

## Illovo Sugar Limited – EU Sugar Regime Update

### **ILLOVO SUGAR LIMITED**

(Incorporated in the Republic of South Africa)

Company registration number 1906/000622/06

Share Code: ILV

ISIN: ZAE000003547

(“Illovo” or “the company”)

### **EU SUGAR REGIME UPDATE**

In the Interim Report released on 16 November 2005 it was noted that the proposals for reform of the European sugar sector could have a material impact on the company in the medium to longer term.

Agreement in principle was reached by European Union Agricultural Ministers on 24 November 2005 regarding reform of the European Union Sugar Regime. The detailed agreement will be submitted for ratification by the European Parliament on 17 January 2006. The implementation date is 1 July 2006 and the new sugar regime will be effective until 30 September 2015.

Illovo agrees with the need for reform of the EU sugar sector and welcomes the steps taken in terms of the reform initiative to significantly reduce production of sugar in the EU and to eliminate subsidised exports. The reduction in exports should result in an improved world sugar price which will benefit the group’s sugar sales into world and regional markets.

The EU raw sugar reference price payable to quota holders under the ACP Sugar Protocol (in the case of Illovo, affecting mainly its Swaziland operation) will reduce by 5% on 1 July 2006. This will equalise the price paid for all raw sugar imported into the European Union. The price for all suppliers of raw sugar will then remain unchanged until 30 September 2008 after which it will be reduced in two tranches on 1 October 2008 and 1 October 2009. As a result, no significant price reduction impact on Illovo is expected until the 2009 financial year. The effective price cut of 32,5% in the raw sugar reference price applicable to Least Developed Countries over this period is slightly higher than the company expected, although the period of implementation is longer than anticipated. It should be noted that the final EU raw sugar reference price will be approximately 50% higher than the current world sugar price. Whilst the price cut will impact negatively on revenue from existing export quotas into the EU, a phased reduction in duty commencing from 2006 and culminating in duty-free and quota free access for exports from 2009 in respect of sugar supplied by Least Developed Countries (including Illovo’s operations in Malawi, Zambia, Tanzania and Mozambique) will provide Illovo with opportunities to both substantially increase export volumes into the EU market and extend the range of sugar products supplied. The finalisation of the reform package creates a period of certainty in respect of the EU market until September 2015 which will underpin the expansion plans of the group.

Overall, the reform package is expected to benefit the group.

Mount Edgecombe

30 November 2005

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