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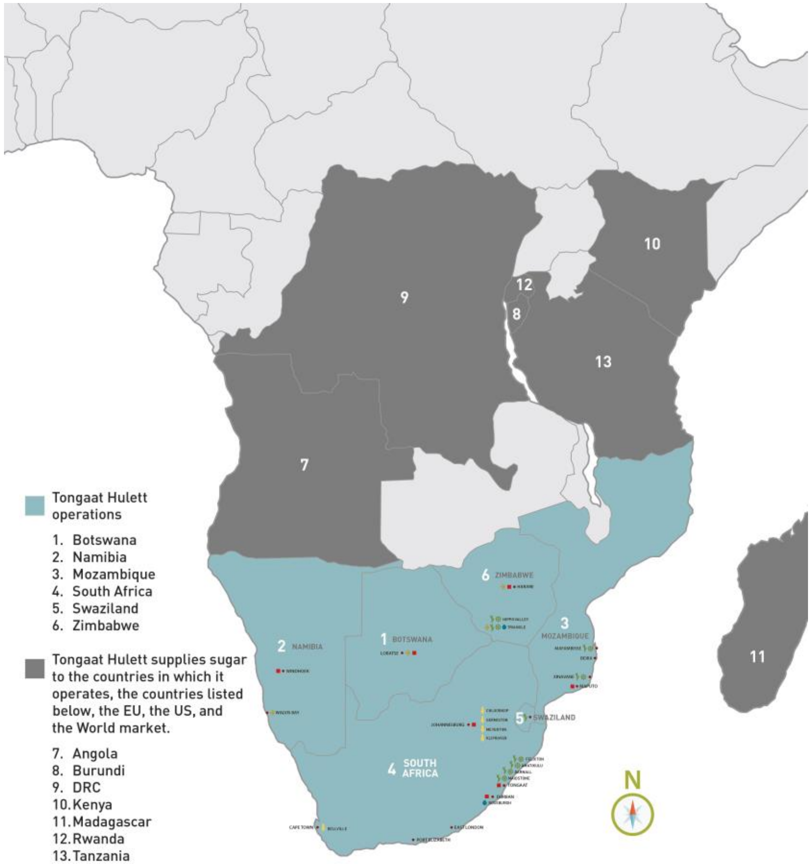
Tongaat Hulett

MAY 2018

Comprehensive information for the Investment Community
on Tongaat Hulett at the time of releasing the 2017/18 final results

Index

Tongaat Hulett operations and regional markets



Investment case

Tongaat Hulett's strategic positioning and objectives focus on the following key points

Tongaat Hulett is a proactive and resilient organisation working in collaboration with all its stakeholders in a focussed, constructive, mutual value-adding and developmental manner. It is well-positioned to benefit, and be a key development partner, as agriculture and agri-processing in Sub-Saharan Africa develops from a low base. It has operations in six countries in Southern Africa, significant sugarcane and maize processing facilities, a unique land conversion platform, a growing animal feeds position, opportunities to further grow ethanol production and electricity generation, and possibilities in cassava processing

Sugar - increasing returns by growing sugar production from available milling capacity and developing key markets and products

- Tongaat Hulett, through proactive cane development and irrigation initiatives, will grow sugar production utilising its available milling capacity of 2 000 000 tons per annum, benefitting from evolving preferential regional trade access and growth in sugar consumption
- Across all its sugar operations, approximately 34 000 hectares of new cane land has been planted over the past six years, mainly in communal areas. The existing sugarcane footprint, given regular growing conditions and the completion of the planting partnerships already underway, should produce some 1 600 000 tons of sugar. Total sugar production in 2018/19 is estimated to be between 1 310 000 tons and 1 450 000 tons. The production estimate is underpinned by improved water availability at all operations, and cane yields that reflect the benefit of agricultural improvement plans and the replanting of sugarcane roots after the drought
- Governments are generally supportive of protecting domestic sugar markets from imported sugar, particularly against the background of the high rural job impact of the sugar industry. In Zimbabwe and Mozambique, the effectiveness of various protection measures has become meaningful. In South Africa, the South African Sugar Association has applied for an increase in the US dollar-based reference price, used in the calculation of the duties, from US$566 to US$856 per ton. A decision is expected in 2018. The Department of Economic Development has supported the application. The industry has committed itself to provide further support to small-scale growers and expand community sugarcane farming in rural areas. Higher duty protection would assist in rebuilding margins of both growers and millers. The sugar industry has reduced local prices in response to competition from imports and to recover local market share
- Tongaat Hulett remains focussed on various initiatives to increase domestic sales, including the ongoing development of its leading sugar brands; improvements in marketing and distribution activities; and the investment in a refinery in Mozambique. The refinery will deliver a step change improvement to the sales mix in Mozambique, as sugar, previously sold into world price related markets, will now be redirected to the local market. The new financial year will benefit from three months of refined sugar production, with the full year benefit being realised in 2019/20. The prospect of an economic recovery in Zimbabwe is expected to translate into further growth in domestic demand, particularly in the industrial sugar market
- Regional trade preferences and agreements are gathering momentum. In the region, Tongaat Hulett already realises a premium over world market prices, supported by high quality products and services, and where possible, by leveraging its sugar brands. The Huletts Refined and Huletts SunSweet sugar brands are already available in targeted markets, such as Kenya
- All sugar operations continue to prioritise the reduction of the cost base, building on the successes of previous years. Cost reduction initiatives are focussed on bought-in goods, services, logistics, marketing and manpower costs across all the business areas. Unit costs of sugar production will benefit from future volume increases

Starch and Glucose - improved maize outlook and consolidation of volume growth

- The starch and glucose operation is focussed on growing sales volumes and margins by continuing to replace imports with local production, by enhancing its product mix through new business development and by targeting selected export markets. Sales into Sub-Saharan Africa and other regional markets are accelerating from a low base
- Working together with customers, further opportunities are being explored to increase sales volumes through customer exports
- Market development to increase the production of value-added modified starches is progressing well. These initiatives are supported by further improvements to the use of available production, which still has more than 15% spare capacity, and in operating efficiencies

Land conversion and development - continuing to create value for all stakeholders through an all-inclusive approach to land development activities

- Tongaat Hulett has a portfolio comprising 7 612 developable hectares of prime land in KwaZulu-Natal, near Durban and Ballito, which over a number of years, will be converted out of sugarcane into urban land usage. Of this land, some 47% (3 566 developable hectares) has been released formally from agriculture through approvals granted by the national government in response to applications made with the support of local and provincial government. Environmental approvals, which provide clarity regarding timing and suitability for ultimate usage, have been received for specified, market-aligned developments on 1 485 developable hectares
- Considerable progress has been made towards bringing land to shovel-ready stage, with Tongaat Hulett having invested R979 million into land earmarked for future sales, to create a sound planning and infrastructure platform. Available shovel-ready land currently totals 185 developable hectares, exceeding the 171 hectares sold over the past two years. In the socially and economically important Cornubia area alone, investments of R489 million have been made
- Significant negotiations are currently underway over some 300 developable hectares spread over Ridgeside, Sibaya, Cornubia, Bridge City, Umhlanga Ridge Town Centre, Kindlewood, iNyaninga and Tinley Manor

Leadership and Strength of Management Team

- Multiple advanced core competencies, good governance, strong executive and Board leadership

Socio-economic Positioning and Constructive Interface with Governments and Society

- Strategic positioning in the region is underpinned by the fundamental link between agriculture, agri-processing, rural jobs and community development, government and local authorities, unlocking infrastructure investment, and the conversion of cane land to development

Other Opportunities

- Attention continues on how best to unlock opportunities in ethanol production and electricity generation to maximise the value extracted from sugarcane
- Working to unlock livestock nutrition in the region, by leveraging its Voermol platform
- Future ethanol production in South Africa currently looks particularly promising
- Exploring opportunities for cassava processing

Financial overview

R million	12 months to 31 March 2018	12 months to 31 March 2017	
Revenue	16 982	17 915	- 5,2%
Operating profit	1 958	2 333	- 16,1%
Headline earnings	617	982	- 37,2%

Operating cash flow (after working capital)	2 275	3 176
Cash flow - highlighting the dynamics of the sugar operations and land conversion activities - refer slide 7		

- Sugar operations: Operating profit impacted by imports into South Africa and low international sugar prices
  - Effective import protection in Zimbabwe and Mozambique supports strong domestic markets; South African sugar industry takes measures to regain local market share
- Starch and glucose: Operating profit improved in second half of the year
  - Margins benefit from lower maize costs and higher sales volumes arise from import replacement initiative, new business development and growth in exports
- Land conversion and development activities: Operating profit in line with previous year
  - Sales in Cornubia (35 hectares) and the newly opened prime location at Tinley Manor (28 hectares)

Annual dividend of 160 cents per share (2017: 300 cents per share)

Revenue

R million	12 months to 31 March 2018	12 months to 31 March 2017
Sugar		
Zimbabwe	3 918	4 399
Swaziland	210	236
Mozambique	1 584	1 723
South Africa	6 332	6 405
Sugar operations - total	12 044	12 763
Starch operations	3 913	4 172
Land Conversion and Developments	1 025	980
Consolidated total	**16 982**	**17 915**

Operating profit

R million	12 months to 31 March 2018	12 months to 31 March 2017
Sugar		
Zimbabwe	563	504
Swaziland	29	69
Mozambique	159	308
South Africa	86	390
Sugar operations - total	837	1 271
Starch operations	572	510
Land Conversion and Developments	661	641
Centrally accounted and consolidation items	(59)	(74)
Other capital items	(39)	-
BEE IFRS 2 charge and transaction costs	(14)	(15)
Consolidated total	**1 958**	**2 333**

Cash Flow - Dynamics of sugar operations and land conversion activities

R million	2017/18 FY	2016/17 FY
Operating profit	+ 1 958	+ 2 333
Growing crop fair value adjustment	- 370	- 143
Other non-cash items (including depreciation)	+ 994	+ 1 090
Operating cash flow (before working capital)	+ 2 582	+ 3 280
Working capital	- 307	- 104
Operating cash flow (after working capital)	+ 2 275	+ 3 176
Capital expenditure - new and replacement	- 1 281	- 791
Root planting costs	- 887	- 418
Other proceeds	+ 155	+ 59
Cash flow before interest, tax and dividends	+ 262	+ 2 026
Finance costs and tax payments	- 1 232	- 1 292
Dividends	- 354	- 190
Net cash flow after dividends	**- 1 324**	**+ 544**
Net debt	**6 463**	**4 780**

Sugar operations

- Impact of lower operating profit on cash of R660 million
- Sugarcane root replanting increased after the drought to R887 million (2017: R418 million; Normalised: R600 million)
- Higher capex
  - Xinavane refinery in Mozambique
  - Refinery energy project in South Africa
  - Preparation of mills for increased cane volume as crop recovers

Land conversion and development activities

- Cash profile has considerable inflows and outflows that occur over extended period and may not coincide within a year
- Cash outflows exceeds cash inflows by R68 million (2017: net inflow of R900 million)
- Investment in land earmarked for future sales, creates a sound planning and infrastructure platform of R979 million
- Strong cash inflows anticipated in 2018/19 (mainly H2) when a considerable number of property transfers are registered
- Several infrastructure projects nearing completion with lower cash outflows expected in 2018/19

Emphasis for application of 2018/19/20 cash flows

- Debt repayment
- Dividends

Cost reduction in sugar operations

Goods, Services, Logistics, Marketing, Manpower	Zimbabwe US $ (million)	Mozambique Metical (million)	South Africa Rands (million)
2012/13 Costs (Baseline) - money of the day	186	3 052	2 325
Average annual inflation rate over past 5 years	1,5%	12,9%	6,5%
2012/13 Costs (Baseline) - money of 2017/18	201	5 588	3 184
2017/18 Costs	145	4 665	2 677
Effective cost reduction (real terms) - local currency	**56**	**923**	**507**
Effective cost reduction (real terms) - Rands (million)	**728**	**198**	**507**
	Total cost reduction is R1,433 billion (2017/18 compared to 2012/13)		

Cost reduction remains a priority of all sugar operations. Savings delivered over the years arise from: strategic sourcing initiatives that maximise the combined purchasing power of Tongaat Hulett; irrigation upgrades and efficiencies; improved labour productivity; cane haulage optimisation; benchmarking of operations to identify best practice; and establishing a cost conscious culture in the business

Unit costs of production benefit from higher sugar production and better yields as milling costs and many of the agricultural costs per hectare are largely fixed in nature

Starch and glucose

- Operating profit of R572 million (2017: R510 million)
- Higher sales volumes
  - Replacement of customers' imported volumes with local production
  - New business development supported by enhancement of product mix
  - Growth in export markets with sales into Sub-Saharan Africa and other regional markets accelerating from a low base
- Margins improved compared to the prior year - maize costs, volumes and enhanced sales mix
  - Benefit of lower maize prices, that traded closer to export parity levels after the record crop of 16,8 million tons
  - Tempered by stronger Rand
  - New season maize supply is sufficient and expected to sustain the improved margins into next financial year
- Improved plant utilisation and an ongoing focus on operational efficiencies contributed further to improved profitability

Sugar operations - Zimbabwe

- Operating profit of R563 million (2017: R504 million)
- Major transition in leadership of Government created more positive local and international sentiment
- Local market sales continued to grow
  - Government’s protection of domestic market remains effective in restricting imports
  - Refinery optimisation project increased availability of refined sugar for the industrial market
- Ethanol operation performed well with improved margins
- Sugar production reduced to 392 000 tons (2017: 454 000 tons) as low dam levels during peak growing periods limited irrigation
- Expected improvement in next season’s crop has resulted in higher standing cane valuations
  - Increased water availability, supported by the recently commissioned Tugwi-Mukosi dam
  - Benefit of accelerated sugarcane root replanting after the drought

Sugar operations - South Africa

- Operating profit of R86 million (2017: R390 million)
- Sugar production increased to 513 000 tons (2017: 353 000 tons) with improved rainfall in the coastal areas of KwaZulu-Natal
- Voermol animal feeds operation performed well
- High volumes of imported sugar experienced in the local market
  - Upward revisions to import duty not implemented timeously, followed by a period when zero duty was erroneously applied
  - Imports into the South African market increased to 520 000 tons in the twelve months to December 2017
  - Industry's sales into the local market dropped to some 1,18 million tons compared to 1,64 million tons in the previous year
- Displaced locally-produced sugar exported in the latter part of the year, and impacted by a low world price and a stronger Rand
- South African sugar industry, with more aligned members, has taken measures to regain its local market share
  - Local prices more responsive to international markets, more effective use of rebates and increased involvement in process to revise duty
  - Application for an increase in US dollar-based reference price used to calculate the tariff from US $566 to US $856 per ton

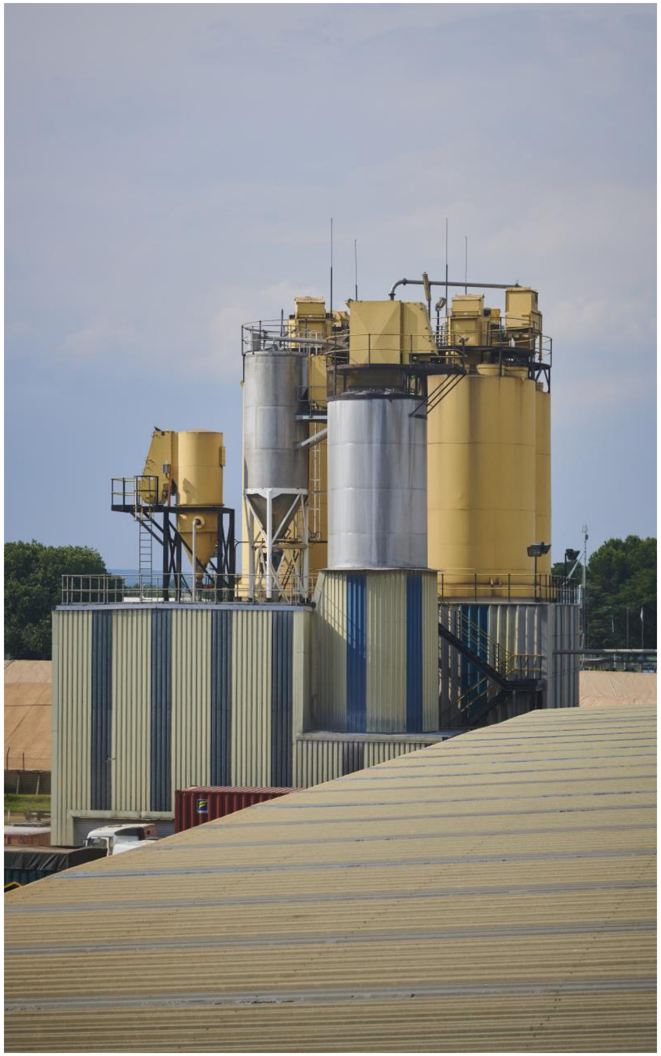
Sugar operations - Mozambique

- Operating profit of R159 million (2017: R308 million)
- Sugar production increased to 218 000 tons (2017: 198 000 tons)
- Good progress was made with export sales to deficit regional markets
- Margin pressure experienced in 2017/18
  - Strengthening of the Metical against the US dollar put pressure on local prices
  - Stronger Metical and low international prices resulted in reduced export realisations
  - Inflation-driven increases in Metical based costs
- Construction of the 90 000 ton sugar refinery at the Xinavane sugar mill is progressing well
  - Refined sugar production will replace imported white sugar, satisfy the country's growing industrial demand and realise a meaningful price premium in export markets
  - Commissioning targeted for September 2018

Land conversion and development activities

- Operating profit of R661 million (2017: R641 million)
- Sale of 96 developable hectares (2017: 75 developable hectares)
  - Sale of 28 hectares in the newly opened prime location at Tinley Manor on the coastline north of Ballito
  - Sale of 35 hectares in Cornubia (Umhlanga Hills and Marshall Dam) for integrated well-located affordable neighbourhoods
  - Further sales for a retirement offering, a new tertiary education campus, offices, amenities, high-intensity mixed-use precincts
- Profit per developable hectare was in line with anticipated ranges communicated previously
  - Influenced by the degree of enhancement through urban planning, land use integration and the density, location and intensity of infrastructure investment
- Investment of R979 million underpins future sales in areas where sales negotiations underway or enquiries being received
  - Environmental approvals, which provide clarity on timing and suitability for ultimate usage, received on 1 485 hectares
  - Available shovel-ready land currently totals 185 hectares, exceeding the 171 hectares sold over the past two years
  - Several infrastructure projects in the region are completed or nearing completion

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

Evolving product, customer and market mix

2017/18 Key market development achievements

- Improved market demand and import replacement
  - Continuing to benefit from the recent R135 million investment in finishing channel capacity
  - Volume growth for 2017/18 of 8 372 tons
  - No imports of glucose by customers or Tongaat Hulett for coffee creamer sector
  - Lower maize prices supporting coffee creamer price points in retail trade combined with customer market development
  - Benefits of R30 million optimisation investment in 2016/17 supporting improved supply to finishing channels
  - Volume benefit in 2017/18 amounted to 11 035 tons in powdered glucose and prepared foods sectors

Evolving product, customer and market mix

2017/18 Key market development achievements (continued)

- Market development in Paper making and Paper converting sector
  - Technical and product application assistance for customers to support expansions in paper making sector
  - Total volume growth for the year of 6 667 tons - with majority of growth in second half of the year
- New product and market development - Modified Starches
  - Growth of 5% was recorded in the modified starch domestic and export market
- Regional Market Growth
  - Working with customers to develop new market opportunities as regional growth opportunities increase
  - Growth in export sales to Sub-Saharan Africa and other regional markets increased by more than 15 000 tons over the past 4 years with growth in 2017/18 amounting to more than 15%
  - Growth in regional exports supporting improved export market mix



Evolving product, customer and market mix

Key Market Focus Areas - 2018/19

- **Powdered glucose volume** growth following investments completed in 1st quarter 2018/19 and further maltodextrin plant optimisation
  - Additional volumes of more than 1 500 tons expected
- Consolidation of **import replacement project -** growth in prepared foods and coffee creamer sector
- New market development work in Paper making sector in place for the full year - 7 031 tons
- **Modified starch** is expected to grow in excess of 10% across all markets improving market mix and growing volumes
- Focus on **regional growth** continuing **-** working with customers to unlock opportunities in the rest of Africa
- Estimated total growth of 3,5% across all starch and glucose markets (3,2% domestic and 5,6% export)
- Ongoing work with various stakeholders to explore new product and carbohydrate (e.g. cassava) opportunities



Volumes and revenue breakdown

Volume (tons)	March 2018	March 2017	% Change
Local starch	92 876	83 735	10,9%
Local glucose	344 954	330 301	4,4%
Total local	**437 830**	**414 036**	**5,7%**
Export starch	35 033	25 134	39,4%
Export glucose	41 822	38 352	9,0%
Total exports	**76 855**	**63 486**	**21,0%**
Total Starch and Glucose Sales	**514 685**	**477 522**	**7,8%**
Co-products	**190 456**	**180 929**	**5,3%**
Total	**705 141**	**658 451**	**7,1%**

R millions	March 2018	March 2017
Revenue	**3 913**	**4 172**
Domestic	2 745	2 854
Exports	549	534
Co-products	619	784

Starch and Glucose markets

Tons	2016/17 Actual	2017/18 Actual	% Growth 2017/18 vs. 2016/17	Latest View 2018/19	Growth 2018/19 vs 2017/18
Alcoholic beverages	169 349	**174 671**	3,1%	**174 019**	- 0,4%
Coffee creamers	69 566	**77 938**	12,0%	**80 850**	3,7%
Confectionery	66 501	**63 338**	- 4,8%	**66 522**	5,0%
Paper	56 496	**63 163**	11,8%	**70 194**	11,1%
Prepared foods	10 792	**13 455**	24,7%	**15 518**	15,3%
Other	41 332	**45 265**	9,5%	**44 531**	- 1,6%
Total local	**414 036**	**437 830**	**5,7%**	**451 634**	**3,2%**

Maize prices are benefiting operating margins

Relief on margins as maize prices moved closer to export parity

- Record 2016/17 maize harvest led to maize prices closer to export parity levels
- Margins in the second half of 2017/18 benefitted from lower maize prices
- Improved maize costs offset the impact of lower selling prices, co-product realisations and the stronger Rand

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

- Drier weather conditions experienced when plantings started for the new maize planting season and reduction in area planted resulted in South African maize crop estimate of 12,8 million tons (2016/17: 16,8 million tons)
- Carry over stock of more than 4 million tons combined with latest crop estimate expected to support maize prices to continue trading closer to export parity levels, sustaining improved margins into 2018/19
    - Current season - SAFEX YM July 2018 price as at May 2018: R2 196 per ton
    - New season - SAFEX YM July 2019 price as at May 2018: R2 364 per ton
- Unpriced customer exposure at May 2018 on non-formula based customers amounted to 28,5%
- Co-product realisations expected to be more aligned with maize prices benefiting margins

South African maize history

Maize season	1979/80	2012/13	201314/	2014/15	2015/16	2016/17	2017/18 Third 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	5,53
Production (000 tons)	13 583	11 811	14 307	9 955	7 779	16 820	12 827*
Imports (000 tons)	-	-	-	1 651	2 559	-	-
Carry in stock (000 tons)	2 115	1 406	589	2 074	2 471	1 095	4 223
Total usage incl. exports (000 tons)	8 324	12 628	12 822	11 209	11 714	13 692	14 008
Stock to use ratio	10,02%	4,66%	16,18%	22,04%	9,35%	30,84%	21,72%

Outlook for world maize/corn

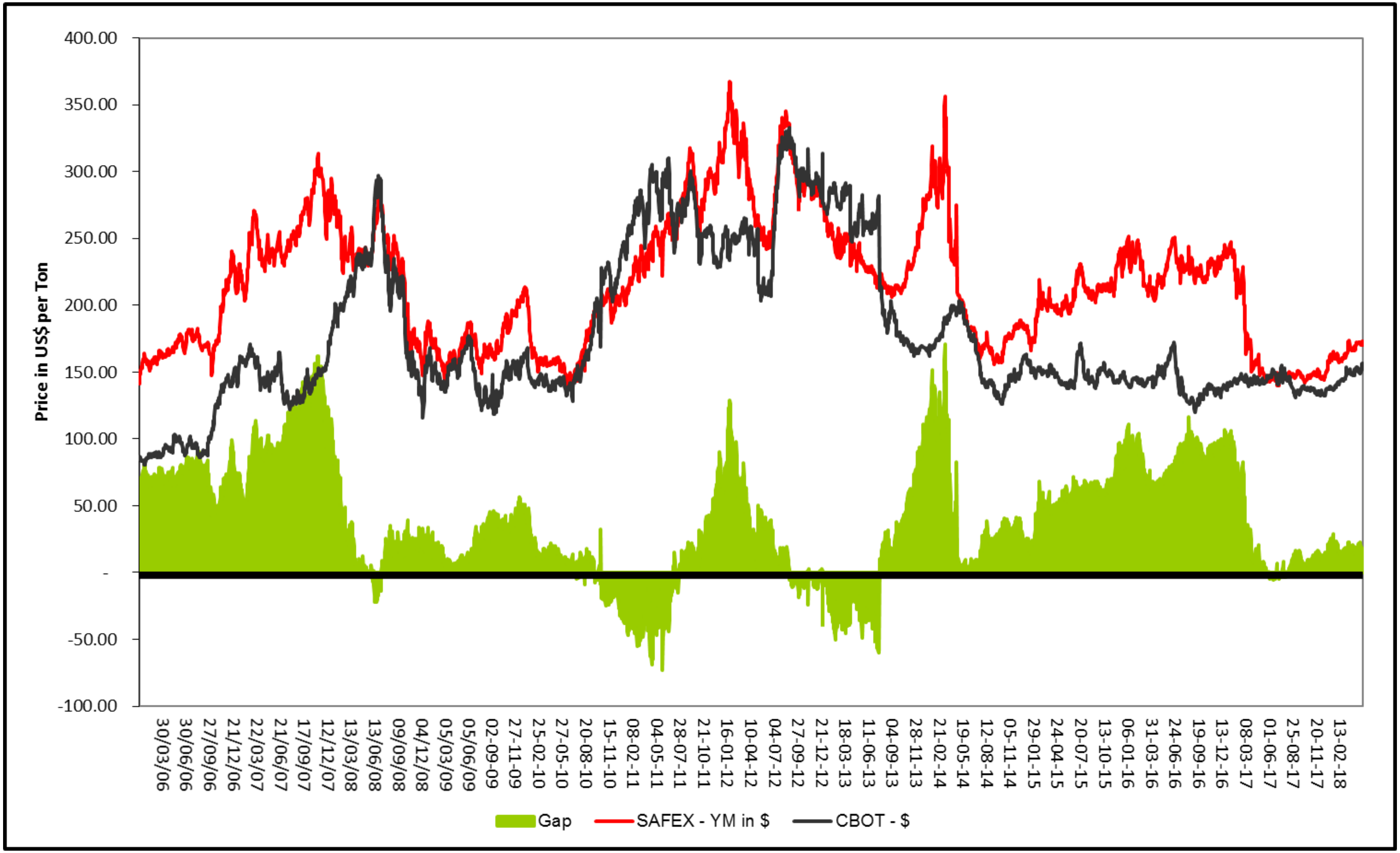
- 2017/18 corn production in US is 370,96 million tons - higher yields at 11,08 tons per hectare compared to 10,96 tons per hectare in 2016/17 provided offset to lower plantings
- US prices have trending higher due to planting delays and dry weather in the US. Plantings for the new season expected to be 2% lower than in the previous year
- Adverse weather in Brazil is resulting in crop stress and any shortfalls could imply increased export demand for US corn
- World corn ending stocks are 14,34% lower than the previous year

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 have begun to increase
- High cassava root prices in Thailand due to poor harvest increasing cassava starch prices
- Chinese markets remain less competitive due to high domestic corn prices

* Third production estimate announced on 25 April 2018

Maize prices



Sugar - Increasing returns by growing sugar production from available milling capacity and developing key markets and products

Future sugar production

Tons Raw Sugar	2013/14 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Estimate	2019/20 Early Estimate ^	Capacity	Growth from land farmed by Tongaat Hulett*
South Africa	634 000	323 000	353 000	513 000	560 000 - 630 000	610 000 - 675 000	1 000 000	28%
Mozambique	249 000	232 000	198 000	218 000	264 000 - 280 000	290 000 - 310 000	340 000	59%
Zimbabwe	488 000	412 000	454 000	392 000	433 000 - 483 000	500 000 - 560 000	640 000	52%
Swaziland RSE	53 000	56 000	51 000	48 000	53 000 - 57 000	54 000 - 58 000	60 000	100%
Total	**1 424 000**	**1 023 000**	**1 056 000**	**1 171 000**	**1 310 000 - 1 450 000**	**1 454 000 - 1 603 000**	**>2 000 000**	**47%**

Tongaat Hulett, in collaboration with multiple stakeholders, continues to expand the sugarcane supply to its sugar mills. Across all its sugar operations, approximately 34 000 hectares of new cane land has been planted over the past six years, mainly in communal areas

- Average realisations, ex-mill, based on current export dynamics are approximately $301 per ton, off a world price of some 13 US c/lb
- Payments to third parties move with the sugar prices achieved
- Marginal costs of production varies depending on a number of factors such as cane haulage distance to the mills, payloads, delivery methods etc.
- Tongaat Hulett's marginal cost of additional sugar production is typically some US$101 per ton from own cane and US$221 per ton from third party cane

^ Progress with replant program, given average rainfall in the summer of 2018/19 and targeted progress with the Agricultural Improvement Plans

* Percentage production growth from land farmed by Tongaat Hulett - 2017/18 to 2019/20

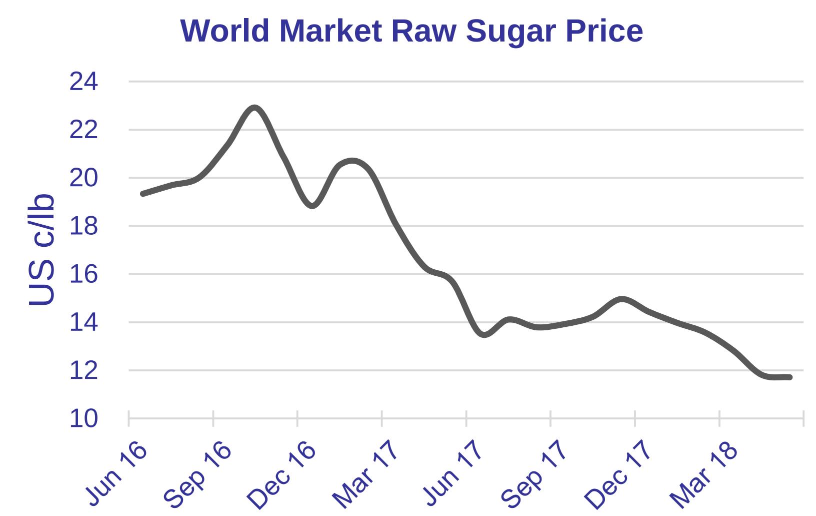
RSE - Raw Sugar Equivalent

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

Global sugar market dynamics

- The price of raw sugar in the world market, having come under pressure in the 12 months to March 2017 from the prospects of a global production surplus in the 2017/18 year (Oct - Sep) has continued to show weakness as the global production surplus has become more fact than forecast. In the 12 months to March 2018 prompt prices traded in a narrower range of some 12,2 US c/lb to 16,8 US c/lb. Of late, prompt prices are trading in the range of 10,8 US c/lb to 12,5 US c/lb
- Most countries that have their own domestic sugar production support their industries and protect their markets
- The price of raw sugar is currently expected to trade in a broad range of 8 US c/lb to 17 US c/lb (in the coming year), 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 has recently announced initiatives to increase the production of ethanol from sugarcane
- In the medium term, there continues to be concerns about the ability of global supply to match demand, as prevailing price levels do not support investment in additional production capacity
- Global sugar consumption is predicted to continue to grow at a rate of some 1,8% per annum, with most of the growth coming from low per capita consumption developing countries



Global Demand Growth	2016/17		2017/18 est.	
World (Oct/Sep)	↑	**0,5%**	↑	**1,8%**
Brazil	↓	-4,6%	-	0,0%
China	-	0,0%	↑	0,5%
EU	↓	-0,8%	↓	-2,6%
India	↓	-1,6%	↑	4,9%
Indonesia	↑	4,0%	↑	3,2%
Mexico	↑	1,9%	↑	0,1%
US	↑	2,5%	↑	2,6%

Source: LMC International

Importance of domestic sugar markets

- The positive socio-economic impact of sugar cane and sugar beet in a rural context, is well documented and understood, accentuated by the high positive rural job impact of sustainable agricultural activity, with attended benefits of ameliorating the consequences of unplanned urbanisation
- The price of freely traded sugar in the world market does not reflect the long run costs of production, trading at a discount to true production costs, more often than not reflecting the lower, alternative value of sugar when produced as ethanol, caused by government support to farmers, via diverse means, in most countries where sugar is produced
- In the absence of a sizeable domestic market that adequately supports the cost of production along the value chain, local sugar industries are not likely to emerge or survive
- Government support, which needs to be WTO compatible, can be either via direct payments from the fiscus, or via intervention in the domestic market using diverse means including import protection (tariffs and import licencing), controls on production and marketing, measures to temporarily remove excess stocks from internal markets, creation of a viable alternative market for sugar cane (ethanol and electricity), stipulating minimum prices payable to farmers, etc.
  - In the EU direct payments are used whereas in the US market intervention is the chosen means to provide a sustainable sugarcane and sugar beet sector
  - In most developing countries, because fiscal capacity for direct support is often absent, market intervention of various means is used to support rural agriculture
- Absent government support, local sugar industries will struggle to survive in the distorted world of international market sugar prices
- In Africa, all sugar industries receive support via government intervention to create a remunerative and sustainable domestic sugar market
- The governments of South Africa, Mozambique and Zimbabwe are well aligned to the need to support the local production of sugar, in the global context of dumping prices for sugar, and continue to ensure that local sugar production is sustainable in a context of multifaceted national strategies, policies and priorities and international commitments

Deficit regional sugar markets

- Import demand in target deficit countries amounts to some 1,618 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
- Growth of some 400 000 tons to 2019/20. 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 in 2018

Demand for Imported Sugar in Regional Deficit Markets in 2016/17							
Country	Sugar Consumption	Domestic Production	Total Deficit	Brown Deficit	White Deficit	Population	Per Capita Consumption
	Tons '000	*Tons '000*	*Tons '000*	*Tons '000*	*Tons '000*	*'000*	*kg p.a.*
Angola	411	50	361	53	309	28 813	14,3
Burundi	46	23	23	16	7	10 524	4,4
DRC East & West	381	73	308	238	70	78 736	5,8
DRC South	73	14	59	56	3		
Kenya	897	524	373	215	157	48 462	18,5
Madagascar	185	87	98	46	53	24 895	7,4
Rwanda	63	13	50	39	11	11 918	5,3
South Sudan	117	0	117	109	8	12 231	9,6
Tanzania	548	320	228	144	83	55 572	9,9
Total	2 722	1 104	1 618	916	702	271 150	10,0

Deficit regional sugar markets

- Demand for imported sugar in the countries where Tongaat Hulett has a possible advantage amounts to some 2,3 million tons of sugar per annum, which has been supplied by the regions' producers and by India, Thailand, Saudi Arabia, Dubai and Brazil
- Annual import demand in the deficit markets of the region over the period from 2016/17 to 2019/20 is forecast to grow from 1,6 million tons to some 2,0 million tons, an increase of some 400 000 tons over the period
- Annual per capita sugar consumption in these countries ranges from 5 kg to 18 kg, substantially lower than South Africa at 33 kg or Zimbabwe at 23 kg, providing opportunity for further market growth
- As Tongaat Hulett fills its production capacity, 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 2 US c/lb - 4 US c/lb over the past year
- Tongaat Hulett has exported about 180 000 tons of Huletts branded brown and refined sugar into these markets in 2017/18
- 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	2016/17	2019/20	Increase
	Tons '000		
Angola	361	415	54
Burundi	23	30	7
DR Congo	368	424	56
Kenya	373	516	143
Madagascar	98	130	32
Rwanda	50	72	22
South Sudan	117	131	14
Tanzania	228	323	95
Total	**1 618**	**2 041**	**423**

Changing World trade dynamics and its positive impacts on sugar flows

- Global international trading relationships are experiencing an unprecedented level of change and uncertainty, not seen since before World War II, where nationalism is tending to replace the globalisation that the WTO sought to entrench
  - Donald Trump's pronouncements on trade are amongst the most visible examples of globalisation and regionalisation being subverted by the narrower national interest
- The global trading regime envisaged in the GATT and WTO is struggling to make progress on key fronts that have been stalled now for more than 20 years, particularly in the area of trade liberalisation in key agricultural commodities
- The world market price for sugar continues to reflect the negative impact of the multiple trading regimes and government interventions the persist within the sugar sector
  - Despite avowing the liberalisation of its sugar sector, the EU continues to pay more than €600 million per year to sustain annually 3 - 4 million tons of white sugar production that would otherwise not arise
- Longstanding international trade arrangements in multiple global regions are being renegotiated/reviewed/called into question
  - US has cast doubt over the benefits of the NAFTA, and has even compelled amendments in come cases, particularly in sugar and trade with Mexico
  - UK has decided to leave the EU - outcomes and impacts are uncertain
- The intended goal of a global multilateral trade system is increasingly being supplanted by bi-lateral and pluri-lateral trade arrangements, presenting both opportunities and threats, not only for the direct participants but also for third countries

Changing Regional trade dynamics and its positive impacts on sugar flows

- Africa has for long had multiple, overlapping regional trade blocs, with some progress towards unifying SADC, COMESA and EAC into a tri-partite free trade area
- Limited access to higher value markets in first world countries for agricultural goods has hampered rural development in the region, and in some cases (with Angola as an extreme example) local agricultural production is overwhelmed by imported products
- Increasingly Africa's countries are looking to expand trade amongst themselves so as to replace imported agricultural goods with African agricultural goods
  - The African Continental Free Trade Area was launched by Africa's heads of states in Kigali, Rwanda, on 21 March 2018 - the first step on a long journey with the ultimate goal for unfettered trade in goods across the African continent
- The demise of high values for sugar in the EU is leading to a clamour by SADC and East African sugar producing countries with large export surpluses that were formerly delivered to the EU to
  - Call into question the current SADC and other sugar trade arrangements, SACU being the single biggest sugar demand market in sub-Saharan Africa
  - Look to gain better and preferred access to regional deficit markets
- The changing landscape in global and regional trade relations and dynamics holds both opportunity and risk for Tongaat Hulett and its stakeholders
  - Tongaat Hulett has been engaging for some time on a bilateral basis in the region to be recognised as a developmental partner in agri-processing. Significant progress has been made to this end in Angola
  - Entrenching the Huletts brand in the region by exporting branded sugar
- Tongaat Hulett will be focussing resources to engage in this strategic opportunity and threat, to shape the conversation and outcomes
  - Within a country
  - Between countries
  - Amongst stakeholders

EU and US sugar markets

In the EU

- The new sugar regime came into effect on 1 October 2017. The manner in which the producers in the EU market (both farmers and beet processors) will respond over the next few years is unclear
- Internal EU prices have begun to reflect the dynamics of lower international market prices, driven by the surplus of production over demand, and impacted by the strengthening of the Euro against the Dollar over the past 12 months. Current prices are below the cost of production for most producers
- Import opportunities will continue to be available, but with lower predictably than hitherto. Imports will be necessary to meet the needs of those users requiring cane sugar as opposed to beet sugar, to satisfy demand for unrefined sugar not produced in the EU, and as bulk raw sugar for refining where higher-value markets are available to the refiners, particularly in areas where beet production is absent or uncompetitive
- Significant duties on imported sugar are being retained as is the duty-free access rights for countries such as Mozambique and Zimbabwe
- Tongaat Hulett has significantly expanded its penetration of deficit markets in East and South-Eastern Africa as alternative destinations for sugar previously delivered to the EU. Plans are already in place to ramp up deliveries to these markets as sugar production dynamics evolve over the coming years
- Tongaat Hulett has commenced delivering higher value, speciality brown sugar to EU buyers from its two Mozambican sugar mills. These products are expected to grow to a meaningful proportion of Tongaat Hulett's deliveries of sugar to the EU as they cannot be produced from sugar beet
- Opportunities continue to be sought so as to benefit from the duty-free quota recently allocated to South Africa by the EU, with some deliveries having occurred in the first half of 2017, and also the duty preference available for bulk raw sugar into China

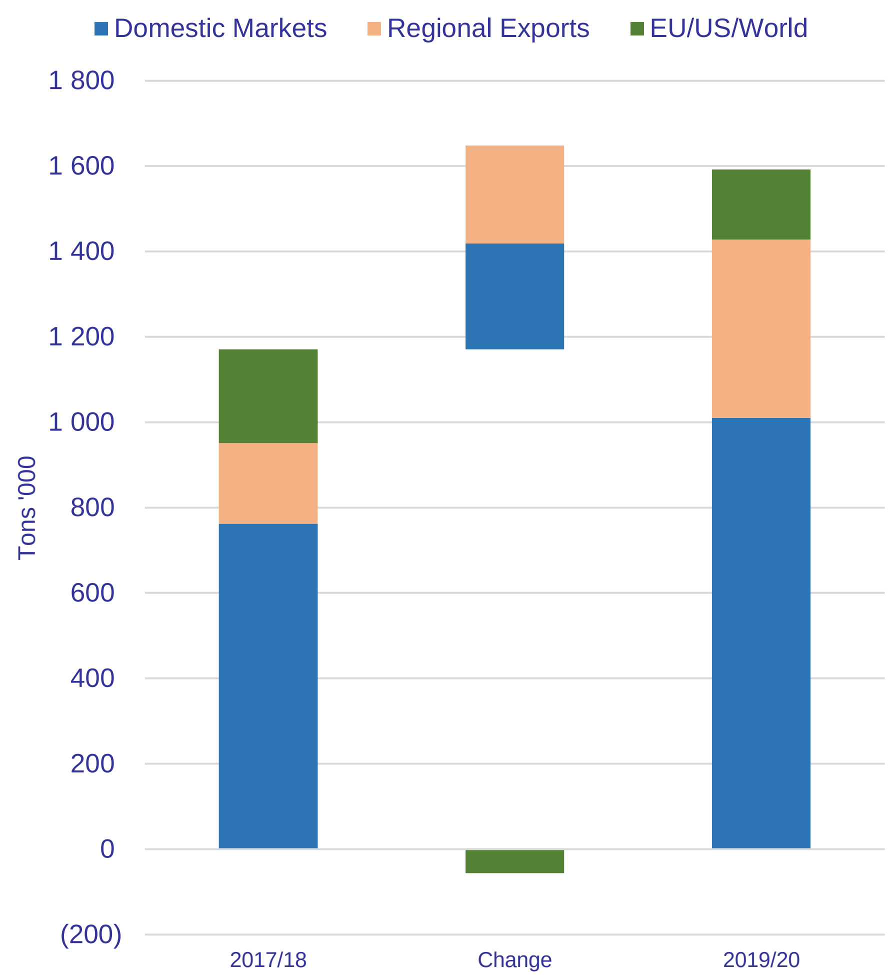
In the US

- Tongaat Hulett continues to benefit from the premium prices available in that market via the tariff-rate quotas allocated to the countries in which it operates
- There is an opportunity to deliver speciality brown sugar from its two Mozambican sugar mills

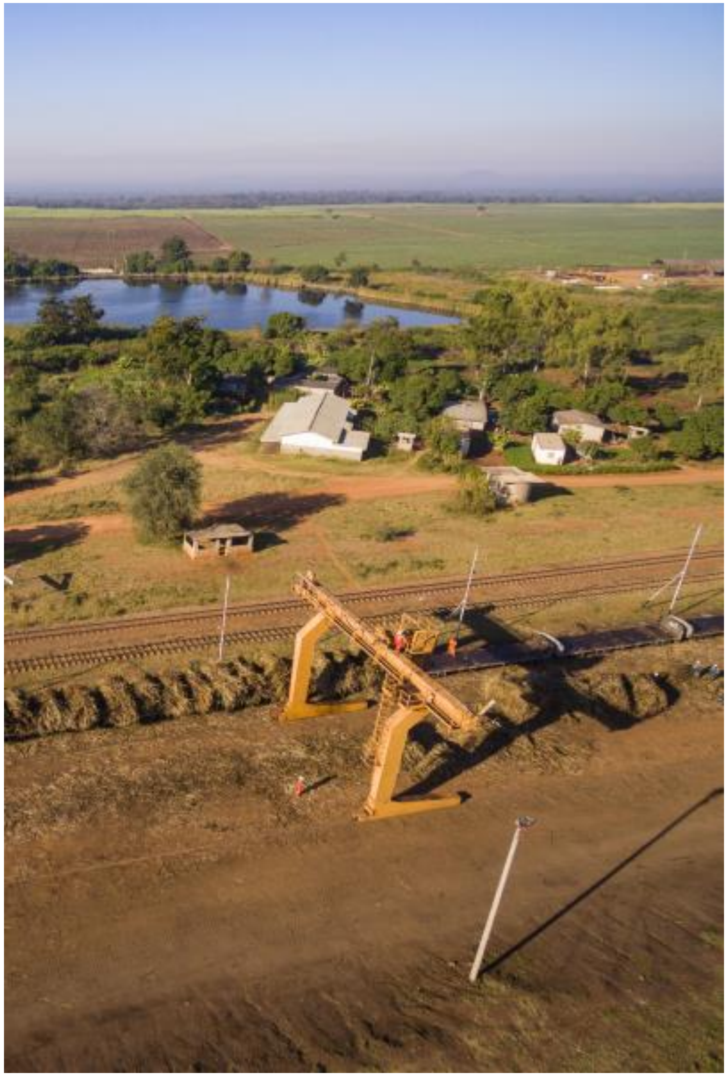
Tongaat Hulett's sugar market positioning

- 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 should lead to the replacement of imported industrial white sugar
- For exports
  - Over the past 30 years Tongaat Hulett has been trading sugar into the region's deficit markets, having delivered at a peak some 180 000 tons per year
  - 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 supplying 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



Zimbabwe sugar operations



Local market dynamics

- Focus on exploiting opportunities arising from accelerated economic recovery and growth on the back of increasing population to maximise net realisations from sugar, molasses, ethanol, beef and animal nutrition
  - Import protection for sugar in place and proving effective
  - Sugar price increase of 5,41% in March 2018
  - Projected increase in per capita sugar consumption

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

Future sugar production

Sugar produced (tons)	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Estimate	2019/20 Early Estimate
Hippo and Triangle	578 000	454 000	392 000	433 000 - 483 000	500 000 - 560 000

- 2017/18 crop impacted by the reduced irrigation, limited replanting and high levels of pithing in cane
- Yield recovery in 2018/19 and 2019/20 on back of full irrigation and accelerated replanting following normal to above normal rainfall received in the last two rainfall seasons
  - Tongaat Hulett replanting programme: 5 448 hectares planted in 2017/18
  - Private Farmers Replanting Programme: 1 226 hectares planted in 2017/18 and 1 225 hectares targeted for 2018/19
  - Opportunities of “new planting” programmes using third-party funding looking promising
- Sustainable yield targets of 115 tons/hectare (Tongaat Hulett) and 105 tons/hectare for private farmers by 2021/22 - previously achieved
  - Irrigation at 100% duty to maximise biomass accumulation during the peak growing periods
  - Rejuvenate cane roots and repositioning the crop through accelerated plough out and replanting programmes
  - Optimise variety mixes to maximise yields, sucrose and fibre
  - Focus on precision farming systems and techniques to improve 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
  - Research and deploy new cane varieties, technologies and practices to improve yields and control the spread of pests and diseases

Future sugar production

Cane Milled and Sugar produced	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Estimate#		2019/20 Early Estimate #	
Total hectares farmed as at 1 April (beginning of the season)	44 952	45 339	45 245	45 245		46 007	47 426
Hectares milled	41 683	42 665	41 338	41 099	41 099	43 029	44 448
Cane yield (tcphm)	80,32	81,63	74,39	83,77	93,43	92,96	100,79
Cane tons '000	3 348	3 482	3 075	3 443	3 840	4 000	4 480
Cane to sugar ratio	8,12	7,68	7,91	7,95	7,95	8,00	8,00
Chisumbanje estate cane tons^	-	-	26 000	-	-	-	-
Sugar production - raw (tons)	**412 000**	**454 000**	**392 000**	**433 000**	**483 000**	**500 000**	**560 000**

Significant yield improvement on Tongaat Hulett managed land on the back of full irrigation and accelerated replanting

^ Cane diversions from Chisumbanje estate

Rainfall and dam levels

Current levels of existing dams	Full Volume ML	% Full as at 30 April 2016	% Full as at 30 April 2017	% Full as at 30 April 2018
Tugwi-Mukosi	1 802 600	Completed in December 2016	71,2%	77,8%
Mutirikwi-Tugwi	1 740 206	19,8%	38,6%	53,8%
Manjirenji-Siya	379 634	37,3%	99,7%	92,0%
Manyuchi	303 473	85,1%	100,0%	100,0%

- Zimbabwe operations are dependent on rainfall and irrigation. Current dam levels support normal irrigation of the sugarcane crop
- Manjirenji dam - 100% full in March 2018 but lost significant water due to damage to an outlet valve. This was successfully repaired in April 2018
- Current water stock provides 31 months and 17 months irrigation cover for the combined Mutirikwi-Tugwi system and Manjirenji-Siya systems respectively

Cost reduction - initiatives taken to further reduce the unit cost of production

- Volume/capacity utilisation - increase cane production (increasing yields by optimising varieties, adopting best practice
- Labour productivity (mainly in cane production) - mechanising labour intensive operations
- Improvements in operating efficiencies (both cane production and milling) - benchmarking for best practice/manufacturing excellence, leveraging technologies
  - Focus on precision farming techniques, redesigning existing irrigation systems, logistics efficiencies (cane haulage and sugar distribution in local market)
- Strategic procurement interventions - leveraging on the Tongaat Hulett wide strategic sourcing capabilities and exploiting synergies between Hippo and Triangle - rationalisation of stores/inventory and structures etc.
- Allocate scarce forex for importation of goods/ services considered strategic - agrochemicals, packaging raw materials, tyres etc.
- Implement demand management models for key inputs and material spares to mitigate delivery bottlenecks, improve usage efficiencies and optimize working capital
- Leverage the Tongaat Hulett contracts to access goods and services at preferential prices and terms
- Mitigate the impacts of increasing inflationary pressures on prices
  - Competitive tendering for all high value goods and services following normalisation of supplier availability
  - Direct importation of high value and strategic goods
  - Strengthening strategic partnerships with key suppliers - commit 80% of total spend under contract with preferred suppliers by March 2019
- Use SAP functionalities to improve procurement and inventory management efficiencies

Socio-economic and political environment

Improving socio-political dynamics and business confidence

- Renewed business confidence and hope of accelerated economic growth and FDI in the medium to long term on the back of recent political changes culminating in the inauguration of His Excellency, Emmerson Dambudzo Mnangagwa as President of the country on 24 November 2017
- Commitment to a new socio-economic and political dispensation underpinned by
  - Strong democratic institutions and the rule of law
  - Alignment of regulatory frameworks to promote and protect investment
  - Steps to bring closure to the protracted land tenure issue
  - Desire to normalise country's relations with the international community
  - Renewed efforts to respect the country's existing obligations including BIPPAs
  - Initiatives to reduce endemic corruption and a return to the culture of transparency and diligence
- Potential short term residual political risk ahead of harmonised national elections in mid 2018
- Use of the US Dollar and persistent liquidity crisis remain key impediments to economic growth and competitiveness
  - Foreign currency arbitrage activities creating inflationary pressures increasing the cost of business
  - Year on year consumer price inflation of 2,71% to April 2018. Trend likely to continue unless there is a significant flow of foreign currency into the economy

South African sugar operations

Dynamics of the South African domestic market

Competition from imported sugar

- The South African sugar industry was exposed to high volumes of imported sugar that entered the country after upward revisions to the import duty were not implemented timeously
- From February 2017 to July 2017, the combination of a falling world price and a strengthening Rand resulted in a revision of the duty being triggered on four occasions. None of these triggers were implemented and the duty remained R636 per ton
- After numerous interactions between the industry and the relevant government departments to implement a revised duty, on 28 July 2017, an administrative error resulted in zero duty being applied (based on the world price in October 2016 and not July 2017)
- The zero duty was in place for seven weeks during which period the duty should have been R1 807 per ton

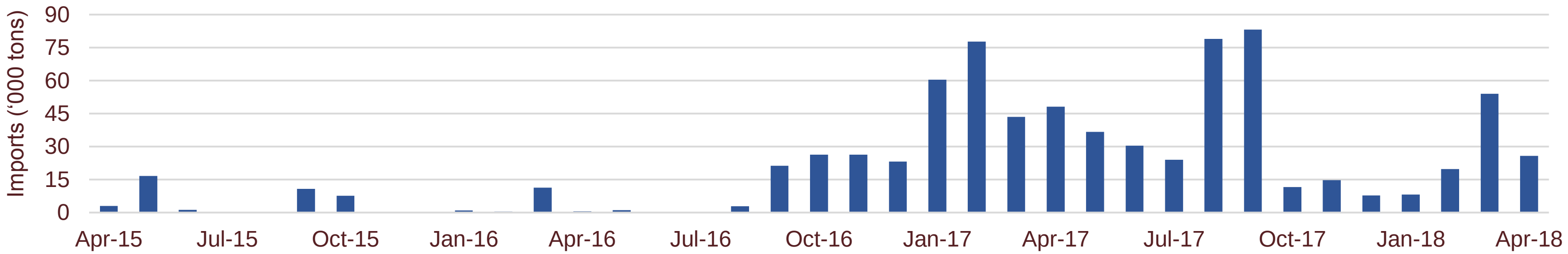
Trigger point	Date of implementation	Tariff triggered	Tariff implemented
18 April 2017	Not implemented	R1 117	R636
06 June 2017	Not implemented	R1 558	R636
17 July 2017	Not implemented	R2 111	R636
28 July 2017	Not implemented	R1 807	Zero
24 August 2017	15 September 2017	R2 131	R2 131

- On 15 September 2017, the administrative error was corrected and a duty of R2 131 was published in the Government Gazette which was in effect for the remainder of the financial year

Dynamics of the South African domestic market

Competition from imported sugar (continued)

- Imports totalling some 520 000 tons entered South Africa in the twelve months to December 2017, compared to 114 000 tons in the previous corresponding period, and the industry's share of the local market dropped to 1,18 million tons (2017: 1,64 million tons)



Measures taken by the industry to regain local market share

- Local market prices are more responsive to international sugar markets and changes in exchange rates
  - Local market prices were reduced by 7,2% on 27 July 2017 and by 13,5% on 22 March 2018
- Application to increase the US dollar-based reference price, used in the calculation of the duties
  - Application submitted mid-February 2018 and a decision is expected in 2018
  - Request to increase reference price from US$566 (25,7 US c/lb) to US$856 (38,8 US c/lb)
  - Application published in the Government Gazette on 11 May 2018 allowing the public three weeks to comment
  - Department of Economic Development has supported the application
- Increased involvement in the process to implement duty revisions timeously

Dynamics of the South African domestic market

Transformation and Health Promotion Levy

Transformation - South African Farmers Development Association ("SAFDA")

- South African sugar industry recently adopted changes to its constitution to accommodate SAFDA into its structures
- SAFDA is a new grower grouping that provides small-scale and emerging black growers with improved representation in the industry
- SAFDA has given support to the industry's application to increase import protection

Transformation - Industry initiatives

- A 5-year plan for meaningful transformation in the industry is being developed as part of the industry's commitment to provide further support to small-scale growers and to expand community sugarcane farming in rural areas
- A number of immediate interventions to accelerate transformation have been approved by the industry, including further support to improve the profitability of black and small-scale growers, grower development and training

Health Promotion Levy

- Health Promotion Levy ("HPL"), the tax on sugar-sweetened beverages, became effective in April 2018
- Beverage manufacturers have reformulated certain products to reduce sugar content
- The extent of the impact remains difficult to assess, given the high levels of imports over the past year affecting the sector

Process for determination of SA sugar import tariff

The procedure for triggering, calculating and gazetting a sugar tariff in South Africa works as follows

- The difference between the 20-trading day moving average London No. 5 settlement price and the Dollar Based Reference Price (DRBP) is determined daily
- If this difference shows a variance of more than 20 US$/ton from the previous trigger level based on the moving average of 20 consecutive trading days, a new tariff is triggered
- In the interest of expediting the triggering of a new tariff, this calculation is done by SASA and submitted to the International Trade Administration Commission (ITAC)
- The applicable tariff is calculated as follows:

  *Tariff = (DBRP minus 20-day moving average of no. 5 price) x (ZAR/USD closing price on 20th day x REERi /100)**
- ITAC then verifies the information provided by SASA and, if satisfied, recommends to the Minister of Trade and Industry to change the duty accordingly
- The Minister of Trade and Industry makes a recommendation to the Minister of Finance to amend the duty by gazetting

[* The Real Effective Exchange Rate index (REERi) is a SARB calculated index, which is constructed by taking the nominal exchange rates of SA's main trading partners and adjusting them based on relative inflation rates ("price differentials" with South Africa), using a base year of 2010. These adjusted exchange rates are then combined on a trade volume-weighted basis to determine the index. The February 2018 value of the index was 92,3. Note that the weighting in this Index of the US adjusted exchange rate is only 13,7% (compared with 29,3% for the European rate and 20,5% for the Chinese rate)]

Future sugar production

Sugar produced (tons)	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Estimate	2019/20 Early Estimate ^
South Africa	323 000	353 000	513 000	560 000 - 630 000	610 000 - 675 000

- South African sugar has been recovering from droughts in 2014, 2015 and 2016 which lowered its production to 323 000 tons in 2015/16 and 353 000 tons in 2016/17 - two of the lowest levels in past 20 years
- With better summer rainfall having been experienced in the KwaZulu-Natal coastal areas over the past two years, production increased to 513 000 tons in this 2017/18 year
- Unfortunately, the expected increased profitability from a rise in production from 353 000 to 513 000 tons (45% increase), has been overtaken and totally masked by the unexpected abnormal domestic market events, whereby 520 000 tons of imports has so far displaced 32% of the SACU domestic market sugar into the much lower priced export market, significantly reducing the expected average revenue realisations to both millers and growers in 2017/18
- Consequent to the above average summer rainfall for the period October 2017 to the end of April 2018, a further improvement in production is expected in 2018/19 to between 560 000 and 630 000 tons
- Similarly in the 2019/20 year it should rise further to between 610 000 and 675 000 tons, assuming continued regular rainfall, with increased area from rural areas coming on stream

^ Assumes normal rainfall during the key sugarcane growing months

Future sugar production

Cane Milled and Sugar produced	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Estimate		2019/20 Early Estimate ^	
Total hectares farmed as at 1 April (beginning of the season)	121 530	122 856	116 416	120 005		122 005	
Hectares milled	78 194	78 252	86 285	86 721	86 721	91 530	91 530
Cane yield (tcphm)	39,54	47,20	53,90	55,21	61,09	59,98	64,90
Cane tons '000	3 092	3 719	4 651	4 788	5 298	5 490	5 940
Cane to sugar ratio	9,59	10,53	9,03	9,00	8,80	9,00	8,80
Sugar production - raw (tons)	**323 000**	**353 000**	**513 000**	**560 000#**	**630 000#**	**610 000**	**675 000**

Includes sugar of between 28 000 and 28 636 tons due to sugarcane diversions

^ Assumes normal rainfall during the key sugarcane growing months

Mozambique sugar operations

Domestic sugar market dynamics

- 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)
  - An increase from 9 to 20 kg/capita/annum (Zimbabwe's consumption is 23 kg/capita/annum) represents an increase in the local market of 275 000 tons
- 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)
  - Imports continue to reduce - 1 328 tons were imported in 2017/18 compared to 6 669 tons in 2016/17
- Demand for refined sugar is significant and growing
  - The refined sugar market is currently 70 000 tons, of which 60 000 tons is industrial
  - Strong projected growth in demand for soft drink products. Coke opened a new $130 million production plant during 2016
- Local market sales of domestically produced sugar have been low due to subdued economic conditions. Access to sugar is somewhat constrained. The following actions are under way to increase access to sugar
  - Continue to expand the distribution network centered on demographics and other supply chains
  - Consolidate and strengthen structure of distribution network despite difficulties with the roads/access
  - Improve response to peak demand periods through focussed approach to the route to market channels
  - Maintain stringent measures on monitoring imports, to ensure compliance with prevailing legislation

Refined sugar improving realisations

- Tongaat Hulett's position in supplying the domestic market (displacing currently imported refined sugar) is gaining new momentum with the sugar refinery project in progress
- A 90 000 ton sugar refinery is under construction at Xinavane sugar mill, at a cost of R550 million
- Refined sugar production will supply the 70 000 ton domestic white sugar market, with surplus exported into the region
- The Government of Mozambique is supportive of the project for its strategic importance in stimulating domestic production and rural economic development
- Current activities in positioning the refinery project in the context of the domestic market include
  - Working with government in phasing out imports
  - Alignment with customers to stimulate market demand, market readiness and off take agreements
  - Continuously communicating relevance of the project and its role in stimulating other supply chains and the socio-economic benefits thereof

Refined sugar improving realisations

- Xinavane sugar refinery construction will be completed the end of June 2018
- Plant commissioning scheduled for July 2018
- First refined sugar scheduled to be produced in September 2018
- The official opening of the plant is planned for October and will most likely be conducted by His Excellency the President of Mozambique
- Tongaat Hulett is planning to sell some 20 000 tons of refined sugar into the domestic market during the remaining period of the financial year 2018/19 from October 2018
- From pricing perspective, the anticipated improvement over raw export value for the above tons (and for the full tonnage sold into the domestic market in subsequent years) will be $380 - $420 per ton

Future sugar production

Sugar produced (tons)	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Estimate	2019/20 Early Estimate
Xinavane	168 000	148 000	168 000	200 000 - 210 000	220 000 - 234 000
Mafambisse	64 000	50 000	50 000	64 000 - 70 000	70 000 - 76 000
Total Mozambique	**232 000**	**198 000**	**218 000**	**264 000 - 280 000**	**290 000 - 310 000**

- 3 088 hectares replanted from April 2017 to March 2018 compared to 1 078 hectares from April 2016 to March 2017
- 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
- Cane yields at Xinavane have increased from less than 75 tcph in 2008/09 to 97,7 tcph in 2014/15 (drought reduced the yields in 2015/16, 2016/17 and 2017/18). Target yield is the established potential of 105 tcph which should be achieved by 2021/22
- At Mafambisse, Home Estate cane yields have increased from 43 tcph in 2010/11 to 56 tcph in 2014/15 while at Lamego yields have improved from 88 tcph in 2012/13 to 100 tcph in 2014/15. Target yield, which is the site's established potential, for Home Estate is 67 tcph and target yield, which is the site's established potential, for Lamego is 105 tcph

Future sugar production

Cane Milled and Sugar produced - Xinavane	2015/16 Actual	2016/17 Actual	2017/18 Actual	2018/19 Early Estimate		2019/20 Early Estimate	
Total hectares farmed as at 1 April (beginning of the season)	18 364	18 130	17 953	18 221		19 571	
Hectares milled	16 367	16 504	16 084	16 614	16 614	17 992	17 992
Cane yield (tcphm)	88,48	78,93	88,04	96,30	101,12	101,38	107,83
Cane tons '000	1 447	1 303	1 416	1 600	1 680	1 824	1 940
Cane to sugar ratio	8,57	8,78	8,45	8,00	8,00	8,29	8,29
Sugar production - raw (tons)	**168 000**	**148 000**	**168 000**	**200 000**	**210 000**	**220 000**	**234 000**
Mafambisse sugar production - tons	**64 000**	**50 000**	**50 000**	**64 000**	**70 000**	**70 000**	**76 000**
Total sugar production Mozambique	**232 000**	**198 000**	**218 000**	**264 000**	**280 000**	**290 000**	**310 000**

Rainfall and dam levels

Current levels of existing dams	Full Volume ML	% Full as at 30 April 2016	% Full as at 30 April 2017	% Full as at 30 April 2018
Corumana dam (Xinavane)	880 000	24,8%	65,9%	54,4%
Muda dam (Mafambisse)	56 000	40,3%	100,0%	100,0%

- 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
    - Corumana dam capacity is being increased from 880 000 ML to 1 260 000 ML - completion date November 2019
- A full irrigation regime was applied to the crop to be harvested in 2018/19 season 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

Reducing unit production cost with increased volumes

- Locking in and maintaining fixed cost improvements achieved to date
- Maximising sugarcane yields through Agricultural Improvement Plans
- Productivity improvements at both mills and agricultural operations
- Reducing volumes of goods and services used through demand management peer review (benchmarking) and efficiency improvement initiatives
- Reducing cost of bought-in goods. Various commodity-based initiatives are being progressed, maximising the company's bulk purchasing powers
- Consolidation and rationalisation of goods and services to take advantage of potential in-country contracts and increased negotiating power resulting in lower costs
- Sugarcane loading and haulage cost reductions through efficiency improvements, system reconfiguration and negotiations for better rates with contractor at company-wide level
- Reducing staff salaries through localisation, skills improvement and productivity per unit of labour
- Streamlining and possibly outsourcing of certain centralised services

- Reduced fertiliser volumes through streamlined recommendations driven by soil types and potential cane yields for specific fields (move towards precision farming)
- Fuel consumption reductions through improved controls on the usage and the rationalisation of the fleet numbers
- Reduced usage of herbicides for weed control through improved calibration and control effect
- Reduced electricity consumption for irrigation by improving water usage efficiencies and irrigation system upgrades
- Strategic procurement of goods and services, taking into account the current foreign exchange volatility in the country and the high inflation and interest rates. This will be done through identifying and sourcing from local suppliers that are not affected by availability of foreign currency where possible. Monitor the situation and be aware of any changes and the effect thereof on availability and costs
- Reduced vehicle and machinery maintenance costs through improved management and operational controls at the workshops
- Reduction of wastage levels at the factory packing stations through improved supervision and controls

Mozambique socio-economic political dynamics

- The Government of Mozambique continues its efforts of fiscal consolidation towards addressing current budget deficit
- GDP growth expectations for the 2018 calendar year is 3% as per the IMF projections in line with prior period
- Central Bank implemented measures to keep a single digit inflation, stabilize local currency and stimulate increase in aggregate demand. A highlight is the reform to the foreign exchange regulation, eliminating the 50% mandatory conversion of export proceeds to local currency
- Sovereign debt issues are being addressed towards a favorable environment for IMF and other donor funding support to resume
- Swifter economic recovery will be achieved with an influx of FDI, primarily from gas projects in northern Mozambique
- Agricultural activity benefited from better rainfall pattern and outlook is positive
- The dynamic around municipal elections in October this year, and presidential elections in 2019 are at the center of political activity
- The passing of the main opposition party leader is a significant event in the political environment
- Whilst there are some short term uncertainty, the political environment is expected to remain stable

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 (the next slide sets out the impact of blending ratios on ethanol market volumes)
  - Triangle distillery produced 21,7 million litres of ethanol in 2017/18, and production for 2018/19 is projected to be 27,5 million litres
  - Transport of molasses from Mozambican mills to Triangle distillery for processing into ethanol is planned for 2018/19
  - Plans are in place to maximise ethanol production (installed capacity of 41 million litres p.a. with opportunity to increase to 70 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
  - Sugar Industry Task Team (formed as a result of the "sugar tax" process) is investigating the feasibility of a fuel ethanol programme, as one of a range of measures intended to enhance industry sustainability
- 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
  - Large-scale generation of power continues to be pursued. The signing of 27 renewable projects in April 2018 by the IPP office, ending the long impasse, resurrected the hope of the country increasing its power generation from renewable sources
  - 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 received final regulatory approval and will be in operation from June 2018

Fuel ethanol market - Zimbabwe

National Annual Demand	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Total petrol demand - blended (million Litres)	505	530	570	599	616	623
Blending ratio - statutory	15%	15%	20%	25%	25%	25%
Ethanol required for blending (million Litres)	**76**	**80**	**114**	**150**	**154**	**157**

In 2017 the minimum statutory blending ratio was increased from 15% to 20% with a further increase to 25% likely, providing the market for a debottlenecked distillery at Triangle

National Production - Fuel Ethanol Million Litres	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Triangle (current distillery)	15	14	18	24	28	30
Triangle (with debottlenecking)	15	14	18	28	40	56
Other (estimated capacity 70 million Litres)	40	44	45	?	?	?

Sugar, Nutrition and Health

- The intensity of global debate on diet/nutrition and health, and in particular the role of sugar/sugars, is increasing. As a producer of sugar and glucose, Tongaat Hulett is affected by both fact and perception on these topics
- South Africa's sugar consumption is approximately 33 kg/capita/annum, and has been around that level for some time (consumption has historically tracked population growth). Zimbabwe is at 23 kg/capita/annum and Mozambique at 9 kg/capita/annum, with the range in the African deficit markets supplied by Tongaat Hulett around 5 to 18 kg/capita/annum. For comparison, the US's sugars consumption (sugar plus HFCS) is 60 kg/capita/annum, and the average for the Americas is 43 kg/capita/annum
- National average consumption figures do not reveal the extent to which consumption levels may vary in a country, across geographical regions or socio-economic demographics. For example, in Mozambique, per-capita consumption in much higher in Maputo than in the rural areas, while in South Africa, per capita consumption in poorer communities may be higher because sugar is an affordable energy source in an energy-poor diet
- Global sugar consumption continues to increase each year. 2016 saw *per-capita* consumption decrease for the first time in 20 years, but it rose again slightly in 2017. Per-capita consumption of sugars is flat or declining in developed countries, but in Africa and Asia it is still increasing, as per-capita income levels increase
- Tongaat Hulett's sugar marketing and distribution are consistent with its commitment to ensure that its products are consumed in a way that is conducive to public health, and efforts aimed at increasing sugar consumption levels are focussed on those countries where current consumption levels are low (below limits advocated by the World Health Organisation)

Sugar, Nutrition and Health (continued)

- In South Africa, the Rates and Monetary Amounts and Amendment of Revenue Laws Bill, which includes the Health Promotion Levy (HPL), was signed into law and was gazetted on 14 December 2017, and became operational on 1 April 2018. The tax works out to around 11% on the price of an average sugar-sweetened beverage. The HPL may have an impact on South African domestic market sugar volumes, depending on price elasticity and the response of the soft drink industry in reformulating its products (substitution with non-nutritive sweeteners) and marketing alternative formulations. The extent of reformulation will be limited by the unique functional and organoleptic qualities of sugar. Domestic volume loss will be mitigated over time by population growth
- The tax provides underpinning argument for the domestic market sugar import duty and efforts to increase the US dollar-based reference price, as well as government support for renewable energy, in particular ethanol can be produced instead of sugar
- A Sugar Task Team has been set up by government as a result of the NEDLAC consultation process, comprising representatives of government, business and labour. Its purpose is to conduct a consolidated socio-economic impact assessment of the HPL (building on previous assessments by the stakeholders) as requested by Parliament and to implement the Government Jobs Creation and Mitigation Plan (JCMP). Tongaat Hulett is represented on the Task Team. The stated focus areas of the JCMP include
    - Addressing trade issues such as level of the Dollar-Based Reference Price
    - Diversification into ethanol and electricity
    - Government direct support for and financing of small-scale/land reform cane growers
- Tongaat Hulett, via Cape Sweeteners, has a niche position in the alternative sweeteners market, and substantial knowledge and experience. The company is investigating options for leveraging this into a more material position in this market, setting up its Sugar and Starch businesses to offer industrial customers a complete basket of sweetening options
- The company will continue to engage constructively with governments, communities, customers and interest groups on the topic of nutrition and health, and the role of sugars in the diet. The company recognises its responsibility to ensure that its products are consumed in a way conducive to public health, will seek to improve its, and its stakeholders' understanding of the role of sugar in nutrition, and will promote both healthy dietary behaviour and accuracy in public perception

Raw sugar production history

Milling Season															
Tons '000	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	659	731	760	674	612	652	573	455	486	486	634	541	323	353	513
Mozambique	82	85	115	106	108	108	134	164	233	235	249	271	232	198	218
Swaziland RSE	54	50	56	55	58	56	54	54	59	58	53	57	56	51	48
Zimbabwe *	507	422	430	451	349	298	259	333	372	475	488	445	412	454	392
Total	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	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000
% of Capacity	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

Further initiatives to benefit and be a key development partner as agriculture and agri-processing in Sub-Saharan Africa develops from a low base

Exploring opportunities in Angola

- Tongaat Hulett's strategy to grow its presence in the Southern and Central African region is to identify suitable sugar deficit countries and work with their governments as a preferred developmental partner, to establish an appropriate regulatory framework for the supply and sale of Tongaat Hulett's sugar, with the possibility of future local production capability, and to investigate opportunities for other agricultural and agri-processing developments
- Angola is a country with a substantial sugar deficit (over 300 000 tons per annum) and a local sugar market priced at a premium to the world market. It has been identified as a potential opportunity in line with this strategy. Angola's new President, Joao Lourenco, has prioritised the growth and development of a local agro-industry, and the country is well suited to the cultivation of a number of crops. Tongaat Hulett has met with the President and key ministries to explore the concept of a developmental partnership between the Angolan government and Tongaat Hulett to progress the growth of agri-processing in Angola
- Task teams have been set up with the Ministries of Agriculture and Commerce
    - To investigate and consider options for the regulation of the market for sugar in Angola, to provide a regulatory environment conducive to market entry and investment, such that Tongaat Hulett can proceed with the establishment of a sugar packaging and distribution facility
    - To investigate the suitability of various regions of Angola for the production of selected crops, with sugarcane and cassava the highest priority
- Cassava is the largest crop in Africa (over 160 million tons), and the opportunity for its production and processing in Angola is being explored. Current African production is almost exclusively for subsistence. The crop has great potential for processing into starch, in addition to meeting food security needs, and for the production of animal feeds. The government has expressed enthusiasm to work with Tongaat Hulett on such a development

Enhancing the sugar mill at Mafambisse in Mozambique

- Mafambisse sugar mill and cane estates are strategically important to Sofala province and the country, as the largest economic activity and employer in the province
- Operations management is making good progress in optimising the current Mafambisse operation against key benchmarks, via cost efficiency programmes, recovery maximisation and agricultural improvement plans
- A project is under development for the establishment of a “power island” - a third-party owned and operated electricity generation plant - linked to the sugar mill, supplying power to the region
- Tongaat Hulett, as developmental partner to the Mozambican government, is working to build and grow economic activity around Mafambisse . Partnership will bring shared value as it will equally result in improved financial realizations from the existing Tongaat Hulett assets

- Tongaat Hulett’s strategic theme is to leverage agriculture towards participation in the upliftment of rural economies and food security
- Development of an “agricultural hub” is in progress. Some 1 300 hectares of land that is poorly suited to sugarcane growing has been taken out of cane and is being developed for food crops. This new farming will share the capabilities and infrastructure base, including existing irrigation infrastructure, of the Mafambisse estate as a catalyst for rice production in the Sofala Province
- The potential cultivation of rice is being progressed - the suitability of the land for rice production has been confirmed, and Tongaat Hulett is working with a Mozambican and international rice producer to develop the project. Planting of first crop is planned for October 2018
- Food crops are a priority in all agriculture developmental ventures in an effort to contribute to food security and poverty alleviation
- The Government of Mozambique very enthusiastic about the project

Animal nutrition and livestock

Tongaat Hulett is developing a more ambitious and integrated strategy to realise the potential of livestock nutrition across all countries of operation. The company already has a substantial presence in animal feeds, with strong potential for growth (current turnover of R1,6 billion)

- Co-products from Tongaat Hulett's agro-processing operations contain key component inputs in the formulation of animal feeds. Sugar mill co-products - molasses and bagasse pith provide salts and carbohydrates; Starch and Glucose plants - co-products gluten, germ and fibre provide protein, oils and carbohydrates
- Voermol is an established animal feed business with a strong brand and deep product formulation and market knowledge - the business supplies South Africa (40% market share) and Botswana. Incremental expansion in plant capacity is available, with the possibility of greater expansion on the back of an ethanol production programme
- Tongaat Hulett Starch is currently an ingredient supplier into the animal feed market, with good expertise and reputation, offering premium quality and reliable supply. The fact that the Southern African region has a protein deficit offers opportunity for growth

Animal nutrition and livestock

Mozambique

- Mozambique is a net importer of meat products, but is emerging as a producer of beef to replace imports, with feedlots re-opening. The dairy sector is small but with significant growth potential
- The country's livestock population is 2 million head with only about 3% on supplementary feed
- Mozambique meat (red and white) consumption is some 8,5 kg per capita (Zambia is 13,7 kg and South Africa 58,6 kg)
- Market penetration has begun using Voermol products, supplied to the market via the Xinavane mill (the region with the highest cattle concentration in the country). Farmers' days held to showcase Voermol products have been extremely successful
- Co-products from Mozambique mills are currently sold in low-priced export markets resulting in loss of forex to Tongaat Hulett and to the country. The intention is ultimately to build a plant at Xinavane, to supply local (currently estimated at some 40 000 tons of feed per annum) and Swaziland markets
- A 1 000 hectare Livestock Improvement Centre demonstration facility to showcase Voermol products' nutritional value and stimulate demand is planned for an area adjacent to Xinavane mill in late 2018

Zimbabwe

- Current per capita beef consumption in Zimbabwe is 16 kg per capita (red and white is 21,3 kg), compared with 44 kg per capita in South Africa. Domestic demand will increase as disposable incomes improve and the populations grows
- Tongaat Hulett Zimbabwe has a cattle herd of 6 000 head, based on extensive grazing. Plans are in place to invest on an intensive farming project, using irrigated pastures and feedlots, to grow the herd to 30 000 by 2021/22, with a focus on quality through improved genetics. Apart from the domestic demand, prospects for beef exports into Europe and the Middle East are increasing in value
- Engineering and design work is under way for a phased rehabilitation and modernization of a mothballed 42 000 ton animal feeds plant at Triangle. Stillage from the ethanol plant is available as a feed ingredient. Demand is increasing for molasses based animal feed products in Zimbabwe, Botswana and Limpopo province, South Africa

Broader participation in the rural economy through the conversion of Tongaat Hulett managed land to local farmers in Mozambique

- Currently local farmers contribute 14% of the cane crushed
- Tongaat Hulett aims to grow that to some 40% in the next few seasons. It will be achieved through the following interventions, which will be funded by third parties
  - Convert Tongaat Hulett leased lands to the beneficiaries of the scheme by 2021/22 - 3 071 hectares
  - Sale of 2 161 hectares of Tongaat Hulett land to medium and large scale Mozambican farmers between 2018/19 and 2019/20
  - Development of an additional 3 614 hectares of new lands for local Mozambican farmers as part of the initiatives to fill up factory installed capacity
- Different farming models and management schemes will be adopted for the various initiatives planned
- The aim will be to ensure the sustainability of high yield production on the farms owned by the local farmers and maintain increased cane supplies to the factory

Land Conversion and Development

Continuing to create value for all stakeholders through an all-inclusive approach to land development activities

Land Conversion and Development

Substantial progress on building the development platform

- Increasing scope and socio-economic impact of collaboration with public sector, communities and other businesses
  - Private sector investment currently underway from previous sales R7,8 billion leading to 55 000 construction jobs and 5 800 permanent jobs on completion
  - Implementation of a comprehensive, embedded social programme
  - Opportunities for well-located, affordable neighbourhoods
  - Enabling transformation of ownership and participation in real estate value chain
- Dynamics in the land portfolio
  - Land to be converted out of sugarcane into urban land usage totals 7 612 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
  - 1 485 developable hectares with environmental approval, providing clarity regarding timing and suitability for ultimate usage
- Progress towards shovel ready land
  - R979 million invested into planning and infrastructure platform for land earmarked for future sales
    - Of this, R489 million invested into 137 developable hectares making up the socially and economically important Cornubia area
  - 185 developable hectares shovel ready, exceeding 171 hectares sold over the past two years
- New development areas opening up
  - Recent environmental approval for Tinley Manor north of Ballito led to sales of 28 developable hectares in the period, with sales negotiations commenced over 66 developable hectares, including 20 hectares for internationally-branded coastal resort
  - First zoning approval granted for Ntshongweni, near Hillcrest, west of Durban
  - Planning processes underway expected to open new development areas around King Shaka International Airport

A detailed description of Tongaat Hulett's process of creating value for stakeholders through an all-inclusive approach to land development is given in the Land Development Document available on www.tongaat.com

Land Conversion and Development

Short term dynamics

- Strong cash flows expected mainly in the second half of the next financial year
  - Land development involves considerable cash inflows and outflows, not coinciding over a year
  - Strong inflows expected from current land debtors as property transfers are registered
  - Several infrastructure projects completed or nearing completion; cash outflows will be below the level of the past two years
- Significant commercial negotiations underway
  - Cover some 300 developable hectares from areas comprising a total of 768 developable hectares
  - Wide geographical and market sector spread: Ridgeside, Sibaya, Cornubia, Bridge City, uMhlanga Ridge Town Centre, Kindlewood, iNyaninga, Tinley Manor
- Enquiries being received in areas comprising a further 461 developable hectares

Land Conversion and Development

Progress and status towards value realisation

- The developmental process entails multiple activities over time to unlock land sales that lead to investment that includes the development of infrastructure and buildings.
- The table below shows progress on the major activities across various categories of land

Category of Land	Developable hectares			
	Total	Released from agriculture	Environmental approval in place	Shovel ready status achieved
Negotiations with prospective purchasers are ongoing	300	270	190	80
Land not yet under negotiation, in areas where negotiations are ongoing	468	375	275	36
Enquiries are being received and negotiations are expected to commence	461	420	143	69
Areas from which other sales are expected to come over the next 5 years	2 132	1 422	877	-
Areas where sales are anticipated beyond 5 years	4 251	1 079	-	-
Portfolio total	**7 612**	**3 566**	**1 485**	**185**

Further details of the individual landholdings making up these categories are tabulated on page 6 of the Land Development Document, while dynamics of each individual landholding are detailed on pages 34 to 65

Land Conversion and Development

Range of outcomes expected to be generated through land development over the next five years

ANTICIPATED RANGE OF SALES OVER FIVE YEARS

DEMAND DRIVER		AS COMMUNICATED AT MAY 2017				DEVELOPABLE HECTARES SOLD in the twelve months to 31 MARCH 2018	AS AT MAY 2018			
		Range of Developable Hectares		Range of Profit per Developable Hectare			Range of Developable Hectares		Range of Profit per Developable Hectare	
		From	To	From	To		From	To	From	To
Medium and High Intensity Urban Mixed Use		48	118	19,2	42	4,5	47	107	19	38
Predominantly residential neighbourhoods	High-end residential neighbourhoods	92	186	5,6	16,7	27,6	103	194	5,3	17
	Mid-market neighbourhoods	56	90	3,2	6,6		46	135	3,6	6,4
	Integrated affordable neighbourhoods	91	199	2,5	5,8	34,6	83	125	2,5	6,8
	Public sector facilitated residential neighbourhoods	80	240	2,2	3		85	136	2,2	3
Urban Amenities for Residential Neighbourhoods		41	61	3,2	6	6,3	31	56	3,2	6
Retirement		49	59	3,8	12	17	31	52	3,8	12
Tourism Markets	City hotels and residences	4	5	12,5	15		4	8	12,5	21
	Coastal resorts catering to domestic, charter markets	15	42	3,5	6		24	41	3,5	6
Office Market		12	22	7,5	21,5	0,5	12	20	7,5	22
Warehousing, logistics, industrial, business park, manufacturing and big-box retail		94	233	4,8	9,5		105	155	4,8	9,4
Unique Clusters of opportunity		25	56	5	12	5,8	28	70	5	11,3
TOTAL		607	1 311			96,3	599	1099		

The Land Development Document provides details of

- Tongaat Hulett's developmental process, with its embedded social programmes and progress made on developmental permissions and key infrastructural investments (Pages 16 to 25)
- Perspectives on a range of demand drivers and the associated market strategies being employed (Pages 26 to 31)

The combination of these two factors leads to an assessment of the anticipated range of land development sales over the next five years, being in the range of 599 to 1 099 developable hectares.

These land development activities unlock substantial real estate investment, with associated social and economic multipliers, in the period after sales are concluded. These outcomes are tabulated on Page 21

Additional financial information

Results for 2017/18, together with Commentary and Outlook available at www.tongaat.com

Growing crops on the Tongaat Hulett balance sheet

	31 March 2018					31 March 2017
	Mozambique	South Africa	Swaziland	Zimbabwe	Total	Total
Standing Cane						
Hectares for harvest	23 206	34 902	3 798	27 912	89 818	88 159
Standing cane value (R per ha.)	32 574	21 881	38 207	39 057	30 672	28 913
Yield (tons cane per ha)	85,6	59,5	121,1	98,1	80,9	76,0
Statement of financial position (current assets)						
Standing cane (R million)	756	764	145	1 090	2 755	2 549

March 2017 (R million)	2 549
Change in fair value	+ 370
Foreign currency translation (FCTR)	- 164
March 2018 (R million)	2 755

Growing crops - change in fair value

IAS 41 Fair Value Change included in the Income Statement: Year to 31 March

R million	2017/18 FY	2016/17 FY
South Africa	+ 57	+ 245
Swaziland	+ 25	+ 2
Zimbabwe	+ 200	- 244
Mozambique	+ 88	+ 140
Change in fair value	**+ 370**	**+ 143**

South Africa

- Additional hectares under cane
- Lower prices
- Previous yield increases not repeated

Mozambique

- Increased yields
- Price increases of previous year not repeated

Zimbabwe

- Increased yields and local market pricing
- Division of Proceeds adjustment in 2016/17 had a negative impact in that year

Swaziland

- Increased yields and older cane

- 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

Exchange rates

	2017/18 Average	2016/17 Average	31 March 2018	31 March 2017
Rand/US$	13,00	14,09	11,89	13,38
Rand/Euro	15,15	15,45	14,64	14,29
Rand/Metical	0,21	0,22	0,20	0,20
US$/Euro	1,17	1,10	1,23	1,07
Metical/Euro	70,6	69,1	74,7	70,3
Metical/US$	60,5	63,1	60,7	65,9

- 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

Further information

For further information

visit www.tongaat.com

or

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