



**AUDITED RESULTS FOR THE
YEAR ENDED 31 MARCH 2013**

- Revenue of R14,373 billion (2012: R12,081 billion) +19,0%
- Profit from operations of R2,145 billion (2012: R1,921 billion) +11,7%
- Cash flow from operations of R2,126 billion (2012: R1,363 billion) +56,0%
- Headline earnings of R1,058 billion (2012: R891 million) +18,7%
- Annual dividend of 340 cents per share (2012: 290 cents per share) +17,2%

Commentary by Peter Staude, CEO of Tongaat Hulett:

Tongaat Hulett's revenue grew by 19% to R14,373 billion for the 2012/13 year and headline earnings increased by 18,7% to R1,058 billion. Total sugar production increased by 104 000 tons (9%) to 1,254 million tons, after increasing by 14% in the prior year. The cane supplied to all the sugar mills grew to 10,3 million tons, with various on-going cane supply initiatives. The advantage of higher overall sugar production volumes with the related benefits in the unit costs of production were offset partially by continued general margin pressure in the relationship of selling price movements versus higher input costs. The starch operations benefitted from higher co-product realisations and world competitive maize costs, particularly with the new season maize in the second half of the year. An increasing number of hectares of land are moving towards becoming active developments in the land conversion activities. Overall, Tongaat Hulett's profit from operations increased by 11,7% to R2,145 billion (2012: R1,921 billion).

Operating profit from land conversion and development grew to R350 million (2012: R215 million) with a further R16 million in capital profits (2012: R3 million) being realised. In the past year, 65 developable hectares were sold. Revenue was generated from sales in the Cornubia Industrial, Umhlanga Ridge Town Centre, Ridgeside, La Lucia Ridge Office Estate, Izinga, Kindlewood, Mount Moriah and Zimbali areas.

Operating profit from the South African sugar operations including the downstream sugar value added activities amounted to R308 million (2012: R354 million). The agriculture, sugar milling and refining operations recorded operating profit of R52 million (2012: R93 million) and the various downstream sugar value added activities contributed R256 million (2012: R261 million). The season concluded with sugar production of 486 000 tons which was unchanged from the prior year. Local market sales were 3% below last year and consequently lower value export sales increased

accordingly. With increased cost pressures, margins were under pressure. Production was impacted by the national transport strike in South Africa followed by unusually heavy rains in the last three months of the crushing season. There has been an increased level of carry-over cane from the current season into the next season. As expected, the unusually large gap between hectares under cane and hectares milled continued to feature. This is as a result of accelerated root replanting (with the time required from planting to first harvesting) to improve cane age / crop positioning for optimal harvesting, generate better yields and increase the crop's ability to withstand variable weather conditions. These actions are all aimed at increasing future cane supplies. New cane plantings driven by Tongaat Hulett in its cane catchment areas totalled 11 554 hectares, following the 8 687 hectares planted in the previous year and the 9 696 hectares before that.

In Swaziland, the Tambankulu sugar estate's operating profit increased to R76 million (2012: R51 million). Higher sucrose prices arose from a recovery in European Union realisations received by the Swaziland sugar industry. A raw sugar production equivalent of 58 000 tons was achieved for the year (2012: 59 000 tons).

The two Zimbabwean sugar operations generated operating profit of R630 million (US\$74 million) compared to R621 million (US\$84 million) last year. Sugar production increased by 28% to 475 000 tons (2012: 372 000 tons) as cane deliveries from private and third party farmers grew substantially. A cost increase of some 10% was experienced in the milling operations and in the own estate agricultural activities. In addition, the quantum of increase in cane values reported in 2011/12 was not repeated in 2012/13. Planting activities were curtailed in the latter part of the season due to dry weather conditions culminating in fewer hectares under cane at the end of the year. The weaker Euro/US\$ exchange rate impacted negatively on export proceeds while the weaker average Rand/US\$ impacted positively on the conversion of US\$ profits into Rands.

Operating profit in Mozambique was R421 million compared to R402 million in 2012. Sugar production in Mozambique consolidated in the year under review, following the record 42% increase in the prior year, and amounted to 235 000 tons (2012: 233 000 tons). Rainfall conditions in the irrigation catchment area at Mafambisse led to a reduction in that harvest. The relative strength of the Metical impacted negatively on Euro export realisations while it had a favourable effect on converting Metical earnings into Rands.

Profit from the starch operations increased to R388 million for the year (2012: R363 million). Starch and glucose processing margins were favourably influenced by higher co-product realisations and local maize costs that were close to international prices, over the course of the full year. Domestic market volumes reflected depressed consumer demand and were similar to the prior year. Manufacturing plant performance has continued to improve.

The centrally accounted and consolidation items component of the income statement includes a gain of R68 million in respect of a pension fund employer surplus account

allocation in the conversion from a defined benefit to a defined contribution arrangement in South Africa.

Finance costs increased to R560 million from R507 million in the 2011/12 year and are commensurate with the level of borrowings.

Cash flow from operations, before tax, increased to R2,1 billion (2012: R1,4 billion) which is in line with the growth in operating profit. The increase in operating cash flow follows the absorption of cash totalling more than R6 billion in the numerous expansion and new sugar cane establishment programs over the past 6 years. Tongaat Hulett's net debt at the end of March 2013 was R4,6 billion. The replacement of significant portions of short term debt with appropriately structured long term debt has been successfully concluded.

Total net profit before the deduction of minority interests was R1,170 billion (2012: R1,021 billion). Headline earnings attributable to Tongaat Hulett shareholders amounted to R1,058 billion compared to R891 million in 2012.

A final dividend of 190 cents per share has been declared, bringing the annual dividend to 340 cents per share (2012: 290 cents per share), a 17,2% increase.

OUTLOOK

Focus Areas

In the year ahead, Tongaat Hulett expects to make substantial progress in the multiple focus areas that will further enhance its strategic position.

Tongaat Hulett is in the fortunate position, in a world of sugar consumption growth of 2% per annum, new sugar milling capacity being costly, with good electricity and ethanol prospects, to still have more than 850 000 tons per annum of unutilised sugar milling capacity, after the growth of sugar production of 14% and 9% in the past two years respectively. A major focus remains on how to rapidly increase cane supplies to utilise the available milling capacity.

The on-going strategy to increase cane supply in South Africa is focused on commercial farmers, small-scale farmers and increasing Tongaat Hulett's influence in cane development through leasing additional land and collaborating with Government to rehabilitate cane supply on land reform farms that have gone out of cane. Of significance, is the co-operation agreement recently concluded with the Ingonyama Trust, which controls some 2,7 million hectares of land in KwaZulu-Natal.

Tongaat Hulett's two operations in Zimbabwe will continue to develop their positive socio-economic impact on the country. These operations employ 18 000 people and are in an important recovery, growth and expansion phase, which should create sustainable value for all stakeholders. A central part of this recovery is the substantial development of indigenous private cane farmers. As at the end of the 2012/13 season, at least 670 active indigenous private farmers, farming some 11 200 hectares and employing more than 5 600 people, supply 850 000 tons of cane which generates US\$56

million in annual revenue for them. Zimbabwe, with Tongaat Hulett as a partner, has the potential to further develop indigenous private cane farmers substantially. This potential is linked to how much annual production can be achieved from the existing sugar mills. Based on Tongaat Hulett's view of its existing mills, a further 600 farmers on 12 700 hectares could supply an additional 1,4 million tons of cane per annum. In total, all these indigenous private cane farmer developments could earn more than US\$140 million gross revenue per annum and employ more than 12 000 people.

A fundamental review has been launched to re-examine all bought-in goods and services, which currently total more than R4 billion per annum for Tongaat Hulett excluding cane and maize purchases. The review is, inter alia, examining the quantum, "value add", "in house or outsource" and possible longer term procurement arrangements. Unit costs of sugar production will continue to benefit from higher volumes and yields, as milling costs and many of the agricultural costs per hectare are mostly fixed.

The drive to optimise revenue earned from sugar cane is one of the most important strategic positioning issues. The coming year should see the compilation of a bid for the first 80MW power station following the Ministerial Determination for 800MW issued in December 2012. Planning for the project, including the environmental impact assessments and plant construction contracting processes, is well advanced. The diversion of world market export sugar to a regional ethanol regime remains a key focus area with serious interest from the oil industry to use bio ethanol as part of their options for Clean Fuels 2.

In South Africa, Tongaat Hulett is building on its good progress to date to accelerate land conversion. It has targeted some 8 500 developable hectares (13 500 gross hectares) for development. There are on-going processes on most of the targeted land to enhance its usage and value to all stakeholders. The extent and pace of planning, in collaboration with Government, has increased substantially. At present, some 1 900 developable hectares are the subject of well advanced environmental and planning processes.

Financial Results - The Year Ahead

Tongaat Hulett's financial results remain sensitive to movements in exchange rates, which impact particularly on export realisations and the conversion of profits from Zimbabwe and Mozambique into Rands.

The results will benefit from the projected growth in sugar production. The early season forecast is for total sugar production to grow by approximately 110 000 tons, with the increase coming from South Africa in this year. With the low dam levels in Zimbabwe, irrigation levels have been reduced and cane expansion and root replanting for both private growers and own estates have been curtailed, to be resumed once the dam levels recover.

The increased current focus and progress to date on reducing input costs should, to some extent, counter cost pressures. Wage increase agreements have been concluded at reasonable levels in both Mozambique and Zimbabwe.

Current dynamics point towards pressure on sugar prices in general. World prices are currently at their lowest point in 3 years. Sugar prices that will be achieved by Least Developed / African Caribbean Pacific Countries (LDC/ACPs) into the European Union for the coming year are uncertain. The market is currently over-supplied. The white sugar price is well above the world price. Sugar is being released into the market from out of quota EU beet sugar at reduced levies and from world market sugar at reduced duties. For the first time since the introduction of the current duty and quota free regime in 2009 for LDC/ACPs, the benefits of selling into the EU are being eroded. In the regional markets, a period of pressure on selling prices and pressure from imports could prevail if the world price remains low and pricing into Europe remains under pressure.

The starch operations remain well positioned. The current South African maize crop outlook is in line with the previous crop of 11,8 million tons. Maize continues to be priced at levels close to international prices. Starch and glucose volumes are expected to show modest growth with depressed local market demand being offset by a growth in export volumes, with continued improvements in manufacturing performance.

A number of new land developments are likely to become active and “shovel ready” before the year end. These new developments, together with existing active developments, are attracting increasing market interest. Various sales strategies (bulk sale, partnership or own development) continue to be reviewed for each land holding and implemented as appropriate. The number of hectares converted to development in a specific time period remains variable. The next period looks promising for own development sales. There are good prospects for substantial bulk sales, with an increase in both land available and interest by prospective purchasers. Significant bulk and semi-bulk land sale offers received in the last two years have been turned down on the grounds that they did not represent optimal value.

Peter Staude
Chief Executive Officer

About Tongaat Hulett

Tongaat Hulett is an agricultural and agri-processing business which includes integrated components of land management and property development. Through its sugar and starch operations, Tongaat Hulett produces a range of refined carbohydrate products from sugarcane and maize. Renewable energy, in the form of biofuel production and electricity generation, is of increasing importance to the business. The water-food-energy nexus is an evolving dynamic as the world contends with the growing impact of climate change. Tongaat Hulett balances the operational requirement for sugarcane supplies to its cane processing operations with other priority uses of agricultural land and its transition to higher value uses at the appropriate times. The current focus prioritises the business leveraging its asset base in six SADC countries. Tongaat Hulett is well placed to capitalise on the company's unconstrained access to sugar markets and its independent position and established business platform and size.

Amanzimnyama
Tongaat, KwaZulu-Natal

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ENDS

Issued by: Tongaat Hulett
Michelle Jean-Louis
Communications Executive
Telephone: 083 386 3846