Est. 1892

TongaatHulett®

Interim Results – September 2019

31 January 2020

Agenda

1. **Group Overview and business update**

   Gavin Hudson

2. **Financial Results**

   Rob Aitken

3. **Segment Performance**

   Rob Aitken

4. **Forward look**

   Gavin Hudson

5. **Q and A**

Today's presenters

Gavin Hudson
Chief Executive Officer

Rob Aitken
Chief Financial Officer

Interim Results – September 2019

- Operating profit of **R1,278 billion**, up from **R315 million**
- EBITDA at **R1,586 billion**, up from **R703 million**
- Headline loss improves to **R314 million**
- Revenue marginally down -1.5%, to **R8,085 billion**
- Operating cash flows of **R1,478 billion,** up from **R1,076 billion** (before working capital movement)

Operational performance

Starch

- ✓ Operating profit : R305m vs R305m in Sep 2018
- ✓ Adjusted EBITDA : R366m vs R359m in Sep 2018 (+2%)

Starch is a great business and a consistently strong cash generator

- Leveraged market position and quality
- Volume increase driven by the import replacement programme
- Lower operational costs through improved recoveries
- Continued overhead cost improvements

Sugar

- ✓ Operating profit : R855m vs R68m in Sep 2018 (+170%)
- ✓ Adjusted EBITDA : R968m vs R790m in Sep 2018 (+20%)

The sugar business offers ongoing efficiency and growth opportunity

- We have a significantly transformed the South African sugar business
- Zimbabwe remains a strong business but is plagued by Hyperinflation
- Notable improvement in Mozambique through higher local sales and cost containment

Property

- ✓ Operating (loss)/profit : R243m vs (R6m) in Sep 2018
- ✓ Adjusted EBITDA : R243m vs (R5m) in Sep 2018

Property business is turning the corner at pace

- Accelerated completion of deals and cash collection
- Deals recognised in the 6 months were 141,000m^2 vs 17,000m^2
- Targeted client relations to re-establish trust and commitment

Tongaat Hulett: a leading player in the sectors which we operate

Founded in 1893 - 127 year history

A leader in Starch & Glucose, Sugar, Ethanol, Cattle and Animal Feeds markets

One of the largest portfolios of premier Commercial land in KZN/SA

4
Starch Plants

13
Sugar Production facilities(1)

~30k
Employees

~10.5m
Tons of cane crushed Per annum

~400k
Tons per annum in animal feed capacity(3)

~45k
Hectares farmed(2)

~1.7m
Tons per annum in sugar production capacity(3)

>850k
Tons of maize per annum processing capacity

40m
Litres per annum in ethanol capacity(3)

~11.7k
Hectares of prime commercial land(4)

~R11bn
Indicative fair value of developable land(4)

>R70bn
Economic development on land to date(5)

Notes: Unless otherwise indicated, operational data and company estimates as of December 2019. (1) Including Eswatini. (2) Miller-cum-planter ("MCP"). (3) Based on management estimates as at December 2019. (4) Independent Valuation Report issued on 23 August 2019, valued as at 1 June 2019. (5) Based on internal calculation of investments on Tongaat Hulett land sold since 1990, as at November 2019.

Reasons to believe in Tongaat Hulett

1. Critical indicators are moving in the right direction – we are doing the right things to turn this company around
2. We have stabilised and streamlined the business and continue rightsizing it for recovery and growth
3. We are improving our governance and reporting processes, and rebuilding trust in Tongaat Hulett
4. We continue focusing on cash flow improvement and deleveraging our business
5. Our team is invigorated, committed and completely focused on the tasks at hand
6. Tongaat Hulett remains a high potential business with a significant asset perimeter

Progress to date

Rebasing the business and closure on the past

- PwC audit findings are being addressed
- Making significant Progress on reporting and governance related issues
- Newly commissioned Mozambique refinery achieved production targets

Good progress with cash generation

- Cash flow targets will be met and exceeded by year end
- Achieved and exceeded first debt reduction milestone (R610m vs R500m target)
- Advanced assessment of asset disposals
- Equity capital raise initiated
- Continue working on Zimbabwe hyperinflation and dividend extraction

Significant internal culture shift

- Evolution to performance-driven culture
- New Exco driving execution
- New board and governance committees in place and delivering value
- Remain focused on all stakeholder relations

Partnering for growth and transformation

- **Uzinzo** – empowerment farming enterprise launched
- **Millco** – restructuring of milling assets
- **Propco** – property strategy making significant progress
- **Kilimanjaro** plans to increase cane hectares by ~4000h and create 2000 additional jobs in Zimbabwe

Financial Results

Introduction

To consider in reviewing our results:

- Financial policies and frameworks **strengthened and consistently** applied
- **Restatements** applied in the 2018 annual results were **carried forward** for the September 2018 interim results used in the comparatives
- Restatements **amended** to provide for the **split of profits between the two halves** of the financial year
- IFRS 16 and IAS 29 adopted

Financial features

Strong improvement in operating profit	**Revenue** **R8,085 bn** Sep'18: R8,207 bn	**Operating profit** **R1,278 bn** Sep'18: R315 m	**Adj EBITDA** **R1,452 bn** Sep'18: R1,092 bn
Hyperinflation implemented for Zimbabwe	**Net finance cost** **R894 m** Sep'18: R608 m	**Headline loss** **(R315 m)** Sep'18: (R354 m)	**HEPS** **(233) cents** Sep'18: (322) cents
Recovery countered by finance cost and net monetary loss	**Operating CF before working capital** **R1,478 bn** Sep'18: R1,076 bn	**No dividend declared**	**Borrowings** **R12,993 bn** Sep'18: R12,588 bn

Hyperinflation

- IAS 29 *Financial Reporting in Hyperinflationary Economies* applied
- Official inflation rate has increased to 350% (30 September)
- Group comparatives have not been restated
- Fair value movements especially susceptible to distortions
- Net monetary loss arises from local currency cash balances that are losing purchasing power
- A parallel rate is potentially emerging

	September 2019		
R 'millions	As reported: Hyperinflation + official rate (closing)	Sensitivity 1: Hyperinflation + parallel rate (closing)	Sensitivity 2: No hyperinflation + official rate (closing)
Revenue (external)	1,577	1,265	1,135
Operating profit	928	733	1,089
EBITDA	978	773	1,101
Adjusted EBITDA	717	564	484
Segment assets	3,099	2,479	2,312

Tongaat Hulett utilises the concept of adjusted EBITDA
that removes any fair value adjustments to biological assets

Income Statement

R' million	6 months ended 30 September 2019 (Unaudited)	6 months ended 30 September 2018 Restated (Unaudited)	12 months ended 31 March 2019 (Audited)
Revenue	8 085	8 207	17 069
Cost of sales	(5 353)	(6 295)	(12 447)
Gross profit	**2 732**	**1 912**	**4 622**
Profit from operations	**1 278**	**315**	**1 207**
Net finance costs	(894)	(608)	(1 361)
Net monetary loss	(329)	-	-
Profit / (loss) before taxation	**57**	**(293)**	**(152)**
Income tax	(256)	(57)	(640)
Loss for the period	**(199)**	**(350)**	**(792)**
Basic and diluted loss per share (cents)	(235)	(356)	(948)

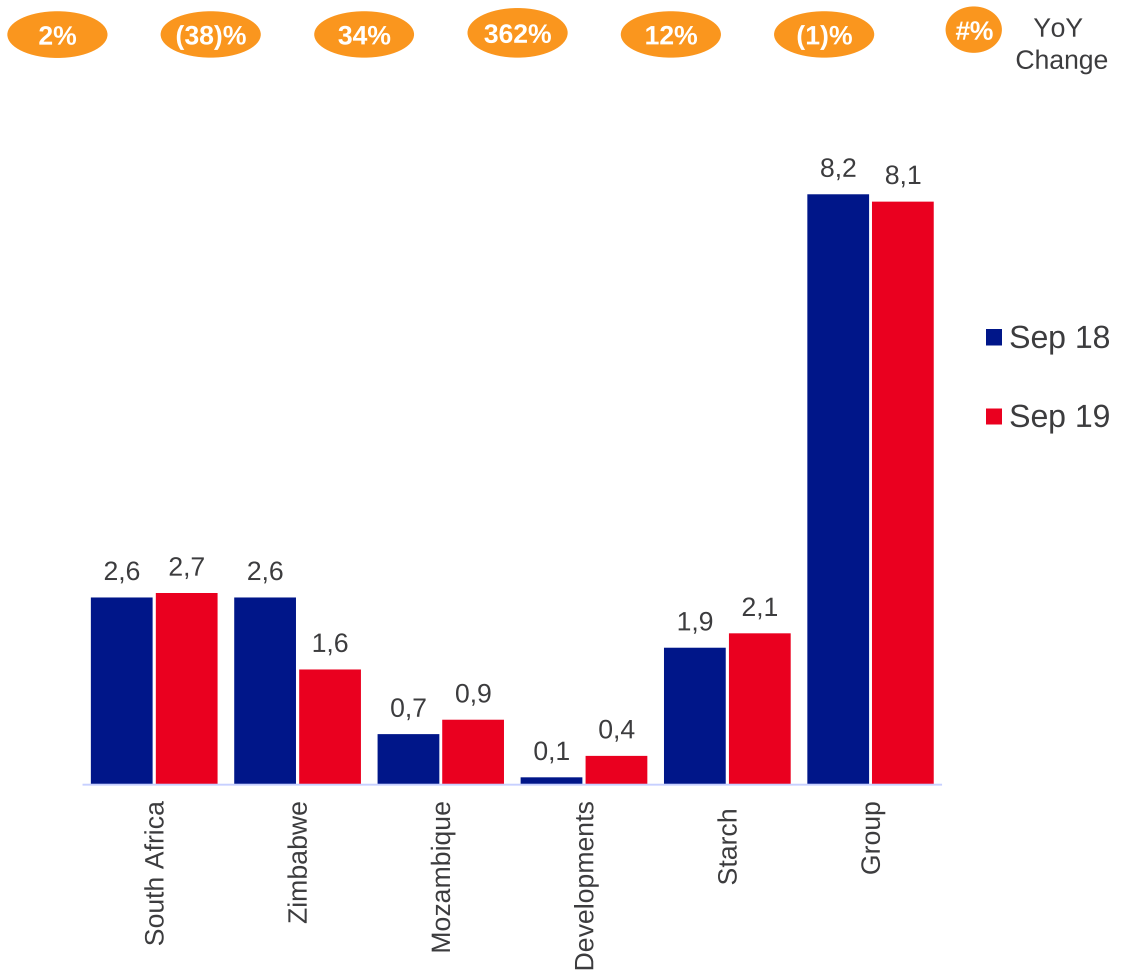
Operational progress, hyperinflation, re-recognition of land deals

Additional borrowings for Xinavane refinery, repricing facilities, R167m forex loss in Zimbabwe

Hyperinflation erosion of purchasing power of monetary assets

Revenue

Revenue (1) (Rbn)



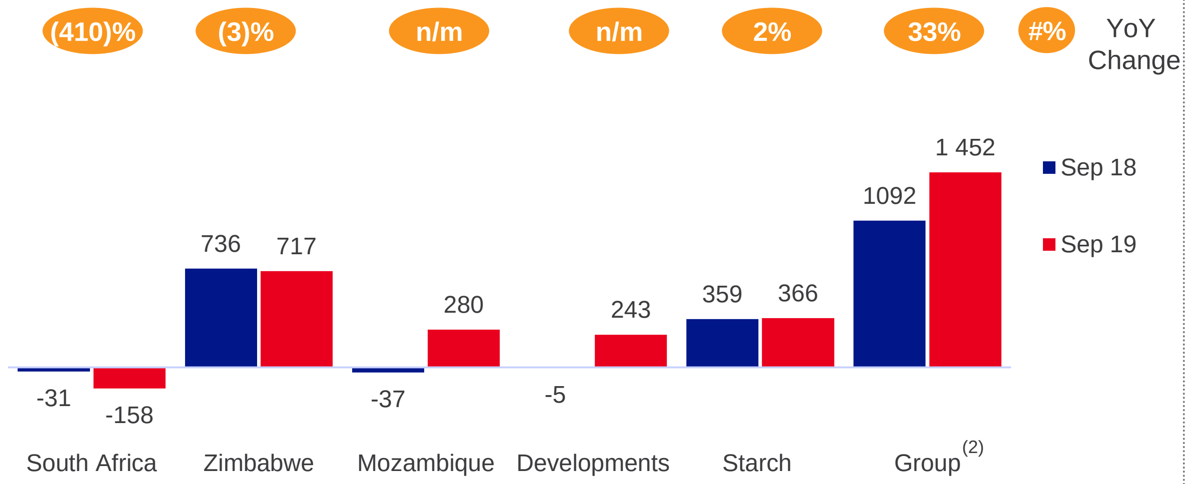
Commentary

- Zimbabwe sales volumes decreased – lower production, conscious management of supply
- Mozambique benefited from new refinery, recovery of local market sales volumes and export sales brought forward
- Only one new land transaction in the period, as well as the re-recognition of historic deals
- Sales volumes in Starch up 4.5%

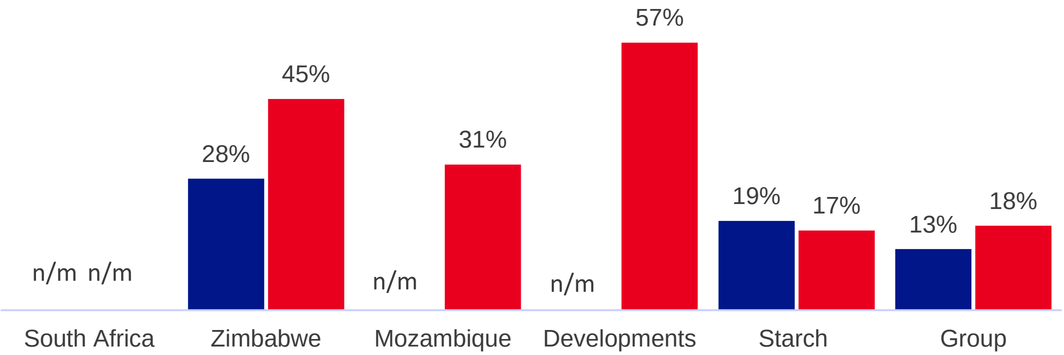
Notes: (1) In addition to divisions shown separately this also includes eSwatini, Corporate and intra-company eliminations.

Adjusted EBITDA

Adjusted EBITDA[1] (Rm)



Adjusted EBITDA[1] margin



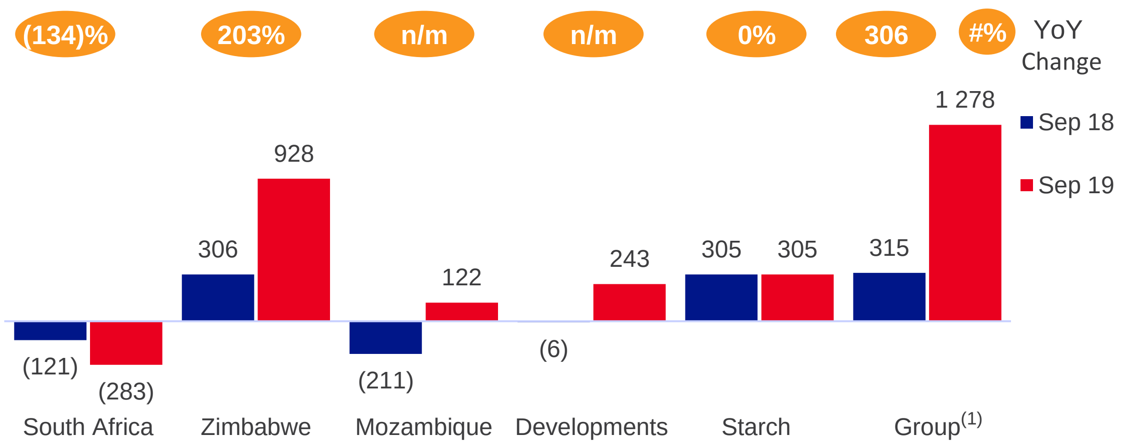
Commentary

- SA operations impacted by lower local sales volumes and write-down of Net Realisable Value (NRV) on export stocks in current period
- Zimbabwean local volumes declined. Prices are regularly reviewed in hyperinflationary environment
- Local sales volume recovery in Mozambique and new refinery added to margin
- Developments re-recognised 7 deals, generating revenue of R398 million
- Starch stable relative to last year, increased sales negated by margin pressure from higher maize costs

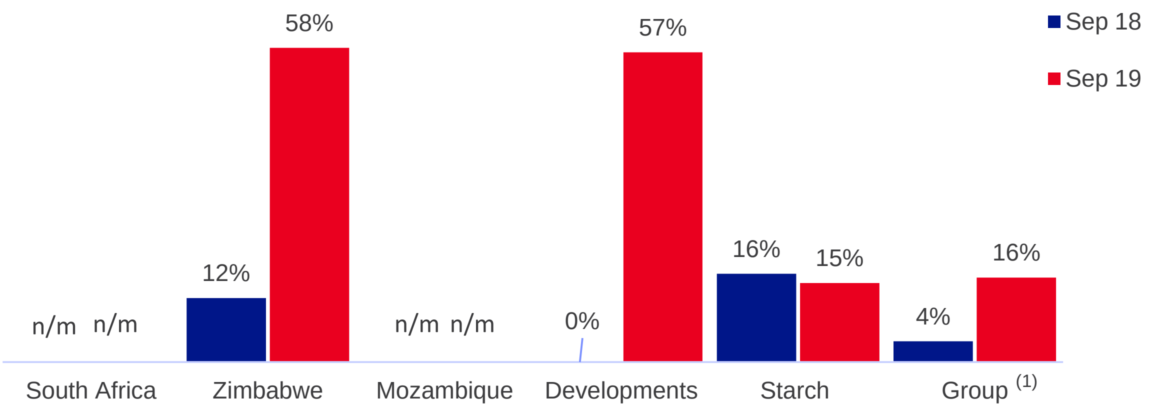
Notes: Adjusted EBITDA - Earnings before Interest, Tax, Depreciation & Amortisation. (1) EBITDA excludes non-trading items. (2) In addition to divisions shown separately this also includes eSwatini, Corporate and intra-company eliminations.

Operating profit

Operating profit (2) (Rm)



Operating profit margin (1)



Commentary

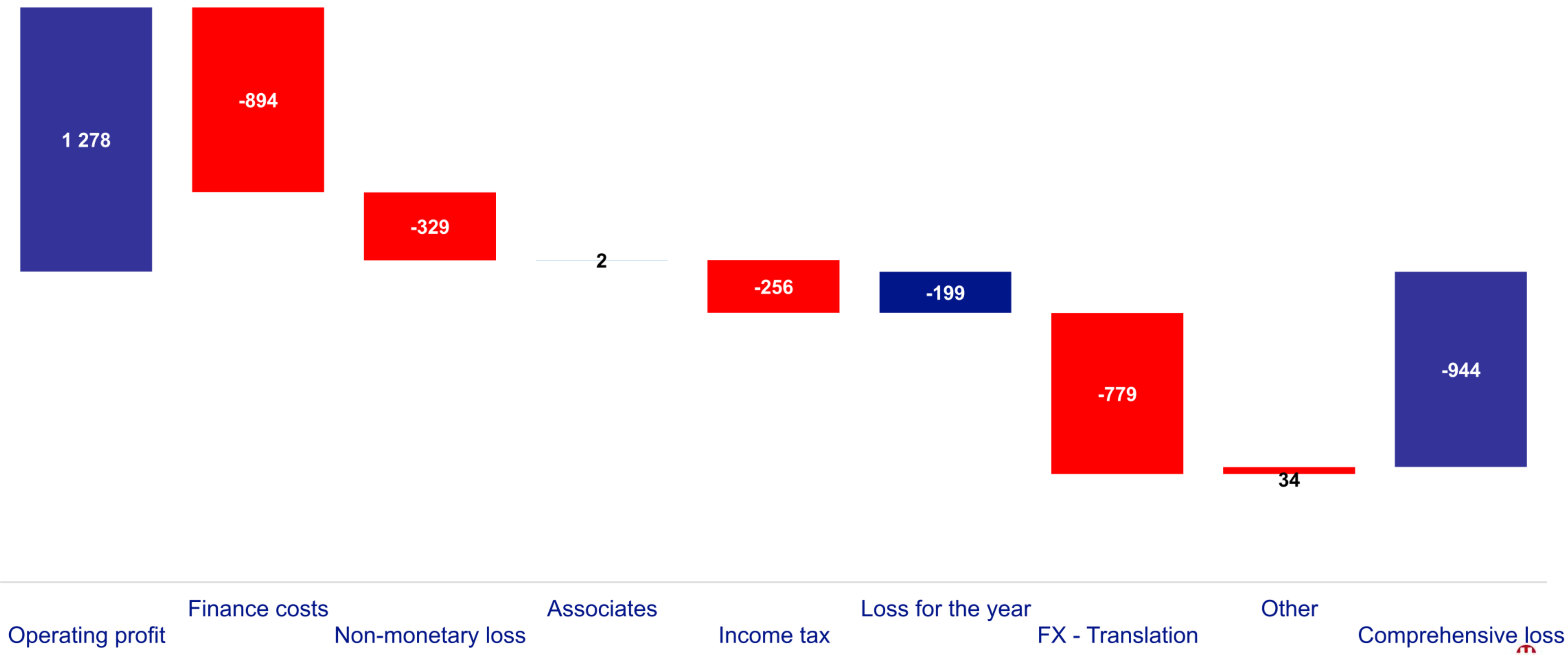
- A significant improvement on the prior comparable period
- Reflects:
  - operational progress on a variety of fronts
  - the application of hyperinflation to Zimbabwean operations and cane valuations
  - a turnaround in Mozambique
  - the re-recognition of certain land transactions

Operating profit is an important financial measure, but not a true measure for Tongaat Hulett, as it is materially impacted by cane valuations

Notes: (1) In addition to divisions shown separately this also includes eSwatini, Corporate and intra-company eliminations. (2) Operating profit - Earnings before Interest & Tax. (includes non-trading items).

HY 2020 loss driven by higher finance cost and hyperinflation

Bridge from Operating Profit to Total Comprehensive Loss (HY 2020, Rm)



Headline earnings

	September 2018 As reported	September 2018 Restated	September 2019 As reported	September 2019 % change
Loss for the period (Rm)	-R110 million	-R392 million	-R318 million	+19%
Headline loss for the period (Rm)	-R87 million	-R354 million	-R315 million	+11%
Weighted average number of shares (000's)	117 441	110 008	135 113	+23%
Loss per share (cents)	-94 cents	-356 cents	-235 cents	+34%
Headline loss per share (cents)	-74 cents	-322 cents	-233 cents	+28%

Weighted number of shares increased by 25 million shares or 23%, due to the transfer of B-BBEE scheme shares to the preference share funders

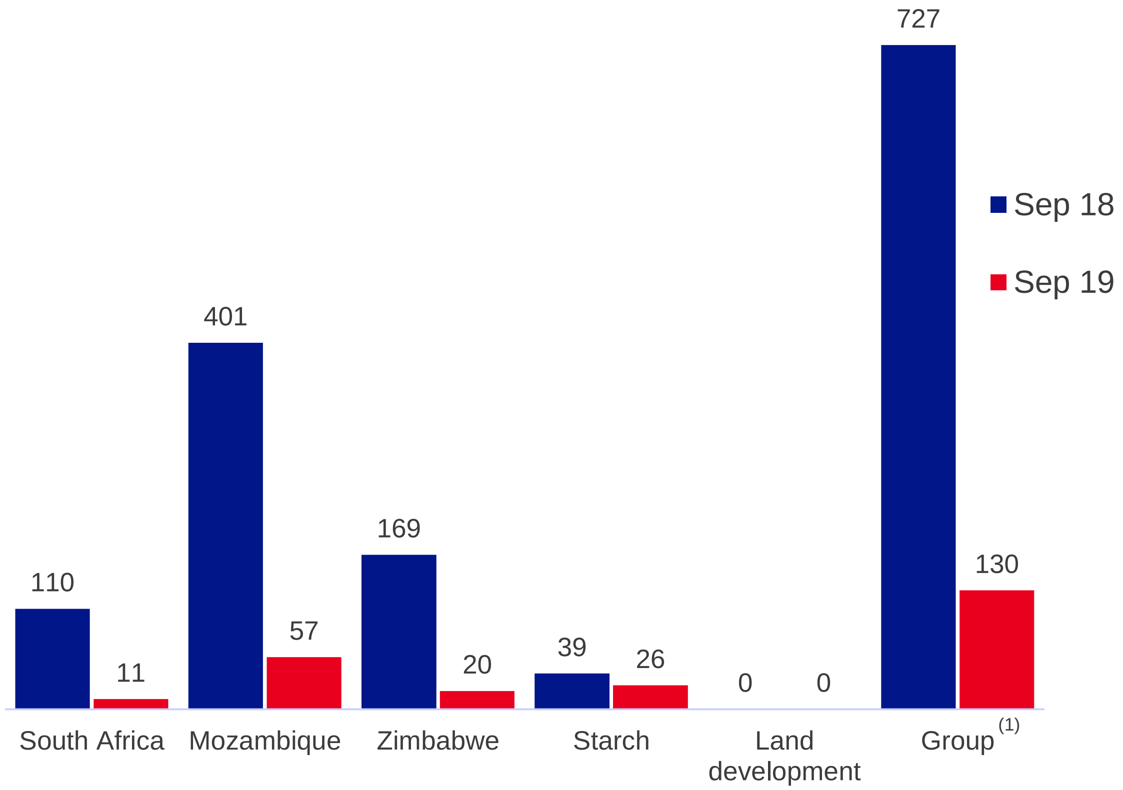
Cash flow highlights

R' million	September 2019	September 2018 Restated
Net cash (outflow) / inflow generated from operating activities	(685)	470
Additions to property, plant and equipment	(120)	(718)
Finance costs	(645)	(558)
Borrowings	1 599	1 064
Raised	*7 085*	*8 899*
Repaid	*(5 486)*	*(7 835)*
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**109**	**172**
Cash and cash equivalents at the beginning of the period	962	2 723
Translation effects on cash and cash equivalents	(426)	318
Transfer to assets held for sale	5	(19)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**650**	**3 194**

- Strong conversion of operating profit to cash flow
- Benefits from lower inventory as we focus on accelerating exports across the group
- Normalisation of payables

Capex

Capex [1] (Rm)



Commentary

- Capital expenditure during the period was confined to essential replacement items and has reduced from R727 million to R130 million
- Capital expenditure requirements will lighten considerably now that the Xinavane refinery has come on stream
- Continuing to maintain equipment in proper working order
- Focus on safety and security related capital expenditure and essential replacements
- Capital managed as a scarce resource – projects need to compete on the basis of returns

Notes: Capex – Capital Expenditure. (1) In additions to elements shown includes irrigation, office equipment and capitalised leases.

Borrowings

South Africa Refinancing

	Type	Total (Rm)
Facility A	Term Loan Facility	9,092
Facility B	Revolving Loan Facility	2,200
Facility C	Seasonal Revolving Loan Facility	553
Facility D	Seasonal Term Loan Facility	47
Overdraft	Overdraft Facilities	300
Total		**12,192**

Mozambique Standstill

	Type	Total (Rm)
Long term	Term loan	692
Short term	Working capital & general banking facilities	602
Total		**1,294**

Commentary

- Outstanding borrowings of R13,0bn (Sep 18: R12,6bn) but distorted by R1,2bn reduction in trade payables
- SA refinancing agreements should be effective in February 2020
- Committed to reducing debt in SA by at least R8,1bn by March 2021 – protect shareholder value and honour standstill agreements
- Met and exceeded our first debt reduction target of R500m
- Indicative term sheets signed to refinance Starch facilities in SA
- Standstill agreement with Mozambican lenders until December 2020 with debt reduction plan to be proposed
- Foreign-denominated borrowings in Zimbabwe reduced from US$17 million to US$7 million during the six months

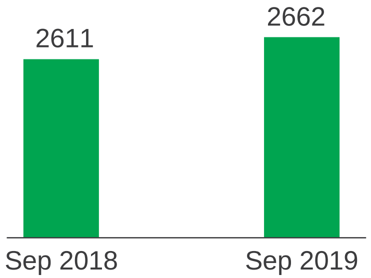
Leverage Policy

Target consolidated Total Debt / Adjusted EBITDA: < 2.5x

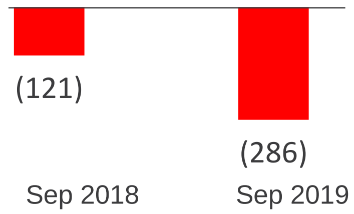
Segment Performance

Sugar SA – Revenue, operating profit and adjusted EBITDA

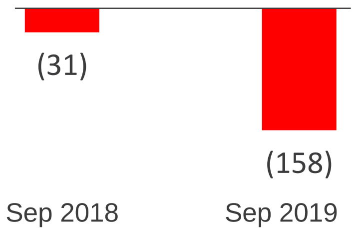
Net Revenue (Rm)



Operating (loss)/Profit (Rm)



Adjusted EBITDA (Rm)

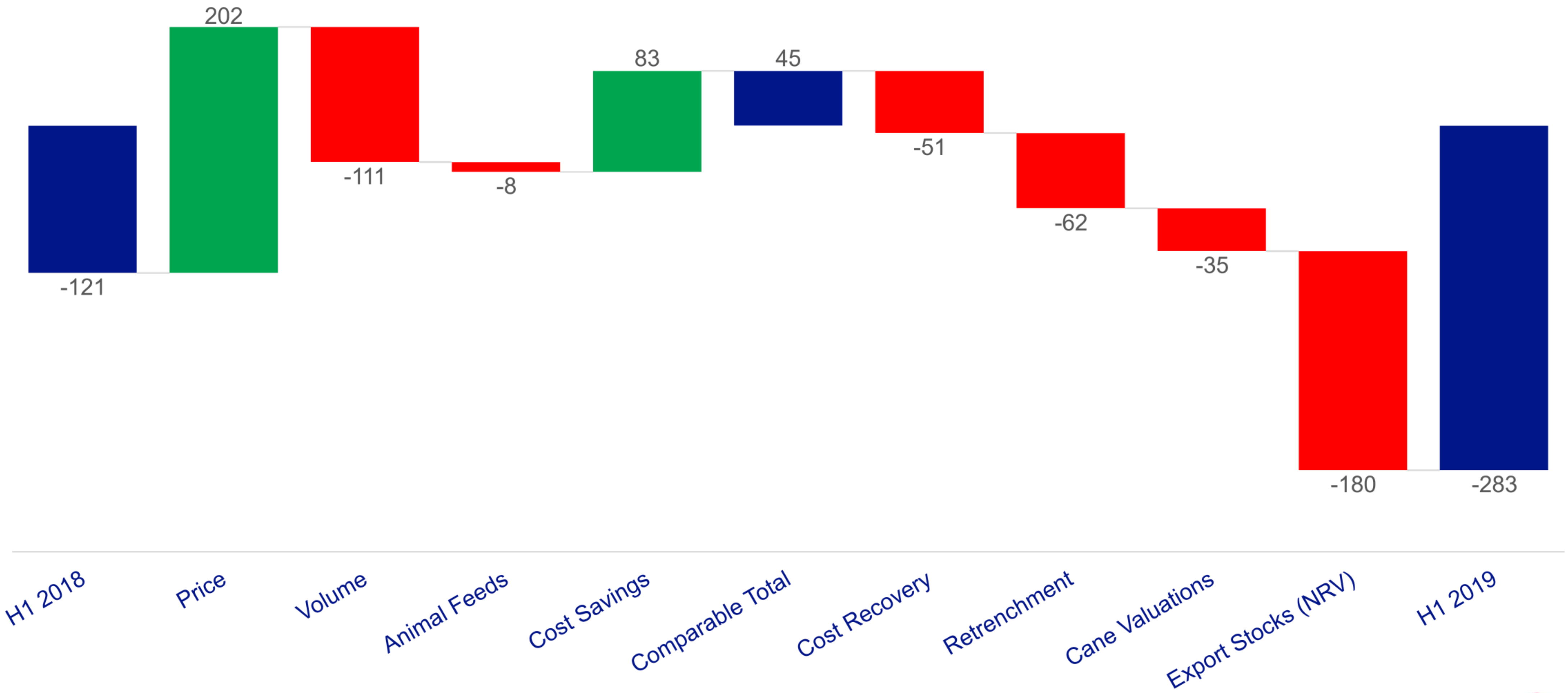


Commentary

- Milling performance improved during the season with sugar production to 30 September 2019 up 10% year on year.
- Local market prices on average 14% higher after full year impact of September 2018 price increase
  - Sales lower due to large buy-in of stocks in Sep 2018
- Local market demand for the season is anticipated to increase by 9,2% from 1,14m tons to 1,25m tons
- Accelerated export programme results in write-down of additional 89 000 tons of export stocks to net realisable value
- Cost reduction and cash flow maximisation culminated from operational efficiencies and personnel cost savings
  - Cost savings initiatives culminated a savings of R83m before retrenchment costs of R62m
  - Included in the September 2019 operating loss are restructuring and once off costs

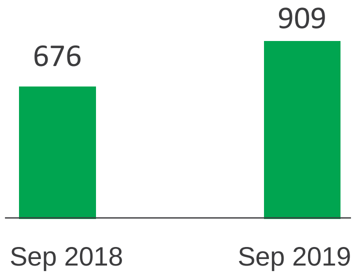
South African Sugar bridge of operating profit

Bridge of Operating Profit from H1 2018 to H1 2019 (Rm)

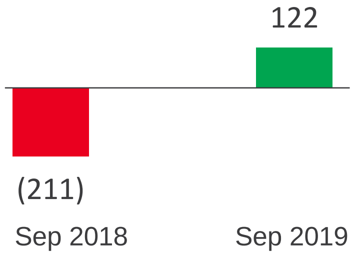


Sugar Mozambique – Revenue, operating profit and adjusted EBITDA

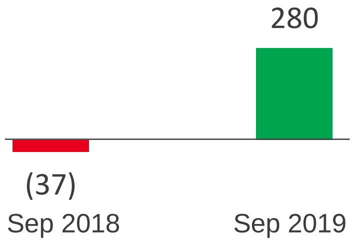
Net Revenue (Rm)



Operating (loss)/Profit (Rm)



Adjusted EBITDA (Rm)

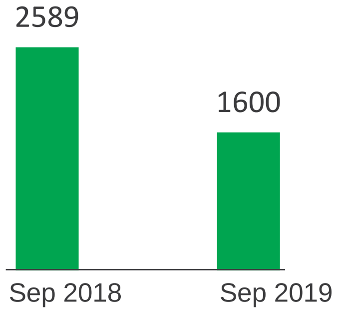


Commentary

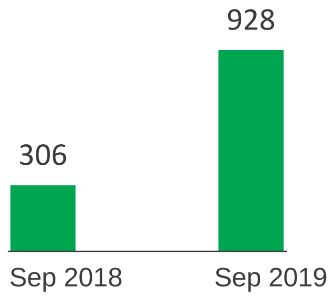
- Revenue growth driven by a 17% increase in domestic sales, accelerated exports and the sale of refined sugar domestically (Previously imported)
- Operating profit and EBITDA benefit from revenue enhancement and cost initiatives
- Domestic consumers sales and refined sugar to industrial consumers are both margin enhancing
- Costs savings across the business achieved through
  - headcount freeze,
  - cost initiatives
  - reduction of hectares farmed - leased land handed over to growers and sub economical fields lying fallow

Sugar Zimbabwe – Revenue, operating profit and Adjusted EBITDA

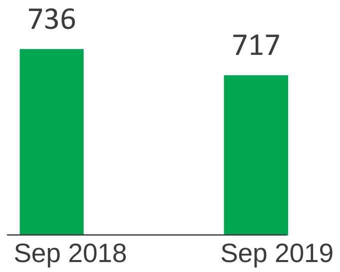
Net Revenue (Rm)



Operating Profit (Rm)



Adjusted EBITDA (Rm)

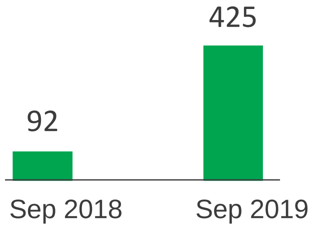


Commentary

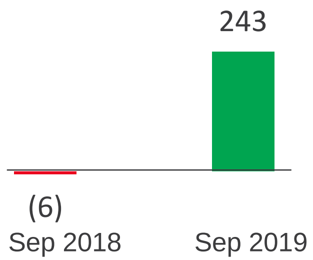
- Comparatives financial information not restated at Group level as reported in a non-hyperinflationary currency
- Sugar production is marginally lower than H1 2018
  - 303 000 tons compared to 306 000 tons
- Local market sales reduced by 23 000 tons
  - Control local market supply as sugar tends to be accumulated as a hedge against declining currency
  - Some impact of hyperinflation on affordability
- Export volumes increase by 10 000 tons to 20% of total sales (Sep 2018: 15%)
- Hyperinflation can distort the fair value adjustments to biological assets
  - Typically a charge to profit at half year, but this period it is a gain

Property – Revenue, Operating profit and Adjusted EBITDA

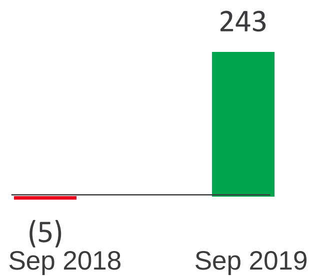
Net Revenue (Rm)



Operating (loss)/Profit (Rm)



Adjusted EBITDA (Rm)

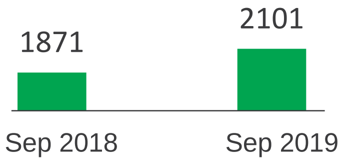


Commentary

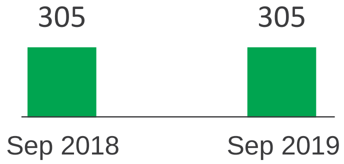
- Sales revenue increased due to re-recognition of revenue under new revenue recognition policy.
- R398m represents sale of 141 000 sqm of bulk in the Greater Umhlanga Region.
- Profit increased to R243m in line with the new revenue recognition policy.
- Continue working with government to expedite planning approvals.

Starch – Revenue, operating profit and adjusted EBITDA

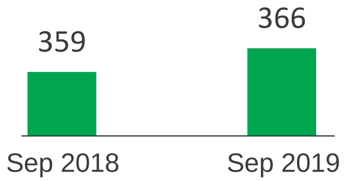
Net Revenue (Rm)



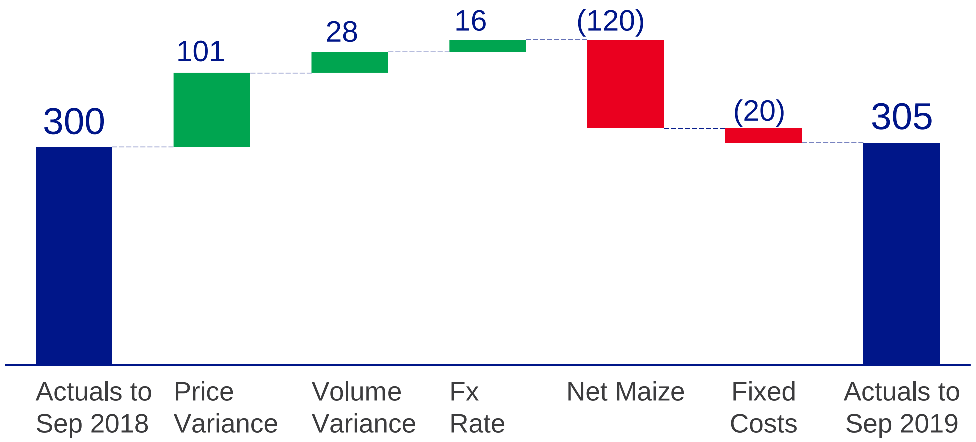
Operating Profit (Rm)



Adjusted EBITDA (Rm)



Profit Bridge (Rm)



Commentary

- Starch and glucose sales volume growth of 4,5%
  - Recovery in alcoholic beverage sector
  - Improvement in coffee creamer and confectionary sectors
- Margin decrease due to higher maize prices.
- Contribution from co-product revenue increases
  - Weaker exchange rate
  - Maize pricing
- Cost reductions driven by improved operational efficiencies.
- Continued strong cash generation.

Forward Look

Looking forward

Sugar

- Expecting better sugar production in the F2021 season
- Revenue will benefit from a 6,5% increase in local sugar prices in South Africa
- Kilimanjaro project expected to improve throughput in Zimbabwe
- Mozambican operation continues to drive cost control and cash generation with recovery from cyclone Idai
- Continued focus on efficiency and our drive to lowest cost producer

Starch

- The Jan 2020 forecast reflects a 10,2% increase in area under maize to 2,53 million hectares
- Summer rainfall has been promising across most of the maize belt leading to an improved maize crop and potentially improved margins
- Optimisation and capital investments are expected to lead to improved efficiency and reliability
- Move to zero based budgeting

Property

- We are in advanced negotiations for additional land sales
- Increasing the pace of planning approvals through ongoing government engagements
- In the process of prioritising the property strategy action plan (Propco) to create a stable and sustainable long-term earning platform

Tongaat Hulett share suspension to be lifted from 3 February 2020 (Monday)

Unique and attractive investment case as a group

1. Diversified African agriculture leader
2. Largest starch and glucose producer in Africa
3. Leading sugar producer in Southern Africa
4. Premier commercial property portfolio with meaningful embedded value
5. Profitable growth driven by strategic initiatives

Right size and fix the fundamentals of our business

Drive efficiencies within our business to truly leverage our asset base

Create a platform for sustainable profitable growth

Build capability in our people and processes

Questions?