Tongaat Hulett

INTERIM RESULTS
for the six months ended 30 September 2015

- **Revenue of R7,609 billion** (2014: R8,073 billion) -5,7%
- **Operating profit of R1,361 billion** (2014: R1,510 billion) -9,9%
- **Operating cash flow of R2,292 billion** (2014: R2,413 billion) -5,0%
- **Headline earnings of R673 million** (2014: R773 million) -12,9%
- **Interim dividend of 170 cents per share** (2014: 170 cents per share)

COMMENTARY

The results for the half-year ended 30 September 2015 were attained with strong performances from the land conversion activities and the starch operation being more than off-set by the impact of difficult conditions for the sugar industry. In total, for the six months, revenue amounted to R7,6 billion and operating profit of R1,4 billion was generated, which is 9,9% below last year.

Land conversion and development activities generated operating profit of R576 million from the sale of 65 developable hectares (2014: R435 million from 49 developable hectares). Sales in this period came from Cornubia (industrial and office), Sibaya (commencement of node 1 for high-end residential), Umhlanga Ridge Town Centre, Kindlewood, Izinga and Bridge City. The profit per developable hectare averaged R8,9 million in the half-year, ranging from R4 million to over R38 million per developable hectare, in line with the expectations previously communicated.

The starch and glucose operation increased operating profit to R281 million (2014: R264 million). Sales volumes of prime products reflected a 1% reduction in the half-year, with gains in the coffee/creamer sector and a slight increase in exports being off-set by reductions in the confectionery, prepared foods, canning and paper making sectors. Maize costs were competitive and there were ongoing improvements in operating efficiencies, co-product recoveries and cost control.

The various sugar operations' revenue totalled R5,0 billion for the six months, which was 14% below the previous half-year. Profit before the impact of cane valuations was R1,13 billion compared to R1,45 billion in the first half of last year. A reduction in sugar production is being driven by poor growing conditions, particularly in South Africa. In addition to lower volumes, export revenues are also being impacted by a lower international sugar price, with regional deficit markets and EU exports linked to that price. Export prices earned into the EU have reduced by some 5,3 US cents per pound, in line with the reduction in the world price, compared to the first half of last year, with a revenue impact of some R200 million in Zimbabwe and Mozambique. Cost reduction initiatives continue across all operations. There are multiple currency dynamics, with positive and negative effects compared to the same period last year. The negative cane valuation impact of R570 million at the half-year is to be expected with the harvesting that has taken place and is consistent overall with the movement seen last year. Operating profit after cane valuations, from all the sugar operations, totalled R562 million compared to R864 million in the first half of last year.

The South African sugar operations, including the agriculture, milling, refining and various downstream activities have seen a reduction of operating profit to R154 million (2014: R259 million). Production volumes are substantially below last year as a result of the drought in KwaZulu-Natal (including the Darnall mill not being opened this season) and export sales volumes have consequently reduced by 88% compared to the same period last year. The overall reduction in volumes has been partly off-set by focused cost reductions and improved local market pricing, with a reduced impact of imports into the local market. Value added activities, including speciality sugars, branding, packing and distribution in Botswana, Namibia and South Africa, as well as Voermol (the specialist animal feeds business), continue to make a significant contribution.

The Tambankulu Estate in Swaziland recorded operating profit of R32 million (2014: R35 million), which continues to reflect the impact of lower sugar cane prices.

The Mozambique sugar operating profit reduced to R142 million (2014: R226 million) due to lower export sales prices and sales volumes in the half-year. The lower sales volumes are as a result of lower production levels at this stage in the season. The effect of lower export revenues, including the reduction in export prices into the EU, was partially off-set by increased local market revenues.

The Zimbabwe sugar operations' operating profit for the half-year amounted to R234 million (US$19 million) compared to the R344 million (US$32 million) in the same period last year. Domestic market sales volume levels have been maintained despite the challenging local economic conditions. This was more than off-set by lower export volumes, due to the timing of shipments between the first and second halves of the year, and lower export prices into the EU. The strength of the US dollar is exerting pressure, particularly in respect of US dollar based costs (such as wages and salaries) and Euro based revenues. The movement in the exchange rate has benefitted the conversion of the US dollar earnings into Rands on consolidation.

Finance costs of R314 million (2014: R297 million) were commensurate with the borrowing levels and prevailing interest rates.

Operating cash flow generated for the six months was R2,3 billion (2014: R2,4 billion), before working capital movements. The absorption of cash in working capital at the half-year was some R2,4 billion, being the middle of the sugar season when sugar stocks and debtor levels are usually substantially higher than at the end of the financial year. The increased level of land conversion sales and profits has led to a higher level of accounts receivable. Capital expenditure for the half-year has increased with high return initiatives being undertaken, for example the coffee/creamer production facility expansion in the starch and glucose operation. After taking all of the aforementioned into account, net debt at the half-year was R5,27 billion (2014: R4,90 billion).

Headline earnings for the half-year amounted to R673 million (2014: R773 million). An interim dividend of 170 cents per share has been declared (2014: 170 cents per share).

OUTLOOK

Tongaat Hulett has substantially enhanced its strategic positioning over the past few years and will continue to do so, focusing on multiple strategic thrusts, all with a positive impact on earnings and cash flow, through the various cycles that the business experiences. The financial results for the current full year continue to be influenced by a number of substantial and varying dynamics, both negative and positive, and the full impact is difficult to predict at this stage.

Tongaat Hulett's Sugar Production and its Markets

Tongaat Hulett's sugar production in 2015/16 has been heavily impacted by the drought in KwaZulu-Natal and the lower water and dam levels for irrigation have had an impact in Mozambique, Zimbabwe and Swaziland. Sugar production in total for the 2015/16 season is expected to be between 1 005 000 and 1 093 000 tons (2014/15: 1 314 000 tons), with South Africa between 310 000 and 325 000 tons (2014/15: 541 000 tons), Zimbabwe between 410 000 and 450 000 tons (2014/15: 445 000 tons), Mozambique between 230 000 and 260 000 tons (2014/15: 271 000 tons) and the raw sugar equivalent in Swaziland between 55 000 and 58 000 tons (2014/15: 57 000 tons). Production levels in 2016/17 will largely depend on the extent of rainfall over the next 7 months. The drought has already had an impact, particularly in South Africa. In Zimbabwe, Mozambique and Swaziland the quantum of irrigation is being reduced as a mitigation measure against potential poor rainfall in the coming months. Electricity availability has, at times, impacted on irrigation. A return to regular growing conditions, together with the benefit of the intensive agricultural improvement plans that are well under way, should lead to sugar production increasing to above 1,6 million tons by 2018/19.

A number of factors are in play in the markets where Tongaat Hulett operates. The key markets are the domestic markets in countries where it produces sugar, all of which have the potential to grow Tongaat Hulett's supply. Progress is being made with the effectiveness of various import protection measures. In Zimbabwe and Mozambique, sugar refining matters are being addressed, which should lead to the replacement of imported industrial white sugar. Growth is expected in consumption per capita, off a low base, particularly in Mozambique and partly in Zimbabwe, together with increased distribution and marketing initiatives. In South Africa, with its current low sugar production level, Tongaat Hulett is having to procure other producers' raw sugar for refining to supply its local market white sugar position and plans to replace this with its own production in future. Tongaat Hulett has the leading sugar brands in South Africa, Zimbabwe, Botswana and Namibia. Total local market sales in Tongaat Hulett's domestic markets could increase from some 850 000 tons in 2014/15 to some 1 090 000 tons by 2018/19.

Tongaat Hulett's additional sugar is sold mainly into regional and EU markets, where a premium is earned above the volatile world sugar price. Coming out of 5 years of global surplus production, high stock levels and a low world price, the expectations for the current year are that global supply will fall short of global demand. Current weather conditions, together with farmer behaviour driven by low prices and input cost pressures, are exerting downward pressure on global sugar production levels. Global sugar consumption is predicted to continue to grow at a rate of some 1,5% to 2% per annum, with most of this growth coming from low per capita consumption developing countries.

Tongaat Hulett has key market positions and experience in both the EU and the region (southern and eastern Africa). The EU reforms are leading to a shift for Tongaat Hulett away from the EU to regional deficit markets, replacing deep sea imports and benefitting from trade-bloc advantages. By 2018/19, regional exports could increase from 100 000 tons in 2014/15 to some 275 000 tons and EU exports are likely to reduce from 327 000 tons to some 130 000 tons.

Cost Reductions

The sustainable cost reductions achieved over the past two years (equivalent to some R950 million in real terms), while having to absorb input price increases, provided a good base for the next steps in the concerted cost reduction process in the sugar operations. An overall reduction in goods, services, transport, marketing, salaries and wages costs in real terms is expected this year.

Growing Starch and Glucose

The starch and glucose operation is well positioned strategically and is focused on growing its sales volume, with an enhanced product mix and customer growth prospects into Africa. This is underpinned by improving use of its available capacity and the efficiency of its operations. The R135 million expansion project for the coffee/creamer sector is currently in its commissioning phase. For the second half of this year, 85% of maize requirements have been priced, back to back with customers, with margins slightly below the same time last year. The current prevailing dry weather conditions have resulted in planting delays for the forthcoming maize season. Rain is required during the next three to six months to allow the crop to be planted and established. The margins earned on approximately 55% of the starch operation's sales volumes for the next financial year will be influenced by the extent to which local maize prices trade closer to import parity levels.

Momentum in Land Conversion and Development

The momentum in Tongaat Hulett's land conversion and development activities continues, with good progress on numerous value unlocking activities spanning the portfolio of 8 026 developable hectares in KZN earmarked for development. These activities include strengthening demand drivers, unlocking infrastructure at key points, securing release from agriculture and other development approvals, while executing optimal sales strategies for the various parcels of land. The value achieved per hectare of land sold is increasingly reflecting this steadily improving land conversion platform and varies based on usage and location. Tongaat Hulett continues to work together with Government, related organisations and key stakeholders in the property industry to capture the synergy of each other's unique capabilities and to create and unlock value for all stakeholders. An increasing number of significant black economic empowerment related land development transactions are taking place. This all has a positive impact on economic development, including industrial, commercial, tourism and all levels of residential development in the Durban/KZN North Coast area, complementing the simultaneous rural development taking place around new agricultural cane developments.

Following the sales of the last 18 months, which total 173 developable hectares, the remainder of this financial year could see muted sales activity. Significant early sales momentum (40 developable hectares sold) has been achieved in opening up both the western expansion of Umhlanga Ridge Town Centre into Cornubia and a new development area in node 1 of Sibaya at eMdloti, with a further 58 developable hectares to come in these areas following a consolidation around these early catalyst sales. Good progress has been made, after a 2-year comprehensive process, in understanding how to unlock optimal value from the prime 42 developable hectares in precincts 1 and 2 of Umhlanga Ridgeside. A single sale of these 42 hectares, with the current commercial and residential mix, is not likely to be the optimum route and a multiple sales approach will now be embarked upon, benefitting from the significant interest created to date.

An update of the land portfolio document (including prospective usage, market momentum, demand drivers, possible timing and values) is available on the www.tongaat.com website. It includes an update of the possible 5-year sales outcomes, indicating total sales of at least 639 developable hectares with a profit range of R2 million to R39 million per developable hectare. It also details those areas where commercial negotiations have commenced or are likely to commence over the next 24 months.

Tongaat Hulett continues to focus on value creation for all stakeholders through an all-inclusive approach to growth and development, with its footprint in six SADC countries, its ability to process both sugar cane and maize, animal feeds thrust, electricity generation and ethanol opportunities, increased momentum in land conversion and its socio-economic positioning and constructive interfaces with Governments and society.

For and on behalf of the Board

Bahle Sibisi	**Peter Staude**
Chairman	Chief Executive Officer
Amanzimnyama, Tongaat, KwaZulu-Natal	12 November 2015

DIVIDEND DECLARATION

Notice is hereby given that the Board has declared an interim gross cash dividend (number 176) of 170 cents per share for the half-year ended 30 September 2015 to shareholders recorded in the register at the close of business on Friday 29 January 2016.

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

Last date to trade ordinary shares "CUM" dividend	Friday	22 January 2016
Ordinary shares trade "EX" dividend	Monday	25 January 2016
Record date	Friday	29 January 2016
Payment date	Thursday	4 February 2016

Share certificates may not be dematerialised or re-materialised, nor may transfers between registers take place between Monday 25 January 2016 and Friday 29 January 2016, both days inclusive.

The dividend is declared in the currency of the Republic of South Africa. Dividends paid by the United Kingdom transfer secretaries will be paid in British currency at the rate of exchange ruling at the close of business on Friday 22 January 2016.

The dividend has been declared from income reserves. A net dividend of 144,5 cents per share will apply to shareholders liable for the local 15% dividend withholding tax and 170 cents per share to shareholders exempt from paying the dividend tax. The issued ordinary share capital as at 12 November 2015 is 135 112 506 shares. The company's income tax reference number is 9306/101/20/6.

For and on behalf of the Board

M A C Mahlari
Company Secretary

Amanzimnyama, Tongaat, KwaZulu-Natal 12 November 2015

CORPORATE INFORMATION

Tongaat Hulett Limited
Registration No: 1892/000610/06 JSE share code: TON ISIN: ZAE000096541
Directorate: C B Sibisi (Chairman), P H Staude (Chief Executive Officer)*, S M Beesley, F Jakoet, J John, R P Kupara^, T N Mgoduso, N Mjoli-Mncube, M H Munro*, S G Pretorius, T A Salomão +
* Executive directors + Mozambican ^ Zimbabwean
Registered office: Amanzimnyama Hill Road, Tongaat, KwaZulu-Natal
P O Box 3, Tongaat 4400 Telephone: +27 32 439 4019 Facsimile: +27 31 570 1055
Transfer secretaries: Computershare Investor Services (Pty) Limited
Telephone: +27 11 370 7700
Sponsor: Investec Bank Limited Telephone: +27 11 286 7000

INCOME STATEMENT

Condensed consolidated Rmillion	Unaudited 6 months to 30 Sept 2015	Unaudited 6 months to 30 Sept 2014	Audited 12 months to 31 March 2015
Revenue	**7 609**	8 073	16 155
Operating profit	**1 361**	1 510	2 089
Net financing costs (note 1)	**(314)**	(297)	(617)
Profit before tax	**1 047**	1 213	1 472
Tax (note 2)	**(305)**	(336)	(425)
Net profit for the period	**742**	877	1 047
Profit attributable to:			
Shareholders of Tongaat Hulett	**701**	800	989
Minority (non-controlling) interest	**41**	77	58
	742	877	1 047
Headline earnings attributable to Tongaat Hulett shareholders (note 3)	**673**	773	945
Earnings per share (cents)			
Net profit per share			
Basic	**609,1**	700,9	864,6
Diluted	**609,1**	700,9	864,6
Headline earnings per share			
Basic	**584,8**	677,2	826,1
Diluted	**584,8**	677,2	826,1
Dividend per share (cents)	**170,0**	170,0	380,0
Currency conversion			
Rand/US dollar closing	**13,85**	11,26	12,17
Rand/US dollar average	**12,57**	10,64	11,05
Rand/Metical average	**0,35**	0,35	0,35
Rand/Euro average	**13,95**	14,35	13,96
US dollar/Euro average	**1,11**	1,35	1,26

SEGMENTAL ANALYSIS

REVENUE			
Sugar			
Zimbabwe	**1 863**	1 824	3 471
Swaziland	**148**	146	203
Mozambique	**1 394**	1 482	1 804
South Africa	**1 603**	2 365	6 143
Sugar operations - total	**5 008**	5 817	11 621
Starch operations	**1 750**	1 740	3 447
Land Conversion and Developments	**851**	516	1 087
Consolidated total	**7 609**	8 073	16 155
OPERATING PROFIT			
Sugar			
Zimbabwe	**234**	344	386
Swaziland	**32**	35	29
Mozambique	**142**	226	130
South Africa	**154**	259	261
Sugar operations - total	**562**	864	806
Starch operations	**281**	264	561
Land Conversion and Developments	**576**	435	829
Centrally accounted and consolidation items	**(49)**	(42)	(86)
BEE IFRS 2 charge and transaction costs	**(9)**	(11)	(21)
Consolidated total	**1 361**	1 510	2 089
FURTHER ANALYSIS OF SUGAR OPERATING PROFIT			
Sugar operations - before cane valuations	**1 132**	1 454	710
Zimbabwe	**533**	609	320
Swaziland	**58**	64	40
Mozambique	**411**	556	215
South Africa	**130**	225	135
Cane valuations - income statement effect	**(570)**	(590)	96
Zimbabwe	**(299)**	(265)	66
Swaziland	**(26)**	(29)	(11)
Mozambique	**(269)**	(330)	(85)
South Africa	**24**	34	126
Sugar operations - after cane valuations	**562**	864	806
Zimbabwe	**234**	344	386
Swaziland	**32**	35	29
Mozambique	**142**	226	130
South Africa	**154**	259	261

STATEMENT OF CASH FLOWS

Operating profit	**1 361**	1 510	2 089
Surplus on disposal of property, plant and equipment	**(34)**	(29)	(77)
Depreciation	**314**	309	564
Growing crops and other non-cash items	**651**	623	1
Operating cash flow	**2 292**	2 413	2 577
Change in working capital	**(2 389)**	(1 837)	(44)
Cash flow from operations	**(97)**	576	2 533
Tax payments	**(109)**	(214)	(353)
Net financing costs	**(314)**	(297)	(617)
Cash flow from operating activities	**(520)**	65	1 563
Expenditure on property, plant and equipment:			
New	**(268)**	(75)	(203)
Replacement	**(296)**	(143)	(509)
Major plant overhaul cost changes	**(57)**	(38)	(20)
Capital expenditure on growing crops	**(18)**	(10)	(76)
Other capital items	**45**	30	93
Net cash flow before dividends and financing activities	**(1 114)**	(171)	848
Dividends paid	**(235)**	(237)	(429)
Net cash flow before financing activities	**(1 349)**	(408)	419
Borrowings raised	**1 550**	1 210	218
Non-recourse equity-settled BEE borrowings	**(32)**	(24)	(37)
Shares issued		1	1
Settlement of share-based payment awards	**(33)**	(149)	(175)
Net increase in cash and cash equivalents	**136**	630	426
Balance at beginning of period	**1 668**	1 067	1 067
Foreign currency translation	**163**	41	175
Cash and cash equivalents at end of period	**1 967**	1 738	1 668

STATEMENT OF OTHER COMPREHENSIVE INCOME

Net profit for the period	**742**	877	1 047
Other comprehensive income	**1 010**	801	1 039
Items that will not be reclassified to profit or loss:			
Foreign currency translation	**1 012**	810	1 057
Actuarial loss			(23)
Tax on actuarial loss			7
Items that may be reclassified subsequently to profit or loss:			
Hedge reserve	**(3)**	(13)	(3)
Tax on movement in hedge reserve	**1**	4	1
Total comprehensive income for the period	**1 752**	1 678	2 086
Total comprehensive income attributable to:			
Shareholders of Tongaat Hulett	**1 492**	1 492	1 815
Minority (non-controlling) interest	**260**	186	271
	1 752	1 678	2 086

STATEMENT OF FINANCIAL POSITION

Condensed consolidated Rmillion	Unaudited 30 Sept 2015	Unaudited 30 Sept 2014	Audited 31 March 2015
ASSETS			
Non-current assets			
Property, plant and equipment	**12 870**	11 737	12 059
Growing crops (note 4)	**5 168**	4 623	5 473
Long-term receivable	**541**	502	518
Goodwill	**416**	358	376
Intangible assets	**59**	65	64
Investments	**28**	20	27
	19 082	17 305	18 517
Current assets	**11 782**	10 176	8 026
Inventories	**4 721**	4 503	2 472
Trade and other receivables	**5 094**	3 935	3 886
Cash and cash equivalents	**1 967**	1 738	1 668
TOTAL ASSETS	**30 864**	27 481	26 543
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	**135**	135	135
Share premium	**1 544**	1 544	1 544
BEE held consolidation shares	**(642)**	(695)	(674)
Retained income	**8 397**	7 983	7 959
Other reserves	**3 731**	2 764	2 925
Shareholders' interest	**13 165**	11 731	11 889
Minority interest in subsidiaries	**2 143**	1 808	1 887
Equity	**15 308**	13 539	13 776
Non-current liabilities	**7 882**	7 098	7 944
Deferred tax	**2 685**	2 289	2 491
Long-term borrowings	**3 795**	3 449	4 056
Non-recourse equity-settled BEE borrowings	**622**	667	654
Provisions	**780**	693	743
Current liabilities	**7 674**	6 844	4 823
Trade and other payables (note 5)	**3 969**	3 454	3 173
Short-term borrowings	**3 446**	3 193	1 604
Tax	**259**	197	46
TOTAL EQUITY AND LIABILITIES	**30 864**	27 481	26 543
Number of shares (000)			
– in issue	**135 113**	135 113	135 113
– weighted average (basic)	**115 083**	114 139	114 388
– weighted average (diluted)	**115 083**	114 139	114 388

STATEMENT OF CHANGES IN EQUITY

Balance at beginning of period	**11 889**	10 562	10 562
Total comprehensive income for the period	**1 492**	1 492	1 815
Retained income	**701**	800	973
Movement in hedge reserve	**(2)**	(9)	(2)
Foreign currency translation	**793**	701	844
Dividends paid	**(231)**	(231)	(417)
Share capital issued - ordinary		1	1
BEE held consolidation shares	**8**	8	18
Share-based payment charge	**40**	48	85
Settlement of share-based payment awards	**(33)**	(149)	(175)
Shareholders' interest	**13 165**	11 731	11 889
Minority interest in subsidiaries	**2 143**	1 808	1 887
Balance at beginning of period	**1 887**	1 628	1 628
Total comprehensive income for the period	**260**	186	271
Retained income	**41**	77	58
Foreign currency translation	**219**	109	213
Dividends paid to minorities	**(4)**	(6)	(12)
Equity	**15 308**	13 539	13 776

NOTES

1. Net financing costs			
Interest paid	**(350)**	(331)	(685)
Interest capitalised	**3**		1
Interest received	**33**	34	67
	(314)	(297)	(617)
2. Tax			
Normal	**(316)**	(267)	(261)
Deferred	**11**	(69)	(164)
	(305)	(336)	(425)
3. Headline earnings			
Profit attributable to shareholders	**701**	800	989
Adjusted for:			
Capital profit on disposal of land and buildings	**(26)**	(21)	(48)
Capital profit on other items		(2)	(2)
(Surplus)/loss on disposal of property, plant and equipment	**(4)**	(6)	4
Tax on the above items	**2**	2	2
	673	773	945

4. Growing crops

Growing crops, comprising roots and standing cane, are measured at fair value; which is determined using an estimate of cane yields and prices. Changes in fair value are recognised in profit or loss. A change in yield of one ton per hectare on the estimated yield of 83 tons cane per hectare (30 September 2014: 86 tons per hectare and 31 March 2015: 83 tons per hectare) would result in a R25 million (30 September 2014: R22 million and 31 March 2015: R25 million) change in fair value, while a change of one percent in the cane price would result in a R26 million (30 September 2014: R20 million and 31 March 2015: R26 million) change in fair value.

5. Trade and other payables

Included in trade and other payables is the maize obligation (interest bearing) of R573 million (30 September 2014: R494 million and 31 March 2015: R246 million).

6. Capital expenditure commitments			
Contracted	**261**	192	163
Approved	**338**	238	478
	599	430	641
7. Operating lease commitments	**94**	88	82
8. Guarantees and contingent liabilities	**68**	42	33

9. Basis of preparation and accounting policies

The condensed consolidated unaudited results for the half-year ended 30 September 2015 have been prepared in accordance with the International Financial Reporting Standard (IFRS) IAS 34 Interim Financial Reporting, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and the requirements of the Companies Act of South Africa. The report has been prepared using accounting policies that comply with IFRS, which are consistent with those applied in the financial statements for the year ended 31 March 2015 and were prepared under the supervision of the Chief Financial Officer, M H Munro CA (SA).

Tongaat Hulett has adopted all the new or revised accounting pronouncements as issued by the IASB, which were effective for Tongaat Hulett from 1 January 2015. The adoption of these standards had no recognition and measurement impact on the financial results.

Please visit our website:
www.tongaat.com
for further information.