Tongaat Hulett

Interim Results for the half-year ended 30 June 2009

Condensed consolidated Rmillion	Note	Unaudited half-year 30 June 2009	Unaudited half-year 30 June 2008	Audited year ended 31 December 2008
INCOME STATEMENT				
Revenue		**3 852**	3 109	7 106
Profit from operations		**864**	443	1 132
Capital profit on land		**2**	15	22
Capital profit on insurance claim		**12**		49
BEE IFRS 2 charge and transaction costs		**(15)**	(17)	(33)
Zimbabwe consolidation take-on gain		**1 969**		
Valuation adjustments		**(1)**	6	2
Operating profit		**2 831**	447	1 172
Share of associate company's profit		**1**		
Net financing costs	1	**(151)**	(85)	(280)
Profit before tax		**2 681**	362	892
Tax	2	**(208)**	(84)	(212)
Net profit for the period		**2 473**	278	680
Profit attributable to:				
Shareholders of Tongaat Hulett		**2 419**	266	649
Minority (non-controlling) interest		**54**	12	31
		2 473	278	680
Headline earnings attributable to Tongaat Hulett shareholders	3	**440**	252	583
Earnings per share (cents)				
Net profit per share				
Basic		**2 342,9**	258,1	629,7
Diluted		**2 305,5**	251,6	616,8
Headline earnings per share				
Basic		**426,2**	244,6	565,6
Diluted		**419,4**	238,3	554,1
Dividend per share (cents)		**100,0**	160,0	310,0
Currency conversion				
Rand/US dollar average		**9,20**	7,66	8,27
Rand/US dollar closing		**7,74**	7,83	9,30
Rand/GB pound closing		**12,73**	15,58	13,45

SEGMENTAL ANALYSIS

REVENUE			
Starch operations	**1 085**	982	2 150
Agricultural Land Conversion and Developments	**85**	322	412
Sugar operations	**2 682**	1 805	4 544
Consolidated total	**3 852**	3 109	7 106
PROFIT FROM OPERATIONS			
Starch operations	**112**	103	240
Agricultural Land Conversion and Developments	**64**	115	263
Sugar			
Zimbabwe operations (2008: dividends)	**305**	35	35
Swaziland operations	**34**	29	44
Mozambique operations	**134**	77	250
SA agriculture, milling and refining	**77**	37	73
Downstream value added activities	**94**	75	204
Centrally accounted items	**44**	(28)	23
Consolidated total	**864**	443	1 132

STATEMENT OF CASH FLOWS

Operating profit	**2 831**	447	1 172
Profit on disposal of property, plant and equipment	**(14)**	(15)	(74)
Non-cash items:			
Depreciation	**235**	120	244
Other non-cash items	**(2 509)**	(200)	(297)
Tax payments	**(123)**	(99)	(163)
Change in working capital	**(167)**	(73)	83
Cash flow from operations	**253**	180	965
Net financing costs	**(151)**	(84)	(280)
Cash flow from operating activities	**102**	96	685
Expenditure on property, plant and equipment:			
New	**(559)**	(437)	(1 317)
Replacement	**(98)**	(163)	(221)
Major plant overhaul costs capitalised	**(31)**	(38)	(38)
Expenditure on intangible assets			(2)
Expenditure on growing crops	**(23)**	(26)	(167)
Proceeds on disposal of property, plant and equipment	**17**	16	96
Investments	**4**	(54)	(55)
Long-term receivable		7	7
Net cash flow before dividends and financing activities	**(588)**	(599)	(1 012)
Dividends paid	**(166)**	(175)	(355)
Net cash flow before financing activities	**(754)**	(774)	(1 367)
Borrowings raised	**727**	668	1 160
Non-recourse equity-settled BEE borrowings	**(12)**	(9)	(20)
Shares issued	**6**	5	7
Settlement of share-based payment awards	**(8)**	(9)	(11)
Net decrease in cash and cash equivalents	**(41)**	(119)	(231)
Balance at beginning of period	**229**	396	396
Foreign exchange adjustment	**(38)**	27	55
Exchange rate translation (loss)/gain	**(1)**	13	9
Subsidiaries consolidated	**69**		
Cash and cash equivalents at end of period	**218**	317	229

CORPORATE INFORMATION

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

Directorate: J B Magwaza (Chairman), P H Staude (Chief Executive Officer)*, P M Baum, B G Dunlop*, F Jakoet, J John, T V Maphai, M Mia, N Mjoli-Mncube, M H Munro*, T H Nyasulu, C B Sibisi, R H J Stevens, J G Williams
* Executive directors

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P O Box 3, Tongaat 4400 Telephone: +27 32 439 4000, Facsimile: +27 32 945 3333

Transfer secretaries: Computershare Investor Services (Pty) Limited
Telephone: +27 11 370 7700

Sponsor: Investec Bank Limited Telephone: +27 11 286 7000

- **Revenue of R3,9 billion (2008: R3,1 billion)**
- **Profit from operations of R864 million (2008: R443 million)**
- **Headline earnings of R440 million (2008: R252 million)**
- **Interim dividend of 100 cents per share (2008: 160 cents per share)**
- **Consolidation of Zimbabwe operations**

COMMENTARY

The first half of 2009 was characterised by the restoration of key macroeconomic fundamentals for the sugar business in Zimbabwe and limited opportunity for agricultural land conversion as a result of testing market conditions for property developers in South Africa. Headline earnings increased to R440 million compared to R252 million in the first half of 2008.

Operating profit from agricultural land conversion and development amounted to R64 million (2008: R115 million) with a further R2 million in capital profits (2008: R15 million) being realised. During the first half of the year, 95 developable hectares (183 gross hectares) were sold, of which, 93 hectares were for affordable housing in the eThekwini growth corridor. Market conditions for property development in the prime residential, resorts and commercial sectors continued to be depressed, while the demand for land for affordable housing and industrial property in the Durban area remained positive. There is a shortage of established industrial logistics, support and service locations north of Durban, which continues to be the focus of attention, particularly with the new international airport under construction for 2010. Good progress has been made in areas such as Sibaya, Cornubia and Canelands in the planning and acquisition of development rights, with the conversion from agricultural land to take place at the appropriate time.

The South African agriculture, sugar milling and refining operations contributed R77 million to profit (2008: R37 million). In the first half of 2009, raw export volumes from South Africa increased to 93 000 tons (2008: 66 000 tons) and were sold at an effective world sugar price of 12,9 US c/lb (2008: 10,8 US c/lb) at an average exchange rate of R8,34/US$ (2008: R7,50/US$). South African domestic sales were 240 000 tons (2008: 230 000 tons). In 2009, sugar production is estimated to be 638 000 tons compared to the 644 000 tons produced in 2008.

The downstream sugar value added activities contributed R94 million to profit (2008: R75 million). The South African refined exports, domestic marketing, sales and distribution activities benefited from increased realisations and delivered another good performance, as did Voermol and the Botswana and Namibian sugar packing and distribution operations.

In Swaziland, Tambankulu Estates is expected to produce a raw sugar equivalent of 53 000 tons (2008: 56 000 tons) and has benefited from higher realisations within the Swaziland sugar industry. Operating profit grew to R34 million (2008: R29 million).

The Mozambique profit from operations increased to R134 million (2008: R77 million), with the growth in the agricultural activities contributing significantly. The expanded mill at Xinavane commenced limited crushing in June and will be in a ramp-up phase until the end of August. Production at Xinavane this year is expected to be above 150 000 tons (2008: 63 000 tons) in an extended season, weather permitting. Mafambisse's sugar production is expected to be 83 000 tons (2008: 45 000 tons), following the expansion completed in 2008.

The Zimbabwe sugar operations are now consolidated in Tongaat Hulett's financial results. This consolidation follows the macroeconomic changes that essentially occurred when Zimbabwe moved to a US dollar and Rand based economy and, in so doing, restored relevant key fundamentals to the economy. The accounting treatment, in terms of International Financial Reporting Standards, on the commencement of consolidation of these operations gives rise to a balance sheet take-on gain of R1,969 billion, which is recognised in the income statement. This gain is excluded from the profit from operations and excluded from headline earnings. The profit from operations in the first half of 2009 in Zimbabwe was R305 million (compared to the dividend received of R35 million in 2008). Sales to the domestic market were undertaken in US dollars at levels in line with regional pricing and export shipments to the European Union were fulfilled. The milling campaign got underway in the second quarter, with sugar production in Zimbabwe in 2009 expected to be similar to the 298 000 tons produced in 2008.

Profit from the starch and glucose operations was R112 million (2008: R103 million). A second successive season of favourable agricultural conditions in South Africa resulted in local maize prices trading close to world prices for a large part of the period. The positive effects of improved margins were offset by reduced demand. Sales volumes in the local market declined by 4,3% with growth in confectionary and coffee creamer sectors being offset by declines in the paper and alcoholic beverage sector. Sales to the industrial sector are expected to remain below last year, while sales to the alcoholic beverage sector are expected to recover in the second half of the year with the commissioning of a new brewery in Gauteng that will replace current imported beer sales. Approximately 90% of customer sales contracts for the current year have been concluded with maize procured close to world price levels.

The centrally accounted and consolidation items include an R82 million gain on the recognition of an unconditional entitlement in the first half of 2009 to an employer surplus account allocation in the Tongaat Hulett pension fund.

Cash inflow from operations was R253 million (2008: R180 million). Tongaat Hulett's net debt has increased to R3,064 billion from R2,356 billion at the end of 2008 with significant capital expenditure, mainly on the Mozambique expansion and the cash absorption in sugar cane growing crops. Finance costs increased to R151 million, commensurate with the borrowings in the business.

The Board has declared an interim dividend of 100 cents per share (2008: 160 cents per share).

OUTLOOK

Profit from operations in the second half of the year is expected to be below that achieved in the first six months. Agricultural land conversion opportunities are limited in current market conditions. A stronger Rand would affect export realisations from South Africa and the profit in Rands reported by the operations outside South Africa. Profit from operations in Zimbabwe in the second half is likely to be well below the first half of the year, which included the benefit of the recovery of pricing and its impact on sugar stocks and the value of cane. The seasonal nature of cane growing leads to operating profit in the first six months which includes the increased value from the growth in the cane crop. Following the anticipated cash absorption in the Mozambique expansion, significant cash inflow is expected to commence in the latter part of 2009 and early 2010.

In Zimbabwe, management attention is focused on improving cane yields and the re-establishment of outgrower cane lands, so as to restore sugar production to the existing installed capacity of 600 000 tons per annum from the current production level of some 298 000 tons. Similarly, the attention in Mozambique is on moving from the 105 000 tons produced in 2008 to the newly installed milling capacity of 300 000 tons per annum. Both Zimbabwe and Mozambique benefit from preferential access to the attractive European Union markets.

The current dynamics of a higher world sugar price are encouraging for the South African sugar industry. Improved returns from sugar cane farming will encourage an improvement in farming practices and increased hectarage under cane, leading to improved milling capacity utilisation.

The structural changes that are taking place in international agricultural commodity markets are resulting in improved competitiveness of South African maize and the starch operations, which have additional capacity for local and export growth. Southern Africa has the opportunity to become a sustainable net exporter of maize in the medium term.

Land and property development activity is currently focused on the growth corridor north of Durban that commences inland of Umhlanga/Umdloti, extends around the new international airport at La Mercy and includes the greater Tongaat region. Tongaat Hulett owns 5 906 gross hectares in this corridor. Given the housing backlog and Government's commitment to infrastructure spend, there is both opportunity and socio-economic urgency to establish communities with affordable housing in this area and to accelerate land conversion for airport services and support logistics, niche industrial, health care, education and social facilities. In the present economic conditions, few hectares are likely to be converted to development in the high value, prime locations on the coastline (Tongaat Hulett's 6 006 hectares) and to the west of eThekwini (2 050 hectares) and the focus is on securing infrastructure and development rights, for conversion at the appropriate time.

Tongaat Hulett, with its established agricultural and agri-processing operations in Southern Africa, remains well positioned for the emerging global food, agricultural products and renewable energy demands.

For and on behalf of the Board

J B Magwaza
Chairman

Peter Staude
Chief Executive Officer

Amanzimnyama
Tongaat, KwaZulu-Natal

29 July 2009

DIVIDEND DECLARATION

Notice is hereby given that the Board has declared an interim dividend (number 164) of 100 cents per share for the half-year ended 30 June 2009 to shareholders recorded in the register at the close of business on Friday 11 September 2009.

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

Last date to trade ordinary shares "CUM" dividend	Friday	4 September 2009
Ordinary shares trade "EX" dividend	Monday	7 September 2009
Record date	Friday	11 September 2009
Payment date	Thursday	17 September 2009

Share certificates may not be dematerialised or re-materialised, nor may transfers between registers take place between Monday 7 September 2009 and Friday 11 September 2009, both days inclusive.

The dividend is declared in the currency of the Republic of South Africa. Dividends paid by the United Kingdom transfer secretaries will be paid in British currency at the rate of exchange ruling at the close of business on Friday 4 September 2009.

For and on behalf of the Board

D McIlrath
Company Secretary

Amanzimnyama
Tongaat, KwaZulu-Natal

29 July 2009

Condensed consolidated Rmillion	Unaudited half-year 30 June 2009	Unaudited half-year 30 June 2008	Audited year ended 31 December 2008
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Non-current assets			
Property, plant and equipment	**7 696**	3 855	4 659
Growing crops	**1 517**	575	742
Long-term receivable	**196**	196	196
Goodwill	**255**	86	99
Intangible assets	**5**	5	6
Investments	**7**	267	268
	9 676	4 984	5 970
Current assets	**3 767**	3 920	3 587
Inventories	**1 605**	1 207	1 709
Trade and other receivables	**1 922**	2 310	1 647
Derivative instruments	**22**	21	2
Tax		65	
Cash and cash equivalents	**218**	317	229
TOTAL ASSETS	**13 443**	8 904	9 557
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	**138**	138	138
Share premium	**1 512**	1 503	1 506
BEE held consolidation shares	**(1 009)**	(1 038)	(1 023)
Retained income	**4 335**	1 884	2 087
Other reserves	**(370)**	384	351
Shareholders' interest	**4 606**	2 871	3 059
Minority interest in subsidiaries	**889**	247	276
Equity	**5 495**	3 118	3 335
Non-current liabilities	**4 089**	2 564	2 865
Deferred tax	**1 562**	688	582
Long-term borrowings	**1 263**	806	1 212
Non-recourse equity-settled BEE borrowings	**780**	803	792
Provisions	**484**	267	279
Current liabilities	**3 859**	3 222	3 357
Trade and other payables (note 4)	**1 781**	1 862	1 849
Short-term borrowings	**2 019**	1 350	1 373
Derivative instruments	**2**		23
Tax	**57**	10	112
TOTAL EQUITY AND LIABILITIES	**13 443**	8 904	9 557
Number of shares (000)			
– in issue	**103 247**	103 078	103 247
– weighted average (basic)	**103 247**	103 043	103 070
– weighted average (diluted)	**104 924**	105 734	105 225

STATEMENT OF CHANGES IN EQUITY

Balance at beginning of period	**3 059**	2 735	2 735
Total comprehensive income for the period	**1 691**	295	633
Retained earnings	**2 419**	266	649
Movement in hedge reserve	**26**	(3)	(15)
Foreign currency translation	**(754)**	32	(1)
Dividends paid	**(158)**	(168)	(336)
Reallocation of minority interest	**(12)**	(11)	(22)
Share capital issued - ordinary	**6**	5	7
BEE held consolidation shares	**14**	15	30
Share-based payment charge	**14**	13	27
Settlement of share-based payment awards	**(8)**	(13)	(15)
Shareholders' interest	**4 606**	2 871	3 059
Minority interest in subsidiaries	**889**	247	276
Balance at beginning of period	**276**	223	223
Total comprehensive income for the period	**(119)**	32	58
Retained earnings	**54**	12	31
Foreign currency translation	**(173)**	20	27
Dividends paid to minorities	**(8)**	(7)	(19)
Reallocation of minority interest	**12**	11	22
Change of holding in subsidiary		(12)	(8)
Consolidation of subsidiaries	**728**		
Equity	**5 495**	3 118	3 335

STATEMENT OF OTHER COMPREHENSIVE INCOME

Profit for the period	**2 473**	278	680
Other comprehensive income	**(901)**	49	11
Movement in non-distributable reserves			
Foreign currency translation	**(927)**	52	26
Hedge reserve	**33**	(4)	(21)
Tax on movement in hedge reserve	**(7)**	1	6
Total comprehensive income for the period	**1 572**	327	691
Total comprehensive income attributable to:			
Shareholders of Tongaat Hulett	**1 691**	295	633
Minority (non-controlling) interest	**(119)**	32	58
	1 572	327	691

NOTES

1. Net financing costs			
Interest paid	**(218)**	(155)	(428)
Interest capitalised	**55**	42	103
Interest received	**12**	28	45
	(151)	(85)	(280)
2. Tax			
Normal	**(53)**	(46)	(256)
Deferred	**(134)**	(38)	66
Rate change adjustment (deferred)		22	22
Secondary tax on companies	**(21)**	(22)	(44)
	(208)	(84)	(212)
3. Headline earnings			
Profit attributable to shareholders	**2 419**	266	649
Less Zimbabwe consolidation take-on gain	**(1 969)**		
Less after tax effect of:			
Profit on disposal of land	**(2)**	(15)	(22)
Profit on insurance claim	**(10)**		(46)
Loss on disposal of other fixed assets	**2**	1	2
	440	252	583

4. Trade and other payables
Included in trade and other payables is the maize obligation (interest bearing) of R159 million (30 June 2008: R209 million and 31 December 2008: R373 million).

5. Capital expenditure commitments			
Contracted	**380**	143	587
Approved	**59**	611	114
	439	754	701
6. Operating lease commitments	**16**	15	28
7. Guarantees and contingent liabilities	**153**	86	122

8. Basis of preparation
The condensed consolidated unaudited results for the half-year ended 30 June 2009 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. The accounting policies are consistent with those used for the audited 2008 annual financial statements which fully comply with International Financial Reporting Standards, the Companies Act, as amended and the JSE Limited Listing Requirements. Tongaat Hulett's Zimbabwean operations, which were previously accounted for on a dividend received basis, have now been consolidated giving rise to a balance sheet take-on gain of R1,969 billion as determined in accordance with IFRS 3 (revised 2008). This standard has been early adopted and has been applied prospectively with no restatement of comparatives. In addition, IAS 1 Presentation of Financial Statements (revised), and IFRS 8 Operating Segments were adopted during the current financial period. The adoption of these new standards has resulted in certain disclosure reclassifications but has not resulted in any changes in accounting policy.