



**INTERIM RESULTS FOR THE
SIX MONTHS ENDED 30 SEPTEMBER 2013**

- Revenue of R7,854 billion (2012: R7,398 billion) +6,2%
- Operating profit of R1,381 billion (2012: R1,290 billion) +7,1%
- Headline earnings of R663 million (2012: R655 million) +1,2%
- Interim dividend of 150 cents per share (2012: 150 cents per share)

Commentary by Peter Staude, CEO of Tongaat Hulett:

Revenue increased by 6% to R7,854 billion and operating profit grew by 7% to R1,381 billion for the half-year to September 2013. The results reflect the combination of a number of factors with differing impacts. These six months have seen a record performance from both the land conversion and starch operations. Land conversion and developments generated sales from 174 developable hectares and the starch operation benefitted from competitive maize costs and favourable co-product realisations. The sugar operations are experiencing the pressure of significantly lower international sugar prices, particularly for exports into the European Union, as well as experiencing the impact of increased imports into Southern African markets, impacting adversely on both revenue earned and the valuation of standing cane. The pricing pressures have added impetus to the drive to reduce costs of sugar production, with substantial reductions being achieved in the current season. Unit costs of production are further benefitting from volume growth. Tongaat Hulett's overall sugar production is continuing to increase this season and is expected to be at the highest level in the past 10 years.

Operating profit in the first half of the year from the various sugar operations totalled R684 million (2012: R967 million). Tongaat Hulett's total sugar production is well on track to increase from 1,254 million tons (raw sugar equivalent) last year to between 1,366 and 1,408 million tons this season, with the increase this year coming from South Africa. Downward pressure on sugar prices is being experienced internationally. In real terms, the world sugar price has been at its lowest level in many years. In the regional markets, local market sales are being lost to imports as a result of the current low world price, leading to increased export volumes at lower prices.

The South African agriculture, sugar milling and refining operations recorded operating profit of R133 million (2012: R99 million). The benefit of substantially

increased sugar production has been offset by the current revenue dynamics and the impact of imports. The various downstream sugar value added activities contributed R115 million (2012: R122 million), with lower local volumes as a result of imports. In total, operating profit from the SA sugar operations including the downstream sugar value added activities amounted to R248 million (2012: R221 million) for the half-year.

With the changing dynamics in the European Union, the price levels that the business is achieving for sales from Mozambique and Zimbabwe into the EU this season, from its multiple commercial arrangements and channels, are averaging some 6 US cents per pound lower than the levels in the last two years. Operating profit from the Mozambique sugar operations reduced to R151 million (2012: R270 million) for the half-year. In Zimbabwe, the first six months have seen lower sales invoicing levels (193 000 tons) than the first half of last year (248 000 tons), which is a result of lower local market sales (mainly due to substantially increased imports in the market) and a timing difference on export shipments. Cane valuations have been impacted by lower prices and the effect of curtailed root replanting as a consequence of the current water dynamics. The operating profit from the Zimbabwe sugar operations for the half-year amounted to R232 million (US\$23 million) compared to the same period last year of R435 million (US\$53 million).

The Swaziland sugar cane growing operations have reported increased operating profit of R53 million (2012: R41 million) as a result of an improved sucrose price in the current season compared to the lower export pricing levels contracted by the Swaziland industry in the prior year.

The starch operation grew operating profit to R232 million (2012: R147 million). Starch and glucose processing margins were favourably influenced by local maize costs that were close to international prices, favourable exchange rates and good co-product realisations. Total sales volumes grew by 5%, driven by increased exports and growth in the coffee/creamer and alcoholic beverage sectors which offset declines in other local sectors. Manufacturing plant performance has continued to improve.

Land conversion and developments generated profit of R512 million (2012: R246 million). A total of 174 developable hectares was sold in the half-year. A sale to Dube Tradeport was concluded of 151 developable hectares that is not yet shovel ready, near the international airport, north of Durban, generating a profit of R350 million. Tongaat Hulett and Dube Tradeport are working together to capture the synergy of each other's unique capabilities. Sales in the Umhlanga area featured a transaction with the highest price thus far per square meter, equating to net cash profit of R34 million per developable hectare in Umhlanga Ridgeside. Sales were also concluded in the Umhlanga Ridge Town Centre, Izinga, Kindlewood and Cornubia areas.

The centrally accounted and consolidation items together with lower BEE IFRS2 charges amounted to R47 million (2012: R70 million). Finance costs amounted to R298 million (2012: R281 million) and were commensurate with the borrowing levels.

Operating cash flow improved to R2,4 billion (2012: R1,8 billion) before working capital. Operating cash flow exceeded operating profit as the latter includes the non-cash reduction in the fair value of sugar cane in the half-year to September 2013. The higher working capital cash absorption in the current period is particularly as a consequence of higher sugar stock levels in Zimbabwe and South Africa. The cash absorbed in working capital was some R2,1 billion (2012: R1,4 billion) at the half-year, being the middle of the sugar season when inventories and debtor levels are usually higher than at the end of the year. Capital expenditure has been consciously restricted in the past six months. In total for the half-year, net cash out flow before dividends was R450 million, which is similar to last year. Net debt at the end of September amounted to R5,4 billion (2012: R5,1 billion).

Total net profit before the deduction of minority interests was R764 million (2012: R735 million) for the half-year and headline earnings attributable to Tongaat Hulett shareholders amounted to R663 million compared to R655 million in the same period last year.

An interim dividend of 150 cents per share has been declared (2012: 150 cents per share) in the form of a scrip distribution with a cash alternative.

OUTLOOK

Tongaat Hulett is in a good position to benefit from multiple actions taken across a wide front, with its footprint in six SADC countries, its ability to process both sugar cane and maize, renewable energy opportunities and increased momentum in land conversion.

Sugar Operations

A period of unsustainably low international prices has been experienced following two seasons of exceptionally good weather conditions for sugar cane growing globally and low Government controlled ethanol prices in Brazil. The changes in the EU are ongoing, with some fundamentals remaining in place, including duty free access for Mozambique, Zimbabwe and Swaziland. At present, this benefit is being eroded by the EU allowing additional imports at reduced duty and the low world price. The business is focusing a great deal of attention in multiple areas on achieving the best possible outcome in terms of sugar prices, the mix of sugar flow destinations and combatting unfair import competition. The sugar industries in both Mozambique and Zimbabwe are in a receptive engagement with their Governments to restrict imports. In South Africa, the current duty application is to increase the price level below which duty applies. Taking the SA sugar industry as a whole, imports into South Africa in October 2013 were equivalent, on an annualised basis, to the production of approximately three sugar mills. Generally, the most vulnerable to these dynamics are rural communities and emerging farmers.

The drive to reduce costs is gathering momentum. Initially, action is being taken to eliminate, reduce or postpone costs wherever possible, to be followed by a structured review of “quantum”, “value add”, “in house or outsource” and possible longer term procurement arrangements. Cost reduction actions are yielding substantial savings this year. The season’s total costs, excluding off-crop expenditure in the mills, in Zimbabwe are expected to be R290 million (US\$29 million) lower than last year and in Mozambique, R49 million lower, after absorbing annual cost increases. In South Africa, with production volumes increasing by some 25%, milling costs alone are expected to be R24 million below last year. Unit costs of sugar production will also continue to benefit from further growth in volumes and better yields, as milling costs and many of the agricultural costs per hectare are mostly fixed.

Tongaat Hulett is in the fortunate position, in a world of sugar consumption growth of 2% per annum, new sugar milling capacity being costly and very few new mills being constructed, to still have more than 700 000 tons per annum of existing unutilised sugar milling capacity, with good electricity and ethanol prospects, after the growth of sugar production of between 9% and 12% expected in the current year and 14% and 9% in the past two years respectively.

The on-going strategy to increase cane supply in South Africa is focused on improving yields and getting more hectares under cane. The greatest potential for additional hectares lies with community / small scale farmers, with support from Government. A co-operation agreement is in place with the Ingonyama Trust, which covers some 2,7 million hectares of land in KwaZulu-Natal. Tongaat Hulett is making good progress to facilitate attractive funding for community / small scale growers. An additional 8 000 hectares of new cane land supplying Tongaat Hulett’s mills are expected to be planted in the current year.

In Zimbabwe, with the low dam levels and the corresponding mitigating actions related to irrigation to protect the substantial current investment in sugar cane roots, cane expansion and root replanting for both private growers and own estates have been curtailed, to be resumed once the dam levels recover. For the first time in many years, the rainfall forecast in the catchment area of the dams is for La Nina (wetter weather pattern) compared to the dry El Nino of the past number of years. Should the water inflow in the coming summer be similar to the lower inflow periods during the last 8 years then it would necessitate a reduction of irrigation to some 50% of normal levels, which would substantially reduce cane yields and sugar production.

Tongaat Hulett’s two operations in Zimbabwe 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 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, supplied 850 000 tons of cane which generated 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. As part of its on-going objective to economically empower communities around its operations in Zimbabwe, Tongaat Hulett is on a socio-economic upliftment drive to create value for relevant entrepreneurs, by developing sustainable new business enterprises and outsourced services within its value chain, with particular focus on employment creation for the youth.

The drive to optimise revenue earned from sugar cane is one of the most important strategic positioning issues. It is pleasing that a "Request for Information and Registration (RFIR)", issued by the SA Department of Energy, was completed and submitted in June 2013 to register Tongaat Hulett's position relating to new electricity generation. Tongaat Hulett now awaits the opportunity to submit 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.

Starch Operation

The starch operation is currently well positioned with the large majority of its maize priced for the current year and margins are expected to remain at levels in line with those achieved in the last year. New season maize prices are trading close to international prices with initial planting intentions being slightly below the prior season. An increasing proportion of local market volumes is being sold on long term contracting principles. Starch and glucose volumes are expected to show growth with local market demand being driven by increased volumes in the coffee/creamer and alcoholic beverage sectors and good growth in export volumes. Continued improvements in manufacturing performance are expected.

Land Conversion Activities

In South Africa, Tongaat Hulett is building on its good progress to date to accelerate land conversion and is targeting a further 8 300 developable hectares (13 100 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 and infrastructure investment is unfolding rapidly. The next two year period should be rewarding in unlocking value from Tongaat Hulett's land holdings. Currently, active developments available for sale total 467 developable hectares, which is three times the level that existed in 2005. They should realise net cash profits in excess of R3 billion. A further 1 387 developable hectares are well advanced towards becoming shovel ready. Land conversion to housing development for poorer communities is also gaining momentum. Demand for the upmarket housing sites in Izinga is high. In the Cornubia industrial area, with 33 developable hectares remaining available for sale, interest is high and offers were turned down in the first half of the year as negotiations are continuing. At the same time, the Cornubia retail / town centre sites are rapidly evolving as an

extension of the Umhlanga / Gateway area. In Umhlanga, Ridgeside - precinct 2 and the unsold remainder of precinct 1 - comprising 42 developable hectares (485 000 square meters of bulk) is arguably the best real estate opportunity in South Africa at present. The above ground developments in this Ridgeside area are expected to exceed R12 billion over a period of time. Over the next few weeks, a wide spread campaign will elicit expressions of interest from all prospective purchasers of this 42 hectare piece of real estate. Interest in land that is not yet shovel ready is at an all-time high and is continuing to increase.

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 sugar cane 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 sugar cane 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 Southern African Development Community (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.

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Tongaat, KwaZulu-Natal

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