

# Tongaat-Hulett



# Building Earnings Momentum

- R307 million improvement in headline earnings
- Mix of businesses again a strength
- Culture of making things happen
- Return on Capital Employed

# Tongaat-Hulett

## 2004 Financial Results



# 2004 Financial Results

- Revenue of R6,3 billion (2003: R6,6 billion)
- Rand strengthened
  - 15% vs USD
  - 10% vs GBP
- Operating profit up R284 million
- Associate company profit up R51 million
- Headline earnings of R214 million
- Dividends

# Salient Features

- **Operating profit**
  - Actions for earnings growth and increased competitiveness counter the impact of strengthening currency, high maize costs and two successive small sugar crops
  - Benefits only beginning to flow
  - Valuation charges
    - Maize procurement model changed
    - Offshore cash: ZAR/GBP sensitive
- **Lower finance costs**
  - Finance element of certain maize contracts
  - Mafambisse Mozambique funding structure

# African Products

Operating profit R63 million (2003: loss of R104 million)

- Import competition in 2004 - volume and price
  - Volumes regained by end of 2004
- High priced maize utilised by end Oct 2004
  - 2003 large valuation adjustment on certain contracts
  - 2004 high priced maize charged to cost of sales
- Cost control continues
  - Fixed cash costs held below 2002 levels in 2003 and 2004

Tongaat-Hulett



# Hulett Aluminium

Operating profit R150 million (2003: R5 million)

- Volume growth, mix improvement and 5% reduction in conversion cost per ton
- Benefit of R450 million in past 2 years largely offset currency strength
- International market: US dollar rolling margin increase - only at the end of 2004
- Rolled products capacity utilisation
  - 144 000 tons in 2004 year
  - 160 000 tons annualised in Q4 2004

Tongaat-Hulett

# Moreland

Operating profit R182 million (2003: R90 million)

- Strong performance in all portfolios

	Profit growth in 2004	% of 2004 total
Residential	113%	39%
Commercial/Industrial	101%	19%
Resorts	81%	42%

- Major project contributor: Zimbali R65 million
- Increased pace of developments

Tongaat-Hulett



# Tongaat-Hulett Sugar

Profit from operations before interest R184 million  
(2003: R202 million)

- Operating profit in South Africa
  - 2003 and 2004 small crops both impact 2004 results
  - R/\$ strength - export realisations
  - Domestic price reduction from late 2003
- Triangle dividends
- Xinavane (associate) operating profit R19 million
- Restructuring costs R29 million
  - Benefits flow in future periods
- Recent international sugar price rise not in 2004 results

Tongaat-Hulett

# The Group's Solid Base

- Established asset base
  - R8 billion
- Improving cash flow
  - R300 million better in 2004
- Strong balance sheet
  - Net debt/equity 13,2%



The Tongaat-Hulett Group Limited

# Tongaat-Hulett

Going Forward



# African Products

**New Business Model Effective 2005**



# New Business Model Effective in 2005

- Maize and prime product pricing now on one of three back-to-back approaches:
  - “Toll” basis, where price is based on a longer term conversion margin
  - Contracts up to 1 year, where product price, volume and maize price are set in tandem
  - Small-end volumes, where maize is priced for short periods and selling prices are flexible
- No future income statement maize valuation adjustments
- Physical maize supply has been delinked from pricing
  - Maize requirements up to June 2006 have been secured

# African Products Favoured by Maize Prices Moving Towards Export Parity

## South African maize surplus

- Carry over surplus of previous crop      3,5 million tons
- Usage      8,0 million tons
- Projected current crop      >9,0 million tons
- Surplus seems set to continue



# 2005 Turnaround

- **Maize pricing**
  - Maize for all sales since November 2004 was priced when product prices were agreed with customers
  - 54% of maize/non-toll sales for the rest of 2005 is unpriced
- **Volume growth**
  - African Products has capacity to benefit from expected volume growth
- **Further cost reductions**
  - Restructuring exercise to be completed during H1 2005



# Hulett Aluminium

**Growing Volumes, Enhancing Sales Mix,  
and Reducing Costs**



# Volumes / Costs

- Volume growth
  - Not market constrained
  - Last 4 months: > 160 000 tons annualised
  - 2005 target: 175 000 tons
  - Beyond 2006: > 200 000 tons
- Conversion cost
  - Current conversion cost R860 million per annum
  - Target conversion cost at full capacity R945 million per annum
  - Further output increase in next 3 years will see conversion costs per ton decrease by more than 20% in real terms

# More Profitable Sales

- 60% of 2005 exports secured at higher US\$ rolling margins than 2004
  - Novelis
- More profitable sales mix - progress in 2004
  - Exports by local customers up 37%, with clad products up 263%
  - Can stock exports up 25%
  - Building & Painted exports up 34%
  - Closure sheet exports up 43%

# Full Capacity Utilisation

Today's market conditions and R6/US\$

• 144 000 → 210 000 tons	}	Total rolling margin
• Enhanced sales mix		R1 710m
• \$1 355 per ton		
• Reduced conversion costs		
• Total costs of R945m		R945m
• Depreciation, admin and other operations		R110m
	Operating profit	R655m

Hulett Aluminium

# Established Base for Significant Earnings Growth

- Focus on unlocking full value from Hulett Aluminium through its earnings
- The last 25% of production capacity to be utilised at significantly higher levels of profitability
- Tongaat-Hulett is well positioned to potentially exercise its right of last refusal on the other shareholders' interests, should they wish to dispose of them

# Moreland

## Accelerating Earnings





# Property Market

## Sustainable market strength

- KZN/Durban strong growth potential
- Significant international investor interest
- Emerging market customers



Moreland



# Unlocking the Development Pipeline

- Extensive prime land holdings: 11 600 hectares
- Major road developments opening up new development nodes for future growth - Zimbali/Sibaya/RiverHorse
- Increased momentum in sales and value creation
  - 100 hectares → 250 hectares in 2004
- Expanding international customer base
- 2005 focus on securing EIA and zoning approvals for new projects in H1 to sustain performance by H2







# Executive Village La Lucia Ridge



- 18 hectares
- Up to 350 residential units
- Anticipated mid 2005
- 2005 operating profit >R30m
- Last bulk site in La Lucia Ridge

Moreland

# Sibaya Node



- 800 hectares
- R800m Afrisun Sibaya Entertainment World catalyst
- N2 and M4 direct access
- Beach and river frontage
- 5 prime hotel sites
- EIA / planning approval 2005
- 2005 operating profit from 3 deals >R61m



# Umhlanga Triangle



- 140 hectares
- Planning and design substantially complete
- 2 000+ potential residential units
- Hotels/Offices
  - 10 hectares

# Zimbali



- Approximately 400 hectares unsold
- M4 realignment complete: unlocking value and Zimbali Lakes
- IFA's 200 room, 5-star hotel and 2nd golf course at Zimbali Lakes to commence in 2006
- Operating profit 2004: R65m

Moreland

# Tongaat-Hulett Sugar

Geared for Success





# Milling Capacity Utilisation and Cane Supply Initiatives

## South Africa and Mozambique

Cane Tons (000)	Installed capacity	Average crush in 2003/04	Rainfall effect	Cane supply initiatives
S.A.	8 685	6 142	1 327	832
Mozambique	1 323	769	135	419
<b>Total</b>	<b>10 008</b>	<b>6 911</b>	<b>1 462</b>	<b>1 251</b>
Percent	100%	69%	15%	13%

618 000 tons confirmed, 267 000 tons for harvesting in 2005. Additional 214 000 tons identified.

Additional planting 106 000 tons for 2005. Completed by end 2006.

Indicative benefit of increased production: R102 million p.a.

Tongaat-Hulett Sugar





# Cost Reduction Initiatives

- 50% reduction in overhead costs
  - 2005 benefit >R26 million
- Reduction in milling costs
  - Leverage move from 5 milling structures to 2 regional structures in South Africa
  - Mozambique
  - 2005 benefit >R30 million
- Reduction in refining costs
  - Restructuring exercise to be completed in H1 2005
  - Multiple cost reduction initiatives
  - 2005 benefits >R9 million (including restructure costs)

# Leveraging THS's Technology Leadership

- By November 2005, Tongaat-Hulett will be the first company in the world that produces white refined cane sugar directly out of a sugar mill (WSM), eliminating the need for a refinery
- Paradigm shifts in sugar milling and refining
- Brazil - first international destination for WSM
  - Technology being piloted in two Carlos Lyra Group plants
  - Marketing efforts underway in association with Equipalcool
  - Significant equity/royalty opportunities

# International Sugar Trade Reform

Markets	Impact on THS	% of THS Production
ACP exposure to preferential market price decrease		5%
Greater EBA access for LDC countries into EU, offset by lower preferential market prices		1%
Upward movement of world market prices		40%
More favourable domestic market pricing environment for SADC producers		54%

# Positive Outlook

- Economic conditions in 2005
- 2004 achievements have opened up the way
- Culture of making things happen
- Earnings momentum to continue

# Tongaat-Hulett

## Information Pack





# African Products





- Africa's largest manufacturer of starch and glucose
- Strong Southern African market position
- Starch is one of nature's most versatile raw materials
- Leads to new product development opportunities



African Products

# Grow Volumes

- Significant portion of business lost to imports recovered
- After 6% volume drop in H1 2004 compared to H1 2003, H2 2004 volumes were in line with H2 2003 volumes
- New business of 5 900 tons annualised achieved in 2004
- New business of 5 000 tons planned for 2005
- Further opportunities of about 10 000 tons being explored

# Reduce the Cost of Running the Business

- Fixed cash costs held below 2002 and 2003 levels
- Major restructuring exercise across all operations in progress
- Good progress on chemical usage efficiencies (benefit  $\pm$  R5 million per annum)
- Focus in 2005 on yield improvements at Germiston and Kliprivier (benefit  $\pm$  R8 million per annum)

# Volume Data

Volume	2004	2003
Local Starch	83 705	84 622
Local Glucose	290 881	297 753
Total Local	374 586	382 375
Export Starch	35 116	43 932
Export Glucose	17 806	21 389
Total Exports	52 922	65 321
Co-Products	148 428	161 840
Total	575 936	609 536

African Products

# Financial Data

Rmillion	2004	2003
Revenue:	1 347	1 491
Domestic	983	1 067
Exports	126	167
Co-Products	238	257
Underlying Operating Profit	42	114
Valuation Adjustments	21	(218)
Operating Profit	63	(104)

African Products

# Hulett Aluminium





- Operating profit improvement reflects progress being made in growing volumes, improving the sales mix and reducing costs
- Industry consolidation and increased demand favours Hulett Aluminium as independent from the multinational producers
- Optimum allocation of capacity to excess sales opportunities an increasing priority



Hulett Aluminium

# Hulett Aluminium

	FY 2004	FY 2003
Average R/US\$	6,44	7,55
Sales volumes - Rolled Products (t)	144 000	130 400
- Other	18 200	16 300
- Total	162 200	146 700
Revenue (Rm)	3 343	3 200
Underlying operating profit	149	44
Valuation adjustments	1	(39)
Operating profit	150	5

Hulett Aluminium

# Hulett Aluminium

- Rolled Products total volume up 10% despite disruptions
  - 144 000 tons
- Rolled Products local volume up 11%
  - Strong growth in transport, automotive and packaging markets
  - Exports by local fabrication industry grow by 37%
- Manufacturing costs per ton (excl metal) down by 5%
  - Reduction of metal premium and recycling costs per ton of 12%
- Improved volumes, mix and costs generated R450 million over 2 years
  - Largely offsets effect of stronger currency
- Strong growth in profits in other operations
  - Extrusions' operating profit almost doubled

# Industry Climate

- North American and Asian markets more bouyant, with improved rolling margins
- European market generally still quiet
- Competitor dynamics
  - Alcan acquires Pechiney - now only 3 majors
  - Alcoa acquires Russian mills
  - Alcan places rolling mills in separate listed company

# Rolled Products Capacity Utilisation

Year	Sales Volumes (tons)	% Increase
2000	85 000	7
2001	91 000	7
2002	105 000	15
2003	130 000	24
2004*	144 000	10

- \*The Hot Mill fire and industrial action reduced 2004 sales by approximately 10 000 tons
- All products developed for specific customers and applications

# Reduce Conversion Costs

- Total conversion costs (excluding metal) limited to increase of 5%
- Nominal 5% reduction in conversion costs per ton, real reduction of 9%
- Progress in reducing variable costs per ton:
  - Metal premiums and recycling costs reduced by 12%
  - Other direct material costs reduced by 5%
  - Saving of R37 million p.a.



# Moreland



- Another milestone performance
- Zimbali JV with IFA surging ahead
- Izinga and Ilala Ridge residential projects yielded excellent sales
- Outstanding sales in Umhlanga Ridge New Town Centre



- Capitalising on the solid platform of globally benchmarked developments in booming property market
- Critical mass with co-ordinated planning, quality developments and marketing benefits
- Good track record of delivery, including partnerships
- Niche and world-class projects
- Continuing property market strength
- Moreland and project brands well established



Moreland



# 2004 Performance

- Another record performance
- Reaping rewards from world-class platform and continued buoyancy in the property market
- Revenue up 86% to R420 million
  - Excellent revenue level for all portfolios
  - Outstanding Resorts and Residential performance
  - Strong Commercial and Industrial performance
- Operating profit up 103% to R182 million
- Continuing strong cash generation



# Accounting Treatment

- Bulk land acquired from THS at market value
  - Capitalise to inventories
  - Cost of sales write-off on relative value/project-by-project basis
- Sales recognised when all major conditions are cleared:
  - When agreements unconditional
  - Purchaser has paid a meaningful deposit/lodged guarantees to secure purchase price payment
  - Zoning permission obtained
  - Servicing arrangements and costs substantially finalised

# Izinga Ridge - Umhlanga

- 405 hectares (gross)
- 2 000+ residential units
- 44 units sold to date:  
(R37m)
- New phases being  
unlocked in 2005 to 2007



# Umhlanga Ridge New Town Centre

- Gateway expanded: 12 600m<sup>2</sup> to total of 137 000m<sup>2</sup>
- 1 000 apartments under development
- Customers constructing 77 000m<sup>2</sup> bulk in 2005
- First blue chip corporate offices about to commence construction
- Sales to date: R230m





# RiverHorse Valley Business Estate

- Development: 100 ha
- Straddling N2 at Effingham
- Total investment: R1,6 billion
- eThekweni Municipality opening R250m link road in early 2005
- First phase almost sold out
- Sales to date: R97 million (bulk area of 40 ha)



PPP with eThekweni  
Municipality



# Zimbali South/West

- M4 highway realignment being opened in March 2005
- 150 hectares / 550 residential units
- 2 hotels under construction
- 200+ room, 5-star IFA hotel with construction commencing 2006
- Sales to date: R204m
  - Local, national and international purchasers



JV with IFA





# Tinley Manor



- Coastal fronting / North and South bank of Umhlali river
- 680 hectares new resort node
- 5 000 potential units (processing EIA & zoning approval)
- Hotel & Retail
- Golf course development
- Potential for small craft harbour

# Shongweni



- North & South of N3 Shongweni interchange
- 2 000 hectares - planning/design/layout already in progress - discussion with Municipality
- Commercial - retail / offices 480 000m<sup>2</sup>
- Business Park
- Residential - niche/special theme estates/projects - 4 700 units

# Zinkwazi/Thukela



2 050 ha, coastal fronting between Nonoti and Thukela rivers

# Expanding the business model

- Broaden exposure and linkages
  - International partners
  - Wider customer base
  - Increase marketing, visibility and awareness of Moreland/Durban
- Downstream criteria and business plans being developed
  - Capture full value from land developments
  - Sustain long term profitability
  - Reduce industry cyclical impact
- Latest investments and opportunities
  - 4,5% equity investment in Afrisun KZN taken up
  - IFA developing business plans for downstream opportunities / Zimbali Estate agency already contributing
  - Several JV's with other partners being explored (including international)



# 2004 Highlights

- Sibaya Entertainment Kingdom
  - Successful opening in December 2004
  - Second hotel under construction ahead of original program



- uShaka Marine World
  - Successful opening in May
  - Project managed for the Municipality / partners
  - Excellent festive season
- Durban Point Waterfront Development canal launch



# Tongaat-Hulett Sugar

Tongaat-Hulett



- Powerful Hulett's and other leading SADC sugar brands
- World leader in process design and technology
- Installed capacity for 1,5 million tons raw sugar production
- Year round refining and packing capability of 700 000 tons p.a.
- Well positioned value-added animal feeds business



Tongaat-Hulett Sugar

# 2004 Results: H1 vs H2

	H1 2004 R million	H2 2004 R million
Profit from operations	47	137

- Higher SA crop in 2004 resulting in reduced costs per ton in the second half of 2004
- Increased sales volumes
- Restructuring benefits starting to take effect
- Increased Triangle dividend
- Increased contribution of Mozambique operations

# Mozambique

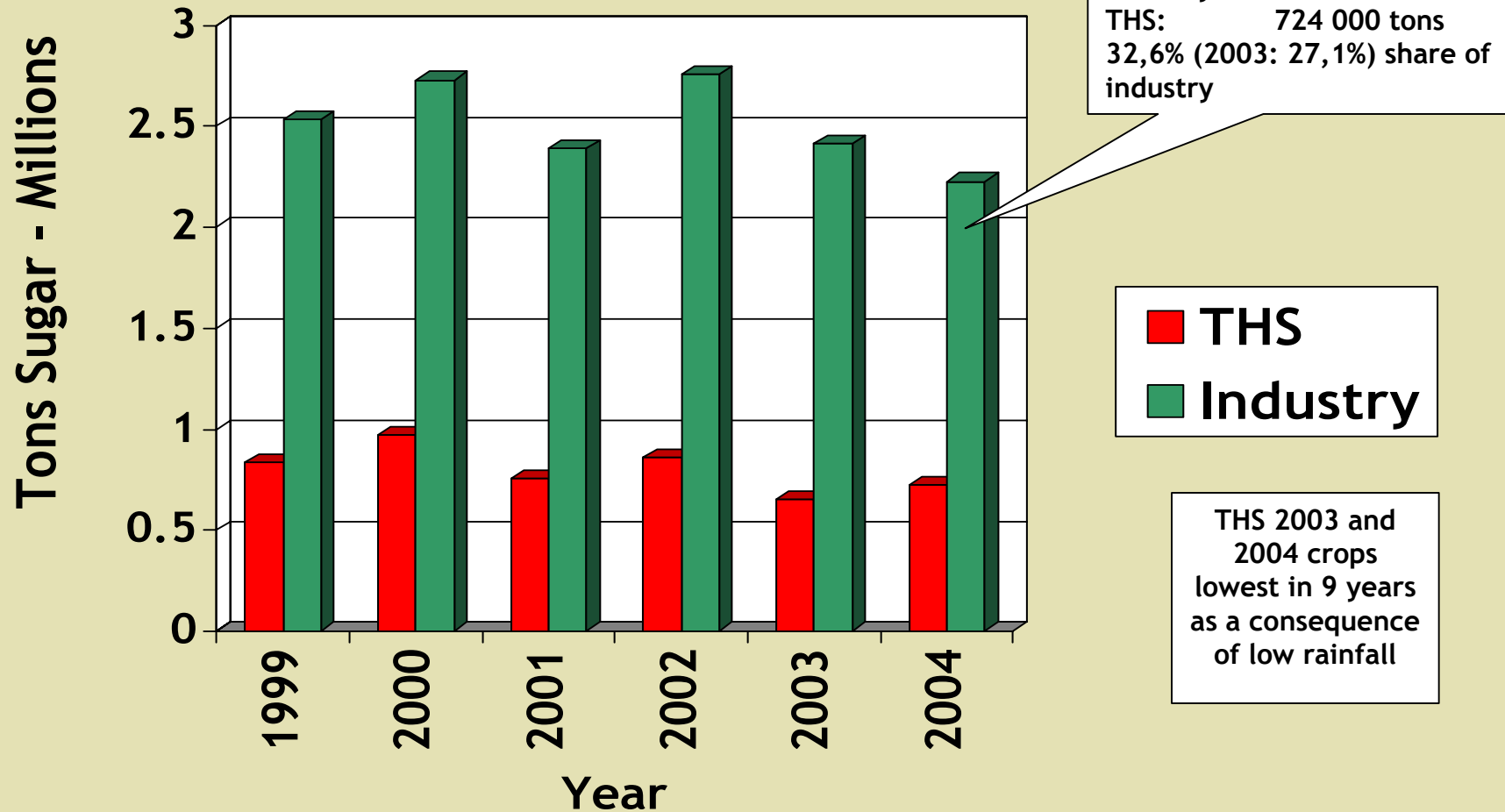
- Increased access to preferential markets
  - Participating with other LDC countries for earlier and greater EBA access into EU
  - ACP beneficiary through shortfall allocations
  - Share of 18 000 ton Barbados reallocation
- Grow production towards full capacity of 156 000 tons
  - Production 85 000 tons (2003: 82 000 tons)
  - Full production targeted to be achieved in 2007
- Continued growth in domestic market sales
  - 22% growth (2004 vs 2003)
  - Realisations up 12% per ton
- Reorganisation of funding structures
- Positive contribution to earnings in 2004

# Sugar Production

Tons '000	2000	2001	2002	2003	2004	Installed capacity
South Africa	969	755	860	652	724	974
Mozambique	39	36	71	82	85	156
Swaziland RSE	41	45	50	54	50	55
Zimbabwe	282	264	296	264	222	315
Total	1 331	1 100	1 277	1 052	1 081	1 500
% of Capacity	89%	73%	85%	70%	72%	100%



# SA Sugar Production



# Total Volumes THS (SA)

Tons sugar	2004	2003
Opening stock	276 598	331 357
Production	723 686	652 019
Prior season adjustment	(455)	3 366
Sugar purchased in	89 819	133 163
Sales	(756 287)	(843 307)
Closing stock	333 361	276 598

# Domestic Volumes THS (SA)

Tons sugar	2004	2003
Opening stock	175 607	158 454
Production	394 979	367 863
Prior season adjustment	(1 459)	15 046
Sugar purchased in	89 819	133 163
Sales	(464 365)	(498 919)
Closing stock	194 581	175 607

# Export Volumes THS (SA)

<b>Tons sugar</b>	<b>2004</b>	<b>2003</b>
Opening stock	100 991	172 903
Production	328 707	284 156
Prior season adjustment	1 004	(11 680)
Sales	(291 922)	(344 388)
Closing stock	138 780	100 991

# Raw Sugar Export Realisations

## South Africa

Raw Sugar	2004	2003
Price in US c/lb*	7,27	6,59
Average Rand/US\$	R7,01	R8,85
Average Rand realisations per ton	R1 231	R1 412

- Table includes raw sugar for refined exports
- \*Excludes preferential markets and premiums