

# INTRODUCTION TO TONGAAT HULETT

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Tongaat Hulett is an agri-processing business which includes integrated components of land management, property development and agriculture. Through its sugar and starch operations in Southern Africa, Tongaat Hulett produces a range of refined carbohydrate products from sugar cane and maize. It has considerable expertise in downstream agricultural products, biofuel production and electricity cogeneration. Competition for alternative land usages is increasing rapidly. Tongaat Hulett balances the operational requirement for cane supplies to its sugar cane processing operations with the transition to property development.

Over the past century, Tongaat Hulett has established itself as a leading large scale agri-processing business which has its base firmly established in Southern Africa. Demand for food products is increasing worldwide, renewable energy has introduced a new dimension to agriculture and agricultural trade regimes are changing, with Africa and the European Union

and its outgrower programmes in Zimbabwe illustrate the level of understanding and extent of relationships in the region.

The integrated business model involves land and water management, agriculture, agri-processing and the transition to property development at the appropriate times. Tongaat Hulett is able to maximise value through the various phases of land usage, from acquisition, agriculture and agri-processing to the transition to property development and the pace thereof. The transition of prime land from agriculture to property development and Tongaat Hulett's established property development platform and expertise generate both capital and operating profits, which have grown significantly in recent years. This carefully managed development activity continues to enhance the value of Tongaat Hulett's remaining land. As Durban grows and further developments such as the new international airport at La Mercy materialise, the importance of the land and property development activities is increasing.



moving closer as a trade bloc. Opportunities for expansion and growth in Africa are thus emerging. Tongaat Hulett has the established business platform and size to capitalise on these opportunities.

The growth and development of Tongaat Hulett's operations, in the selected regions in which it operates, have involved establishing credible partnering relationships with local communities, governments and employees over time. Its recent 25 percent South African BEE equity participation transactions, the partnership with the Mozambique government in establishing the Mozambique sugar operations

Tongaat Hulett's wet-milling operation is the major producer of starch and glucose on the African continent. Established in 1919, the starch operation has grown to be an important supplier to a wide range of South African and African industries. Operating five wet-milling plants, Tongaat Hulett converts some 600 000 tons of maize per annum into starch and starch-based products. It manufactures a wide range of products, from unmodified maize starch to highly refined glucose products, which are key ingredients for local manufacturers of foodstuffs, beverages and a variety of industrial products. The growth of the South African economy is positive for volume growth of these products.

Possessing a portfolio of sugar operations and assets in some of the lowest cost sugar production areas in the world, coupled with its leading Hulett's® sugar brand, world class technology, and preferential market access, Tongaat Hulett is in the favourable position of being able to capitalise on the changing sugar fundamentals in world markets.

The sugar assets are located in Southern Africa. Production in 2007 amounted to 1 119 000 tons of sugar and actions are underway to increase sugar cane supplies in order to match the available milling capacity that will be in excess of 1 945 000 tons by the 2009/10 season. Further expansion potential exists, particularly in the low cost production areas of Zimbabwe and Mozambique.

In South Africa, Tongaat Hulett's sugar operations are located on the North Coast of KwaZulu-Natal and in the Zululand region, where it has four sugar mills with installed capacity to



produce more than 1 million tons of sugar per annum. The sugar operations are strategically positioned to leverage efficiencies and economies as sugar milling in the region improves its cost competitiveness. The matching of milling capacity to available cane supplies remains a key driver of low cost sugar production. In addition to their raw sugar capability, the South African sugar operations include a central refinery with an annual capacity of some 600 000 tons and additional refining capacity of 36 000 tons at the White Sugar Mill (WSM) plant at Felixton.

Tongaat Hulett is able to take advantage of the evolving renewable energy dynamics through its existing investment in

South Africa by substituting the production of molasses and sugar for the international market with the production of bio-ethanol for the local market and utilising the energy component of bagasse at its sugar cane processing operations for electricity cogeneration. The starch operations, by reconfiguring their steam generation operations, have the potential to establish electricity cogeneration facilities.

In Mozambique, sugar operations consist of the sugar mills and estates surrounding Xinavane and Mafambisse. The Mozambique operations with fully irrigated agriculture, ideal growing conditions resulting in high cane and sucrose yields, close proximity to the ports and technology availability and support from South Africa are positioned for future growth. Mozambique also has a number of emerging opportunities to produce meaningful volumes of bio-ethanol for the EU market. Mozambique's LDC and ACP status, which allows this bio-ethanol to enter the EU on a duty free basis, gives it an advantage over countries such as Brazil.

Sugar operations in Zimbabwe consist of Triangle and a 50,35 percent stake in Hippo Valley Estates, representing a combined installed sugar milling capacity of 600 000 tons. The lowveld in Zimbabwe, with excellent topography, climate and established water storage and conveyance infrastructures for irrigation, is recognised as the lowest cost sugar producer in Southern Africa, if not the world. The operations at Triangle have produced, since 1980, industrial alcohol as an extension of the manufacturing process, with capital invested during 2007 to convert this to fuel grade ethanol.

Tongaat Hulett conducts its business operations in a manner that seeks to create value for all stakeholders and is sustainable and contributes meaningfully to the social and physical environment in which it operates. A high priority is placed on all aspects of safety, health and environment. Tongaat Hulett prides itself on its BEE scorecard rating as a Level Three Contributor and its inclusion in the JSE's Social Responsibility Investment Index for the fourth consecutive year. These results are testimony to Tongaat Hulett's adherence to the triple bottom line principles of environmental, economic and social development.