

# DETAILED INFORMATION PACK

to be read in conjunction with  
the Interim Results Announcement,  
Commentary and Outlook

 **Tongaat Hulett**

November 2015



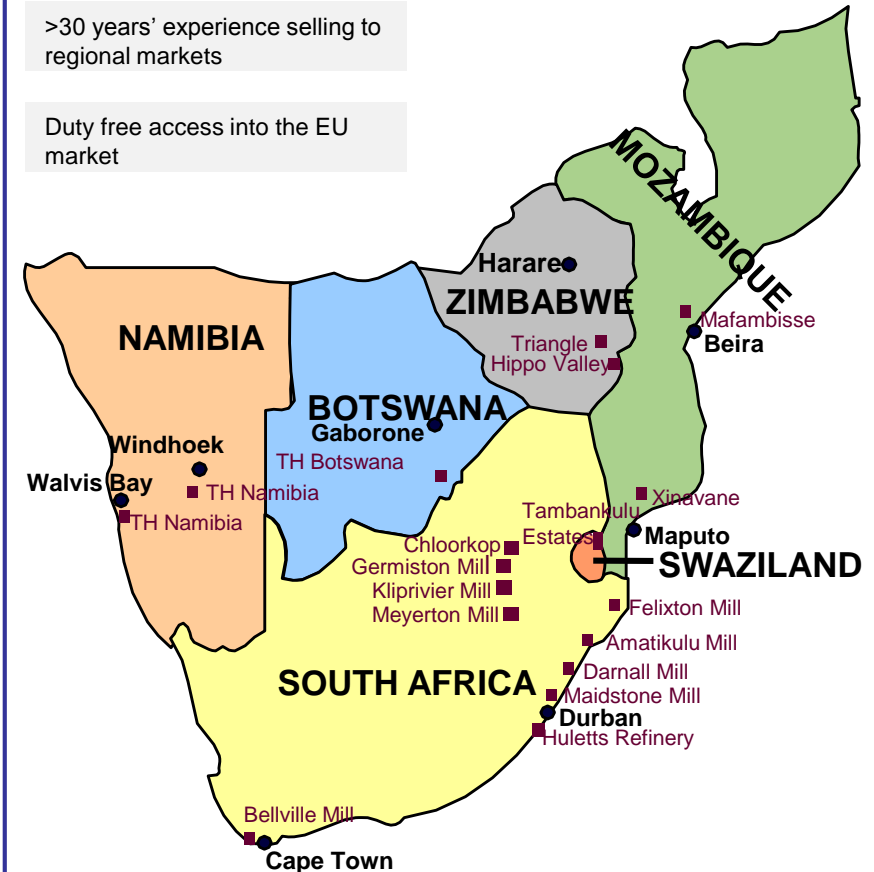
# Index

	Page
• Investment case overview	3
• Tongaat Hulett's sugar production and markets	4 - 12
• Reducing the cost of sugar production	13
• Animal feeds, Electricity and Ethanol	14 - 15
• Socio-economic impact of the sugar industry	16
• Growing starch and glucose	17 - 24
• Momentum in land development	25
• Supporting sugar production data	26 - 37
• Financial information to accompany the Interim Results Announcement for the six months ended 30 September 2015	38 - 55

Operations located in six countries in sub-Saharan Africa

>30 years' experience selling to regional markets

Duty free access into the EU market



# Investment Case Overview

- **Increasing returns** from the existing sugar asset base
- Growing **starch and glucose**
- **Land conversion** - substantial value realisation
- **Socio-economic positioning** and constructive interfaces with governments and society
- **Leadership** and strength of management team
- Sound **sustainability strategy** and track record
- Strong balance sheet with **high-quality assets**

Agriculture and agri-processing (sugarcane / sugar and maize / starch) with medium term renewable energy opportunities (electricity generation and ethanol production), with a thrust in animal feeds

Portfolio of land for conversion (unique portfolio and well-established development platform in KwaZulu-Natal)

Operations located in six countries in sub-Saharan Africa

Largest private sector employer in both Mozambique and Zimbabwe

Approximately one million people in South Africa are directly impacted by the South African sugar industry - Tongaat Hulett is the major player north of Durban

# Tongaat Hulett's Sugar Production and Markets

## PRODUCTION VOLUMES



## SALES VOLUMES

	Page		Page
• Tongaat Hulett's sugar production	5	• Tongaat Hulett's sugar production and markets - overview	6
• Supporting sugar production data	26	• Domestic markets	7 - 9
		• Regional deficit markets	10
		• Update on Tongaat Hulett's approach to the EU Sugar Market	11
		• Volatile world sugar price	12



# Tongaat Hulett's Sugar Production

Tons Raw Sugar	2010/11 Actual	2013/14 Actual	2014/15 Actual	2015/16 Estimate	2018/19*
South Africa	455 000	634 000	541 000	310 000 - 325 000	715 000
Mozambique	164 000	249 000	271 000	230 000 - 260 000	300 000
Zimbabwe	333 000	488 000	445 000	410 000 - 450 000	540 000
Swaziland RSE	54 000	53 000	57 000	55 000 - 58 000	58 000
Total	1 006 000	1 424 000	1 314 000	1 005 000 - 1 093 000	1 613 000

RSE - Raw Sugar Equivalent

\* Return to regular growing conditions, the benefit of the intensive agricultural improvement plans and a slowdown in sugarcane expansion

# Tongaat Hulett's Sugar Production & Markets Overview

Tons '000	INDUSTRY						TONGAAT HULETT					
	Production	Imports	Domestic Market	Regional Exports	EU	Other <sup>#</sup>	Production	Domestic Market	Regional Exports	EU	Other <sup>#</sup>	
2014/15												
South Africa	2 108	148	1 707	208	0	341	533 * ^	494	95	0		
Mozambique	423	78	220	8	245	28	271	91	5	170	5	
Zimbabwe	445	40	303	0	157	25	445	263	0	157	25	
	2 976	266	2 230	216	402	394	1 249	848	100	327	30	
Swaziland RSE							57					
							1 306					
2018/19												
South Africa	The options and mix of quantities for export markets will depend on the attractiveness of the returns by market over world market sugar prices, taking into consideration freight differentials and other market aspects.						715	559	119	0	37	
Mozambique							300	179	63	51	7	
Zimbabwe							540	355	93	80	12	
Total							1 555	1 093	275	131	56	
Swaziland RSE							58					
							1 613					

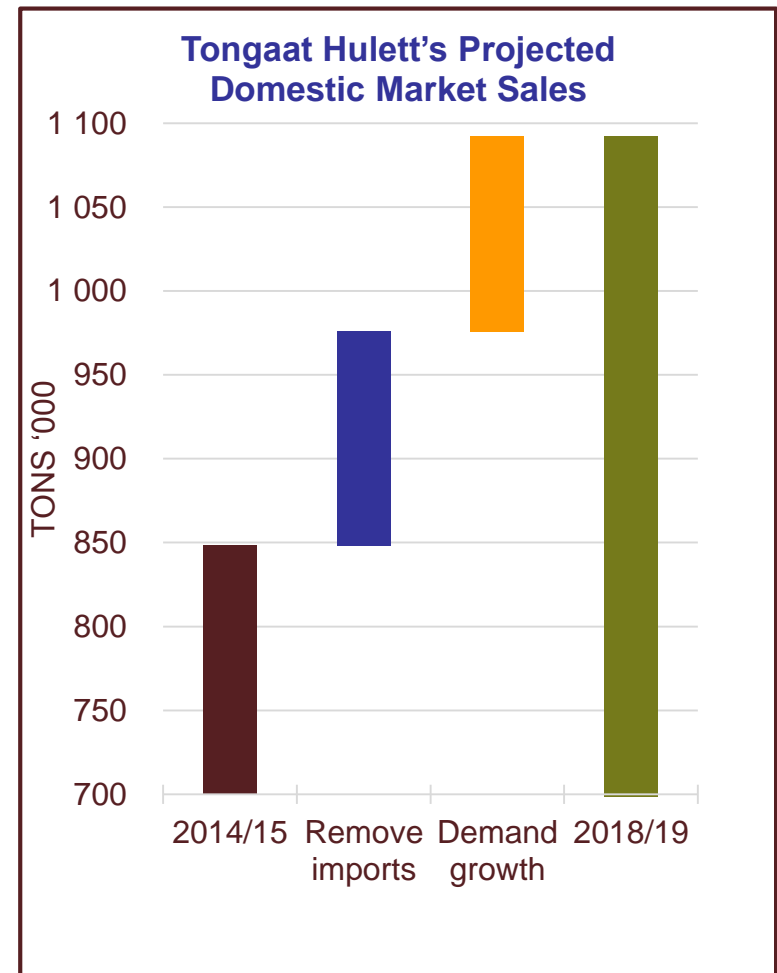
\* Tongaat Hulett has procured other producers' sugar to supply its market position and plans to replace this with its own production in future. Consequently, in South Africa, Tongaat Hulett's production is less than sales achieved.

^ Production quantity is stated after accounting for the yield loss in refining.

# Includes sales to the premium priced US market.

# Domestic Markets

- Domestic demand continues to be a key driver of Tongaat Hulett's approach to markets where the progression towards remunerative prices supportive of sustainable cane growing are not impacted by the dumped world sugar price.
- A priority is to ensure that, within the context of national legislation, sugar imported into domestic markets is kept to a minimum.
- Consumption growth in Tongaat Hulett's domestic markets over the current and subsequent three years is expected to be 2,7% p.a. with higher growth rates in those areas where per capita consumption is low, as is the case in Mozambique.
- Growth is expected from sales of specialty sugars in the industrial and retail sectors.
- A further driver of demand growth is expected to be usage by industrial buyers. Tongaat Hulett continues to enhance the ability of its sugar refineries in Durban and Zimbabwe to produce high grade white sugar to meet the demand of this sector. The expansion of sugar refining capacity within the Mozambican sugar industry is under consideration.
- The conversation concerning health and obesity may have a dampening effect on demand in South Africa.





# Supporting Domestic Sugar Markets

- In the face of dumped world sugar prices, local sugar industries (farmers and processors) worldwide struggle to remain viable without some form of government assistance.
- Assistance comprises direct payment support as in the EU and India, indirect payment support as in Brazil, and supportive internal prices in many sugar producing countries including US and Thailand.
- Support in South Africa, Mozambique and Zimbabwe is provided by tariff and non-tariff barriers that allow internal sugar prices to rise to a level supportive of sustainable rural communities.
  - In Mozambique new, higher reference prices were implemented in August.
  - In Zimbabwe an import permit is required for all imported sugar.
- In South Africa direct support for farmers is emerging with recent announcements of drought support and the provision of grant funding for cane expansion by small scale farmers.

**Indicative cost of importing sugar into Tongaat Hulett's domestic markets at the prevailing levels of import protection, based on a world sugar price of US¢14/lb for brown sugar and US¢18/lb for white sugar**

US\$ / Ton	SACU		Mozambique		Zimbabwe	
	White	Brown	White	Brown	White	Brown
<b>Reference price</b>	<b>566</b>	<b>566</b>	<b>932</b>	<b>806</b>	<b>10% of CIF + \$100</b>	
World market price	399	309	399	309	399	309
Inward transport	45	45	45	45	180	180
Import duty	167	167	488	452	161	153
<b>Indicative cost of importing sugar</b>	<b>611</b>	<b>521</b>	<b>932</b>	<b>806</b>	<b>740</b>	<b>642</b>

Refer to page 16 for details of the socio-economic impact of sugar industries in South Africa, Mozambique and Zimbabwe



# Brand Strength

## Leading Sugar Brands in South Africa, Zimbabwe, Botswana and Namibia

- Speciality sugars, including fructose is growing its contribution to downstream profitability in South Africa
- The Hulett's® brand accounts for 46% of all direct white sugar consumption in South Africa
- The Hulett's SunSweet® brand is the leading sugar brand in Zimbabwe
- Marathon® and Blue Crystal® are the leading sugar brands in Namibia and Botswana respectively



# Regional Deficit Markets

- The countries of East and South Eastern Africa that either do not produce sugar or produce less than domestic demand, require some 1,6 million tons of imported sugar per annum, which has been supplied by both the regions' producers and also by sugar from India, Thailand, Saudi Arabia, Dubai and Brazil.
- Prices in these markets trade at a premium to world market prices for sugar and move in tandem with changes in those prices.
- Tongaat Hulett has supplied on average over the past number of years 100 000 tons of high grade white sugar per annum into the region, predominantly to industrial users, and the Tongaat Hulett name is already well established in the regional sugar markets.
- In the deficit markets of East and South Eastern Africa per capita annual sugar consumption is markedly lower (7 kg - 12 kg) than in the SA Customs Union.
- With the regions' population growth expected to be in the region of 2% - 3% per annum this is the minimum level of demand growth that should be seen over the coming years. Expectations of greater demand growth will depend on economic growth rates.
- Tongaat Hulett's Mafambisse and Xinavane sugar mills and the Huletts refinery in Durban are close to ports providing efficient access to regional markets.
- Zimbabwe is well located for supplying regional deficit markets, benefiting from being a member of the COMESA trade bloc.
- Most deficit markets of East and South Eastern Africa aspire to establish their own sugar industries or expand the current level of sugar production over time. Typically the journey to establish new cane growing areas and invest in the associated milling capacity and other infrastructure takes in excess of 5 years.

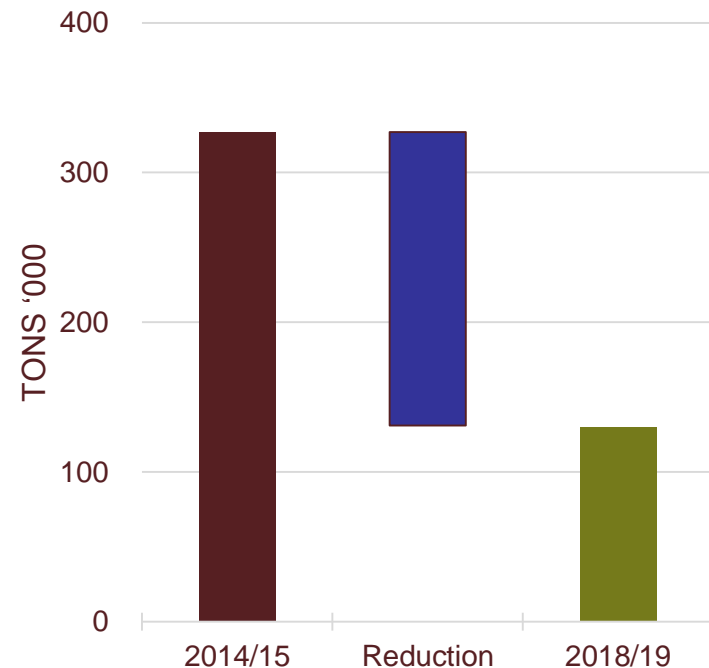
## Tongaat Hulett's positioning in Regional Deficit Markets

	Trade Bloc Benefits	Favourable Location
Angola	None	SA / Moz
Burundi	Zim	SA / Moz / Zim
DRC (South / East)	Zim	Zim
Kenya	Zim	SA / Moz / Zim
Madagascar	SA / Moz / Zim	Moz / SA
Rwanda	Zim	SA / Moz / Zim
Tanzania	None	SA / Moz
Uganda	Zim	SA / Zim

# Update on Tongaat Hulett's Approach to the EU Sugar Market

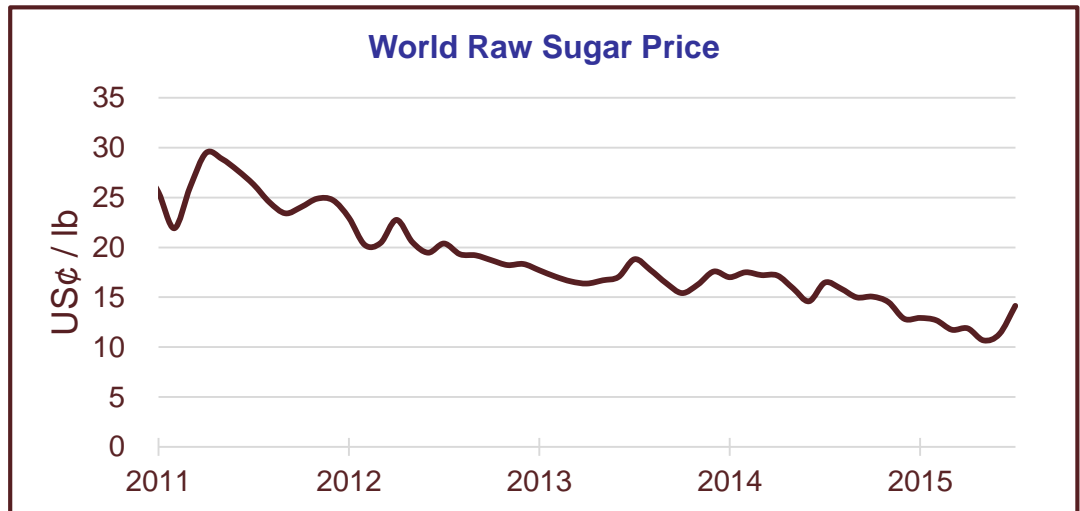
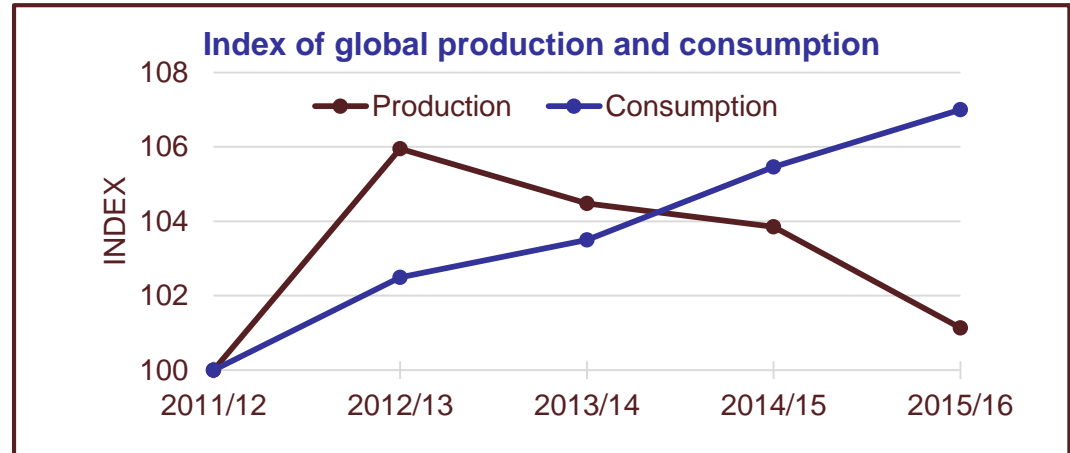
- Over the past five years Tongaat Hulett has supplied some 300 000 tons of raw sugar to refiners and beet processors in the EU, benefitting over the period from the significant premiums over the world market price that were obtainable in the EU.
- Prices in the EU have come under pressure over the past two and a half years from the decline in the world market price for sugar over the past four years as well as from the reform of the EU agricultural sector announced in 2013, which will become fully effective as from October 2017. For Tongaat Hulett there has been a drop of some 15 US c/lb over the past two and half years.
- Going forward, prices in the EU are forecast to become more directly linked to the world market price for sugar, trading at a differential to that price based upon the internal EU supply and demand dynamics, where premiums could evolve to levels comparable to those achievable in the regional African deficit markets.
- Notably the EU has not sought to dismantle the significant duties on imported sugar and has retained the duty-free access rights for many countries including Mozambique and Zimbabwe.
- Tongaat Hulett has been progressively adjusting its exposure to the changes in the EU market by increasing its focus on domestic sugar markets thereby reducing the volumes destined for the EU. The change will be amplified in the coming period
- Tongaat Hulett has recently commenced delivering high value, special brown sugar to EU buyers from it's two Mozambican sugar mills. Those products are expected to grow to comprise a meaningful proportion of Tongaat Hulett's deliveries of sugar to the EU in future.

**Possible Evolution of Tongaat Hulett's EU Exports**



# Volatile World Sugar Price

- Consumption growth of 1,5% to 2,5% per annum continues indicating that global consumption is growing by some 3 - 4,5 million tons per annum.
- Global stocks remain high.
- Consensus of commentators' views points to a deficit in the year to September 2016 of 2,5 - 5,0 million tons.
- Prices have been increasing of late in response to the short-term supply outlook. Ongoing support measures and exchange rate movements, amongst others, will continue to impact on price sentiment and production decisions.
- The net speculative position in prompt raw sugar futures stood at a long position of 6,6 million tons sugar in April 2014, changed to a net short position of the same quantity by April 2015, and currently stands at a net long position of almost 8 million tons.



# Reducing the Cost of Sugar Production

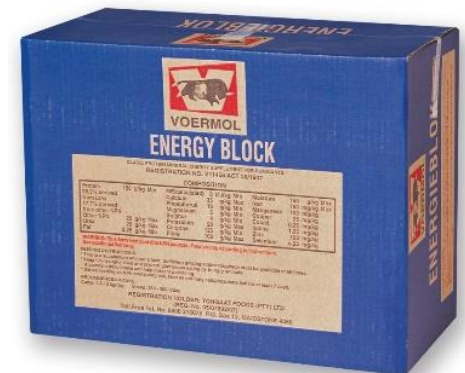
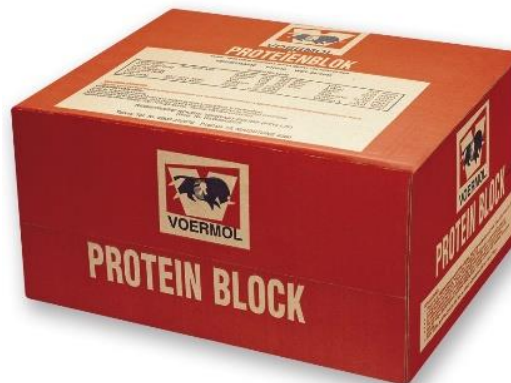
- Detailed assessment of cost by country will be presented with the year-end financial results
- The sustainable cost reductions achieved over the past two years, while having to absorb input price increases, provided a good base for the next steps in the concerted cost reduction process in the sugar operations
  - Over the past two years effective cost reduction of R950 million in real terms achieved
- Focus on further reductions from the R5,2 billion cost base going forward





# Animal Feeds

- Molasses and fibre based animal feeds prospects are good over the next 2 / 3 years
- Animals feeds revenue from Tongaat Hulett's Voermol, Zimbabwe and Starch operations > R1,3 billion per annum
- Tongaat Hulett views its animal feeds prospects from a regional perspective
- Voermol is the leading molasses-based livestock animal feeds brand in South Africa



# Electricity and Ethanol

## Electricity

- First round Request for Bid (RFB) for Co-Generation (June 2015) designed for low tariff small, quick implementation projects - not suitable for Tongaat Hulett
- RFB for large scale Co-Generation projects promised for 2016

**Objective:**

- Create value for fibre components of sugarcane
- Improved sustainability of cane growing
- Fill mills with new cane development and rural job creation

## Ethanol

- Cabinet request for additional economic evaluation on Biofuels
- Policy paper to be re-submitted to cabinet (2016)

**Objective:**

- Expand current portfolio to include ethanol
- Reduce exports and exposure to volatile world market sugar price
- Improve capacity utilisation through longer season
- Priority to established industry
- Further cane developments and rural job creation



# Socio-economic Impact of the South African, Mozambiquan and Zimbabwean Sugar Industries

KZN based growers	Current (Based on 2013/14)	Potential
Communal and Small-scale growers		
Registered	19 627	+ - 70 000
Revenue	R590 million	+ - R2 billion
Employed (direct plus indirect) and their dependants	860 000	1 105 000
Land reform growers	+ - R570 million	?

## Mozambique

- Employs more than 30 000 people during the peak milling season - > 150 000 indirect beneficiaries
- Total wages and salaries paid by the sugar industry - currently some \$65 million per annum
- Supporting the development of small-scale indigenous growers - 22 associations of producers

## Zimbabwe

- Employs more than 24 000 people during the peak milling season - > 149 000 indirect beneficiaries
- Supporting the development of 813 indigenous growers - > 1 million tons sugarcane produced

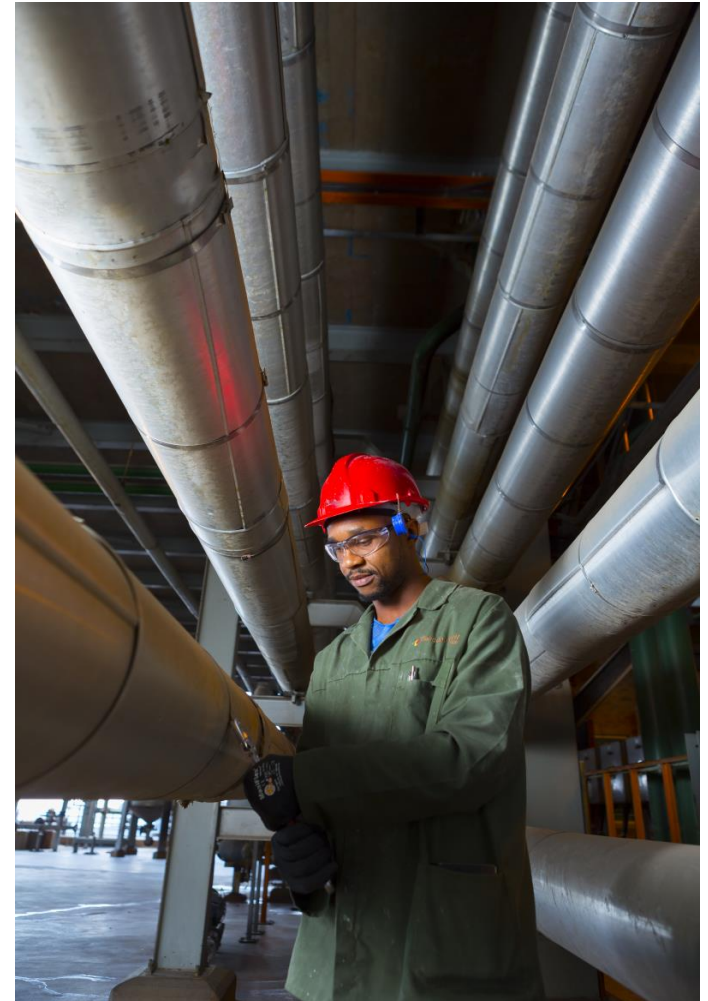
# Growing Starch and Glucose

	Page
• Background on starch and glucose	18
• Performance drivers	
• Improving capacity utilisation and market mix	19
• Continued improvements in operating efficiencies	19
• Maize dynamics	21
• South African maize history	21
• Starch and glucose markets	22
• Relevant statistics	
• Volume data	
• Financial data	
• Co-product pricing	23 - 24



# Background on Starch and Glucose

- Largest maize wet-miller in Africa
- Use > 630 000 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

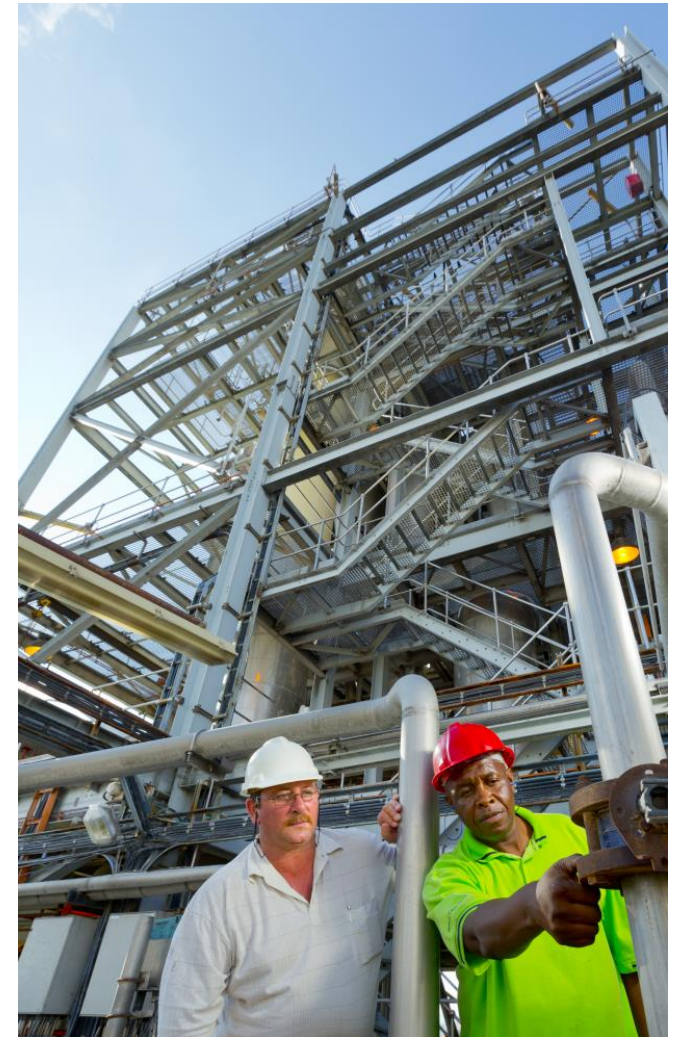
## Performance Drivers

### Improving capacity utilisation and market mix

- Additional capacity to become available for Coffee Creamer sector
- R135 million expansion project currently in commissioning phase
  - Immediate replacement of imported volumes under long-term contracts
  - Annualised import volumes amounting to a minimum of 10 000 tons
  - Releasing capacity to recapture market share in the trader, distributors and confectionary sectors currently being supplied by imports
- Modified starches
  - Investments to increase drying capacity underway and expected to be commissioned in first quarter of 2016

### Continued improvements in operating efficiencies

- Investments in plant and asset care programmes and technical training
- Significant improvements in operational efficiency - R5 million improvement in operating costs in first half of 2015/16
- Investment in new boilers at Meyerton commissioned in September 2015. A lack of steam in the first half of 2015 negatively impacted first half sales and production





# Starch and Glucose

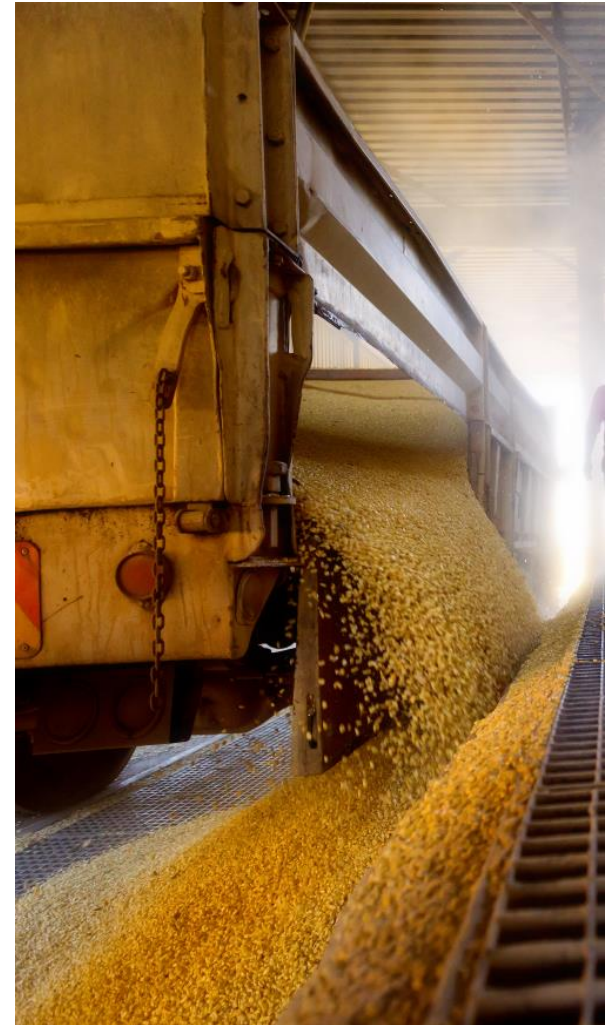
## Performance Drivers

### Maize dynamics (2014/15 – maize season)

- Carry out crop from 2014/15 reduced impact of the lower 2015/16 crop of 9,94 million tons (2014/15: 14,25 million tons)
- 85% of remaining maize requirements priced for 2015/16
- Margins slightly below equivalent prior year period
- Co-product benefit offsetting some of high price impact

### Maize dynamics (2015/16 – maize season)

- Lack of rain and forecasts for a strong El Nino event in South Africa
- Rain required to facilitate planting - which can continue in some areas into early January
- Proportion of SA maize crop under irrigation more than doubled since 2001 to 240 000 hectares. Typical yields of 10 tons per hectare
- Margins earned on approx. 55% of 2016/17 sales volumes will be influenced by the extent to which local maize prices trade closer to import parity



# South African Maize History

	1979/80	2010/11	2011/12	2012/13	2013/14	2014/15 Final Production Estimate	2015/16 Estimate*
Hectares planted (000 ha)	4 031	2 372	2 699	2 781	2 688	2 653	2 551
Yield (t/ha)	3,37	4,37	4,38	4,21	5,30	3,75	?
Production (000 tons)	13 583	10 360	11 830	11 811	14 250	9 942	?
Carry in stock (000 tons)	2 115	2 336	994	1 417	589	2 074	1 366
Total usage incl. exports (000 tons)	8 324	11 702	11 418	12 639	12 765	10 650	
Stock to use ratio	10,02%	8,49%	12,41%	4,66%	16,25%	12,83%	

## Outlook for World maize / corn

- 2015/16 - corn production in the US is forecast at 344,3 million tons - yields are lower at 10,54 tons per hectare compared to 10,73 tons per hectare in 2014/15
- World corn supplies are adequate and there are currently no supply concerns given the crops harvested internationally
- World corn stocks are forecast to be 4,2% lower than in the prior season; however ending stocks are considered satisfactory provided that there are no major weather threats

## Lower International starch and glucose prices

- Lower international corn prices translating to lower starch and glucose pricing
- Currency devaluation in commodity based countries is shielding impact
- Chinese market less competitive due to high domestic corn prices
- Low starch prices out of India, Turkey and lately EU continue to place local prices under pressure

# Starch and Glucose Markets

Tons	2013/14 Actual	2014/15 Actual	2015/16 Latest Estimate	% Growth 2014/15 vs. 2013/14	% Growth 2015/16 vs. 2014/15 (LE)
Alcoholic beverages	173 352	176 489	171 969*	1,8%	-2,60%
Coffee creamers	70 734	75 201	89 468	6,3%	19,0%
Confectionery	61 599	67 148	67 282	9,0%	0,2%
Paper	56 486	59 870	58 278	6,0%	-2,70%
Prepared foods	12 323	13 696	11 977	11,1%	-12,60%
Other	45 712	45 828	46 528	0,3%	1,50%
Total Local	420 206	438 232	445 502*	4,3%	1,7%

\* Alcoholic Beverage volumes amounting to 8 061 tons have been reclassified as export sales during the current year.  
Including these sales above would result in a sector growth of 2% and an equivalent estimated local sales growth of 3,4%.



# Volumes and Financial Data

Volume (tons)	September 2015	September 2014
Local Starch	48 460	47 293
Local Glucose	166 198	172 093
Total Local	214 658	219 386
Export Starch	16 360	18 037
Export Glucose	17 200	12 915
Total Exports	33 560	30 952
Co-Products	83 253	86 253
Total	331 471	336 591

R millions	September 2015	September 2014
Revenue	1 750	1 740
Domestic	1 203	1 196
Exports	235	221
Co-Products	312	323
Operating Profit	281	264

# Co-product Pricing

Co-product	Price movement 2015 over 2014	Major price drivers
Germ	Down 7,1%	International edible oil prices
Gluten-60	Down 6,3%	Higher internationally priced competitive products
Gluten-20	Up 11,5%	Local maize price increase

# Momentum in Land Development



Go to [www.tongaathulett.com](http://www.tongaathulett.com) for an updated copy of the Portfolio of Land for Conversion in KwaZulu-Natal

# Supporting Sugar Production Data



- South Africa

Page

27 - 28

- Mozambique

29 - 31

- Zimbabwe

32 - 34

- Drought in South Africa

35

- Dam levels - Mozambique and Zimbabwe

36

- Sugar production history

37

# South Africa

Cane Milled and Sugar produced	Actual 2013/14 Season	Actual 2014/15 Season	2015/16 Estimate		2018/19*
Total hectares farmed as at 1 April (beginning of the season)	116 469	118 182	121 530		142 192
Hectares milled^	92 087	94 654	78 996	82 819	109 934
Cane yield (tcphm)	56,34	46,64	36,77	36,77	55,92
Cane tons '000	5 481	4 591	2 905	3 045	6 147
Cane to Sugar ratio	8,64	8,48	9,37	9,37	8,60
Sugar production - raw (tons)	634 000	541 000	310 000	325 000	715 000

^ This is based on information supplied to the mill by individual farmers

tcphm – tons cane per hectare milled

\* Assumes regular growing conditions

# South Africa

## New Plantings and Net Gain in Hectares

South Africa	Actual 2009/10	Actual 2010/11	Actual 2011/12	Actual 2012/13	Actual 2013/14	Actual 2014/15	Target 2015/16 #	Target 2016/17 #	Target 2017/18	Target 2018/19
Small-scale growers	1 636	3 689	4 411	4 297	1 651	885	1 532	981	-	-
Tongaat Hulett Communal leases		110	920	2 946	1 709	2 105 ^	3 586 ^	6 399 ^	-	-
Commercial and medium scale growers	630	371	1 831	1 884	498	388	784	-	-	-
Tongaat Hulett leased land	1 824	1 436	1 525	2 427	880	330	-	-	-	-
Total	4 090	5 606	8 687	11 554	4 738	3 708	5 902 ~	7 380 ~	?	?
Cumulative new plantings since 2009/10 - milling of this cane commenced in 2011/12			4 090	9 696	18 383	29 937	34 675	38 383	44 285	51 665
Cumulative net cane losses since 2007/08			(13 948)	(14 732)	(17 757)	(17 889)	(18 009)	(18 260)	(18 380)	(18 500)
Net change in hectares since 2007/08			(9 858)	(5 036)	626	12 048	16 666	20 123	25 905	33 165

# Regular growing conditions

^ Commencement of Jobs Fund planting

~ Reduced from May 2015 target of 7 500 due to poor rain

# Mozambique

Cane Milled and Sugar produced	Actual 2013/14 Season	Actual 2014/15 Season	2015/16 Estimate		2018/19*
Total hectares farmed as at 1 April (beginning of the season)	27 602	28 347	29 235		29 235
Hectares milled	24 898	25 980	25 815		26 824
Cane yield (tcphm)	81,06	86,17	75,73	83,09	91,15
Cane tons '000	2 038	2 239	1 955	2 145	2 445
Cane to Sugar ratio	8,11	8,27	8,50	8,25	8,15
Sugar production - raw (tons)	249 000	271 000	230 000	260 000	300 000

tcphm – tons cane per hectare milled

\* Assumes regular growing conditions



# Mozambique - Agricultural Improvement Plans

Yields (tons cane per hectare)	2014/15 Sugar Production (tons)	2007/08 Actual	2014/15 Actual	2015/16 Estimate	2018/19*
Xinavane	202 000	77,60	97,68	85,00 - 92,00	102,74
Mafambisse	69 000	46,17	65,49	59,24 - 67,24	70,91
Total average yield	271 000	60,74	86,17	75,73 - 83,09 ^	91,15

## Actions underway at Xinavane to increase yields

- Irrigation and drainage improvement projects
- Salinity and sodicity amelioration project
- Reconfiguring cane row layouts
- Training and development of critical staff
- Improvement of harvesting standards
- Improvement of loading and haulage standards

## Actions underway at Mafambisse to increase yields

- Improve field layout using laser and GPS systems
- Closer monitoring of crop nutrient requirements through foliar and soil analysis
- Introduction of new varieties - better suited to the new irrigation system being implemented
- Reduction of area allocation from 1 000 hectares to 600 hectares for each section manager
- Improve drainage

\* Assumes regular growing conditions

^ Irrigation constraints due to Turbo Alternator failure and dry weather conditions

# Mozambique Operations

## Developing Indigenous Private Farmers

Impact of Tongaat Hulett initiatives on Small-Scale Farmers	Actual 2007/08 Season	Actual 2012/13 Season	Actual 2014/15 Season	Estimate 2015/16 Season
Cumulative hectares planted	571	2 952	4 370	4 932
Association members	249	1 522	2 018	2 202
Tons cane delivered by these farmers	45 528	269 496	414 820	354 643
Payments made to these farmers	R12,4 million	R40,6 million	R61,5 million	R58,5 million

# Zimbabwe

Cane Milled and Sugar produced	Actual 2013/14 Season	Actual 2014/15 Season	2015/16 Estimate		2018/19*
Total hectares farmed as at 1 April (beginning of the season)	44 814	44 749	44 952		47 194
Hectares milled	39 615	40 731	41 457		44 561
Cane yield (tcphm)	90,20	84,92	81,10	85,75	94,52
Cane tons '000	3 573	3 459	3 362	3 555	4 212
Cane to Sugar ratio	7,97	7,78	8,20	7,90	7,80
Chisumbanje Estate #	39 000	-	-	-	-
Sugar production - raw (tons)	488 000	445 000	410 000	450 000	540 000

tcphm - tons cane per hectare milled

# Excluded from yields, hectares farmed and milled, tons cane and cane to sugar ratio

\* Assumes regular growing conditions

# Zimbabwe

Yields (tons cane per hectare)	2010/11 Actual	2012/13 Actual	2014/15 Actual	2015/16 Estimate	2018/19*
Tongaat Hulett	85,04	99,00	87,64	90,00 - 95,00	104,47
Private Farmers	47,78	73,72	80,04	65,75 - 69,81	80,00
Zimbabwe	75,51	90,20	84,92	81,10 - 85,75	94,52

## Factors contributing to yield performance - 2015/16

- Low yields on account of late rainfall received in February, 4 months later in the season than normal, after the peak growth season
- Irrigation cycles had been reduced to conserve the water available before new inflows into the storage dams

## Key factors to increase yields

- A Tongaat Hulett yield of 114 tons cane per hectare has previously been achieved
- Full irrigation and accelerated replant implemented
- A comprehensive cropping program that embraces conventional tillage, soil yield potentials, milling season optimisation, use of break crops and effective game control underway
- Improved water use efficiency through the upgrading of bulk water conveyance and storage systems while at the same time enhancing the harvesting of regenerated water
- Engage in focused extension programs aimed at lifting cane yields for private farmers

\* Assumes regular growing conditions

# Zimbabwe Operations

## Developing Indigenous Private Farmers

Impact of Tongaat Hulett initiatives on Rural Communities	Actual 2011/12 Season	Actual 2012/13 Season	Actual 2013/14 Season	Actual 2014/15 Season	Estimate 2015/16 Season
Area farmed (hectares) excluding fallow land	9 501	12 573	14 120	14 726	15 951
Area harvested (hectares)	8 966	11 260	13 797	14 601	15 223
Tons cane produced (000)	532	853	1 017	1 169	1 002
Payments made to private farmers	R307 million	R525 million	R591 million	R774 million	R725 million
Cumulative jobs created	4 750	6 286	6 700	7 363	7 612

# Drought in South Africa

- Rainfall in the sugarcane catchment areas in KwaZulu-Natal has been significantly below historical averages in the past two years
  - Between 32% and 52% of the historical average
- Tongaat Hulett's tons sugar production reduced from 634 000 (2013/14) to between 310 000 and 325 000 (estimate for 2015/16)
- Production levels in 2016/17 will largely depend on the extent of rainfall over the next 7 months

## Actions to mitigate drought conditions

- Drought relief funding application for growers is at an advanced stage
- Tongaat Hulett has provided R10 million to its private growers - spraying of chemicals to preserve sugarcane
- Identified opportunities for further irrigation schemes - 3 500 hectares
- Exploring opportunities for establishment of new dams
  - Matigulu river (dam project) - preliminary feasibility study undertaken to build a government funded dam of approximately 3,7 million cubic metres for community, industrial and agricultural use (4 500 hectares of sugarcane)

# Dam Levels - Mozambique and Zimbabwe

Growing conditions for irrigated sugarcane are primarily impacted by water availability and electricity requirements for irrigation purposes

Dams	Full Volume ML	% Full as at 30 September 2014	% Full as at 31 March 2015	% Full as at 30 September 2015
Corumana Dam (Xinavane)	880 000	67,9%	54,7%	39,3%
Muda Dam (Mafambisse)	56 000	82,6%	90,3%	64,3%
Mutirikwi-Tokwe (Zimbabwe)	1 740 206	45,7%	49,0%	37,2%
Manjirenji-Siya (Zimbabwe)	379 634	91,3%	82,0%	63,6%
Manyuchi (Zimbabwe)	303 473	89,4%	88,3%	69,5%

In Zimbabwe, Mozambique and Swaziland the quantum of irrigation is being reduced as a mitigation measure against potential poor rainfall in the coming months

## Xinavane

- The 2015/16 season's production was adversely impacted by the failure of the Turbo Alternator which hindered electricity supply for sugarcane irrigation

## Zimbabwe - Electricity

- It is envisaged that there is a high probability of load shedding during the coming off-crop period. This will have an impact on those areas that are not supplied by the mills, which will be generating electricity during the off-crop period.



# 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
South Africa	977	762	868	659	731	760	674	612	652	573	455	486	486	634	541
Mozambique	39	36	71	82	85	115	106	108	108	134	164	233	235	249	271
Swaziland RSE	41	45	50	54	50	56	55	58	56	54	54	59	58	53	57
Zimbabwe *	547	509	578	507	422	430	451	349	298	259	333	372	475	488	445
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
Capacity	1 820	1 820	1 820	1 820	1 820	1 820	1 820	1 820	1 820	2 030	2 030	2 030	2 100	2 100	2 100
% of Capacity	88%	74%	86%	72%	71%	75%	71%	62%	61%	50%	50%	57%	60%	68%	63%

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

# Financial Information to Accompany the Interim Results Announcement



## Six months ended 30 September 2015

- Financial highlights and summary, including sugar operating profit analysis
- Land conversion activities
- Starch operations
- Sugar operations
  - Mozambique sugar operations
  - Zimbabwe sugar operations
  - South Africa sugar operations
- Growing crops
- Cash flow, including five-year history
- Average exchange rates
- 2007 BEE Structure

## Page

39 - 41

42

43

44 - 47

48 - 50

51 - 52

53

54 - 55

# Financial Highlights

R million	6 months to 30 Sept 2015	6 months to 30 Sept 2014	% Change
Revenue	7 609	8 073	- 5,7%
Operating Profit	1 361	1 510	- 9,9%
Operating Cash Flow before Working Capital	2 292	2 413	- 5,0%
Working Capital (movement) at 30 September	- 2 389	- 1 837	Sugar stocks Debtors
Tongaat Hulett Net Debt at 30 September	5 274	4 904	R370 million increase
Headline Earnings	673	773	- 12,9%
Dividends per Share (Cents)	170	170	0%

Tongaat Hulett	Operating Profit		Revenue	
R million	6 months to 30 Sept 2015	6 months to 30 Sept 2014	6 months to 30 Sept 2015	6 months to 30 Sept 2014
Sugar				
Zimbabwe	234	344	1 863	1 824
Swaziland	32	35	148	146
Mozambique	142	226	1 394	1 482
SA agriculture, milling, refining and downstream value added activities	154	259	1 603	2 365
Sugar operations - total	562	864	5 008	5 817
Starch operations	281	264	1 750	1 740
Land Conversion and Developments	576	435	851	516
Centrally accounted and consolidation items	(49)	(42)	-	-
BEE IFRS 2 charge and transaction costs	(9)	(11)	-	-
Total	1 361	1 510	7 609	8 073

# Further Analysis of Sugar Operating Profit

R million	6 months to 30 Sept 2015	6 months to 30 Sept 2014
Sugar operations - before cane valuations	1 132	1 454
Zimbabwe	533	609
Swaziland	58	64
Mozambique	411	556
South Africa	130	225
Cane valuations - income statement effect	(570)	(590)
Zimbabwe	(299)	(265)
Swaziland	(26)	(29)
Mozambique	(269)	(330)
South Africa	24	34
Sugar operations - after cane valuations	562	864
Zimbabwe	234	344
Swaziland	32	35
Mozambique	142	226
South Africa	154	259

# Land Conversion Activities

- Operating profit: R576 million from the sale of 65 developable hectares

2014: R435 million from 49 developable hectares

- Sales from

- Cornubia (industrial and office)
- Sibaya (node 1 for high-end residential)
- Umhlanga Ridge Town Centre
- Kindlewood
- Izinga
- Bridge City

- Profit per developable hectare averaged R8,9 million

- Range: R4 million to over R38 million per developable hectare



# Starch Operations

- Operating profit: R281 million  
2014: R264 million
- Prime product sales volume reduction of 1% in H1
  - Mainly in local market's confectionery, prepared foods, canning and paper making sectors offset gains in the coffee / creamer sector and exports
- Maize costs were competitive and there were ongoing improvements in operating efficiencies, co-product recoveries and cost control

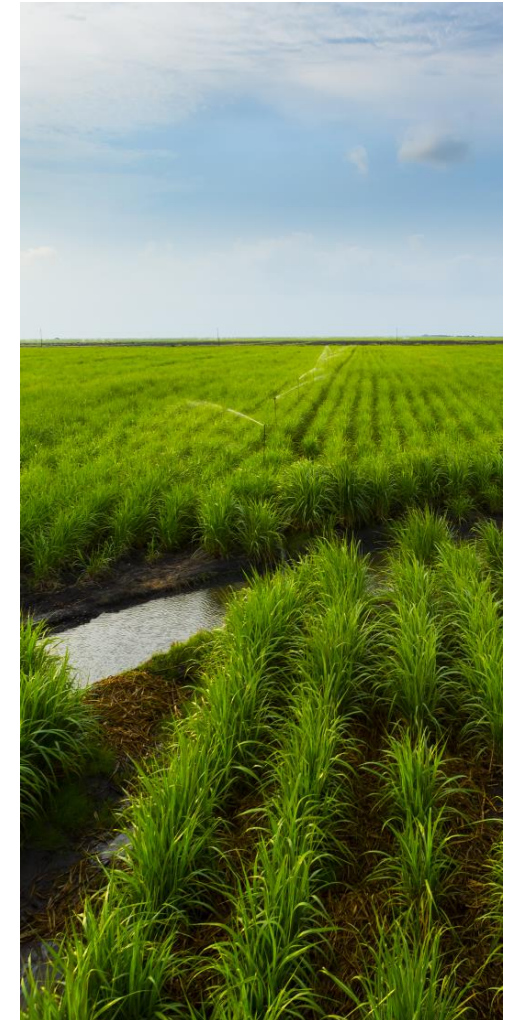




# Sugar Operations

## Impacting factors in H1 2015/16

- Operating profit before cane valuations: H1 2015/16 lower than H1 2014/15
- Sugar production - lower (growing conditions)
- Sugar market
  - lower international prices
  - measures to protect and enhance local market are starting to produce some benefits
- Cost reductions
  - maintaining gains of 2014/15 and 2013/14
  - absorbing input price increases
- Impact of cane valuations: negative at half-year (as expected)
- Exchange rates
  - Export proceeds
  - Earnings conversion on consolidation
  - R/\$ input cost pressure: while sugar price lower in US\$



# Mozambique Sugar Operations

- Operating profit: R142 million (Metical 405 million)  
2014: R226 million (Metical 653 million)
- Lower sugar production and sales volumes
- Lower export prices into the EU
- Improved local market revenues



# Zimbabwe Sugar Operations

## Triangle and Hippo Valley Estates

- Operating profit: R234 million (US\$ 19 million)  
2014: R344 million (US\$ 32 million)
- Domestic market sugar sales volumes maintained
- Lower export volumes in the half-year
- Export prices into the EU were lower
- Strength of US Dollar
  - Pressure on US Dollar-based costs (for example, salaries and wages)
  - Reduced export revenue on conversion of Euro to US Dollars
  - Benefit of conversion of US Dollar profits to Rands on consolidation

# South African Sugar Operations

## Including Downstream Value Added Activities

- Operating profit: R154 million  
2014: R259 million
- Sugar production substantially lower - drought in KZN
- Exports volumes down by 88%
- Focused cost reductions
- Measures implemented to protect the local market
- Increased local market pricing



# Growing Crops - Change in Fair Value: 2015/16

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

R million	2015/16 H1	2014/15 H1	R million	2015/16 H1	2014/15 H1
Roots	+ 5	+ 19	Sugar operations: profit before cane valuations	1 132	1 454
Standing cane	- 575	- 609	Cane valuation: change in FV	- 570	- 590
Change in fair value	- 570	- 590	Operating Profit: Sugar total	562	864

- Growing crops are valued at the end of the reporting period
- The change in fair value is taken through the income statement:
  - Roots (+ new roots / - amortisation)
  - Standing cane (sugar content and value)
- As hectares under cane grow and yields increase, a valuation gain is expected



# Growing Crops - Change in Fair Value: 2015/16 (cont.)

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

R million	2015/16 H1	2014/15 H1
South Africa	+ 24	+ 34
Swaziland	- 26	- 29
Zimbabwe	- 299	- 265
Mozambique	- 269	- 330
Change in fair value	- 570	- 590

- **Roots change in fair value:**
  - Amortisation of roots
  - + Hectares planted (- replant restricted)
  - + Change in fair value costing
- **Standing cane change in fair value:**
  - Change in sugar pricing
  - + Change in sugar content
  - +/- Change in quantity of standing cane (+ growth and - harvested)
- All agricultural costs are charged to the income statement as operating costs



# Growing Crops on the Tongaat Hulett Balance Sheet

	30 Sep 14	31 Mar 15	30 September 2015				
	Total	Total	Total	South Africa	Swaziland	Zimbabwe	Mozambique
<u>Roots</u>							
Hectares farmed	92 743	96 126	96 327	38 308	3 838	28 494	25 687
Amortised root value (Rands per ha)	28 682	30 406	31 768	30 032	17 637	35 119	32 751
<u>Standing Cane</u>							
Hectares for harvest	86 120	86 967	85 973	29 940	3 831	27 244	24 958
Standing cane value (Rands per hectare)	22 793	29 319	24 513	12 691	20 652	37 327	25 299
Yield (tons cane per ha)	85,6	82,6	83,3	55,4	125,6	102,6	89,0
<u>Statement of financial position</u>							
Roots (R million)	2 661	2 923	3 060	1 150	68	1 001	841
Standing cane (R million)	1 962	2 550	2 108	380	79	1 017	632
Total (R million)	4 623	5 473	5 168	1 530	147	2 018	1 473

March 2015 (R million)	5 473
Change in fair value	- 570
Foreign currency translation	+ 247
Other	+ 18
September 2015 (R million)	<u>5 168</u>

Roots - unamortised profile 48% to 75% (average 64%)



# Cash Flow: 2015/16

R million	6 months 2015/16	6 months 2014/15	
Operating profit	+ 1 361	+ 1 510	Includes all agricultural costs
Growing crop fair value adjustment	+ 570	+ 590	As per income statement
Root planting costs (direct planting, excluding other agricultural costs) charged to operating profit	+ 337	+ 176	Included below #
Other non-cash items	+ 361	+ 313	Includes depreciation etc.
Other proceeds	+ 45	+ 30	
	+ 2 674	+ 2 619	
Working capital	- 2 389	- 1 837	Inventories and debtors
Capital expenditure - plant, equipment, other capital	- 621	- 256	
Root planting costs	- 355	- 186	Includes operating costs above # and capex items
	- 691	+ 340	
Interest and tax	- 423	- 511	
Dividends	- 235	- 237	
Net cash flow after dividends	- 1 349	- 408	

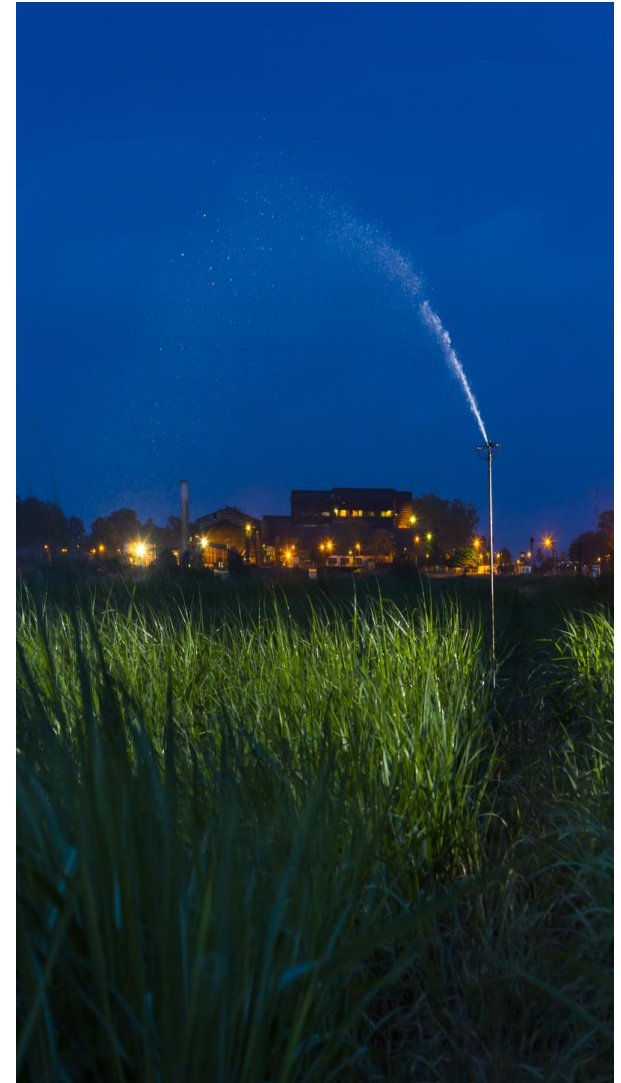
# Cash Flow History

R million	Actual	Actual	Actual	Actual	Actual	5 year
Year ended 31 March	2010/11	2011/12	2012/13	2013/14	2014/15	Total
Operating profit	1 606	1 879	2 131	2 374	2 089	10 079
Growing crop fair value adjustment	(662)	(465)	(469)	153	(96)	(1 539)
Root replant costs charged to profits	289	376	398	128	476	1 667
Depreciation and other non cash items	102	487	560	494	676	2 319
Operating cash flow (before root replanting costs)	1 335	2 277	2 620	3 149	3 145	12 526
Working capital	(212)	(519)	(56)	(762)	(44)	(1 593)
Capital expenditure	(837)	(698)	(1 034)	(527)	(731)	(3 827)
New	(396)	(329)	(447)	(117)	(203)	(1 492)
Replacement	(441)	(369)	(587)	(410)	(528)	(2 335)
Root planting costs	(332)	(433)	(554)	(246)	(552)	(2 117)
New	(43)	(57)	(156)	(118)	(76)	(450)
Replacement	(289)	(376)	(398)	(128)	(476)	(1 667)
Net cash flow before interest, tax and dividends	(46)	627	976	1 614	1 818	4 989
Interest and tax	(583)	(632)	(799)	(1 061)	(970)	(4 045)
Dividends	(198)	(288)	(357)	(253)	(429)	(1 525)
Net cash flow after dividends	(827)	(293)	(180)	300	419	(581)

# Average Exchange Rates

Average	2015/16 H1	2014/15 H1
Rand/US\$	12,57	10,64
Rand/Euro	13,95	14,35
Rand/Metical	0,35	0,35
US\$/Euro	1,11	1,35
Metical/Euro	39,98	41,36

- Export proceeds: US\$ and Euro  
(exchange rates at time of export - Mozambique and Zimbabwe)
- Earnings conversion on consolidation  
(at average exchange rates)
  - Zimbabwe : US\$ → Rands
  - Mozambique : Metical → Rands



# 2007 BEE Transaction - July 2014

## SENS Announcement 2 July 2014

Compulsory conversion of the “A Preferred Ordinary” shares in issue into Ordinary shares, listed on the JSE, in terms of the 2007 BEE deal:

- 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 has also been performed which determines 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.

# 2007 BEE Transaction - July 2014 cont.

- 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 and prior to the ultimate 10 year duration.
- 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 R620 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 20,1 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 will now include these approximately 20,6 million shares, that are the subject of the buy-back right, these shares will not be included in the calculations determining earnings per share and headline earnings per share.
- Tongaat Hulett will use the next 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 should any material changes be required then these would be brought to shareholders for consideration and approval in due course.

