Tongaat Hulett

NOVEMBER 2017

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

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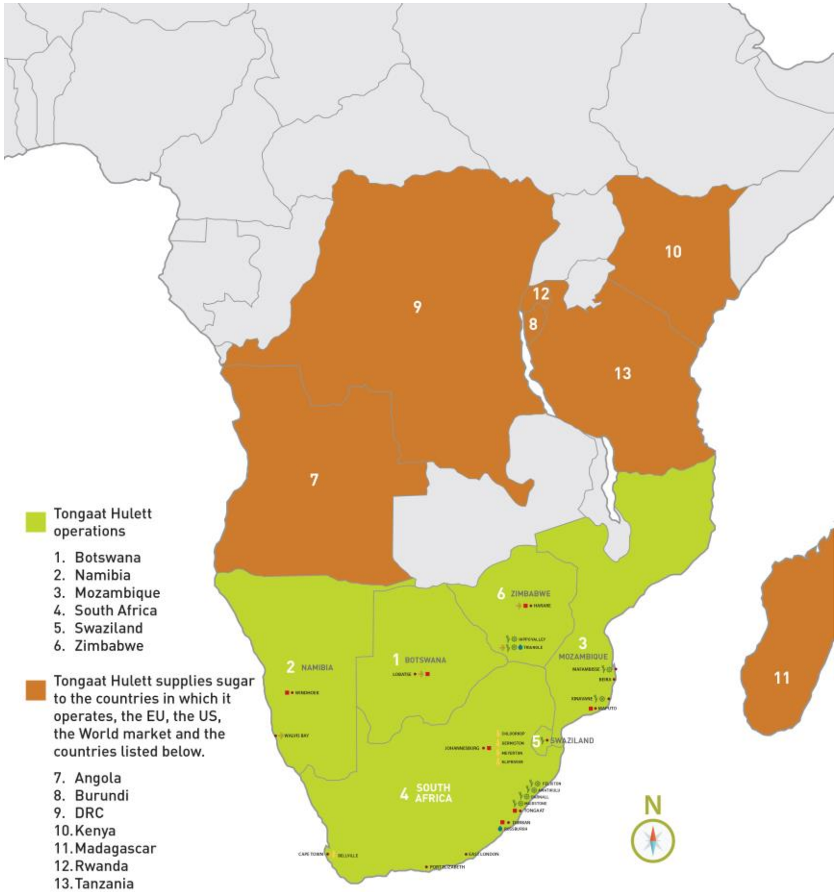


Tongaat Hulett operations
1. Botswana
2. Namibia
3. Mozambique
4. South Africa
5. Swaziland
6. Zimbabwe
Tongaat Hulett supplies sugar to the countries in which it operates, the EU, the US, the World market and the countries listed below.
7. Angola
8. Burundi
9. DRC
10. Kenya
11. Madagascar
12. Rwanda
13. Tanzania
N

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 through different business and agricultural cycles in a constructive, mutual value-adding and developmental manner. It has operations in six countries in SADC, significant sugarcane and maize processing facilities, a unique land conversion platform, a sizeable animal feeds thrust and possibilities to further grow ethanol and electricity generation

Increasing Returns from the Sugar Asset Base - Recovering Cane Yields, Growing Sugar Production, Utilising Existing Capacity, with Low Incremental Costs

- Primary focus is on increasing cane supplies through higher yields from existing hectares under cane, benefitting when there are better growing conditions and improving the sugar content/extraction, leading to additional sugar production which typically has a low incremental cost as milling and agricultural costs per hectare are mostly fixed
- Weather and growing conditions over the past two years have masked the substantial progress that is being made with intensive agricultural improvement programs, increased hectares under cane, irrigation efficiencies and power reliability
- The existing sugarcane footprint, the agricultural improvement programmes and the completion of the few new planting partnership initiatives underway should produce more than 1 600 000 tons of sugar, given regular growing conditions. Tongaat Hulett's intention is to continue to initiate all cane related opportunities so as to fully utilises its installed milling capacity of more than 2 000 000 tons per annum
- Total sugar production in 2017/18 is expected to be between 1 161 000 tons and 1 209 000 tons, compared to 1 056 000 tons in 2016/17. Total sugar production is expected to recover to between some 1 403 000 and 1 510 000 tons in 2018/19
- The decrease in costs achieved over the previous four years was equivalent to some R1,45 billion in real terms. The ongoing cost reduction process is focused on the whole value chain. Unit costs of sugar production will benefit substantially from future volume increases
- Tongaat Hulett's marginal cost of additional sugar production typically averages some US$101 per ton from own cane and US$247 per ton from third party cane. Average realisations, ex-mill, based on current regional and EU market dynamics are approximately US$341 per ton, off a world market price of some 15 US c/lb
- Multiple market positions, strong brands, distribution, packing and market opportunities - local, regional, African, EU and other international markets
- Domestic markets, where Tongaat Hulett produces sugar, are a key focus. In Mozambique a 90 000 ton sugar refinery at Xinavane is under construction which will reduce imported industrial white sugar. There has been significant success in Zimbabwe and Mozambique with the required protection from imports, with Government support. The current import tariff level in South Africa is the lowest in the region and various engagements with Government are underway
- Key market positions in both the region (Southern and Eastern Africa) and the EU. Tongaat Hulett is developing and expanding its positions in regional deficit markets, where a premium is earned over world market prices as well as broadening its footprint in key value-add markets in the EU where it enjoys preferential access
- The recent completion in Zimbabwe of the Tokwe-Mukorsi dam and, in Mozambique (Xinavane), the raising of the Corumana dam wall and the construction of the new Moamba dam on the Incomati river, will diversify the water catchment area and provide increased stability in future water supply

Starch and Glucose - More Competitive Maize and Better Volume Prospects

- The starch and glucose operation is well positioned strategically and is focused on growing its sales volume, as it consolidates its gains from replacement of imports in the coffee/creamer and other sectors, continued enhancement of its product mix and developing opportunities which have been identified and targeted for growth through exports
- Working together with customers, further opportunities are being targeted for growth through customer exports. Market development to increase the production of value added modified starches is progressing
- Maize in South Africa expected to remain competitive following a record crop, good planting intentions and the expectation of normal weather conditions for the new season
- Underpinned by improving the use of the available capacity and the efficiency of operations

Value creation from Land Conversion and Development

- Unique land portfolio and well established development platform in the fastest growing area of KwaZulu-Natal
- The value creating capability of the land conversion activities continues to increase, with good progress in the important value drivers
- Positive, constructive and inextricable link to sugarcane farming activities and rural socio-economic development. Over the past five years some 25 000 hectares of new cane land have been planted, mainly in communal areas
- Sales expected over the next five years are in the range of some 630 to 1 179 hectares, coming from 3 315 hectares of prime developable land near Durban and Ballito out of the portfolio of some 7 641 developable hectares. Some 3 593 hectares have been approved for release from agriculture (Act 70 of 1970 approvals) and 1 246 hectares have EIA approval for development
- Negotiations with prospective buyers are ongoing and currently involve some 135 developable hectares with profit potential in excess of R1,5 billion over time

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, sugar production, rural jobs and community development, government and local authorities, unlocking infrastructure investment, and the conversion of cane land to development

Other Opportunities

- Increased beneficiation of molasses and fibre into animal feeds, electricity, fuel ethanol and potable alcohol
- Ethanol production - to replace export sugar
- Electricity generation - to generate more electricity from the same sugarcane fibre using modern technology

Financial overview

R million	6 months to 30 September 2017	6 months to 30 September 2016	
Revenue	8 118	8 503	- 4,5%
Operating Profit (refer slide 5 for detail)	1 471	1 350	+ 9,0%
Headline Earnings	661	631	+ 4,8%

Operating Cash Flow (before Working Capital)	2 447	2 317
Cash Flow - highlighting sugar related dynamics and land conversion cash flow profile - refer slide 6		

- Beginning of sugar production volume recovery offset by impact of low world sugar prices and a period of high imports into South Africa while there was a gap in duty protection
- Starch operations experienced the carry over effect of maize costs at import parity as a result of previous season’s drought. Co-product revenues have been under pressure
- Land development activities showed a considerable increase compared to the prior period

Interim Dividend of 100 cents per share (2016/17: interim 100 cps and final 200 cps)

Operating profit

R million	6 months to 30 Sept 2017	6 months to 30 Sept 2016	12 months to 31 March 2017
Sugar			
Zimbabwe	358	251	504
Swaziland	34	49	69
Mozambique	232	219	308
South Africa	211	306	390
Sugar operations - total	835	825	1 271
Starch operations	240	306	510
Land Conversion and Developments	441	269	641
Centrally accounted and consolidation items	(39)	(42)	(74)
BEE IFRS 2 charge and transaction costs	(6)	(8)	(15)
Consolidated total	**1 471**	**1 350**	**2 333**

Cash Flow - Highlighting Sugar Related Dynamics and Land Conversion Cash Flow Profile

R million	2017/18 H1	2016/17 H1	2016/17 FY
Operating profit	+ 1 471	+ 1 350	+ 2 333
Growing crop fair value adjustment	+ 473	+ 359	- 143
Other non-cash items (including depreciation)	+ 503	+ 608	+ 1 090
Operating cash flow (before working capital)	+ 2 447	+ 2 317	+ 3 280
Working capital	- 2 500	- 1 256	- 104
Cash flow from operations (after working capital)	- 53	1 061	+ 3 176
Capital expenditure - plant, equipment, other capital	- 470	- 544	- 791
Root planting costs	- 348	- 133	- 418
Other proceeds	+ 51	+ 7	+ 59
	- 820	+ 391	+ 2 026
Interest and tax	- 631	- 598	- 1 292
Dividends	- 232	- 70	- 190
Net cash flow after dividends	**- 1 683**	**- 277**	**+ 544**
Net debt	**6 514**	**5 530**	**4 780**

Sugar operations H1

- Greater than normal mid-season increase in sugar stock levels
- Increased South African production levels, mix of local/export sales and timing of export shipments

Land Conversion and Developments Cash Flow Profile

- Proceeds received
- Development related expenditure
- Substantial receipts expected in H2, following previous periods when a number of large transactions were concluded having lead times before transfer
- H1 net cash flow before interest and tax: R51 million (H1 2016/17: R340 million)

Future Cash Generation

- Growth in sugar production
- Land conversion increases
- Starch continues

Application

- Capex and root planting/replanting
- Dividends
- Debt repayment

Sugar

Future sugar production and its significance

Tons Raw Sugar	2013/14 Actual	2015/16 Actual	2016/17 Actual	2017/18 Estimate	2018/19 Early Estimate ^	Capacity	Growth from land farmed by Tongaat Hulett*
South Africa	634 000	323 000	353 000	505 000 - 525 0000	580 000 - 655 000	> 1 000 000	26%
Mozambique	249 000	232 000	198 000	218 000 - 224 000	266 000 - 280 000	> 340 000	63%
Zimbabwe	488 000	412 000	454 000	390 000 - 410 000	502 000 - 517 000	> 640 000	60%
Swaziland RSE	53 000	56 000	51 000	48 000 - 50 000	55 000 - 58 000	> 60 000	100%
Total	**1 424 000**	**1 023 000**	**1 056 000**	**1 161 000 - 1 209 000**	**1 403 000 - 1 510 000**	**>2 000 000**	**39%**

- Average realisations, ex-mill, based on current export dynamics are approximately $341 per ton, off a world price of some 15 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$247 per ton from third party cane

^ Progress with replanting of fallow land, given ongoing average rainfall in the summer of 2017/18 and targeted progress with the Agricultural Improvement Plans

***** Percentage production growth from 2016/17 to 2018/19 originating from land farmed by Tongaat Hulett

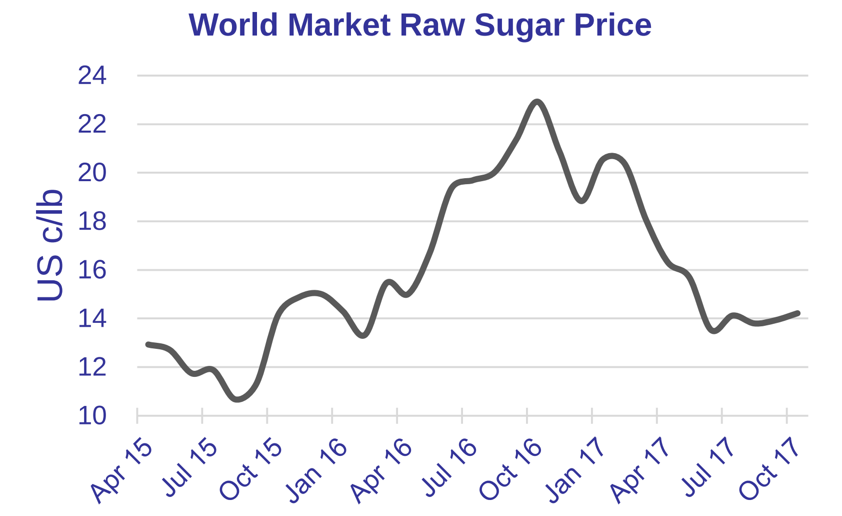
RSE - Raw Sugar Equivalent

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 fixed per hectare

Global sugar market dynamics

- The price of raw sugar in the world market, having traded in a wide range of some 14,0 to 23,8 US c/lb in the 12 months to March 2017, has come under pressure over the past six months from emerging forecasts for a global supply surplus in the 12 months to September 2018. Of late, it is trading around 14,8 US c/lb
- Most countries that have their own domestic sugar production support their industries and protect their markets. The rest of the world is mostly governed by the world sugar price
- The price of raw sugar is currently expected to trade in a broad range of 12 to 18 US c/lb (in the coming year), impacted by supply prospects over the coming 11 months in the major sugar producing countries. Predicted production levels in India and Thailand remain high and the Brazilian crop estimate is down from last year's levels
- The sugar/ethanol mix in Brazil is expected to impact increasingly on world sugar prices. There are strong indications that Brazilian producers are switching from sugar to better-priced ethanol
- 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

Deficit regional markets of Southern and Eastern Africa

- 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 2018/19 is forecast to grow from 2,3 million tons to some 2,7 million tons, an increase of some 372 000 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

Growth in Regional demand for imported sugar			
Country	2016/17	2018/19	Increase
	Tons '000		
Angola	361	400	39
Burundi	23	27	4
DR Congo	368	402	34
Eritrea	115	128	13
Ethiopia	253	293	40
Kenya	373	468	95
Madagascar	98	119	21
Rwanda	50	64	14
Somalia	354	395	41
South Sudan	117	127	10
Tanzania	228	289	61
Total	**2 340**	**2 712**	**372**

EU and US sugar markets

In the EU

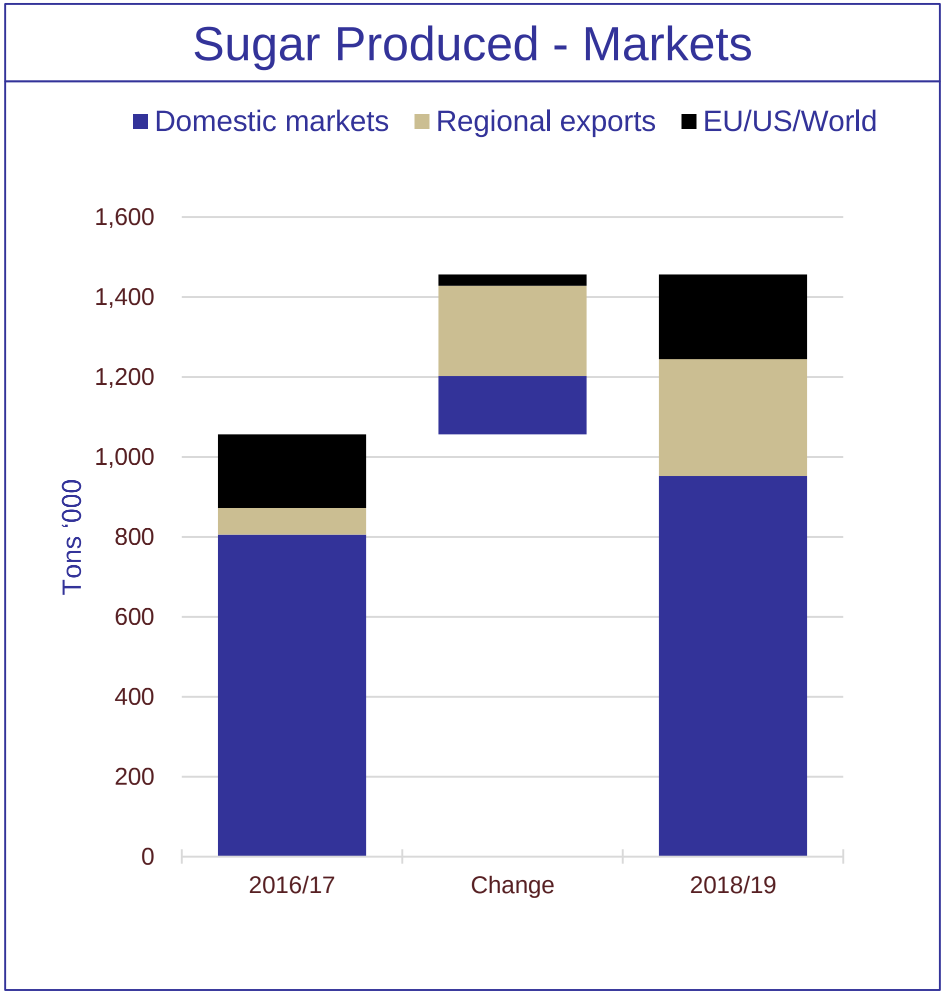
- The new sugar regime came into effect on 1 October 2017. The manner in which the producers in the EU market (both farmers and beet processors) will respond over the next few years is unclear
- Going forward, prices are expected to become more directly linked to the world market price for sugar, trading at a differential to that price based upon the internal dynamics of EU supply and demand
- The quantity of sugar that will be imported is difficult to estimate. 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
- 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

In the US

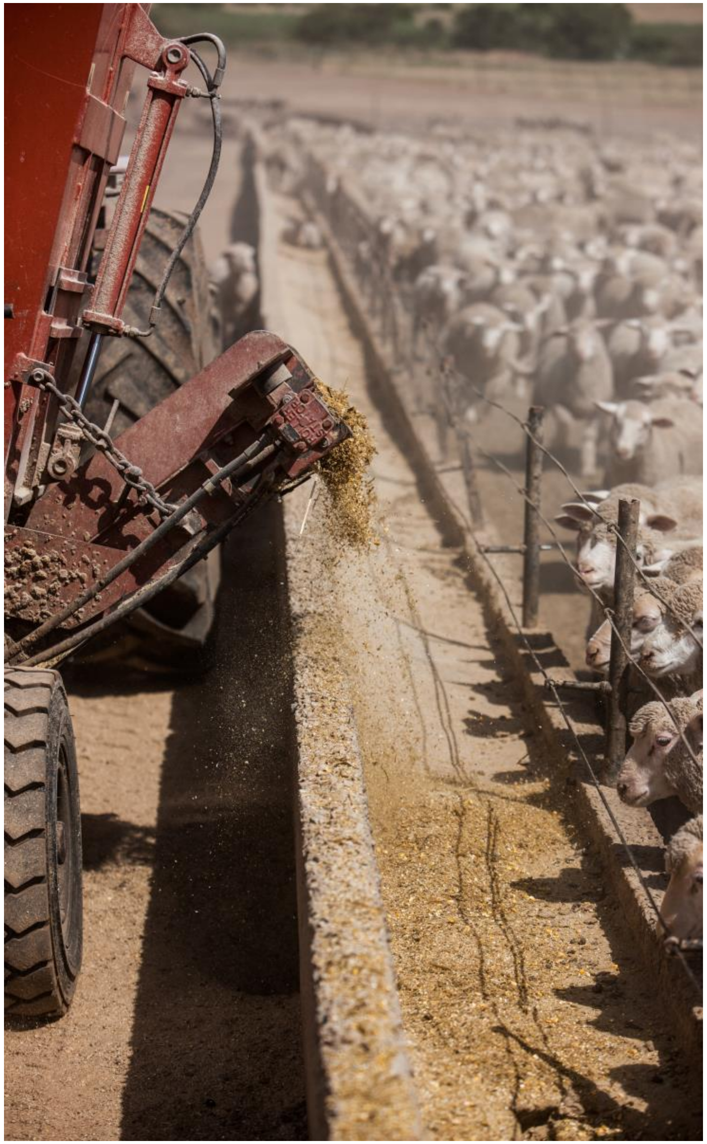
- Tongaat Hulett continues to benefit from the premium prices available in that market via the tariff-rate quotas allocated to the countries in which it operates
- There is an opportunity to deliver speciality brown sugar from its two Mozambican sugar mills

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 development partner



Developing themes



Animal feeds

Tongaat Hulett is developing a more ambitious and integrated strategy to realise the potential of animal feeds across all countries of operation. The company already has a substantial presence in animal feeds, with strong potential for growth

- Co-products from Tongaat Hulett's agro-processing operations contain key component inputs in the formulation of animal feeds. Sugarcane co-products molasses and bagasse pith provide salts and carbohydrates; maize 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
- Tongaat Hulett Zimbabwe has a cattle herd of 6 000 head and a mothballed 42 000 ton animal feeds plant at Triangle. Stillage from the ethanol plant is available as a feed ingredient. Markets are available in Zimbabwe, Botswana and Limpopo province
- Mozambique is emerging as a producer of beef to replace imports, with feedlots re-opening. Farmers' days held to showcase Voermol products have been extremely successful

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
  - License to produce fuel ethanol has been secured
  - Fuel ethanol production is a national strategic sector - minimum statutory blending ratio was increased from 15% to 20% with potential to increase further to 25%. The quantity of ethanol blended into petrol in 2016 was 62 million litres
  - Triangle distillery produced 21,2 million litres of ethanol in 2016/17, and production of 2017/18 is projected to be 25 million litres
  - Plans are in place to maximise ethanol production (installed capacity of 40 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 generation at Xinavane sugar mill are being explored
  - Possibility of third-party-owned power island for Mafambisse sugar mill
- South Africa
  - The case for large-scale generation is compelling and will continue to be pursued, current market difficulties notwithstanding
  - Smaller projects are under investigation in starch and sugar
  - Option of wheeling power from sugar mills in Northern KZN to starch mills in Gauteng is being developed

Mozambique sugar operations

Domestic sugar market dynamics

- The potential for domestic market growth is high, as the current level of sugar consumption in Mozambique is low at 9 kg/capita/annum
  - 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)
- Demand for refined sugar is growing
  - The refined sugar market is currently 70 000 tons, of which 60 000 tons is industrial
  - Strong projected growth in demand for Coke products. Coke opened a new $130 million production plant during 2016
- Local market sales of domestically produced sugar were under pressure due to tight economic conditions, and access to sugar is a constraint. 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 structure of distribution network despite difficulties with the roads/access
  - Improve response to peak demand periods
  - Review pack sizes to match affordability with no detriment to the economic recoveries
  - Maintain stringent measures on monitoring imports, to ensure compliance with prevailing legislation

Replacing sugar imports - the new Tongaat Hulett Sugar Refinery at Xinavane

- Tongaat Hulett is taking an important step in broadening its role in the Mozambican economy by becoming a producer of consumer (industrial and retail) refined sugar
- A 90 000 ton sugar refinery is under construction at Xinavane sugar mill, at a cost of R550 million, for commissioning in the second half of 2018
- Refined sugar production will supply the 70 000 ton domestic white sugar market, with surplus exported into the region
- The Xinavane Refinery Project was launched on 24 July 2017 - the Prime Minister of Mozambique accompanied by four Cabinet Ministers, key customers and other stakeholders participated
- The Government of Mozambique is supportive of the Project for its strategic importance in stimulating domestic production and economic growth

Future growth in sugar production

Sugar produced (tons)	Actual 2015/16 Season	Actual 2016/17 Season	2017/18 Estimate	2018/19 Early Estimate ^
Xinavane	168 000	148 000	167 000 - 172 000	200 000 - 210 000
Mafambisse	64 000	50 000	51 000 - 52 000	66 000 - 70 000
Total Mozambique	**232 000**	**198 000**	**218 000 - 224 000**	**266 000 - 280 000**

Sugar production dynamics

- Limited increase in sugar production for 2017/18 season due to the lingering effects of two years of drought
- 2017/18 crop has been impacted to some extent by the reduced irrigation and limited replanting that was necessary during 2016
- The current dam levels following the good rains at the end of 2016 into 2017 will provide full irrigation during 2017/18 leading to a significant crop recovery by 2018/19, due to increased sugarcane yields
- 1 636 hectares replanted from January to September 2017 compared to 914 hectares from January to September 2016
  - 3 858 hectares targeted for replant in 2017/18 compared to 1 047 hectares in 2016/17
- 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
  - 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

^ Given average rainfall in the summer of 2017/18 with the Agricultural Improvement Plans

Maximising cane supply

Impact of intensive Agricultural Improvement Plans

Xinavane

- Cane yields 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 2019/20

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
- Target yield, which is the site's established potential, for Lamego is 105 tcph

Rainfall and dam levels

Current levels of existing dams	Full Volume ML	% Full as at 31 March 2015	% Full as at 31 March 2016	% Full as at 31 October 2016	% Full as at 31 May 2017	% Full as at 31 October 2017
Corumana dam (Xinavane)	880 000	54,7%	25,8%	8,7%	68,1%	56,0%
Muda dam (Mafambisse)	56 000	90,3%	34,8%	14,3%	101,2%	71,1%

- 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 May 2019
- Full irrigation resumed in March 2017
- Both sites have enough water in their dams to irrigate normally until December 2018 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

Mafambisse going forward

- 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 the Mafambisse hub
  - 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
  - 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

Mozambique socio-economic political dynamics - current environment

- The Government of Mozambique is implementing various reforms in order to address the current budget deficit
- Year on year economic growth forecasted at 3,8% for 2017 after negative growth levels recorded in 2016
- The monetary tightening intervention by the Mozambique Central Bank has been effective in reducing the risk of higher inflation
- Primary activities in the economy expanded by 31,9% year on year, with coal outputs recording expansion levels of 60%
- Agriculture recorded limited growth of 0,67% year on year following the impact of the drought in 2016
    - Outlook positive following improved weather pattern
- Currency remained stable on the back of increased coal exports benefitting forex liquidity
- Confidence in the economy improving as the issues around sovereign debt are satisfactorily addressed
- The next two years will be busy with Municipal elections in October 2018 and Presidential elections in October 2019
    - Political environment is expected to remain stable

Impact of the total sugar industry on the socio-economic dynamics of Mozambique (1)

- With some 30 000 employees, the sugar industry is the largest formal employer other than the Government of Mozambique. This equates to a direct extended positive impact to some 170 000 people
- Industry plays a significant role in the improving economic, social and environmental benefits in rural communities
- Significant catalyst of rural development - supply chains developed around the sugar industry

Some 22 farmer associations registered with circa 3 000 members 2016/17 - 447 private sugarcane farmers

- Circa 20% of the cane delivered to all mills is from private farmers and farmers associations
- Private farmers and associations receive agricultural skills training from the sugar industry, key in assisting with production of other foods crops crucial to the Government of Mozambique efforts in reducing extreme poverty and hunger in the country

Industry cost of goods sold - impact in 2017	Multiplier shock factor	Impact in Mozambique economy
Initial expenditure - Cost of goods sold to the sugar industry: R1 billion		
Output multiplier	3,96	R3,98 billion
GDP multiplier	1,70	R1,71 billion
Tax multiplier	0,22	R223 million
Income multiplier	1,52	R1,53 billion

Impact of the total sugar industry on the socio-economic dynamics of Mozambique (2)

	2017/18	Short to medium term Potential
Industry area under cane (hectares)	54 000	74 000
Cane produced by the sugar industry (tons)	3,9 million	5,5 million
Area under cane by small-scale and private farmers (hectares)	7 400	15 000
Production contribution by small-scale (farmers associations) and private farmers (tons)	0,547 million	1,1 million
Amount paid to small-scale and private farmers	R150 million	R300 million

Element	Spend 2011-2015 ***	% of total ** GoM spend *
Sugar industry social investment in education	R11,6 million	8,7%
Sugar industry social investment in healthcare	R33,8 million	7,3%
Environmental protection	R48,6 million	N/A
Entrepreneur development	R68,1 million	N/A

Source : KPMG socio-economic impact study report - January 2017

* % spend in Provinces where sugar industry operates - Maputo and Sofala

** GoM - Government of Mozambique

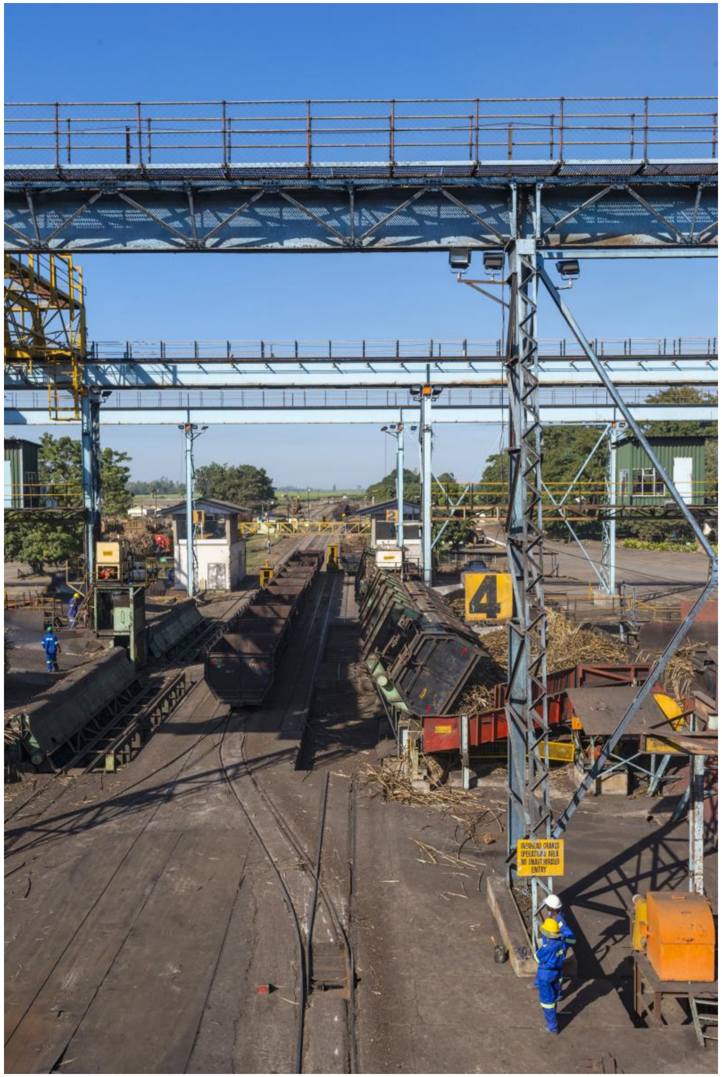
*** Latest consolidated study stats: Actual spend in local currency - Rand values are the translated amount in Rand average

Impact of the total sugar industry on the socio-economic dynamics of Mozambique (3)

Apart from the quantifiable impacts analyzed, the sugar industry also contributes to various non quantifiable benefits such as

- Improved standards of living within the communities
- Development of rural communities and livelihoods (electrification and water sanitation)
- Improved public health
- Encouragement of higher education
- Promotion of gender equality through promotion of the presence of women in the workplace
- Strengthening of community safety within the area of operation
- Energy diversity/security
- Greater exposure of the Mozambican sugar industry to international markets
- Development of sugar related subsectors

Zimbabwe sugar operations



Domestic sugar market dynamics

- Scope to adjust domestic prices in line with inflation
- Existing measures in place to limit imports of sugar
  - Tariff of 10% + US$100 per ton - efforts ongoing to develop a reference based tariff
  - Strict requirements for import permits
  - Mandatory Vitamin A fortification of household sugar: legislation in place effective 1 July 2017
- Potential for domestic market growth
  - Current per capita consumption of 23 kg/annum compared to SACU average of 30 kg/annum
  - Population growth rate at 2% annually is set to increase the Zimbabwean population to 16 million people by 2021
  - Strong domestic sales despite current extreme socio-economic dynamics
- White sugar dynamics
  - Independent white sugar refiner (Starafrica) has significantly improved performance following recent plant upgrades
  - Tongaat Hulett currently upgrading its existing white sugar refining capability
  - Tongaat Hulett is well positioned to benefit from growing demand for white sugar both in Zimbabwe and the region

Maximise value of molasses via ethanol and animal feeds

- Produce to installed ethanol capacity of 41 million litres with flexibility to increase to 70 million litres
- Increasing availability of molasses and local demand for fuel ethanol
  - Policy shift towards bio-fuels - import substitution
  - Mandatory blending ratio increased from 15% to 20% on 7 July 2017
  - Significant increase in ownership of vehicles by the general public
- Annual production licence granted for fuel blending purposes in Zimbabwe
- Increasing opportunities for molasses-based animal feeds in both domestic and regional markets

Future growth in sugar production

Sugar produced (tons)	Actual 2015/16 Season	Actual 2016/17 Season	2017/18 Estimate	2018/19 Early Estimate #
Hippo and Triangle	412 000	453 000	390 000 - 410 000	502 000 - 517 000

Sugar production dynamics

- 2017/18 crop negatively impacted by reduced irrigation/nutrition and limited replanting during 2016 - drought conditions
- Reduction in sugar production for 2017/18 season
  - Harvesting of the cane crop has confirmed the full extent of the impact of the drought on sugar production with pithiness levels of up to 28% compared to the industry average of 6% in prior years
- Significant yield recovery expected in 2018/19. Full irrigation resumed in March 2017 on the back of significantly improved water availability
- 6 267 hectares replanted from January to September 2017 compared to 1 247 hectares from January to September 2016
  - 7 902 hectares targeted for replant in 2017/18 compared to 2 711 hectares in 2016/17

New cane development projects (3 000 hectare - Kilimanjaro) deferred - accelerated roll out expected to commence in 2018/19 to benefit 2019/20 crop

Sugarcane yields

- A Tongaat Hulett yield of 114 tons cane per hectare has previously been achieved
- Optimal irrigation to maximise biomass accumulation during the peak growing periods
- Rejuvenate cane roots and repositioning the crop through accelerated plough out and replanting programmes
- Identify optimal variety mixes to maximise yields, sucrose and fibre
- Improve land management and crop husbandry practices
- Redesign field layouts and rehabilitating infield storage dams and canals to ensure efficient irrigation of the crop
- 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

Rainfall and dam levels

Current levels of existing dams	Full Volume ML	% Full as at 31 March 2015	% Full as at 31 March 2016	% Full as at 30 Sept 2016	% Full as at 31 May 2017	% Full as at 31 Oct 2017
Tokwe-Mukorsi	1 802 600	Completed in December 2016			72,4%	66,9%
Mutirikwi-Tokwe	1 740 206	49,0%	25,0%	13,7%	52,4%	41,4%
Manjirenji-Siya	379 634	82,0%	37,8%	23,6%	100,0%	84,9%
Manyuchi	303 473	88,3%	85,7%	73,8%	100,0%	84,9%

- Zimbabwe sugar operations are dependent on rainfall and irrigation
- Completion of Tokwe-Mukorsi dam (1 802 600 ML) in December 2016 has significantly increased available water for irrigation
    - Current water stock provides 24 months and 19 months irrigation cover for the combined Tokwe-Mutirikwi system and Manji-Siya systems respectively
    - Opportunity for new cane development projects - potential of 15 000 hectares over 5 to 7 years
    - MBB Consulting Engineers from South Africa engaged by Government to carry out feasibility study for the development of Tokwe-Mukorsi irrigation infrastructure
- Normal to above normal rainfall expected in the December 2017 to April 2018 rainfall season further increasing water cover for the sugar industry

Reducing unit production cost with increased volumes

Cost reduction activities and initiatives

- 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
- Improving logistics efficiencies (cane haulage and sugar distribution in local market)
- Strategic procurement interventions
    - Leveraging on the Tongaat Hulett wide strategic sourcing capabilities
    - Direct importation of strategic requirements using own foreign currency earnings
    - Adoption of alternative technologies, products
    - Exploiting synergies between Hippo and Triangle - rationalisation of stores/inventory and structures etc.
    - Effective demand management (goods and services) - usage efficiencies, adoption of new cheaper, more efficient goods and technologies

Zimbabwe socio-economic political dynamics - current environment

Strategies in place to mitigate risks inherent in the current socio-economic political environment

- Tight liquidity situation and substantial back-log of Nostro funds to support imports of critical goods across the board
    - Weak export earnings, low levels of foreign direct investment and minimal lines of credit
- Rapid transition from deflationary to inflationary dispensation fuelled by currency arbitrage and highly speculative and informal economic activities
- Pricing distortions - transactions for most goods and services now based on a four tier system
    - Real US$ in cash or Nostro funds from exports
    - Bond notes
    - Electronic fund transfer - Real Time Gross Settlement (RTGS)
    - Mobile money payment
- Political uncertainty likely to persist in the short to medium term
    - Harmonised elections expected in early to mid 2018
    - National discourse focused on succession issues in both the ruling and opposition parties

Fundamentals for accelerated economic recovery, growth and poverty reduction remain strong provided country overcomes the fragilities and builds consensus around inclusive and competitive investment policies

- Abundant natural resource base and educated population
- Strong agricultural performance in current year following the good rainfall season and high expectations of another promising 2018/19 rainfall season
- Steps being taken by Government to improve the ease of doing business, encourage exports and attract investors
- Encouraging signals of Government’s intentions to settle outstanding land tenure issues

Impact of the total sugar industry on the socio-economic dynamics of Zimbabwe (1)

Masvingo Provincial Population - 1,66 million people (11,4% of total population) - majority live in rural areas

- Provincial population projected to reach 2,3 million people by 2032 of which 343 500 people will be in Chiredzi District
- Tongaat Hulett total spend on socio-economic development on community projects, health and education (2016/17) - $9,96 million
- Procurement spend on goods and services supplied by local companies

895 private farmers located in Chiredzi District registered to deliver cane to Tongaat Hulett mills

- Small-scale farmers (less than 20 hectares) = 605 farmers
- Medium-scale (20 hectares to 40 hectares) = 265 farmers
- Large-scale commercial (> 40 hectares) = 25 farmers

Industry Revenue - (millers and farmers) for 2016/17	US$ million
Total industry revenue	262
Total private farmers' share (24%)	63
Total share - small to medium scale farmers (90%)	57

Impact of the total sugar industry on the socio-economic dynamics of Zimbabwe (2)

Private Farmers	2016/17 Actual (drought affected)	2018/19 Projected	Full potential on back of Tokwe-Mukorsi dam
Area under cane (hectares)	15 956	16 926	33 923
Cane tons	1 138 184	1 436 000	3 400 000
Small to medium scale farmers (tons)	1 035 746	1 307 000	3 094 000
Small to medium scale farmers (registered)	870	870	1 720
Employed (direct plus indirect) and their dependants	53 000	57 000	114 000
Land available for cane development (hectares) - Tongaat Hulett catchment (Chiredzi, Mkwasine and Mwenezana)	6 000	6 000	17 000

South African sugar operations

Domestic sugar market dynamics

Summary of events related to the import duty for South African sugar

The following points provide a summary of the events that have occurred, the consequences of not implementing the sugar tariff triggers and the decision to commence use of the Real Effective Exchange Rate index (REERi)

- On 28 July 2017, a zero duty on sugar was gazetted, based on the world sugar price in October 2016 instead of the price in July 2017. The duty at the time, based on the prevailing world price, should have been R1 807 per ton
- Prior to the tariff gazetted on 28 July 2017, there were 4 outstanding tariff triggers that were not gazetted over a period of more than 4 months, resulting in the duty staying at a low level of R636 per ton during a period when the world price dropped rapidly
- As a result of the delay in implementing the tariff triggers, the period of zero duty, a strengthening Rand and falling world sugar price, imports of sugar have increased. For the six months from April to September 2017, some 281 000 tons sugar have been imported (26 000 tons were imported in the same period in 2016)
- The sugar industry had delayed implementation of a reduction in the notional price as it was of the view that the tariff trigger events earlier in 2017 would result in the implementation of a new duty
- At the same time, ITAC introduced a change to the duty calculation in which the REERi would be used to adjust the nominal exchange rate, as is done in the wheat and maize duty structures
- In terms of the Dollar Based Reference Price (DBRP) mechanism using the REERi, a new duty of R2 131 per ton was triggered on 24 August 2017 (if the REERi was not used to calculate the tariff trigger, the duty would have been R2 473 per ton). The new tariff of R2 131 per ton was gazetted, with an effective date of 15 September 2017, having been approved by the Minister of Finance
- The local market notional price (the basis upon which payments are made to growers for sugarcane) was reduced on 26 July 2017 by 7,19% which, together with the gazetting of the tariff in September will counter much of the impact of the pricing differential of imported sugar

Domestic sugar market dynamics

Sugar industry engagement with government regarding future import duty

- Worldwide, there is a growing trend of Governments providing increased support to their agricultural sectors by way of direct and indirect support
- The South African Government provides support to the sugar industry through the DBRP used in the tariff calculation, which is intended to protect the sugar industry from imports of product that is produced in countries that are receiving significant government support e.g. Brazil receives significant direct and indirect financial support from its government
- The variable tariff formula is intended to be a simple and speedy method of varying the duty on sugar and of affording the Southern African Customs Union (SACU) protection that increases when world prices are low and vice versa. The procedure is that when the difference between the 20-day moving average London No. 5 settlement price and the DBRP differs from the previous trigger level by more than US$20 per ton for 20 consecutive trading days, ITAC recommends to the Minister of Trade and Industry to change the duty accordingly. The Minister of Trade and Industry then recommends to the Minister of Finance to amend the duty by gazetting
- For many years, the period between the triggering and gazetting of tariffs was within a period of some 30 days. This period increased during 2016, and then 4 tariff triggers were not gazetted over more than 4 months in 2017. SASA has consequently engaged with ITAC, dti and Treasury on a new process for expediting the implementation of new tariff triggers
- SASA is in the process of engaging with ITAC on the subject of the tariff itself, with two objectives
    - To motivate an increase in the DBRP. The current level of $566 per ton (26 US c/lb) dates back to April 2014, and SASA is of the view that it underestimates industry costs, compared with SASA's calculated value of $810 per ton (37 US c/lb). This figure is at a similar level to other countries in the region

      Zambia: > 40 US c/lb Malawi: > 40 US c/lb Mozambique: 37 US c/lb
    - To point out the shortcomings in the use of the REERi to adjust the tariff, such as its sensitivity to the selection of the base year, and its use of a basket of currencies to adjust a dollar-based figure

Domestic sugar market dynamics

The socio-economic case for support for the SA sugar industry

The South African sugar industry and its impact on the socio-economic dynamics of KwaZulu-Natal (KZN) and South Africa

- KZN has the highest proportion of rural dwellers in South Africa (Community survey 2016) with a population of 11,01 million people of whom 5,6 million or 51% live in rural areas. The national average of people living in rural areas is 38%
- The South African sugar industry is a significant contributor to the socio-economic wellbeing of the country. It is an essential anchor for economic and rural development in the KZN and Mpumalanga provinces, and supports significant investment into rural and provincial economies
- The high proportion of people living in rural areas in KZN is of importance when viewed within the context of both the number of voters and the status of the province from a political perspective
- The sugar industry continues to benefit from direct Government support as evidenced by the Sakhinzuzo project. In 2016, the KZN Department of Economic Development, Tourism & Environmental Affairs approved R52 million to support the planting of sugarcane for small-scale farmers supplying Tongaat Hulett through this project
- The sugarcane growing and milling activities of the industry employ a total of 85 000 people through direct jobs and approximately 350 000 people through indirect jobs, which excludes induced employment. Across the value chain, it is estimated that at least 1 million people depend upon the industry for their livelihoods, particularly in deep rural areas
- When measured at the level of sales of sugar and molasses only, the industry contributes R15 billion per annum to the South African economy. It has played a major role in the economic empowerment of historically disadvantaged people, from small-scale farmer and micro-entrepreneur level to senior, executive and industrialist level

Sugar sweetened beverage tax

- "*The proposed tax … has been subjected to extensive consultations both in Parliament and in the National Economic Development and Labour Council (NEDLAC), which is close to finalising an agreement between the government, business and labour on measures to mitigate the effect of the proposed tax on jobs and on the sugar industry as a whole….. The plan includes urgent short- and medium-term interventions such as trade remedies …, including tariffs to address cheap imports*." **Treasury Deputy Director General Ismail Monomiat, 5 September 2017**
- Within NEDLAC, business and organised labour are united in their opposition to the tax. Parliament has responded by requesting a socio-economic impact study and setting up a Sugar Industry Task Team, with a mandate to progress options for government support for the sugar industry. Options under consideration include, inter alia, a strengthened tariff mechanism, grower support schemes and a fuel ethanol programme
- The tax is likely to be implemented in April 2018, at an effective rate (for an average soft drink) of 10-12%. The extent to which domestic market sales to the soft drink industry will be affected by the tax will be determined by the price elasticity of demand for soft drinks in South Africa, and the level of reformulation carried out by beverage manufacturers


Future growth in sugar production

Sugar produced (tons)	Actual 2015/16 Season	Actual 2016/17 Season	2017/18 Estimate	2018/19 Early Estimate ^
South Africa	323 000	353 000	505 000 - 525 000	580 000 - 655 000

- Sugar production estimate for 2017/18
  - Benefitting from improved summer rainfall during the key sugarcane growing months of November 2016 to March 2017
  - Benefitted from growth in hectares harvested
- Some 25 000 hectares planted to cane over the past 5 years
- Sugar production for 2018/19
  - 2018/19 sugar production projected to benefit from growth in hectares harvested - returning cane and cane being harvested for the first time
  - Reduced estimate when compared to May 2017 due to dam levels in Northern KwaZulu-Natal being very low. Dams in Northern KwaZulu-Natal provide irrigation for land farmed by some private farmers and Tongaat Hulett
- Further increase in hectares under cane dependent on support - direct (grant) support to emerging farmers and reference price support
  - A further 45 400 hectares required to fill mills given regular growing conditions

^ Given ongoing average rainfall

Impact of the total sugar industry on the socio-economic dynamics of KwaZulu-Natal (1)

KwaZulu-Natal has the highest proportion of rural dwellers (Community survey 2016)

- Population of 11,01 million people
- 5,6 million or 51% live in rural areas - the national average is 38%
- Tongaat Hulett is making significant progress in facilitating increased understanding through multiple stakeholders interaction - including various spheres of Government, of the importance of the sugar industry to rural communities

Some 21 441 (2013/14: 22 493) registered farmers in the South African Sugar Industry in 2016/17

- 20 140 (2013/14: 21 110) Small-scale farmers of which 19 307 (2013/14: 20 124) are located in KwaZulu-Natal
- 1 301 (2013/14: 1 383) Commercial farmers of which 1 159 (2013/14: 1 232) are located in KwaZulu-Natal

Total Industry revenue (millers and farmers) for 2016/17 was R13,3 billion	KZN Farmer Share*
Revenue per annum	R6,7 billion
Current revenue of communal and small-scale farmers	R637 million
Current revenue to land reform farmers	+- R610 million

* Based on a revenue per ton cane of R570

Impact of the total sugar industry on the socio-economic dynamics of KwaZulu-Natal (2)

	KZN 2013/14 (normal rainfall)	KZN 2016/17 (drought affected)	Potential
Area under cane (hectares)	332 528	318 863	> 400 000
Cane tons	15 902 000	12 033 474	+- 21 000 000
Small-scale farmers (tons)	1 443 422	914 788	> 6 000 000
Small-scale farmers (registered)	20 124	19 307	> 70 000
Small-scale farmers (delivered cane)	11 741	9 877	?
Land reform farmers (hectares - approximate)	51 540	51 540	?
Employed (direct plus indirect) and their dependants	860 000	822 667	1 105 000
Land available for cane development - Tongaat Hulett catchment			> 200 000 hectares



Direct Funding: Received from Government for cane growing on land reform and communal farms in Tongaat Hulett Catchment Areas

Type of Funding	Approved	Cash Received To Date	Date cash first received	Application of Funding
Comprehensive Agricultural Support Programme (CASP)	R43 million	R32 million	2008, project ongoing	Planting, replanting, ratoon management, irrigation and infrastructure repairs
Recapitalisation and Development Programme (RADP)	R110 million	R100 million	2011, project ongoing	Planting, infrastructure, ratoon management and farm equipment
Small Enterprise Finance Agency (SEFA)	R50 million	R35 million	2014, project ongoing	Combination of new cane establishment and improving farming operations
DBSA - The Jobs Fund	R150 million	R136 million	2014, project ongoing	Job creation and new cane establishment
Small-scale farmer support	R56 million	R56 million	2011	Drought relief, seed cane subsidies and sugar industry payments
Fertilizer drought relief support 2015/16 season for land reform and small-scale farmers	R31 million	R31 million	2016	Fertilizer drought relief for farmers supplying Tongaat Hulett
MAFISA	R13 million	R7 million	2012	Planting of cane for small-scale farmers
KZN EDTEA (Sakhinzuzo)	R52 million	R4,5 million	2016, project ongoing	Planting of cane for small-scale farmers
SASA/DARD	R0,5 million	-	2017, project ongoing	KwaMthethwa planting project
SASA	R7,3 million	R0,3 million	2017, project ongoing	Planting seedbeds and demo plots
SASA/DARD	R3,3 million	R3,3 million	2017, project ongoing	KwaKhoza equipment for co-operatives
Total	**R516,1 million**	**R405,1 million**		

Tongaat Hulett contribution to rural development

Tongaat Hulett recognises that sugarcane and agriculture can serve as a catalyst for rural development and economic growth. The company continues to partner with multiple stakeholders including Provincial and National Government and agencies like The Jobs Fund as it progresses the objectives of the National Development Plan

Profile of Tongaat Hulett's cane and rural development activities in the communal areas (ITB) for the season ending March 2017

- Development highlights
  - 6 166 individual small-scale farmers
  - 76 primary agricultural co-operatives (4 426 member beneficiaries)
  - 2 688 direct agricultural jobs created
- In the 2016/17 season 645 000 tons of sugarcane was harvested and supplied to Tongaat Hulett mills resulting in gross proceeds of R328 million being injected into these rural communities
- The Jobs Fund invested R31 million in supporting the establishment of sugarcane activities
- Tongaat Hulett invested R34 million in supporting the establishment of sugarcane activities (matching the investment by The Jobs Fund)
- Tongaat Hulett facilitated and administered R13,5 million of drought relief and fertilizer schemes (provided by Government) which was allocated to small-scale farmers
- R121 million was paid to farmers and employees by way of wages, rentals for leased land and premium pricing (Supplementary Payment Fund)
- In addition to the investments made to establish sugarcane, Tongaat Hulett provided external support services and other socio-economic development initiatives of some R22 million

Raw sugar production history

Milling Season																	
Tons ‘000	00/01	01/02	02/03	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
South Africa	977	762	868	659	731	760	674	612	652	573	455	486	486	634	541	323	353
Mozambique	39	36	71	82	85	115	106	108	108	134	164	233	235	249	271	232	198
Swaziland RSE	41	45	50	54	50	56	55	58	56	54	54	59	58	53	57	56	51
Zimbabwe *	547	509	578	507	422	430	451	349	298	259	333	372	475	488	445	412	454
Total	1 604	1 352	1 567	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
Capacity	1 820	1 820	1 820	1 820	1 820	1 820	1 820	1 820	1 820	2 040	2 040	2 040	2 040	2 040	2 040	2 040	2 040
% of Capacity	88%	74%	86%	72%	71%	75%	71%	62%	61%	50%	49%	56%	61%	70%	64%	50%	52%

* Hippo Valley acquired in December 2006. Production for Hippo included from the 2000/01 season

Weather and water

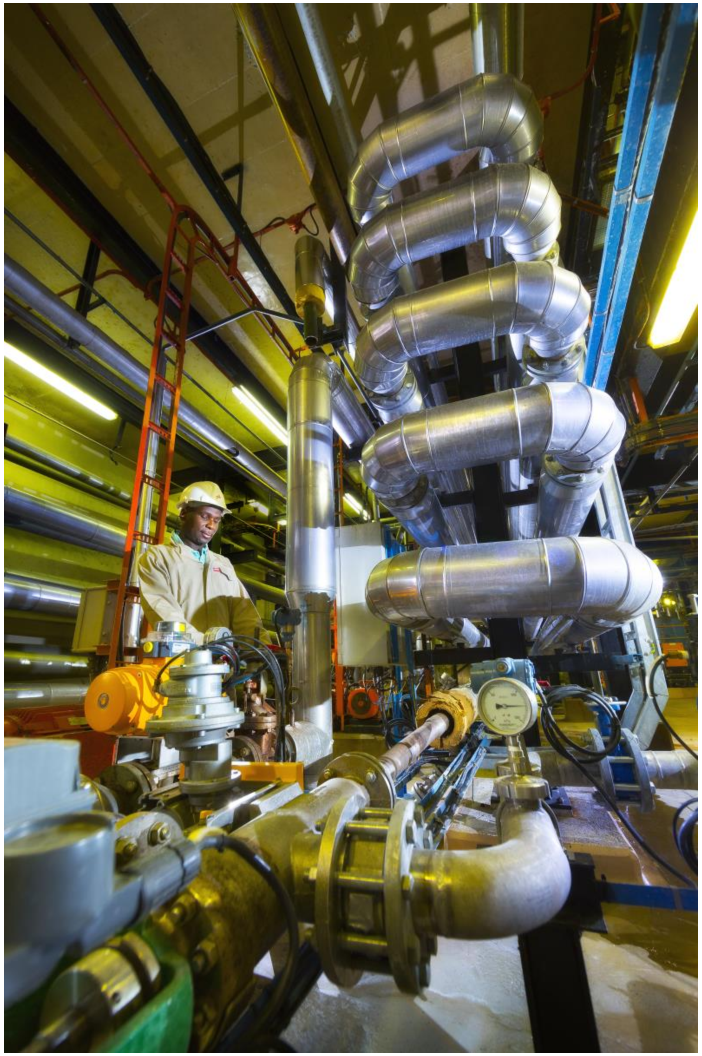
Tongaat Hulett is working to put itself in the best possible position with respect to water, given possible climate and rainfall volatility arising from climate change

- Operational optimisation of water-use efficiency across agricultural operations, with internal and external benchmarking. Water use optimisation is a key part of Agricultural Improvement Plans being implemented in all agricultural operations
- Working with consultants to model scenario-based climate change impact on estates and dam catchments, and develop flood early-warning systems and management plans. Work being done on better understanding and modelling of dam inflow/capacity/abstraction rates/usable volume dynamics
- Working with governments on management of water catchments (river systems and dams) to optimise water resource use for the benefit of cane-growing and communities. Investigation/promotion of opportunities for dams. Feasibility work is being done for a dam on Amatikulu river, to supply cane and the local community. Also exploring off-channel storage and smaller catchment water impoundment

Major dam projects supplying Tongaat Hulett sugarcane catchments:

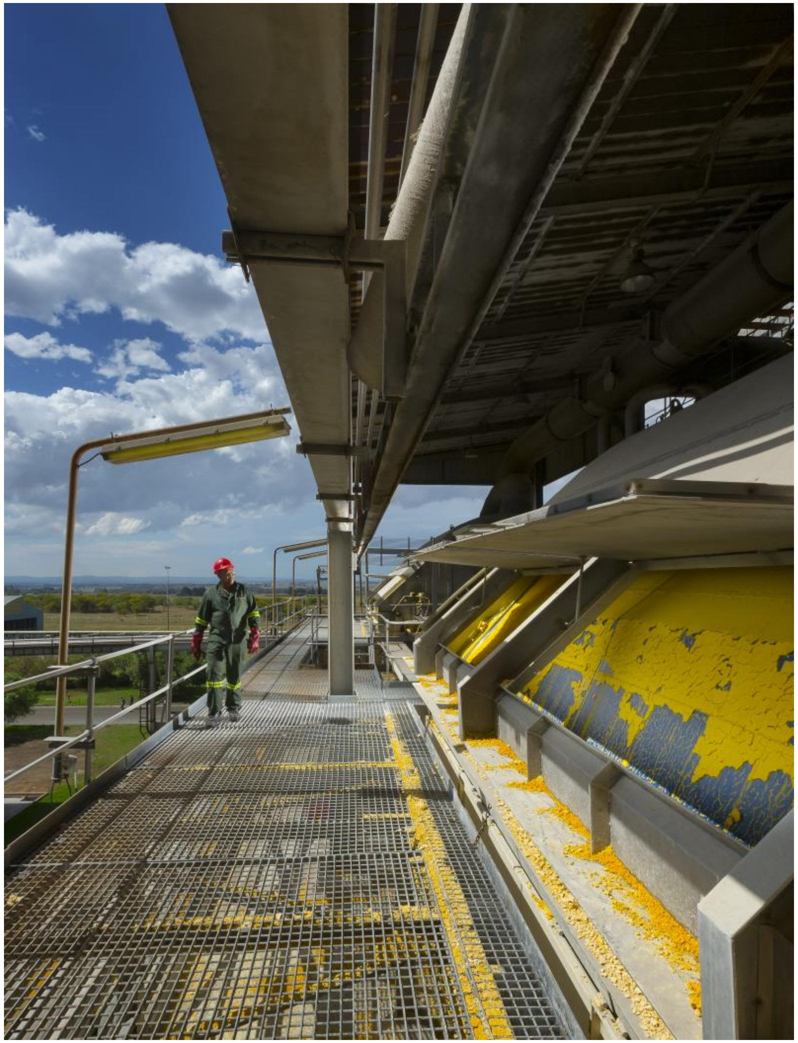
- Tokwe-Mukorsi dam (1 800 000 ML) was completed in December 2016, greatly improving water security for Zimbabwean operations
- Moamba dam (760 000 ML) on Incomati River, supplying Xinavane, is being built - commenced October 2015
- Corumana dam capacity is being increased by 380 000 ML - commenced July 2017, completion projected May 2019 - this will improve Xinavane's water security

Starch and Glucose



Background information

- Largest maize wet-miller in Africa
- Use > 600 000 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 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 assessing trade possibilities as 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 the local producers
- Support the development and access of black farmers to the South African maize industry
- Expand the production of the local waxy maize 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

Asset Base

- Significant asset base with 15% of the upstream wet milling capacity available for growth
- Estimated Operating Profit of spare capacity > R100 million
- Recent investments of R135 million increasing the flexibility of downstream finishing capacity
- 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

Products

- Wide product range across a diverse range markets
- Product quality meets the very highest international quality standards
- Starch brands command international premium
- Good capability for product development following international trends
- Broaden ingredient portfolio through the introduction and development of new products and markets

Maize prices to benefit operating margins going forward

Import parity maize price margin pressure H1 2017/18

- 2015/16 maize season drought lead to maize prices at import parity levels
- Over 80% of sales in the first half of the year based on sales contracts concluded at higher old season maize prices
- Margins in H1 also impacted by lower co-product revenues with sales concluded at levels in relation to the lower new season maize prices

Export parity maize price benefiting margins in H2 2017/18

- Improved weather conditions and planting area during 2016/17 planting period resulted in record South African maize crop of 16,7 million tons (2015/16: 7,8 million tons)
- Maize prices decreased to export parity benefiting operating margins
  - Old Season - SAFEX YM July 2017 Price as at October 2016: R2 625 per ton
  - New Season - SAFEX YM July 2018 Price as at October 2017: R2 140 per ton
- Improving alignment of co-product recoveries and maize pricing on new customer contracts supporting margins going forward

South African maize history

Maize season	1979/80	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17 Final Production Estimate
Hectares planted (000 hectare)	4 031	2 699	2 781	2 688	2 653	1 947	2 629
Yield (tons/hectare)	3,37	4,38	4,21	5,32	3,75	3,87	6,37
Production (000 tons)	13 583	11 830	11 811	14 307	9 955	7 779	16 744*
Imports (000 tons)	-	-	-	-	1 651	2 559	-
Carry in stock (000 tons)	2 115	994	1 406	589	2 074	2 471	1 095
Total usage incl. exports (000 tons)	8 324	11 418	12 628	12 822	11 209	11 714	13 777
Stock to use ratio	10,02%	12,32%	4,66%	16,18%	22,04%	9,35%	29,48%

Outlook for world maize/corn

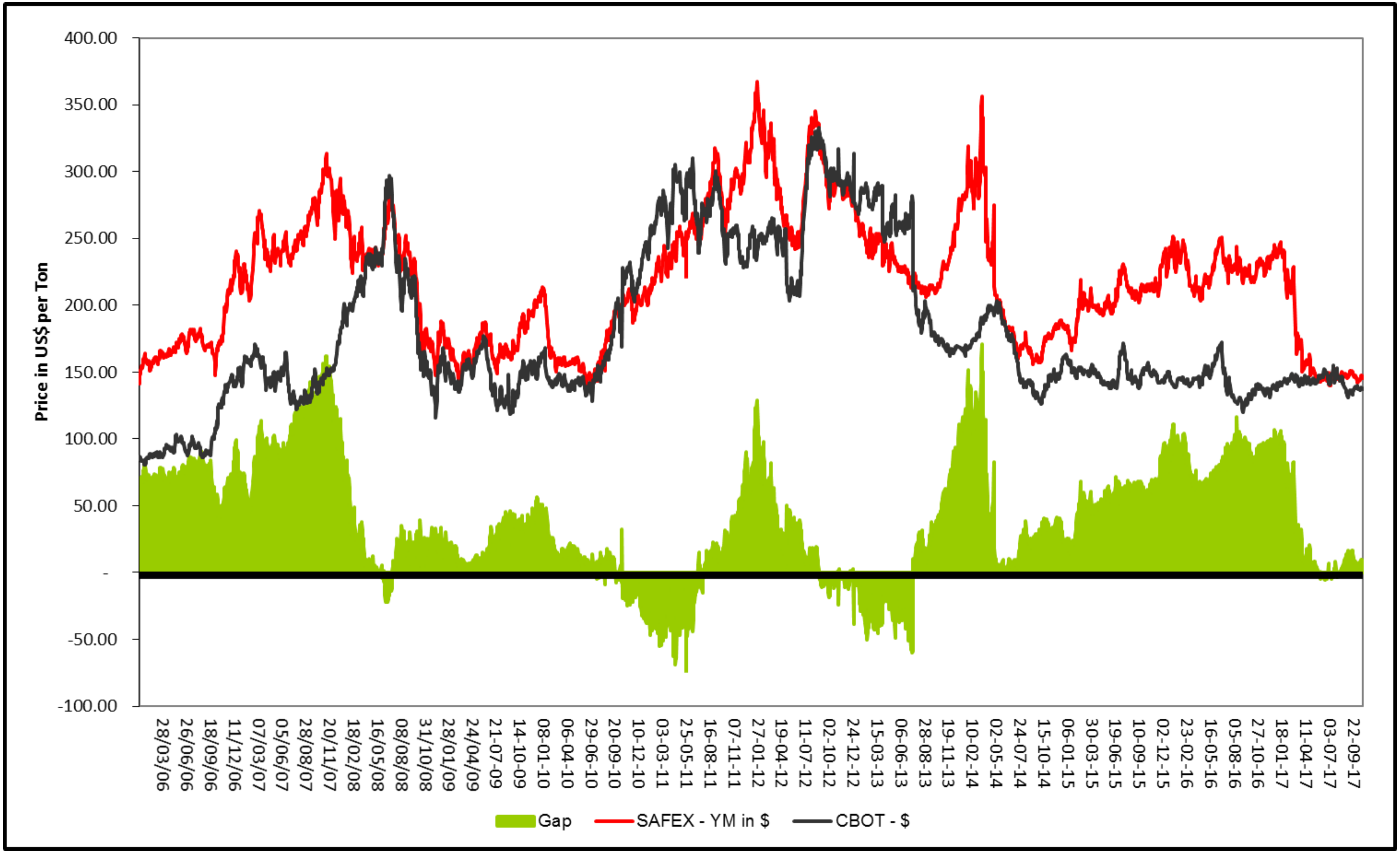
- 2016/17 - Corn production in the US was 384,8 million tons - yields were higher at 10,96 tons per hectare compared to 10,57 tons per hectare in 2015/16
- 2017/18 - Plantings are 3,8% lower year on year with lower production of 362,7 million tons expected as a result. Yields are also expected to be lower at 10,78 tons per hectare
- International prices expected to remain at current levels due to favourable crop outlook and international corn supply

International starch and glucose prices

- International corn and starch and glucose prices remain at levels similar to the previous year
- Currency devaluation in commodity-based countries has shielded the impact of lower prices
- Chinese market less competitive due to high domestic corn prices

* Final production estimate of 16,7 million tons announced on 28 September 2017

Maize prices



Evolving product, customer and market mix

2017/18 Key market development achievements

- Improved market demand and ongoing import replacement in the Coffee creamer sector
  - Continuing to benefit from recent R135 million investment in finishing channel capacity
  - No imports of glucose by customers or Tongaat Hulett for coffee creamer sector in current period
  - Lower maize prices supporting coffee creamer price points in retail trade combined with customer market development
  - Volume growth in H1 of 5 491 tons
- Significant success in imported volume replacement
  - Benefits of R30 million investment in 2016/17 supporting improved supply to finishing channels
  - Further optimisation project for powdered glucose to be commissioned in H2 2017/18 to support increased production
  - Volume benefit in 2017/18 amounted to 9 459 tons in powdered glucose, prepared foods and confectionery sectors
- Market development in Paper making and Paper converting sector
  - Ongoing product development trials with customers to support commissioning of paper machines
  - Small volume benefit in first half - benefit to be realised in second half 2017/18 estimated at 5 100 tons

Evolving product, customer and market mix

2017/18 Key market development achievements (continued)

- New product and market development
  - Growth in modified starch volumes continuing

Key market development outlook for H2

- Growth in local volumes expected to accelerate in H2 2017/18 based on further import replacement, new product and market development and export market growth
- Overall volume benefit of import replacement and new market development currently contracted expected to amount to some 18 000 tons for the 2017/18 financial year
- Continuing to work with multi-national customers with local manufacturing to unlock opportunities in regional and offshore export markets

Starch and Glucose markets

Tons	2015/16 Actual	2016/17 Actual	2017/18 Latest Estimate	% Growth 2016/17 vs. 2015/16	% Growth 2017/18 vs. 2016/17
Alcoholic beverages	178 441	169 349	168 263	- 5,1%	- 0,6%
Coffee creamers	74 484*	69 566	78 013	- 6,6%	12,1%
Confectionery	63 643	66 501	70 896	4,5%	6,6%
Paper	58 732	56 496	65 374	- 3,8%	15,7%
Prepared foods	11 241	10 792	14 841	- 4,0%	37,5%
Other	45 206	41 332	51 376	- 8,6%	24,3%
Total local	**431 747**	**414 036**	**448 763**	**- 4,1%**	**8,4%**

* 2015/16 Includes imported product

Volumes and revenue breakdown

Volume (tons)	September 2017	September 2016
Local starch	45 574	43 916
Local glucose	174 101	165 067
Total local	**219 675**	**208 983**
Export starch	17 150	13 763
Export glucose	20 766	18 900
Total exports	**37 916**	**32 663**
Co-products	**96 804**	**88 912**
Total	**354 395**	**330 558**

R millions	September 2017	September 2016
Revenue	**1 993**	**2 114**
Domestic	1 410	1 437
Exports	278	283
Co-products	305	394

Creating Value through Land Development

Solid platform for land development momentum

The land development updated document of November 2017* includes details of the following elements of the platform for land development

- Progress in the developmental process to create stakeholder value with 7 641 developable hectares of strategically located land as the enabler. Selected notable elements are
  - Advances in execution of social and economic development programmes in collaboration with value-chain partners, embedded into the land development process from end to end
  - Investment of R6,2 billion by purchasers currently underway from previous sales. Sales for the past 6 months unlocked further investment of R5,6 billion
  - Land approved for release from agriculture under Act 70 of 1970 totals 3 593 developable hectares (47% of the total portfolio)
  - Land with EIA approval for development totals 1 246 developable hectares
  - Further 1 272 developable hectares well advanced in EIA processes
  - Several large scale infrastructural projects in the region are approaching completion, including major roads and interchanges, regional public transport facilities, water and sewer
- Demand across an increasing range of market sectors and customers. Notable elements are the breakthrough in integrated affordable neighbourhoods, momentum in retirement and the increased attractiveness of the region based on recent sales for schools and tertiary education campuses
- Details of 135 developable hectares (tabulated on the next slide) where negotiations with prospective buyers are ongoing
- Details of a further 771 developable hectares where enquiries are being received and negotiations are expected to commence
- Details of a further 2 410 developable hectares within which the remaining sales, arising from the demand dynamics, are expected to come over the next five years
- Further progress made in expanding the commercial transacting options being employed to unlock particular demand drivers and deliver transformation of ownership and participation in the real estate value chain

* Available at www.tongaat.com

Sales negotiations currently underway

Sales negotiations currently underway on some 135 developable hectares represent profit potential of over R1,5 billion and are referenced in the land development document as follows

Landholding within which the negotiations are taking place	Developable Hectares under negotiation	Demand drivers	Portfolio Document Page Numbers
Ridgeside Precincts 1 and 2	14	Multiple Demand Drivers in a High Intensity Mixed Use Environment	39
Cornubia - Town Centre	25	Multiple Demand Drivers in a High Intensity Mixed Use Environment	40
Cornubia – Blackburn Extension	14	Public Sector Facilitated and Affordable Residential, Urban Amenities	41
Sibaya Nodes 1, 4 and 5	33	Mid-market to High-end Residential, Retirement, Urban amenities, Offices, Tourism and Unique Clusters of Opportunity, with High Intensity Mixed Use Nodes	42 & 48
Bridge City	2	Multiple Demand Drivers in a High Intensity Mixed Use Environment, Business Park	43
uMhlanga Ridge Town Centre	4	Multiple Demand Drivers in a High Intensity Mixed Use Environment	44 - 45
Kindlewood	9	Mid-market to High-end Residential, Retirement	46
Cornubia - uMhlanga Hills	14	Affordable Residential	47
Tinley – North Resort	20	Coastal Resort	49
Total developable hectares	**135**		

Range of sales anticipated from land development activities over the next five years

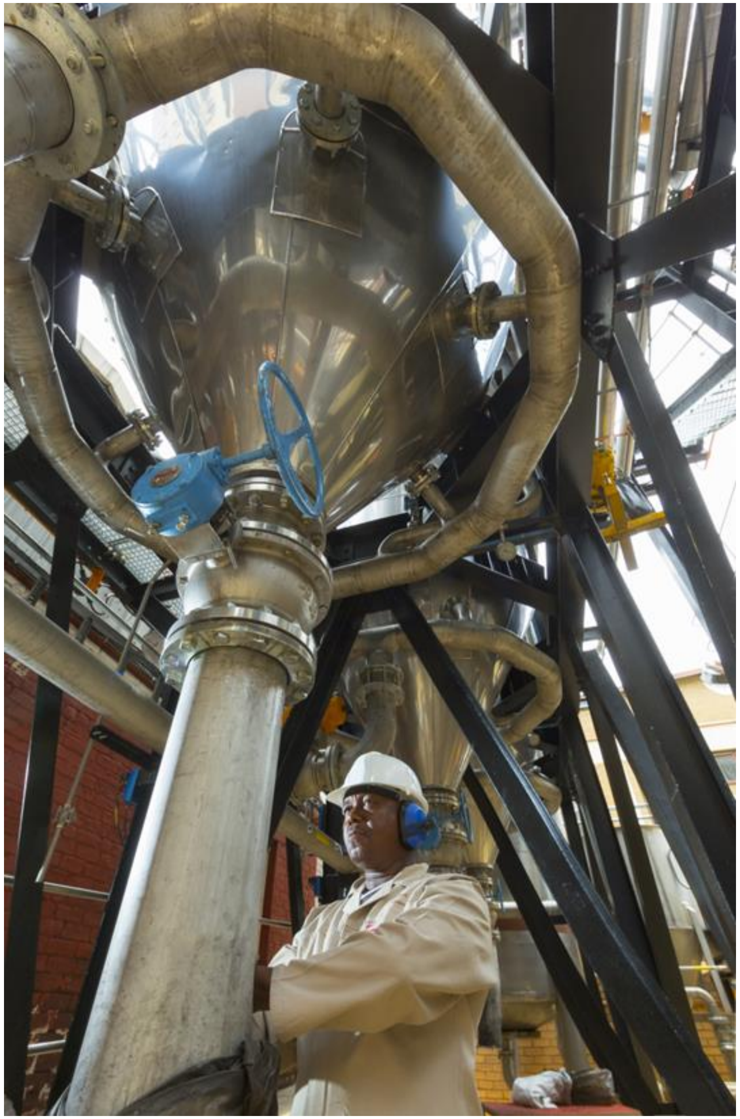
The accompanying table provides an update of the range of sales anticipated over the next five years based on an assessment of demand across the various Demand Drivers, progress in moving land to shovel ready status, availability of metropolitan and regional scale infrastructure and selection of the transaction approach most appropriate for each set of circumstances

ANTICIPATED RANGE OF SALES OVER FIVE YEARS

DEMAND DRIVER		AS COMMUNICATED AT MAY 2017				DELOPABLE HECTARES SOLD in the six months to 30 SEPTEMBER 2017	AS AT NOVEMBER 2017			
		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	48	118	19,2	42
Predominantly residential neighbourhoods	High-end residential neighbourhoods	92	186	5,6	16,7		96	196	5,3	17,2
	Mid-market neighbourhoods	56	90	3,2	6,6		63	102	3,6	6,4
	Integrated affordable neighbourhoods	91	199	2,5	5,8	35	93	198	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	59	62	3,2	6
Retirement		49	59	3,8	12	17	48	66	3,8	12
Tourism Markets	City hotels and residences	4	5	12,5	15		4	5	12,5	21
	Coastal resorts catering to domestic, charter markets	15	42	3,5	6		15	42	3,5	6
Office Market		12	22	7,5	21,5		12	22	7,5	22,1
Warehousing, logistics, industrial, business park, manufacturing and big-box retail		94	233	4,8	9,5		87	181	4,8	9,4
Unique Clusters of opportunity		25	56	5	12	6	20	51	5	11,3
	TOTAL	607	1 311			68	630	1 179		

Additional financial information

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



Growing crops on the Tongaat Hulett balance sheet

	30 September 2017					30 Sep 16	31 Mar 17
	Mozambique	South Africa	Swaziland	Zimbabwe	Total	Total	Total
Standing Cane							
Hectares for harvest	22 803	33 325	3 830	27 592	87 550	85 911	88 159
Standing cane value (R per ha.)	26 241	19 361	24 509	28 981	24 410	24 250	28 913
Yield (tons cane per ha)	75,7	59,1	116,9	88,0	75,0	72,5	76,0
Statement of financial position (current assets)							
Standing cane (R million)	598	645	94	800	2 137	2 083	2 549

March 2017 (R million)	2 549
Change in fair value	- 473
Foreign currency translation (FCTR)	+ 61
September 2017 (R million)	2 137

Growing crops - change in fair value

IAS 41 Fair Value Change included in the Income Statement: Period to 30 September

R million	2017/18 H1	2016/17 H1
South Africa	- 62	+ 14
Swaziland	- 27	+ 2
Zimbabwe	- 222	- 306
Mozambique	- 162	- 69
Change in fair value	**- 473**	**- 359**

South Africa

- Price decrease/prior year increases not repeated

Mozambique

- Price stable - prior year increases not repeated

Zimbabwe

- Revised Division of Proceeds percentage

Swaziland

- Younger cane due to 5 week strike in previous year not repeated

- 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
- At September the average age of the cane is less than at March

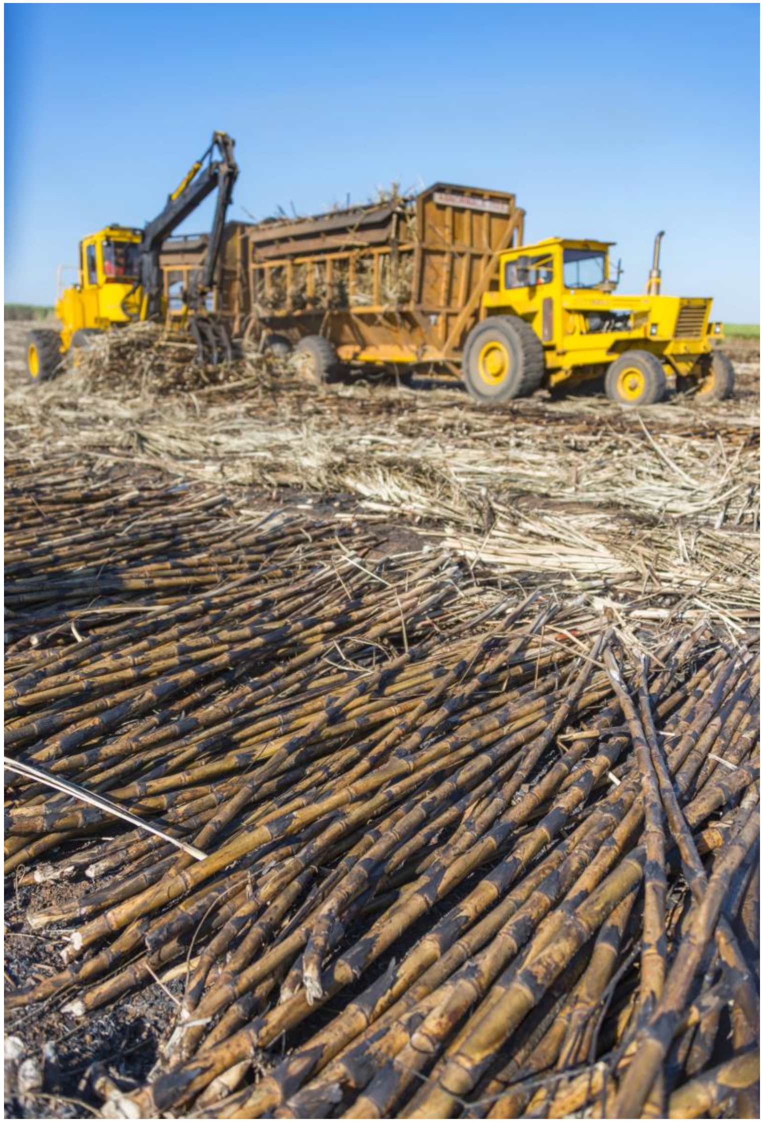
Exchange rates

	2017/18 H1: Avg.	2016/17 H1: Avg.	30 Sep 2017	31 March 2017
Rand/US$	13,21	14,60	13,46	13,38
Rand/Euro	15,03	16,29	15,90	14,29
Rand/Metical	0,21	0,25	0,22	0,20
US$/Euro	1,14	1,12	1,18	1,07
Metical/Euro	70	65	72	70

- 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



2007 BEE transaction

Details as per SENS Announcement of 2 July 2014

- 2007 structure - an 18% participation structure for two strategic/broad-based groupings
- Original terms and conditions of the transaction agreements have remained in place and have not been altered since their conclusion and approval in 2007
- 25,1 million “A Preferred Ordinary” shares in Tongaat Hulett, which were funded by the BEE SPVs through external funding, BEE participants’ funding and notional vendor finance in 2007
- In accordance with the original agreements and approvals, these shares had a 7 year term, within the overall 10 year transaction period
- On 7 year anniversary (July 2014) - Automatic conversion of the “A Preferred Ordinary” shares to Ordinary shares. The “A Preferred Ordinary” shares thus cease to exist and the A preferred ordinary dividends of some R100 million per annum are no longer payable
- The converted Ordinary shares will be held by the BEE SPVs for the time being and rank equally (pari passu) with other Ordinary shares and listed on the JSE
- A calculation was performed in July 2014 which determined the number of these converted shares that Tongaat Hulett is entitled to buy-back for the consideration of 1 cent per share (the buy-back right), in order to extinguish the notional vendor finance in the transaction (i.e. there was no vesting and there is no additional optionality for the BEE participants)

2007 BEE transaction

- This buy-back right is subordinated in favour of the repayment of the external funding and the BEE shareholder loans, which have no recourse to Tongaat Hulett and are well covered by the assets in the BEE SPVs. This means that the buy-back by Tongaat Hulett can only occur after the repayment, in due course, of the external funding in the BEE SPVs - i.e. sometime after the initial 7 year period
- At the prevailing share price, approximately 5 million shares held by the BEE SPVs are required to settle the external funding, which currently amounts to some R600 million in the two BEE SPVs. Simultaneously, in accordance with the original agreements and formulae, at the current share price, Tongaat Hulett is entitled to buy-back the remaining approximately 20 million shares for a consideration of 1 cent per share, in due course in this process
- While the issued share capital of Tongaat Hulett listed on the JSE currently includes these approximately 20 million shares, that are the subject of the buy-back right, these shares are not included in the calculations determining earnings per share and headline earnings per share
- Tongaat Hulett is using this period to assess how best to take the 2007 BEE participation structure forward, both within the context of the original intent of a transaction structure that spans 10 years and the context of the strategic importance to Tongaat Hulett of meaningful black economic empowerment. Shareholders will continue to be kept updated on the progression of these 2007 transaction structures and any material changes will be brought to shareholders for consideration and approval in due course

Further information and contact details

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or

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