Tongaat Hulett

Interim Results for the six months ended 30 September 2011

- **Revenue of R6,027 billion** (2010: R4,724 billion) +27,6%
- **Profit from operations of R1,047 billion** (2010: R963 million) +8,7%
- **Total net profit of R597 million** (2010: R552 million) +8,2%
- **Headline earnings of R501 million** (2010: R507 million) -1,2%
- **Interim dividend of 120 cents per share** (2010: 110 cps) +9,1%

INCOME STATEMENT

Condensed consolidated Rmillion	Unaudited 6 months to 30 Sept. 2011	Unaudited 6 months to 30 Sept. 2010	Audited 12 months to 31 March 2011
Revenue	**6 027**	4 724	9 681
Profit from operations	**1 047**	963	1 338
Bulk sales/capital profit on land	**3**	4	23
Capital profit on other items			4
BEE IFRS 2 charge and transaction costs	**(24)**	(18)	(46)
Valuation adjustments:			
Defined benefit pension fund asset recognition			288
Other valuation adjustments	**3**		(1)
Operating profit	**1 029**	949	1 606
Share of associate company's loss			(2)
Net financing costs (note 1)	**(249)**	(231)	(472)
Profit before tax	**780**	718	1 132
Tax (note 2)	**(183)**	(166)	(261)
Net profit for the period	**597**	552	871
Profit attributable to:			
Shareholders of Tongaat Hulett	**505**	511	833
Minority (non-controlling) interest	**92**	41	38
	597	552	871
Headline earnings attributable to Tongaat Hulett shareholders (note 3)	**501**	507	806
Earnings per share (cents)			
Net profit per share			
Basic	**477,4**	485,5	786,0
Diluted	**466,3**	472,6	764,3
Headline earnings per share			
Basic	**473,6**	481,7	760,5
Diluted	**462,6**	468,9	739,6
Dividend per share (cents)	**120,0**	110,0	250,0
Currency conversion			
Rand/US dollar closing	**8,06**	6,99	6,80
Rand/US dollar average	**6,95**	7,39	7,19
Rand/Metical average	**0,24**	0,22	0,21
Rand/Euro average	**9,91**	9,58	9,49
US dollar/Euro average	**1,43**	1,30	1,32

SEGMENTAL ANALYSIS

Rmillion	2011	2010	March 2011
REVENUE			
Starch operations	**1 210**	1 185	2 357
Land Conversion and Developments	**92**	99	207
Sugar			
Zimbabwe operations	**1 179**	734	1 646
Swaziland operations	**117**	108	126
Mozambique operations	**1 082**	489	715
SA agriculture, milling and refining	**1 353**	1 267	2 991
Downstream value added activities	**994**	842	1 639
Consolidated total	**6 027**	4 724	9 681
PROFIT FROM OPERATIONS			
Starch operations	**167**	125	303
Land Conversion and Developments	**62**	97	166
Sugar			
Zimbabwe operations	**364**	303	454
Swaziland operations	**30**	19	17
Mozambique operations	**267**	163	135
SA agriculture, milling and refining	**54**	47	(7)
Downstream value added activities	**142**	136	241
Centrally accounted and consolidation items	**(39)**	73	29
Consolidated total	**1 047**	963	1 338

STATEMENT OF CASH FLOWS

Rmillion	2011	2010	March 2011
Operating profit	**1 029**	949	1 606
Profit on disposal of property, plant and equipment	**(4)**	(7)	(35)
Depreciation	**232**	225	344
Defined benefit pension fund asset recognition			(288)
Growing crops and other non-cash items	**327**	(196)	(622)
Tax payments	**(29)**	(42)	(111)
Operating cash flow	**1 555**	929	894
Change in working capital	**(1 044)**	(956)	(212)
Cash flow from operations	**511**	(27)	682
Net financing costs	**(249)**	(231)	(472)
Cash flow from operating activities	**262**	(258)	210
Expenditure on property, plant and equipment:			
New	**(89)**	(138)	(396)
Replacement	**(156)**	(109)	(323)
Major plant overhaul costs	**(74)**	(131)	(87)
Other capital items	**(40)**	(5)	(33)
Net cash flow before dividends and financing activities	**(97)**	(641)	(629)
Dividends paid	**(156)**	(83)	(198)
Net cash flow before financing activities	**(253)**	(724)	(827)
Borrowings raised	**579**	1 175	1 103
Non-recourse equity-settled BEE borrowings	**(13)**	(13)	(26)
Shares issued		3	6
Settlement of share-based payment awards	**(4)**	(18)	(27)
Net increase in cash and cash equivalents	**309**	423	229
Balance at beginning of period	**350**	140	140
Foreign exchange adjustment	**162**	(1)	(18)
Exchange rate translation loss			(1)
Cash and cash equivalents at end of period	**821**	562	350

CORPORATE INFORMATION

Tongaat Hulett Limited
Registration No: 1892/000610/06 JSE share code: TON ISIN: ZAE000096541

Directorate: J B Magwaza (Chairman), P H Staude (Chief Executive Officer)*, B G Dunlop*, F Jakoet, J John, R P Kupara^, A A Maleiane+, T N Mgoduso, M Mia, N Mjoli-Mncube, M H Munro*, S G Pretorius, C B Sibisi.
* Executive directors ^ Zimbabwean +Mozambican

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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

COMMENTARY

Tongaat Hulett's total sugar production for the 2011/12 year is expected to increase by some 14% to 1,150 million tons. More than 80% of the season's cane had been milled by the end of October 2011. Sugar production for the year in Mozambique is expected to be approximately 45% above last year, production in Zimbabwe should rise by 10% and in South Africa it should increase by some 8% over that of last year. Good progress is being made in these countries related to increasing cane supply, with the area under cane increasing and the positioning of the crop improving. In the present economic conditions few hectares are generally being sold for land and property development. The starch business has benefitted from improved co-product recoveries and world competitive maize costs.

Revenue for the six months to 30 September 2011 of R6,027 billion was 27,6% above the R4,724 billion for the corresponding period in 2010. Profit from operations grew to R1,047 billion (2010: R963 million). Excluding the R130 million gain in the prior period in respect of the pension fund employer surplus account allocation, the increase in profit from operations is 25,7%.

Profit from the Mozambique sugar operations grew to R267 million for the half-year (2010: R163 million), with substantially increased sugar production and sales at higher domestic and export prices. The cane and its increased value reported at the end of the 2010/11 year is now being converted to sugar and sold, with the operating cash flow having increased by R427 million over the previous half-year. Crop positioning for optimal harvesting is improving, with increasing yields and sucrose content. Sugar production in Mozambique for the year is expected to increase to approximately 240 000 tons, an increase of some 45% over last year.

The Zimbabwe sugar operations generated profit of R364 million (US$52 million) compared to the previous half-year of R303 million (US$41 million). Sugar production and sales, particularly in the export market, increased in the first half of the year. The positioning of the crop is improving. Given the extent of the harvesting and production to date, there is less of a standing cane value than last year and there has been an improvement in operating cash flow of R224 million. Total sugar production in Zimbabwe for the year is expected to be approximately 365 000 tons, an increase of 10% over last year, with the increase coming from Hippo Valley.

Operating profit in the South African agriculture, sugar milling and refining operations for the half-year was R54 million (2010: R47 million). The gap between the hectares under cane and the hectares milled is unusually large as a result of the substantial cane root planting following last year's drought and the approximate 15 months required to first harvest. The lower tonnage being available for export from the industry has meant that revenue was driven mainly from the local market where price increases were in line with cost increases. Tongaat Hulett's share of industry production this year is expected to increase from 23% to approximately 26%. Annual raw sugar production is projected to increase by about 8% to approximately 490 000 tons in the current season.

The various downstream sugar value added activities recorded profit of R142 million (2010: R136 million). The Voermol animal feeds operation experienced lower sales volumes and pressure on margins as a result of raw material availability constraints, high winter rainfall leading to a reduced requirement by farmers for feed and reduced on-farm feeding with higher maize prices.

In Swaziland, the Tambankulu sugar estate produced operating profit of R30 million (2010: R19 million), with improved pricing and higher cane yields being achieved.

In the land conversion and development activities, the appropriate sales strategies (bulk sale, partnership or own development) are constantly reviewed for each land holding and implemented as appropriate. Opportunistic offers for some semi-bulk land sales were received and turned down as they did not meet Tongaat Hulett's value criteria. Revenue for the six months to September 2011 was generated mainly from 13 developable hectares (15 gross hectares) that were sold in the Umhlanga Ridge Town Centre, Zimbali and Izinga areas. Operating profit amounted to R62 million (2010: R97 million) with a further R3 million in capital profits (2010: R4 million) being realised.

Profit from the starch operations increased to R167 million, compared to R125 million in the same period last year. Improved co-product recoveries and local maize costs that were contracted below Chicago (CBOT) prices resulted in an improvement in starch and glucose processing margins. Sales volumes in the local market were 0,5% above last year.

Finance costs increased to R249 million from R231 million in the first half of the 2010/11 year and are commensurate with the level of borrowings.

Operating cash flow, before working capital, improved by R626 million to R1,555 billion for the half-year, mainly as a result of the higher sugar production and sales in the half-year to September 2011. This follows the previous absorption of cash in the various expansion and sugar cane establishment programs. The September half-year coincides with a high working capital absorption point in the year, particularly in the South African sugar industry, with large cane payments having been made and sugar stock levels having increased. There was a net cash outflow for the period, after dividends, of R253 million. Tongaat Hulett's net debt at the end of September 2011 was R4,278 billion. A process to replace a portion of the short-term debt with long-term debt is close to being concluded.

Total net profit was R597 million (2010: R552 million). Headline earnings were R501 million for the half-year ended 30 September 2011, compared to the R507 million earned in the six months to 30 September 2010, after taking into account the minority shareholders' interests in respect of increased profits at the sugar milling operations in Mozambique and at Hippo Valley in Zimbabwe.

The Board has declared an interim dividend of 120 cents per share (2010: 110 cents per share).

OUTLOOK

One of Tongaat Hulett's key objectives is to facilitate increased cane supply (including hectares under cane, yields and cane quality) to its mills so as to fully utilise its existing installed milling capacity of some 2 million tons of sugar with a simultaneous reduction in unit costs. This would lead to a 75% increase in sugar production over the 1,150 million tons expected in the 2011/12 season.

Sugar production in Mozambique is expected to grow by a further 30% over the next three years to above 310 000 tons per annum together with a reduction in unit costs.

In Zimbabwe, co-operation between Government, the eastern lowveld communities and Tongaat Hulett is focused on the "Successful Rural Sugar Cane Farming Community" project. Some 15 900 hectares have been allocated to approximately 870 indigenous farmers. In this season, these farmers are expected to deliver approximately 488 000 tons of cane (equivalent to 61 000 tons of sugar) from some 9 100 hectares. The target is to uplift this to over 1,4 million tons of cane (equivalent to 180 000 tons of sugar) from the available hectares. The pace of planting new roots is targeted at some 4 000 hectares per annum, with 3 176 hectares having been planted by the end of October 2011. This, together with Tongaat Hulett's improvement of its own agricultural yields, is key to achieving the target of increasing sugar production in Zimbabwe to full milling capacity of 600 000 tons per annum.

The strategy to increase cane supply in South Africa is focused on commercial farmers, small scale farmers and increasing Tongaat Hulett's influence in cane development through leasing additional land and collaborating with Government to rehabilitate cane supply on its land and land reform farms that have gone out of cane. It is expected that the hectares available for milling in 2012/13 will increase by some 12 000 hectares as a result of the 9 696 hectares planted over the previous two years and a reduction in the gap between hectares under cane and hectares milled. An additional 8 000 hectares are targeted for planting this season in the catchment areas of Tongaat Hulett's South African mills. Simultaneously, accelerated root replanting is underway and is expected to span some three years, with its seed cane requirement and the new cane not being harvested for an initial season. This will improve root age and generate better yields. The gap between hectares under cane and hectares milled will remain a feature of this period, albeit reducing.

The future revenue stream would benefit significantly from electricity and ethanol developments. Tongaat Hulett continues to interface with Government towards establishing an appropriate regulatory framework for both electricity generation and ethanol production from sugar cane.

Tongaat Hulett owns a total of some 8 600 developable hectares (13 639 gross hectares) for development in South Africa. A net cash inflow in excess of some R2,2 billion is expected to come in due course from the 348 developable hectares available for sale from eight active land developments, from which some 360 hectares have previously been sold. There are on-going processes on all of the developable land to enhance its usage and value to stakeholders. Industrial land in Durban/eThekwini remains in short supply and competition is intense for the industrial, retail and business park land that will become available in the Cornubia South development. Tongaat Hulett continues to explore a number of significant bulk land sale opportunities within its land holdings.

The outlook for the 2011/12 year remains in line with that previously communicated. Tongaat Hulett's financial results remain sensitive to movements in exchange rates, which impact particularly on export realisations and the conversion of profits from Zimbabwe and Mozambique into Rands. Both regional sugar prices and export prices into the European Union have remained firm despite the recent reduction in the world sugar price. It has become evident, with all the planting of new roots and in order to improve cane positioning for the future, that more hectares than originally anticipated will not be harvested this season in South Africa. The exact timing of land sales, including bulk sales, remains variable in the current economic climate. Local sales volumes of starch and glucose are expected to reflect little growth over the prior year. The R288 million defined benefit pension fund asset that was recognised in the second half of last year, with its impact on headline earnings, will not arise again this year. The minorities' share of profits is expected to remain considerably above that of last year.

For and on behalf of the Board

J B Magwaza
Chairman

Peter Staude
Chief Executive Officer

Amanzimnyama
Tongaat, KwaZulu-Natal
10 November 2011

DIVIDEND DECLARATION

Notice is hereby given that the Board has declared an interim dividend (number 168) of 120 cents per share for the half-year ended 30 September 2011 to shareholders recorded in the register at the close of business on Friday 20 January 2012.

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

Last date to trade ordinary shares "CUM" dividend	Friday 13 January 2012
Ordinary shares trade "EX" dividend	Monday 16 January 2012
Record date	Friday 20 January 2012
Payment date	Thursday 26 January 2012

Share certificates may not be dematerialised or re-materialised, nor may transfers between registers take place between Monday 16 January 2012 and Friday 20 January 2012, 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 13 January 2012.

For and on behalf of the Board

M A C Mahlari
Company Secretary

Amanzimnyama
Tongaat, KwaZulu-Natal
10 November 2011

STATEMENT OF FINANCIAL POSITION

Condensed consolidated Rmillion	Unaudited 30 Sept. 2011	Unaudited 30 Sept. 2010	Audited 31 March 2011
ASSETS			
Non-current assets			
Property, plant and equipment	**9 144**	7 230	7 665
Growing crops	**2 897**	2 019	2 608
Defined benefit pension fund asset	**295**		294
Long-term receivable	**135**	135	135
Goodwill	**272**	223	230
Intangible assets	**67**	13	32
Investments	**8**	4	7
	12 818	9 624	10 971
Current assets	**5 908**	4 972	3 520
Inventories	**2 556**	2 426	1 365
Trade and other receivables	**2 529**	1 966	1 788
Derivative instruments	**2**	18	11
Tax			6
Cash and cash equivalents	**821**	562	350
TOTAL ASSETS	**18 726**	14 596	14 491
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	**140**	139	140
Share premium	**1 524**	1 521	1 524
BEE held consolidation shares	**(833)**	(907)	(868)
Retained income	**5 645**	5 116	5 305
Other reserves	**512**	(1 616)	(1 301)
Shareholders' interest	**6 988**	4 253	4 800
Minority interest in subsidiaries	**1 069**	838	840
Equity	**8 057**	5 091	5 640
Non-current liabilities	**4 143**	3 509	3 981
Deferred tax	**1 541**	1 296	1 365
Long-term borrowings	**1 295**	942	1 345
Non-recourse equity-settled BEE borrowings	**748**	774	761
Provisions	**559**	497	510
Current liabilities	**6 526**	5 996	4 870
Trade and other payables (note 4)	**2 583**	2 574	1 938
Short-term borrowings	**3 804**	3 361	2 930
Derivative instruments	**20**		2
Tax	**119**	61	
TOTAL EQUITY AND LIABILITIES	**18 726**	14 596	14 491
Number of shares (000)			
– in issue	**105 014**	104 812	105 014
– weighted average (basic)	**105 785**	105 246	105 986
– weighted average (diluted)	**108 298**	108 131	108 984

STATEMENT OF CHANGES IN EQUITY

Condensed consolidated Rmillion	Unaudited 6 months to 30 Sept. 2011	Unaudited 6 months to 30 Sept. 2010	Audited 12 months to 31 March 2011
Balance at beginning of period	**4 800**	4 573	4 573
Total comprehensive income for the period	**2 293**	(272)	358
Retained earnings	**505**	511	833
Movement in hedge reserve	**(16)**	5	(3)
Foreign currency translation	**1 804**	(788)	(472)
Dividends paid	**(150)**	(73)	(191)
Share capital issued - ordinary		3	6
BEE held consolidation shares	**22**	15	42
Share-based payment charge	**27**	25	42
Settlement of share-based payment awards	**(4)**	(18)	(27)
Allocation of BEE amount			(3)
Shareholders' interest	**6 988**	4 253	4 800
Minority interest in subsidiaries	**1 069**	838	840
Balance at beginning of period	**840**	870	870
Total comprehensive income for the period	**235**	(23)	(29)
Retained earnings	**92**	41	38
Foreign currency translation	**143**	(64)	(67)
Dividends paid to minorities	**(6)**	(10)	(7)
Consolidation of subsidiaries		1	1
Loan account movement			2
Allocation of BEE amount			3
Equity	**8 057**	5 091	5 640

STATEMENT OF OTHER COMPREHENSIVE INCOME

Rmillion	2011	2010	March 2011
Net profit for the period	**597**	552	871
Other comprehensive income	**1 931**	(847)	(542)
Movement in non-distributable reserves:			
Foreign currency translation	**1 947**	(852)	(539)
Hedge reserve	**(18)**	7	(4)
Tax on movement in hedge reserve	**2**	(2)	1
Total comprehensive income for the period	**2 528**	(295)	329
Total comprehensive income attributable to:			
Shareholders of Tongaat Hulett	**2 293**	(272)	358
Minority (non-controlling) interest	**235**	(23)	(29)
	2 528	(295)	329

NOTES

Rmillion	2011	2010	March 2011
1. Net financing costs			
Interest paid	**(256)**	(237)	(491)
Interest capitalised	**1**	1	7
Interest received	**6**	5	12
	(249)	(231)	(472)
2. Tax			
Normal	**(129)**	(88)	(72)
Deferred	**(34)**	(66)	(160)
Secondary tax on companies	**(20)**	(12)	(29)
	(183)	(166)	(261)
3. Headline earnings			
Profit attributable to shareholders	**505**	511	833
Less after tax effect of:			
Capital profit on disposal of land	**(3)**	(4)	(23)
Capital profit on other capital items			(4)
Fixed assets and other disposals	**(1)**		
	501	507	806

4. Trade and other payables
Included in trade and other payables is the maize obligation (interest bearing) of R293 million (30 September 2010: R354 million and 31 March 2011: R173 million).

Rmillion	2011	2010	March 2011
5. Capital expenditure commitments			
Contracted	**178**	101	134
Approved	**87**	65	51
	265	166	185
6. Operating lease commitments	**38**	43	42
7. Guarantees and contingent liabilities	**30**	145	35

8. Basis of preparation
The condensed consolidated unaudited results for the half-year ended 30 September 2011 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting, the AC 500 standards as issued by the Accounting Practices Board and the JSE Limited Listings Requirements. The accounting policies are consistent with those used for the audited 2011 annual financial statements which fully comply with International Financial Reporting Standards. These financial statements were prepared under the supervision of the Chief Financial Officer, M H Munro CA (SA).