



Interim Results
30 September 2011
Presentation

NOVEMBER 2011

AGENDA

Financial highlights

Financial Outlook

Operational Performance

Markets

Projects

South Africa – Drought Recovery

Prospects

Board and Executive Succession



FINANCIAL HIGHLIGHTS – Income statement

	Actual 6 months ended 30 Sept.		Change %	Sugar season basis 6 months ended 30 Sept.		Change %
	2011 Rm	2010 Rm		2011 Rm	2010 Rm	
Revenue	4 094.4	3 968.5	3	4 556.7	4 257.3	7
Operating profit	1 080.4	1 025.8	5	620.2	522.9	19
Net financing costs	89.0	35.5		89.0	35.5	
Taxation	(249.5)	(282.0)		(165.2)	(149.1)	
Profit for the period	747.2	725.9	3	371.3	355.9	5
Headline earnings	604.2	574.2	5	289.3	258.6	12
HEPS	131.4	124.8	5	62.9	56.2	12
Capital distribution (cps)	23.0	22.0	5	23.0	22.0	5
Cash operating profit				708.0	813.5	

FINANCIAL HIGHLIGHTS – Balance sheet

	Sugar season basis 6 months ended 30 Sept.	
	2011 Rm	2010 Rm
Property, plant and equipment	5 199.5	4 246.7
Net debt	1 627.1	917.2
Capital expenditure	137.4	483.1

EXCHANGE RATES

Average rates	Sep-10	Sep-11	% Change
R/US \$	7.45	6.92	(7.1)
Euro/ US \$	1.28	1.43	11.5
Zkw/ R	662	698	5.4
Mkw/ R	20.31	22.46	10.6
Tsh/ R	197	228	15.5%
Zkw/ US\$	4941	4 842	(2.0)
Mkw/ US \$	153	160	4.6



FINANCIAL HIGHLIGHTS

Despite higher cane production, lower sucrose % across all operations has resulted in lower sugar production

Seasonal basis operating profit up 19%

Actual operating profit and headline earnings up 5%, despite lower sugar production

Increase in operating margin on seasonal basis from 12.3% to 13.6%, driven by higher prices and good cost control

Debt: equity of around 12% (2010: 9%) expected – indicative of strong balance sheet

Financing costs up by R54m as a result of full impact of Swaziland and Zambia debt

Cash generation remains strong – Cash operating profit: Accounting Operating Profit > 100%

Interest cover forecast to decrease to 5 times (2011/12) due to peak lending by Zambian and Swazi expansions - expected to stabilise at 7 times over medium term

Effective tax rate expected to normalise at around 30%

FINANCIAL HIGHLIGHTS

2010

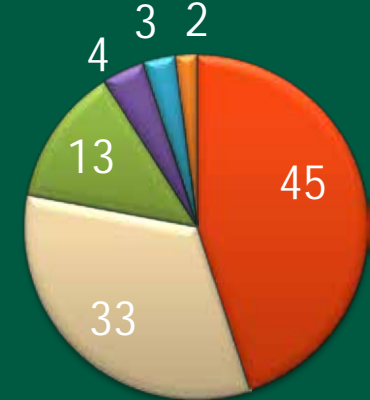
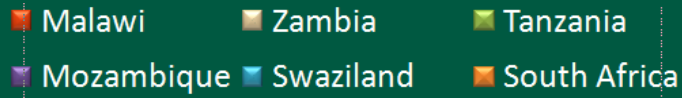
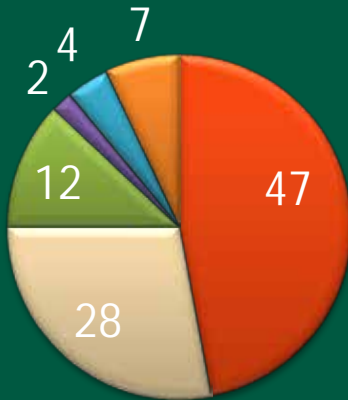
2011

COUNTRY

R522.9m

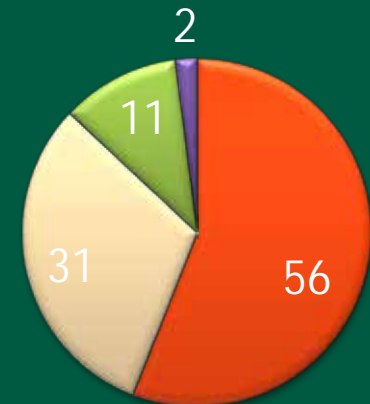
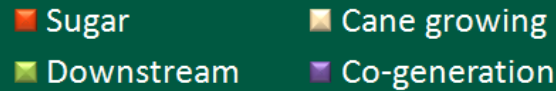
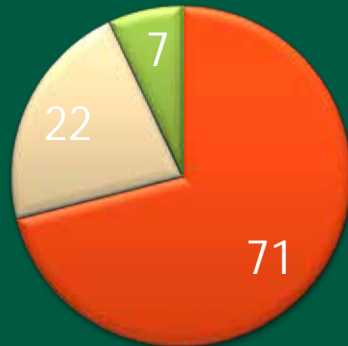
%

R620.2m



ACTIVITY

%

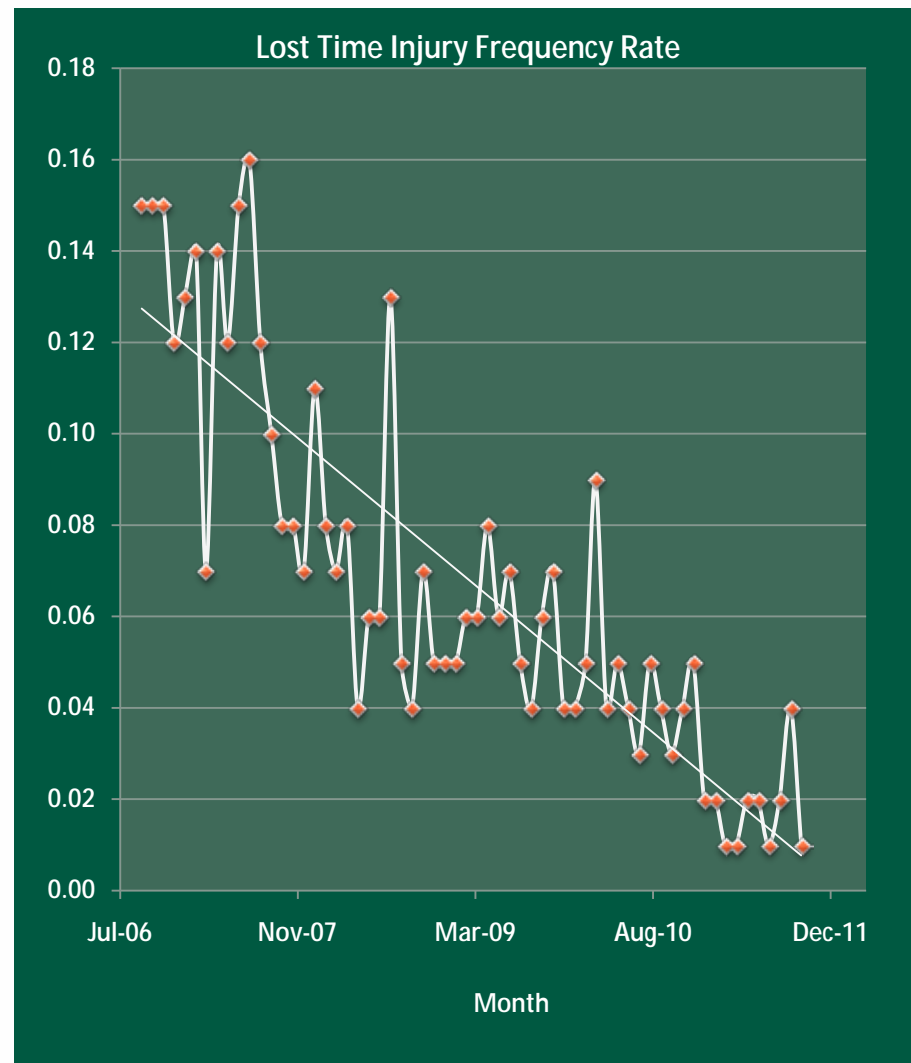


FINANCIAL OUTLOOK

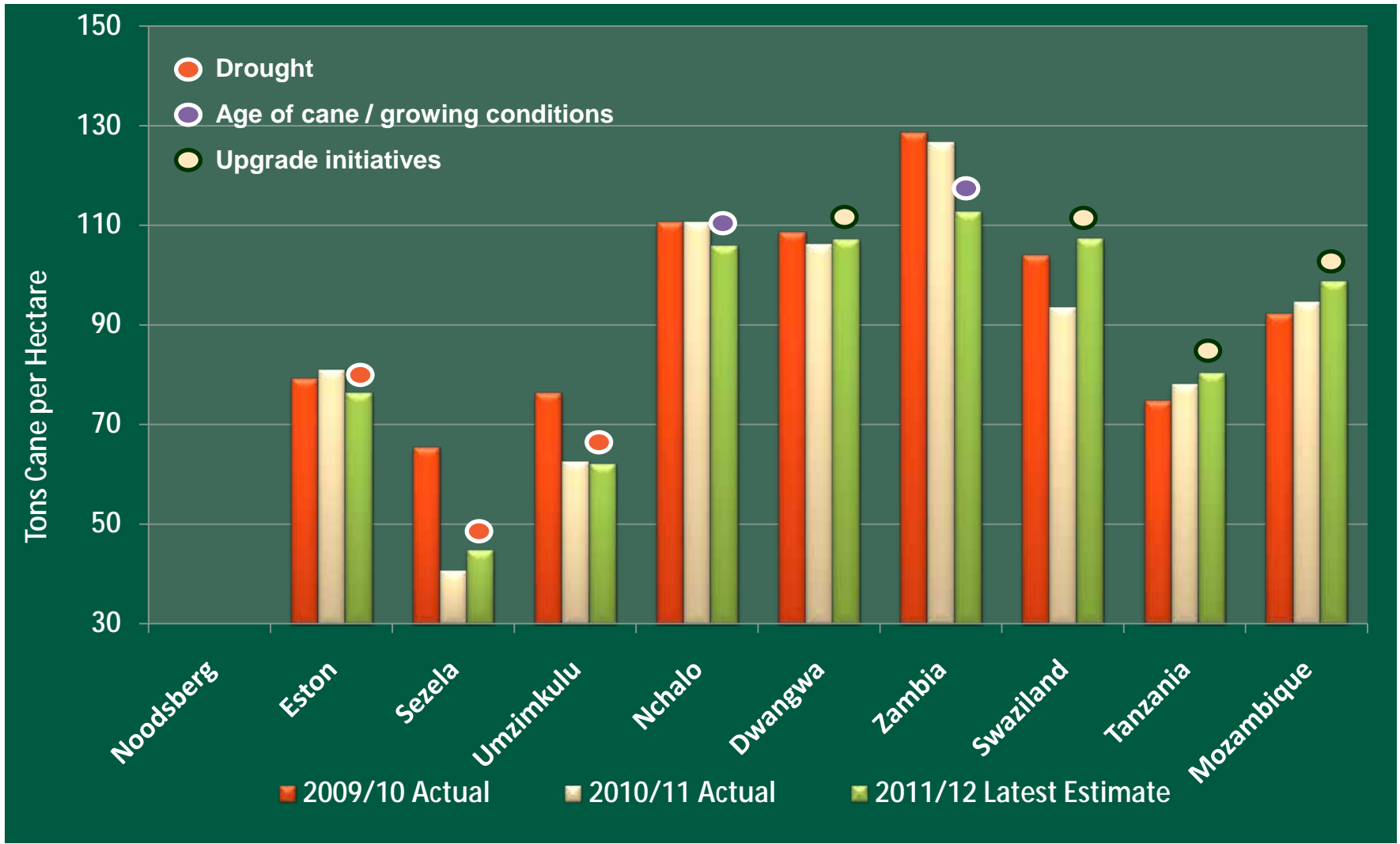
- **Meaningful growth likely in full-year operating profit, with improved margins driven by higher prices and good cost control**
- **Earnings will be offset and impacted by:**
 - **Significant increase in finance costs:**
 - **Swaziland - project debt fully drawn**
 - **Zambia - increased Zambian treasury bond rates, although expected to reduce / repayment in full by April 2016**
 - **Offset by forex gains as a result of the depreciation of producer currencies against the USD and Euro**
 - **Normalisation of tax rates across the group, following completion of once-off tax benefit related to Swaziland expansion**
- **Strong Balance Sheet**
 - **Effective working capital management contributed to good cash generation**
 - **Capital spend well controlled – Swaziland expansion project savings of approximately R300 million (20%)**
 - **Return on net assets improving (c15%) , with gearing at similar levels**

OPERATIONAL PERFORMANCE

- Increasing group safety focus - total number of disabling injuries reduced by 40% year-on-year
- Group cane production expected to be higher, but lower sugar output due to poor sucrose:
 - Lower yields in SA (drought), Zambia and Malawi (Nchalo) (age of cane), with sucrose % across most of group well below expectations
 - Post-drought recovery initiatives underway in SA
 - Benefit of continued investment in agriculture through cane variety replacement programmes; irrigation & drainage upgrades
- Factory operations and capacity utilisation generally good across group (+70% incl. drought)
- South Africa - both furfural and ethanol plants running at full capacity and have achieved record prices:
 - Consistent supplies of raw materials
 - Cane diversion to Sezela
- Ubombo cogeneration plant commissioned with exports to national grid in excess of minimum contract level

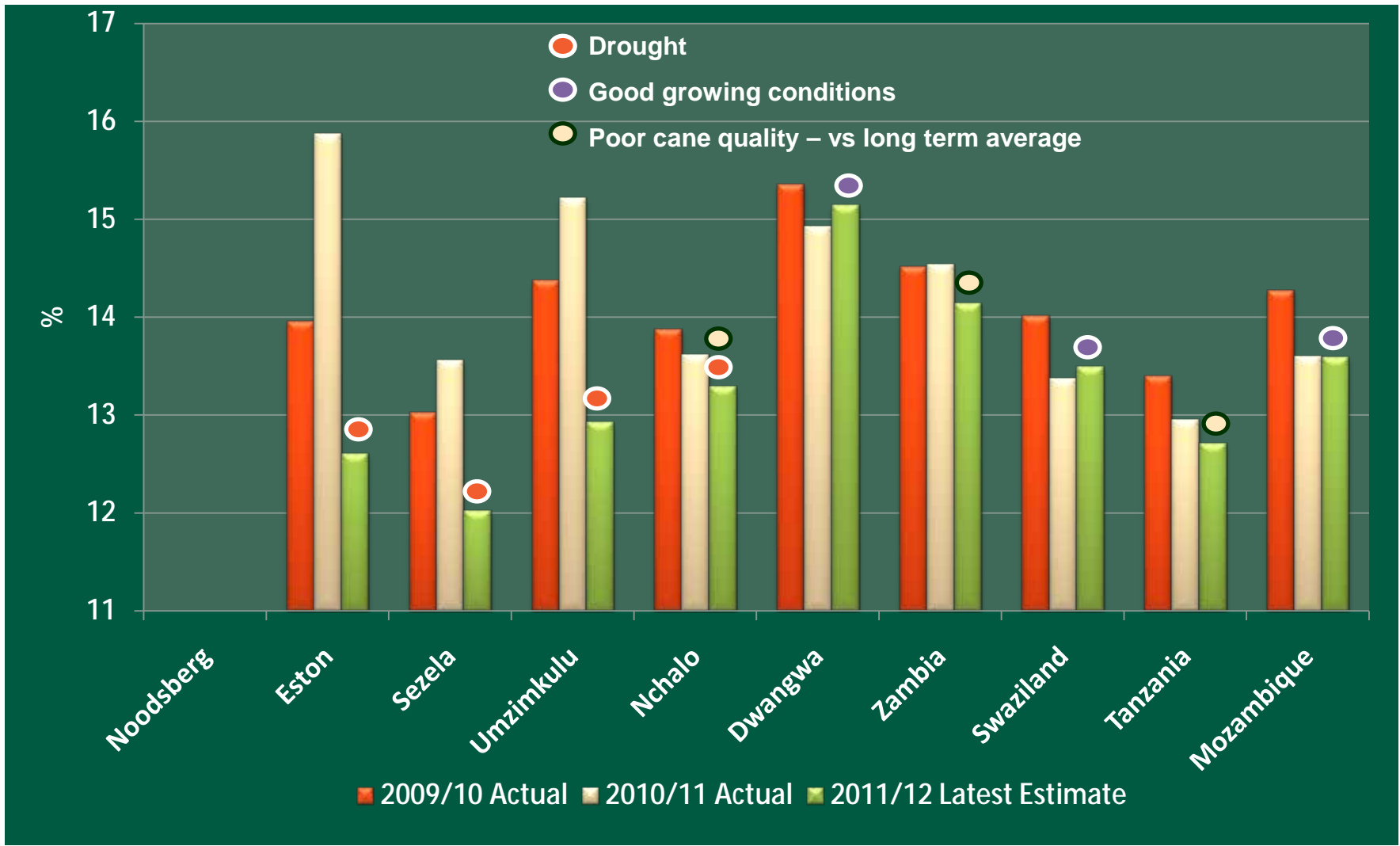


CANE YIELDS



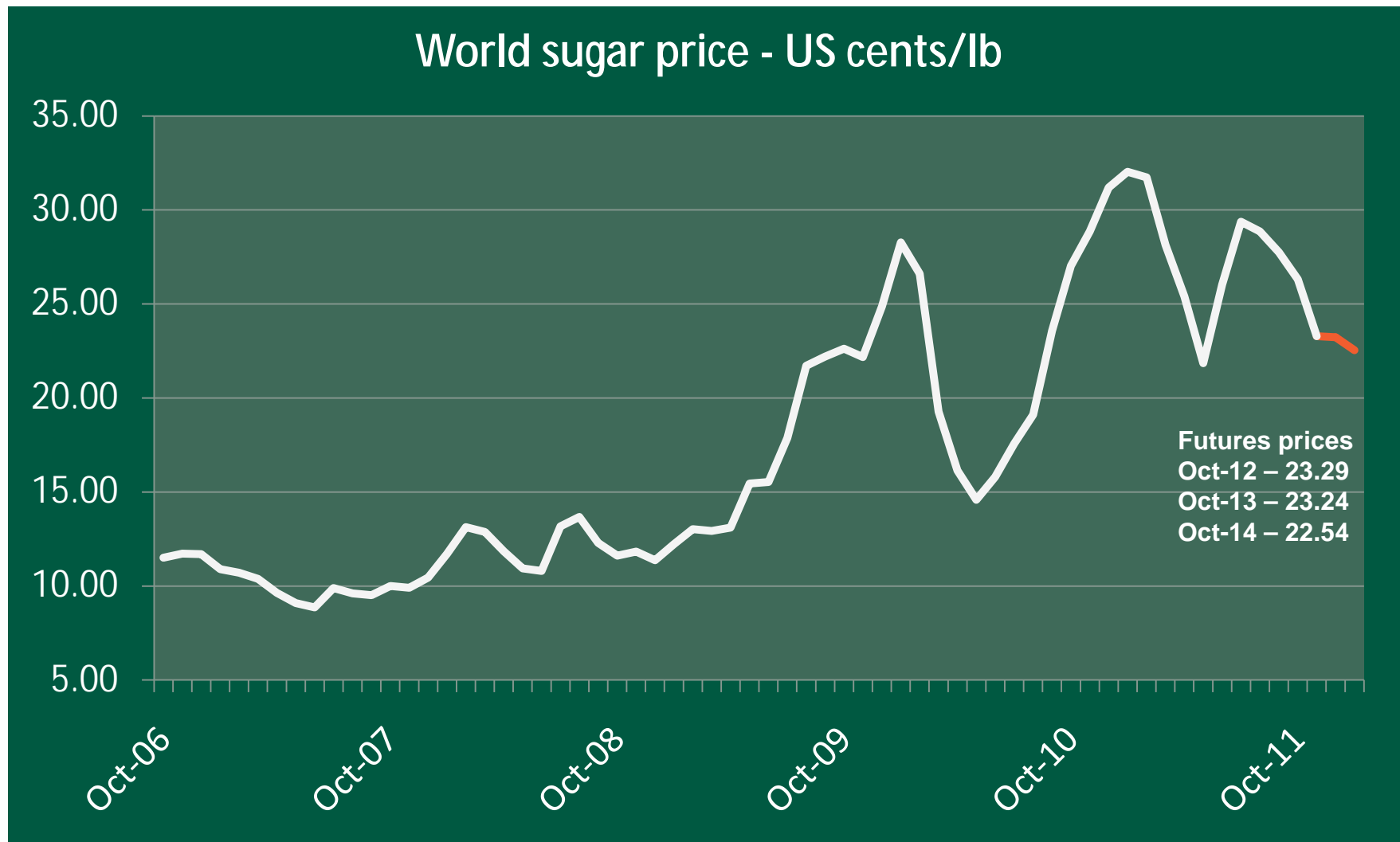
AFRICA'S BIGGEST SUGAR PRODUCER

SUCROSE



AFRICA'S BIGGEST SUGAR PRODUCER

WORLD RAW SUGAR PRICE



AFRICA'S BIGGEST SUGAR PRODUCER

MARKETS

- **World Market**
 - Lower Brazilian output vs higher production in India, Thailand and Russia
 - Price volatility impacted by global economic crisis
 - Shortages of prompt deliveries
 - Price trends down (22-25 cents per pound)
- **EU Market**
 - Price increases following growing EU deficit & high world price
 - Shortage of raw sugar for refining , so price expectation good
- **Regional Markets**
 - Demand remains strong / prices firm
- **Local Markets**
 - Modest growth driven by economic upturn – Zambia
 - Price increases implemented to match inflation
 - Some demand contraction in Malawi & Mozambique



AFRICA'S BIGGEST SUGAR PRODUCER

PROJECTS

- Our two recent major expansions are performing well:
 - Zambia's newly installed capacity is crushing over 100,000t/wk / final completion of grower expansion area
 - Swaziland's expansion was delivered on time and under budget and electricity exports have exceeded initial estimates / development of LUSIP grower scheme – good progress
- Molasses beneficiation has been a focus for the company with:
 - Board approval for a potable alcohol plant in Tanzania
 - Opportunities are being evaluated in Malawi and Zambia
- Mali project made significant strides forward
 - Senior project team are now based on site
 - Factory financing complete
 - Closing financing on Agriculture with concessional lenders
 - Finalising remaining issues with Government of Mali.



UBOMBO



NAKAMBALA



AFRICA'S BIGGEST SUGAR PRODUCER

SOUTH AFRICA – DROUGHT RECOVERY



**Key objective:
Restore cane supply to fill four
factories on a sustainable basis**

Illovo has Implemented extensive strategies to rebuild cane supplies across all four regions:

- 9 000 hectares of land to be planted to cane over next three years, resulting in 450 000 tons of additional cane, primarily on the South Coast
- Total government funding over four cane supply regions amounts to R169 million
- So far, grant funding of R30 million has been received, of which R24 million has already been spent on replanting ratoon management activities.
- Secured R109 million grant funding from Dept. Rural Development & Land Reform for 3-year small-scale cane rehabilitation programme in Umzimkulu and Sezela regions
- Further funding for rehabilitation of land transferred to claimant communities through land redistribution & restitution process
- R30m funding secured from Comprehensive Agricultural Assistance Programme for Illovo medium-scale farm development programme
- Illovo has initiated fertiliser assistance project / ‘free seed’ programme for replanting of drought affected farms / provision of cane husbandry assistance to independent growers

PROSPECTS

- **Zambian and Swaziland plants settling down after commissioning / rated crushing capacity achieved / further increases in cane supply from LUSIP cane development and from final grower cane expansion in Zambia**
- **Malawi – Political situation difficult resulting in Forex and fuel shortages**
- **Sucrose reduction being addressed - additional focus on ratoon management and cane husbandry activities, combined with ‘working agriculture’ initiatives.**
- **Significant investment completed in group’s production capacity to maximise plant utilisation going forward / well placed to accommodate increased group and outgrower cane supplies from various initiatives**
- **Combined with ongoing agricultural projects, normal summer rainfall & better growing conditions elsewhere have increased expectations for higher cane & sugar production next year**
- **Growth also continues through renewable energy projects – both to become self sufficient in power requirements and to export to grids**
 - **Ubombo integrated sugar and power co-generation factory proven model for replicating in existing operations.**
- **Molasses-based potable alcohol and fuel blend ethanol projects high on the agenda**
 - **Ethanol distillery at Kilombero expected to be commissioned in 2013**
 - **Opportunities in Malawi and Zambia under evaluation**
- **Base furfural downstream business – Full commercialisation of Agriguard products underway**



BOARD AND EXECUTIVE SUCCESSION

Mohammed Abdool-Samad – appointed Group Finance Director

- Appointed 1 September 2011



Gavin Dalgleish – appointed as Group Continuous Improvement and Downstream Operations Director

- To succeed Barry Stuart as Operations Director upon retirement in March 2012



Jenny Kunst – Group Company Secretary

- To succeed Gordon Knox, upon retirement November 2011

