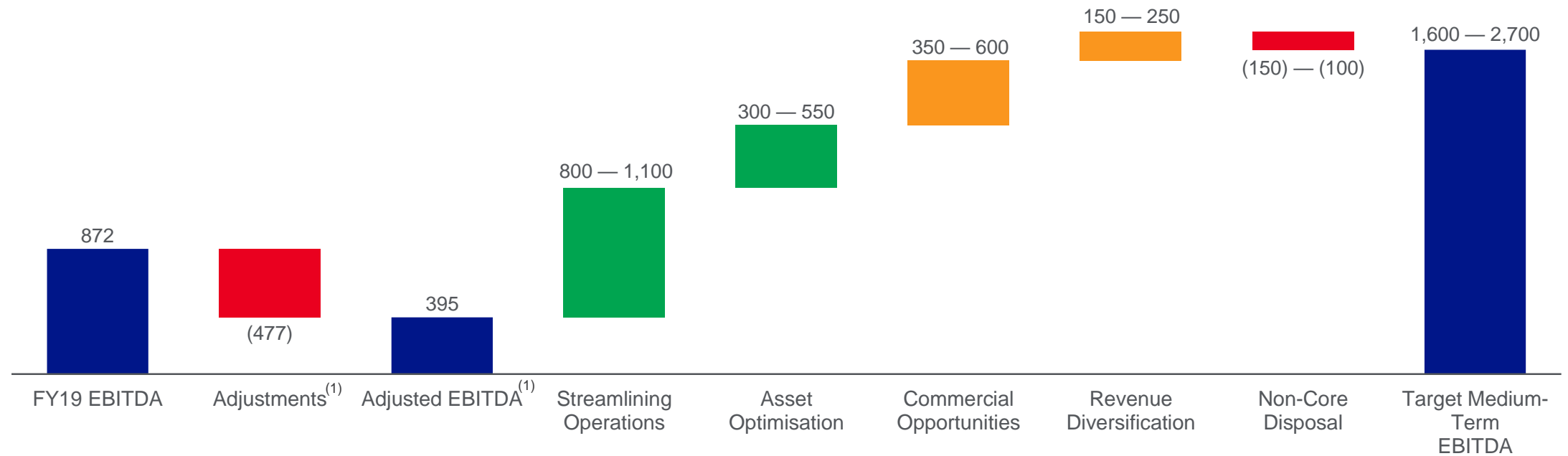
Notes: Includes targets that are forward-looking statements which have not been reviewed or reported on by the company's external auditors. Please refer to disclaimer on forward-looking statements. Medium-Term (3-5 years) figures are presented on a constant currency basis. Based on management estimates as of December 2019.

# Clear Path to Sustainable Medium-Term EBITDA in Excess of R2bn

## EBITDA Run-Rate Improvements by Initiatives

(in Rm)

- Group EBITDA
- Cost initiative impact
- Revenue initiative impact

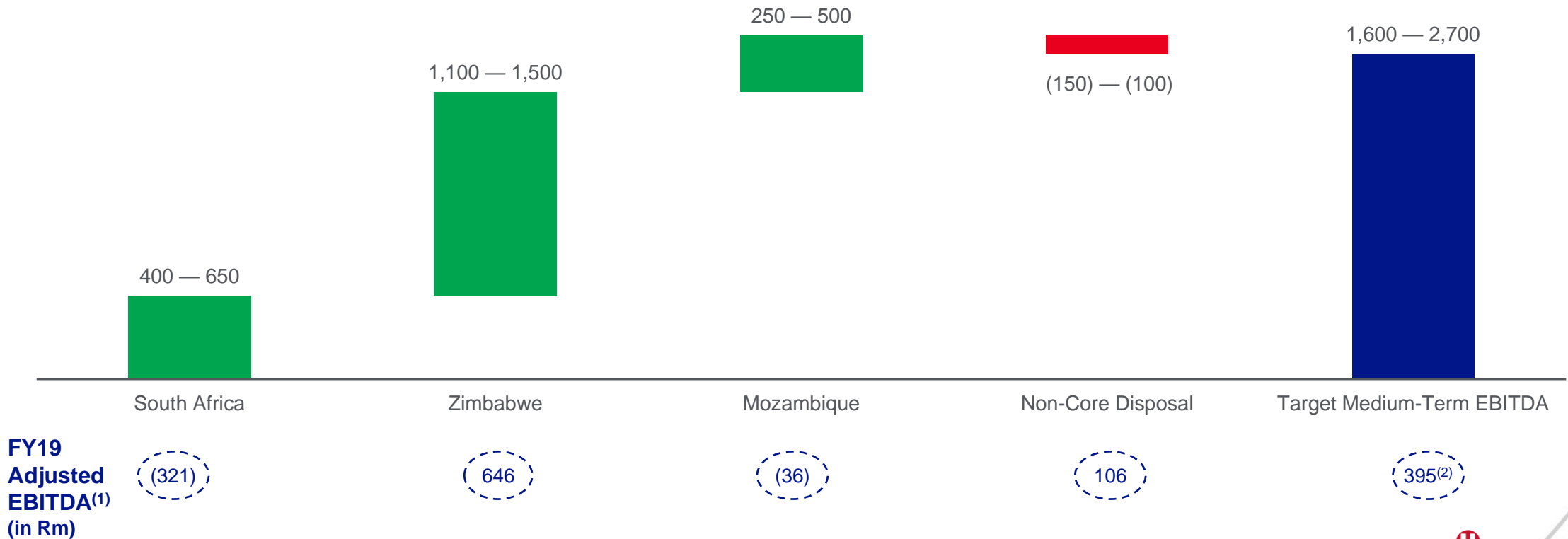


Notes: Includes targets that are forward-looking statements which have not been reviewed or reported on by the company's external auditors. Please refer to disclaimer on forward-looking statements. Medium-Term (3-5 years) figures are presented on a constant currency basis. Based on management estimates as of December 2019. (1) Adjustments includes one-off items of impairments, non-trading items and cane revaluations.

# Clear Path to Sustainable Medium-Term EBITDA in Excess of R2bn (Cont'd)

## Target Medium-Term Run-Rate EBITDA by Division

(in Rm)



Notes: Includes targets that are forward-looking statements which have not been reviewed or reported on by the company's external auditors. Please refer to disclaimer on forward-looking statements.

Medium-Term (3-5 years) figures are presented on a constant currency basis. Based on management estimates as of December 2019.

(1) Adjustments includes one-off items of impairments, non-trading items and cane revaluations. (2) Includes Eswatini, Botswana, Namibia FY19 EBITDA of R106m.

# Progress on the Plan

## 1. Currently in Place

- ~60% of the rightsizing completed
- ~90% of farming in South Africa optimised
- Logistics and warehouse contracts reviewed and optimised in South Africa and Mozambique
- Alignment with Zimbabwean Government on use of own forex

## 2. Next 12 Months

- Balance of the rightsizing to be completed
- Optimise infrastructure
- Exit non-core activities
- Build export capability
- Grow PCC in Mozambique

## 3. Long-Term

- Expand ethanol capacity in Zimbabwe
- Build diversification in South Africa
- Grow PCC in Mozambique



## C. Property Division



# Our Current Property Portfolio Has a Developed Potential Value of c. R35bn

## Key Highlights

~11.7k ha of well-located land available for development with a fair value of ~R11bn<sup>(1)</sup>

Supports a comprehensive social and economic program across property portfolio

Over R70bn of economic development on Tongaat Hulett land to date<sup>(2)</sup>

Three primary portfolios aligned to public sector strategic plans

**Property Development**

~9,100ha

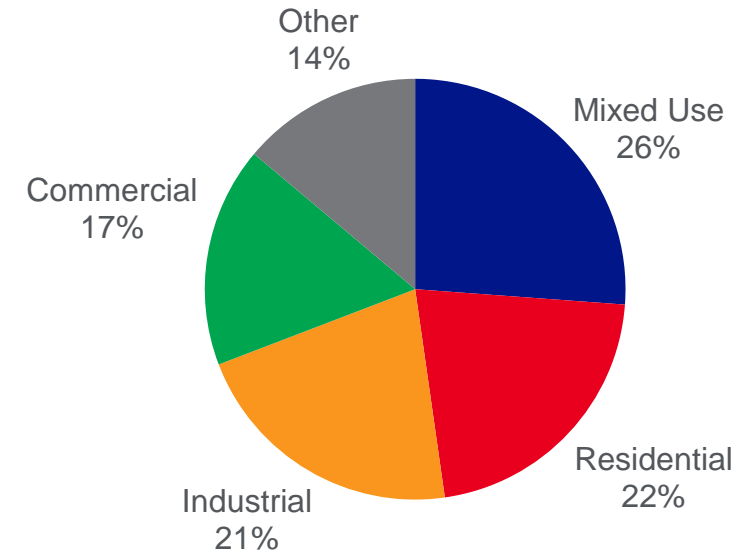
**Social Housing**

~2,200ha

**Active Projects<sup>(3)</sup>**

~400ha

## Portfolio Land Fair Values Split<sup>(1)</sup>



Notes: Unless otherwise stated, Company estimates as at December 2019. (1) Independent Valuation Report issued on 23 August 2019, valued as at 1 June 2019.

(2) Based on internal calculation of investments on Tongaat Hulett land sold since 1990, as at November 2019. (3) Active projects are expected to close out in medium-term, includes niche sales of 97ha.

# Property Division at a Glance

## Geographic Diversification

**Durban Aerotropolis Smart City Region (57% of land)**

**Coastal Resorts, Lifestyle and Tourism (30% of land)**

**Inland DryPort & Logistics around Ntshongweni (13% of land)**

## Land Development Progress<sup>(1)</sup>

**~5,860ha** Of portfolio formally released from agriculture

**~2,400ha** Of portfolio has EIA approvals in place

**~300ha** Of portfolio has zoning approval in place

**~5,910ha** Still under agriculture

Notes: (1) Gross as of 2 December 2019.

## Ambitions for Inclusive Value Creation

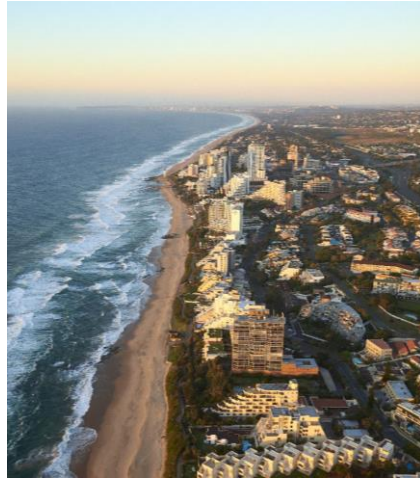
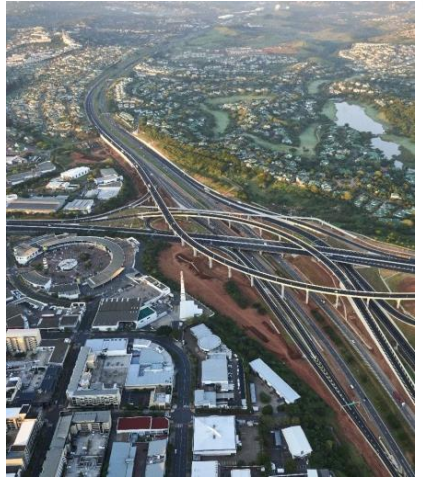
- **Honour our obligations** to stakeholders arising from commercial development commitments
- Shift strategy from disposal of land to **sustainable earnings platform**
- Secure **long-term PropCo equity investors**
- Facilitate KwaZulu-Natal **Broad-Based Empowerment Consortium**
- Prepare **land development and transaction strategies**, as part of the PropCo structure
- Align land portfolio with government's **long-term inclusive development strategies**
- **Dispose of non-core land (e.g. farms)** with regard to development strategy

# Key Property Division Highlights



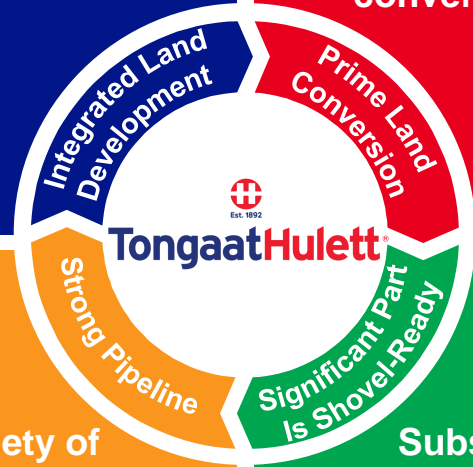
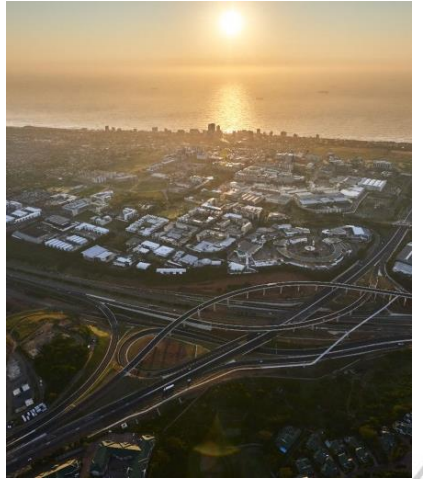
All inclusive approach to land conversion, development and ownership

~11.7k ha portfolio to be converted into urban land usage



Interest across a variety of market sectors across all geographic regions

Substantial investment into portfolio to facilitate short-term cash realisation



# Key Strategic Initiatives



## Smart City Region

- ✓ Launched by KZN government in September 2019
- ✓ Approved masterplan for Umhlanga to Ballito
- ✓ Anchored by King Shaka Intl Airport
- ✓ 16 of 26 development nodes are Tongaat Hulett properties
- ✓ ~6,600ha

**Current Fair Value: ~R7.8bn**



## Inland DryPort/ Logistics Precinct

- ✓ Strategic location on N3 Logistics Corridor
- ✓ Part of Durban's Inland DryPort initiative
- ✓ Catalysed by regional Mall of the West
- ✓ Significant opportunities for diverse mix of residential product, office and business activities
- ✓ ~1,600ha

**Current Fair Value: ~R2.3bn**

## Coastal Resorts

### Coastal Resorts and Lifestyle Residential

- ✓ Coastal land with 12km of beachfront
- ✓ Accessible along KwaZulu-Natal North Coast
- ✓ Physical and natural attributes provide opportunities for coast resort and lifestyle residential developments
- ✓ ~3,500ha

**Current Fair Value: ~R0.9bn**



Notes: Independent Valuation Report issued on 23 August 2019, valued as at 1 June 2019.

# Examples of Unlocking Value: Selected Property Developments



## Sibaya

- ✓ Private university for 15,000 students
- ✓ Investment of ~R1bn



## Dube Trade Port

- ✓ Industrial manufacturing brewery
- ✓ Investment of ~R6bn



## Ntshongweni

URBAN DEVELOPMENT

## Ntshongweni

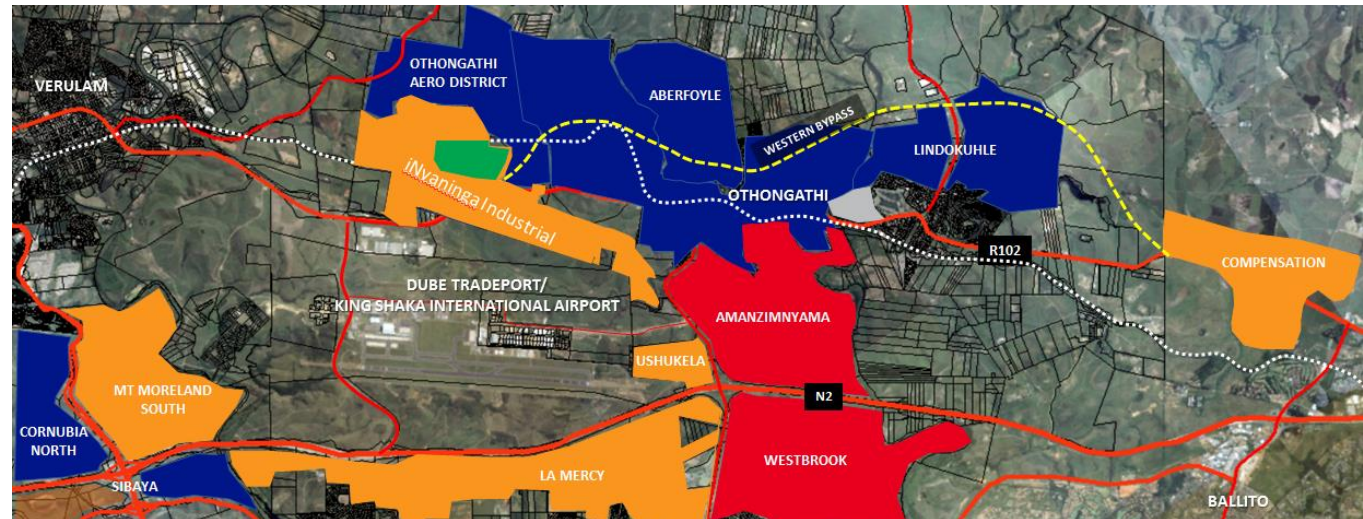
- ✓ Mall of the West, 85,000m<sup>2</sup>
- ✓ Investment of ~R2bn, opening in 2022



## Coastal Resorts

## Tinley Town

- ✓ Tinley International Beach Resort
- ✓ Investment of ~R1bn



- Integrated Mixed Residential
- Industrial/Logistics
- Heineken Site
- Maidstone Mill
- Mixed Use Urban Core



# Government Aligned Strategy



## National Focus

- National Development Plan
- Strategic Infrastructure Program
- Medium-Term Strategic and Expenditure Framework
- Smart Cities
- Inclusive socioeconomic development



PROVINCE OF KWAZULU-NATAL  
ISIFUNDAZWE SAKWAZULU-NATALI

## Provincial Focus

- Provincial growth and development strategy – corridor development
- Economic transformation
- Special Economic Zone (Dube Trade Port)
- Coastal tourism development



## Municipal Focus

- Inclusive spatial planning
- Economic, social and infrastructure development
- Frontline delivery partnerships by government, communities and business
- Infrastructure demand planning

# Property Development Company

Private Equity  
Investors, DFIs,  
Internationals



BEE Investors

## PropCo

- Consolidates development land into a new property company
- Well-defined land portfolios
- Facilitates disposal of non-core land
- Unlocks early cash
- Drives inclusive socio-economic growth and transformation

Strategy in Action with a View to Operationalise in the Short to Medium-Term



## 4. Financial Overview

# Introduction - Re-Establishing Financial Rigour

## Focus Areas

- Determining the true financial position of the group
- Increasing the robustness of the accounting and financial governance frameworks
- Improving financial discipline and processes
- Strengthening the balance sheet

## Strengthened Policies and Frameworks

- Existing accounting policies thoroughly reviewed, revised, approved and applied (with Audit committee oversight)
- Decision frameworks designed to achieve technically correct and commercially sensible outcomes
- Financial judgement governance and decision frameworks strengthened

## Financial Results: Areas of Restatement

- Revenue recognition
- Asset valuation
- Capitalisation of costs
- Provisioning policies



Est. 1892

# Our New Starting Point - Restated Financial Status

	2018 Restated <sup>(1)</sup>	2018 Published
Revenue	R17,505m	R16,982m
Operating profit <sup>(2)</sup>	R142m	R1,956m
Total assets	R18,686m	R29,115m
Equity	R62m	R12,009m
Borrowings	R11,303m	R9,125m

The outcome of the restatements is a reduction in the amount reflected in the 2018 Financial Statements as the group's equity as at 1 April 2018 of R11,886m

Notes: (1) In many cases, restatements may apply across several years - these have been adjusted to reflect as a total restatement as at 31 March 2017.

(2) Operating profit - Earnings before Interest & Tax (includes non-trading items).

# Financial Features

## Key Impacts

Wide Ranging Restatements to Set a Representative Base

Finance Costs as a Key Contributor to Loss

Currency and Translation Distortions Affected Numbers for Zimbabwe

Revenue  
**R17.1bn**  
(FY18: R17.5bn)

Operating profit  
**R1.2bn**  
(FY18: R142m)

EBITDA  
**R1.9bn**  
(FY18: R0.7bn)

Interest paid  
**R1.5bn**  
(FY18: R1.3bn)

Headline loss<sup>(1)</sup>  
**R(0.9)bn**  
(FY18: R(0.9)bn)

HEPS<sup>(2)</sup>  
**(823) cents**  
(FY18: (861) cents)

Cash generated from operations  
**R1.7bn**  
(FY18: R1.9bn)

No dividend declared

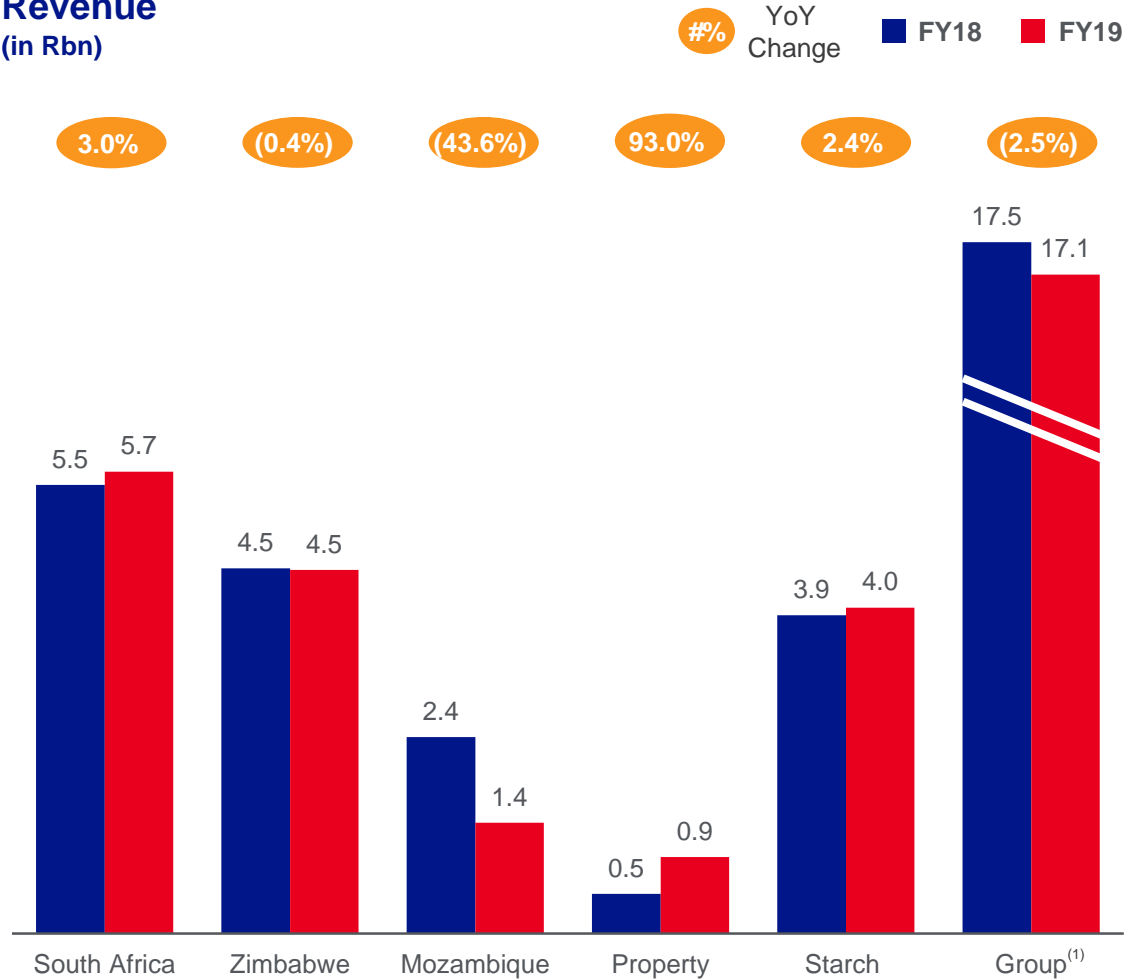
Borrowings  
**R11.4bn**  
(FY18: R11.3bn)

Financial Accountability Substantially Strengthened

Notes: Unless otherwise indicated, financial information relates to the financial year ended 31 March 2019. (1) Headline earnings (loss) is calculated as earnings based solely on operational and capital investment activities, excluding income relating to sales of assets and accounting write-downs. (2) HEPS is calculated as Headline earnings divided by weighted average number of shares.

# Revenue

## Revenue (in Rbn)



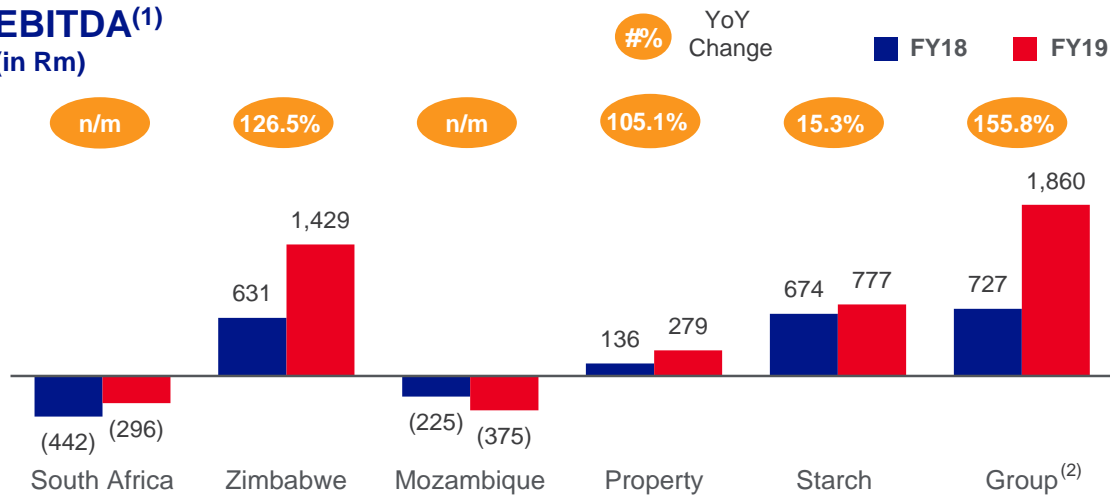
## Commentary

- Group gross revenue marginally lower than prior year
- South African sugar production up 16% with underlying sales mix shift towards exports due to reduced local demand
- Steady local demand in Zimbabwe despite significant price increases with underlying shift towards export sales to generate foreign currency; some offset in terms of translation into Rand
- Local market sales in Mozambique declined due to increased imports
- No new transactions this year in the land portfolio; some historic transactions had to be recognised in FY19 as per amended accounting policies
- Starch benefited from new market development initiatives, offset by weaker local consumer demand and customer production constraints in coffee creamers

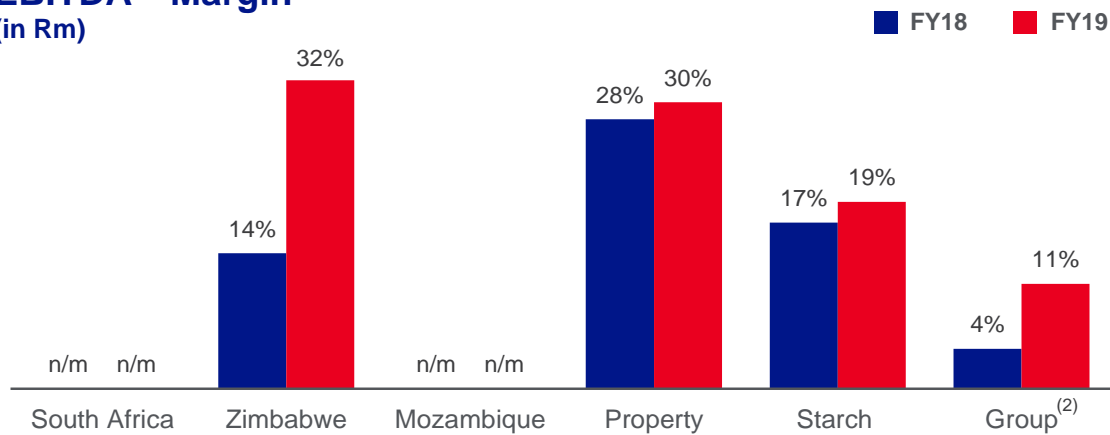
Notes: (1) In addition to divisions shown separately this also includes Eswatini and other SADC, Corporate and intra-company eliminations.

# EBITDA

## EBITDA<sup>(1)</sup> (in Rm)



## EBITDA<sup>(1)</sup> Margin (in Rm)



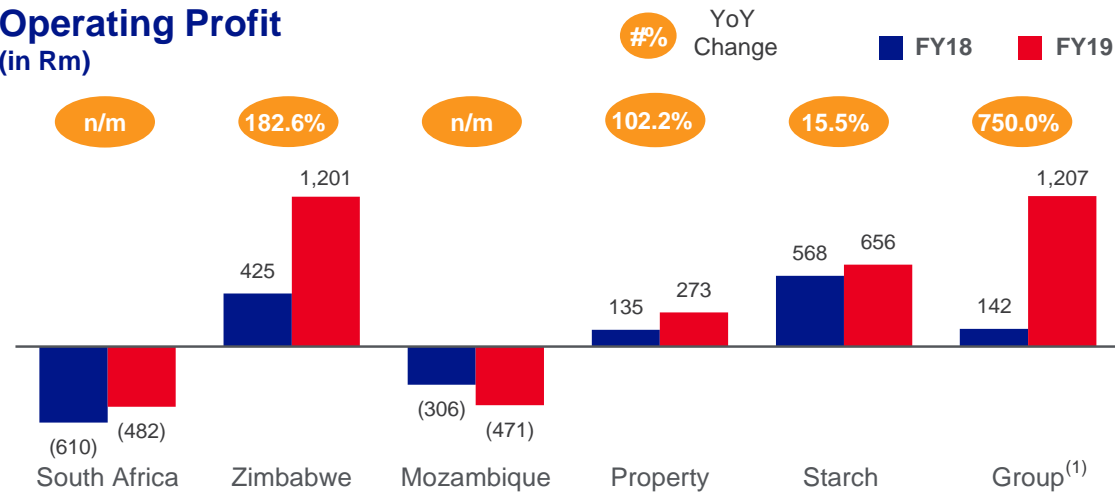
## Commentary

- Increase in sugar operating profits mainly attributable to a fair value gain as well as foreign currency translation benefits in the Zimbabwean operations
- Zimbabwean operations grew production by 16% and improved yields. Export sales more than doubled, earning valuable foreign currency
- Mozambique operations suffered from a 17% reduction in local sales and lower margins on export replacement
- The South African operations were negatively impacted by the Health Promotion Levy and overhang from dumped imports
- Starch margins benefited from lower maize prices as well as improved co-product realisations
- Land margins benefitted marginally from revised accounting standards

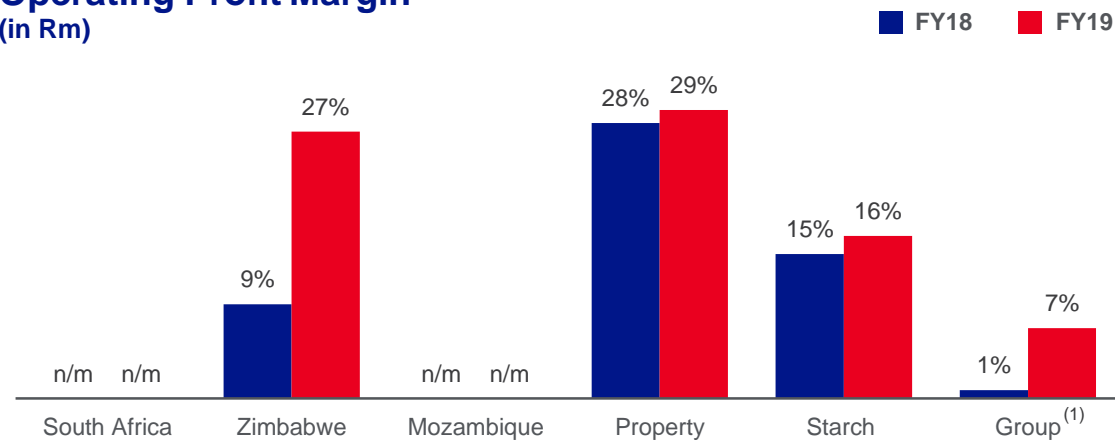
Notes: EBITDA - Earnings before Interest, Tax, Depreciation & Amortisation. (1) EBITDA excludes non-trading items and cane revaluations.  
(2) In addition to divisions shown separately this also includes Eswatini and other SADC, Corporate and intra-company eliminations.

# Operating Profit

## Operating Profit (in Rm)



## Operating Profit Margin (in Rm)



## Commentary

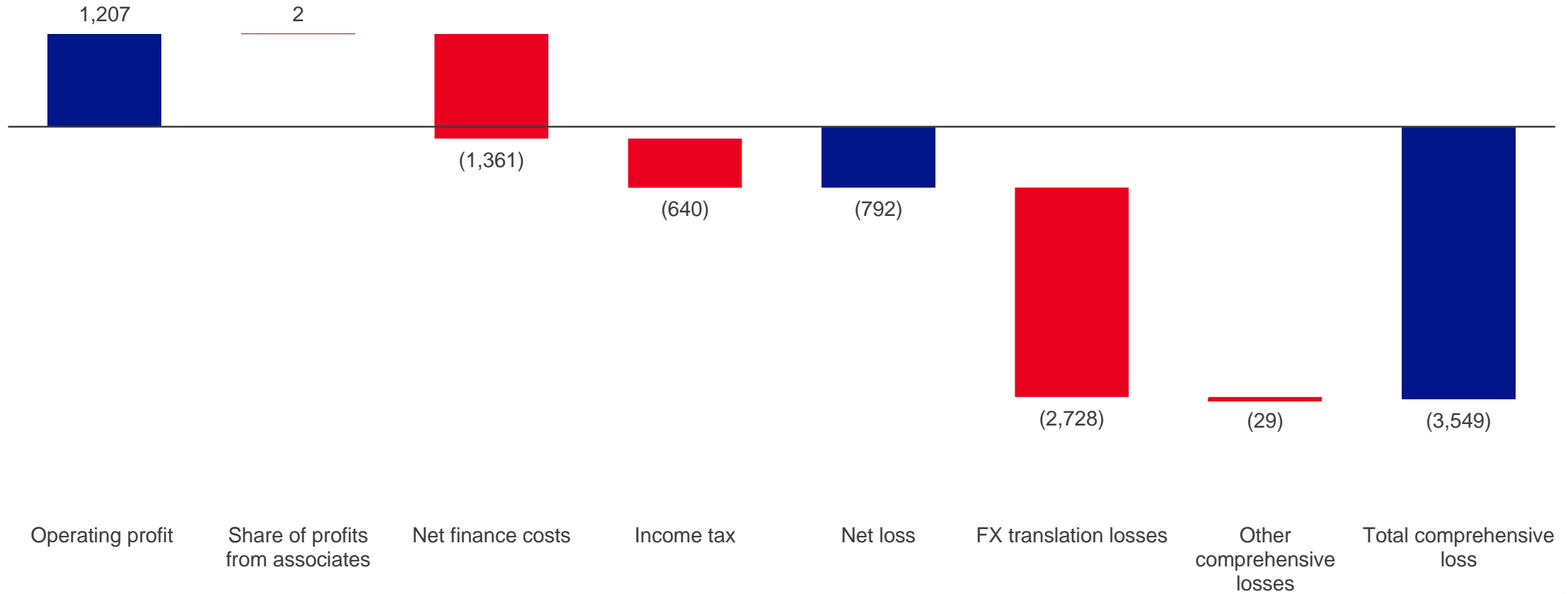
- Operating profit increase driven by:
  - An 11% decline in cost of sales
  - A fair value adjustment on biological assets of R470m compared to the R47m in the prior year

Notes: (1) In addition to divisions shown separately this also includes Eswatini and other SADC, Corporate and intra-company eliminations.

# FY19 Loss Driven by Finance Costs and FX

## Bridge from Operating Profit to Comprehensive Loss

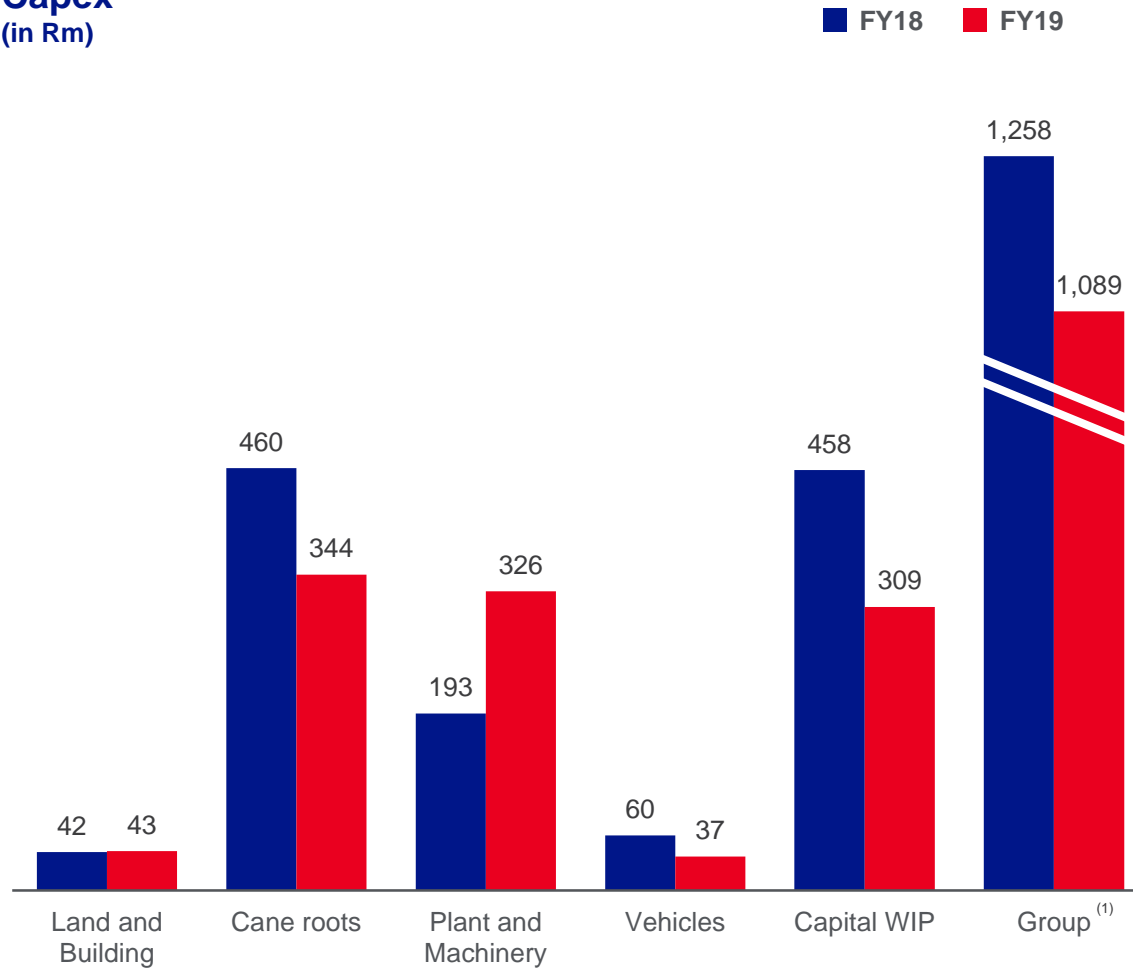
(in Rm, FY19)





# Capex

## Capex (in Rm)



## Commentary

- Capital expenditure, and specifically the replanting of roots has been curtailed in consideration of the group's cash flow constraints
- Mozambique includes the following in relation to the Xinavane Refinery which was budgeted to cost R548m
  - FY18 (restated): R102m
  - FY19 : R496m

Note: (1) In addition to elements shown includes irrigation, office equipment and capitalised leases.

# Group Tax Profile

## Consolidated Income Tax Expense

	2019		2018 Restated	
	%		%	
<b>(Loss)/profit before tax</b>		<b>(154)</b>		<b>(952)</b>
Tax using the normal rate of South African tax	(28.0%)	(43)	(28.0%)	(267)
Adjusted for:				
Disallowed expenditure funded by exempt income	9.1%	14	3.9%	37
Disallowed interest expenditure	50.0%	77	8.6%	82
Dividends received from subsidiaries	0.0%	0	0.0%	0
Effect of different statutory taxation rates in foreign jurisdictions	(14.9%)	(23)	(1.1%)	(10)
Exempt government grant income	(3.9%)	(6)	(0.3)	(3)
Impairment of assets and investments	38.3%	59	6.2%	59
Irrecoverable VAT	9.7%	15	0.0%	0
Miscellaneous reconciling items	1.3%	2	(2.0%)	(19)
Portion of capital gain / loss not subject to tax	(0.0%)	0	0.3%	3
Prior year adjustments	47.4%	73	0.3%	3
Unrealised profits on intra-group land sales	(11.0%)	(17)	(3.4%)	(32)
Unrecognised tax losses	302.6%	466	25.8%	246
Withholding taxes	14.9%	23	3.5%	33
<b>Effective rate of taxation</b>	<b>415.5%</b>	<b>640</b>	<b>13.9%</b>	<b>132</b>

## Commentary

- The statutory rate of tax in South Africa in 2019 was -28% (the group made a loss in 2019). The group effective tax rate was 415.5%. The main drivers for the difference are:
  - The disallowed unproductive interest increased the effective tax rate by 50%
  - The impairment of assets and investments increased the effective tax rate by 38.3%
  - Unrecognized deferred tax on assessed losses increased the effective tax rate by 302.6%
- The statutory rate of tax in South Africa in 2018 was -28% (the group made a loss in 2018). The group effective tax rate was 13.9%. The main drivers for the difference are:
  - The disallowed unproductive interest increased the effective tax rate by 8.6%
  - The impairment of assets and investments increased the effective tax rate by 6.2%
  - Unrecognized deferred tax on assessed losses increased the effective tax rate by 25.8%

# Debt Refinancing

## South Africa Refinancing

	Type	Total (Rm)
Facility A	Term Loan Facility	9,092
Facility B	Revolving Loan Facility	2,200
Facility C	Seasonal Revolving Loan Facility	c. 553
Facility D	Seasonal Term Loan Facility	c. 47
Overdraft	Overdraft Facilities	300
<b>Total</b>		<b>c. 12,192</b>

## Mozambique Standstill

	Type	Total (MTCm)
Long term	Term loan and Promissory Note	3,429
Short term	Working capital, overdraft, bank guarantee and letters of credit	2,138
<b>Total</b>		<b>c. 5,567</b>

## Commentary

- As at 31 March 2019, Tongaat Hulett group had outstanding borrowings of R11,438m
- Entered into Refinancing Agreements with South African lending group which will be used to refinance and replace current term and revolving debt facilities. Standstill agreement concluded on the facilities with the Mozambican lenders, and such facilities will be refinanced in due course
- Tongaat Hulett is committed to reducing its debt in South Africa by at least R 8.1bn by March 2021
- The appropriate level of debt in Mozambique will be determined as part of the refinancing process and once the strategic turnaround initiatives have substantially been implemented
- Progressing well towards meeting the debt reduction targets and have entered into agreements to raise R500m from the liquidation of our pension fund and R110m from the sale of the Namibia operations
- On 6 December 2019, the company has also signed indicative term sheets to refinance its Starch facilities in South Africa which will be concluded in due course
- The Zimbabwe group has standalone short term non-recourse facilities in place, which is currently not utilized and not supported by the SA Group. These facilities will not be refinanced

# Cash Flow Highlights

Rm	2019	2018 Restated
Cash generated from operations	1 720	1 876
Additions to property, plant and equipment incl intangibles	(1 089)	(1 258)
Finance costs	( 1 107)	(1 025)
Dividends paid to shareholders of Tongaat Hulett	(66)	(330)
Net cash (outflow)/inflow from financing activities	(724)	(61)

Rm	2019	2018 Restated
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(443)</b>	<b>214</b>
Cash and cash equivalents at the beginning of the financial year	2 723	2 788
Translation effects on cash and cash equivalents	(1 309)	(279)
Transfer to assets held for sale	(9)	-
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>962</b>	<b>2 723</b>

## Commentary

- Cash generated from operations positively impacted by improvements in working capital
- Cash flow benefitted from the decision not to pay dividends

# Going Concern



## Confirmation as Going Concern

The Board is of the view that given the significant headroom in the fair value of the assets over the fair value of the liabilities, the group and company are solvent as at 31 March 2019 and at the date of this report.

The ability of the entities to repay debt as it becomes due is dependent on the timing and quantum of cash flows from operations, the ability to realise cash through a combination of disposals of core or non-core assets, or part thereof, and the successful raising of equity. The liquidity dependencies indicate that a material liquidity uncertainty exists, that may cast doubt on the company and the group's ability to continue as a going concern.

The Board has no intention to cease trading, curtail operations nor liquidate the businesses, other than the strategic disposals that may be necessary to reduce debt. The Board remains focused on, and committed to, the turnaround strategy and repayment of debt. The Board has concluded that the company and group are able to discharge liabilities in the normal course of business and are committed to continue as a going concern in the foreseeable future.

## 5. Q&A Session