

Illovo Sugar Limited  
(Incorporated in the Republic of South Africa)  
(Registration number 1906/000622/06)  
(JSE share code: ILV)  
(ISIN: ZAE000003547)  
("Illovo")

Associated British Foods plc  
(Incorporated in England)  
(Registration number 293262)  
(LSE share code: ABF)  
(ISIN: GB0006731235)  
("ABF")

FIRM INTENTION TO MAKE AN OFFER TO ACQUIRE 51% OF THE FULLY DILUTED  
ORDINARY SHARE CAPITAL OF ILLOVO AND WITHDRAWAL OF CAUTIONARY  
ANNOUNCEMENT

## 1. INTRODUCTION

Further to the cautionary announcements published by Illovo on 14 February, 10 March, 15 March and 26 April 2006, Illovo shareholders are advised that ABF has submitted to the board of directors of Illovo ("the board") a notice of its firm intention to make an offer to acquire 51% of the fully diluted issued ordinary shares of Illovo ("Illovo shares") ("the offer shares") for a cash consideration of R21.00 ("the offer price") per Illovo share, to be effected, subject to the conditions set out in paragraphs 3 and 5 below, by way of a scheme of arrangement in terms of section 311 of the Companies Act 61 of 1973, as amended ("the Act"), to be proposed by ABF, or a wholly owned subsidiary of it, ("the offeror") between Illovo and all of its ordinary shareholders ("the scheme").

Subject to the same conditions, the offeror will be entitled to make a substitute offer at not less than the offer price should the scheme not become operative for any reason other than failure to obtain all necessary regulatory approvals ("the substitute offer").

The scheme and the substitute offer are collectively referred to below as "the offer".

## 2. RATIONALE

The board and ABF are of the view that the transaction as envisaged should be beneficial to both parties in the fields of technology transfer and marketing.

The offer also represents an opportunity for shareholders to dispose of a portion of their holdings in Illovo at a significant premium to historical trading levels, as indicated in paragraph 10 below.

## 3. CONDITIONS TO THE MAKING OF THE OFFER

The offer will be extended to Illovo shareholders subject, *inter alia*, to the fulfilment, by 2 July 2006, of the following conditions:

3.1 the receipt of a positive "fair and reasonable" opinion from an appropriate external adviser acceptable to the Securities Regulation Panel ("the SRP"). Standard Bank has been appointed in this regard;

3.2 the approval of the offer documentation by the relevant regulatory authorities, including the South African Reserve Bank, the JSE Limited ("the JSE") and the SRP; and

3.3 the written certification by Illovo that, to the best of its knowledge and belief and after reasonable enquiry, no material adverse condition has arisen, which will only arise in the event of civil commotion or unrest, a coup d'etat taking place, the outbreak of war or the occurrence of a nationalisation or expropriation, which results or could reasonably be expected to result in any material business, or a material part thereof, of Illovo or any of its material subsidiaries ceasing to operate or ceasing to be held by Illovo, permanently or on a long-term basis.

In addition, the offer will proceed in the form of the scheme on condition that the High Court of South Africa ("the Court") orders that a scheme meeting be convened.

## 4. WAIVER OF MANDATORY OFFER

Subject to an ordinary resolution to such effect being passed by a simple majority of independent Illovo shareholders in general meeting,

the SRP has indicated to ABF that it will waive the requirement arising pursuant to Rule 8 of the Securities Regulation Code on Takeovers and Mergers ("the Code") for the offeror to extend an offer to Illovo shareholders to acquire all of their Illovo shares following the implementation of the offer ("the waiver").

## 5. CONDITIONS PRECEDENT TO THE OFFER

5.1 The implementation of the scheme is subject, *inter alia*, to the fulfilment of the following conditions precedent:

- all necessary regulatory approvals having been obtained, including that of the South African Competition Authorities;
- the approval of the scheme by 75% of the votes exercisable by the scheme members present and voting, in person or by proxy, at the scheme meeting;
- the passing by Illovo shareholders in general meeting of the resolution referred to in paragraph 4 above;
- the sanctioning of the scheme by the Court ("the sanctioning"); and
- prior to the sanctioning, there being no change or proposed change in any law, regulation or policy regarding exchange controls over the offshore transmission to or from South Africa of capital or dividends.

5.2 Should the substitute offer be made, its implementation will be subject, *inter alia*, to the following conditions precedent:

- the offeror receiving acceptances in respect of all of the offer shares and not part thereof;
- all necessary regulatory approvals having been obtained, including that of the South African Competition Authorities;
- the passing by Illovo shareholders in general meeting of the resolution referred to in paragraph 4 above; and
- prior to the date on which the substitute offer becomes unconditional as to acceptances, there being no change or proposed change in any law, regulation or policy regarding exchange controls over the offshore transmission to or from South Africa of capital or dividends.

## 6. BOARD AND OTHER APPOINTMENTS

On implementation of the offer, Illovo and ABF will use their reasonable endeavours to procure the appointment of three ABF-nominated directors as non-executive directors to the board and the

resignation, as directors, of three existing directors (two of whom will be executive directors), as well as the appointment of one of the ABF-nominated non-executive directors to Illovo's Executive and Group Executive Committees. Immediately following these appointments and resignations, the board will comprise five executive directors, three non-executive directors who are ABF appointees and seven independent non-executive directors.

Mr Robbie Williams will be asked to remain non-executive independent Chairman of Illovo and Mr. Don MacLeod will be asked to join the Executive Committee of British Sugar plc, a wholly owned subsidiary of ABF.

## 7. DIVIDENDS

Existing Illovo shareholders will participate in the final dividend for the financial year ended 31 March 2006 of 42.5 cents per Illovo share, details of which have been included in the announcement of Illovo's financial results for this period published on the Securities Exchange News Service today.

Furthermore, if the offer is implemented on any date subsequent to 30 September 2006, Illovo will declare and pay an advance dividend to the ordinary shareholders registered as such on the record date of the scheme (or the date on which the substitute offer becomes unconditional, as the case may be) ("the advance dividend"). The advance dividend, calculated in accordance with Illovo's dividend policies, principles, practices and methods, will be equal to the *pro rata* dividend entitlement of ordinary shareholders for the period from the then most recent past dividend record date to the operative date of the scheme (or the 7th day after the substitute offer becomes unconditional, as the case may be).

## 8. MINORITY PROTECTIONS

Should the offer be implemented, the following undertakings to Illovo and its shareholders will be incorporated (with the approval of Illovo shareholders in general meeting) into the Memorandum and/or Articles of Association of Illovo so that they will be capable of being enforced by Illovo and by Illovo shareholders holding, in aggregate, 5% or more of the issued ordinary share capital of Illovo.

## 8.1 Territorial expansion

ABF will procure that, should any expansion opportunities within the sugar industry in Africa (including Mauritius and Madagascar) come to the attention of ABF or any of its subsidiaries ("the ABF Group"), such opportunities will be explored and undertaken by the ABF Group only through Illovo unless Illovo is unwilling or unable to explore or undertake them. However, this will not preclude Illovo from exploring sugar cane opportunities outside Africa, Mauritius or Madagascar, or preclude any member of the ABF Group from pursuing an acquisition opportunity in Africa (including Mauritius and Madagascar) provided that neither sugar cane, sugar products nor such other products as may be agreed between Illovo and ABF are the main purpose of such acquisition.

## 8.2 Disposals

ABF will not dispose of any of its subsidiaries (or any of its subsidiaries' businesses or material assets) to Illovo without such acquisition by Illovo having been approved by a majority of those directors of Illovo who are independent from ABF and, to the extent required by the Act or the Listings Requirements of the JSE, by the shareholders of Illovo. ABF has warranted that no such disposals are currently being contemplated by the ABF Group.

## 8.3 Commercial arrangements

Any commercial arrangements between any member of the ABF Group and Illovo are to be considered by the board (or, where appropriate, the executive management of Illovo) to be in the best interests of Illovo, will be conducted by those parties on an arms length basis and will not be implemented until they have been approved, to the extent required by the Act or the Listings Requirements of the JSE, by the shareholders of Illovo. All such arrangements, being arrangements between related parties, will require disclosure in Illovo's annual report.

## 8.4 Standstill

Should the offer be implemented, ABF has undertaken to refrain from acquiring or controlling, through any means, more than 60% of the fully diluted issued ordinary shares of Illovo ("the ownership cap").

Should the ownership cap be exceeded, ABF may, in its discretion, within 90 days of such breach, either:

- dispose of sufficient Illovo shares to reduce its interest to or below the ownership cap; or
- make an offer to minority shareholders as though such breach of the ownership cap was an affected transaction in terms of the Code, with the rules specified in the Code regarding "affected transactions" being deemed to apply to ABF, unless a resolution is passed by minority shareholders in general meeting to waive such offer to minority shareholders.

## 9. OPINIONS, RECOMMENDATIONS AND UNDERTAKINGS

The board has appointed Standard Bank as its financial adviser to advise it on the offer. Standard Bank has indicated to the board that it has considered the offer and is of the opinion that it is fair and reasonable to Illovo shareholders. Standard Bank's written opinion will be contained in the documentation referred to in paragraph 13 below.

The board has considered the offer and the advice provided by Standard Bank in respect thereof and is of the opinion that it is fair and reasonable to Illovo shareholders. Accordingly, the board recommends that Illovo shareholders vote in favour of the scheme and the resolution referred to in paragraph 4 above and the directors of Illovo undertake to vote their own shares in favour of the scheme at the scheme meeting and the waiver at the general meeting.

ABF has received conditional undertakings to support the offer from shareholders representing 64% of Illovo's issued ordinary shares. Approximately half of these undertakings will remain in place unless another offer is received at a price higher than R23.10 per Illovo share.

## 10. MARKET AND FINANCIAL INFORMATION

Information regarding the price at which Illovo shares traded immediately prior to the publication of the cautionary announcement of 14 February 2006 and the publication of this announcement as well as a comparison of the offer price to the net asset value and tangible net asset value per Illovo share at 31 March 2006, Illovo's financial year end, are set out in the table below.

	Before the offer (cents per share)	The offer price (cents per share)	Premium
Market price on 13 February 2006	1 440.0 <sup>1</sup>	2 100.0	46%
30-day volume-weighted average price to 13 February 2006	1 377.0 <sup>2</sup>	2 100.0	53%
Market price on 18 May 2006	2 000.0 <sup>3</sup>	2 100.0	5%
30-day volume-weighted average price up to 18 May 2006	1 786.0 <sup>4</sup>	2 100.0	18%
Net asset value	419.1 <sup>5</sup>	2 100.0	401%
Net tangible asset value	410.5 <sup>5</sup>	2 100.0	412%

### Notes:

1 Closing price of Illovo shares on the JSE on Monday, 13 February 2006, being the last trading day preceding the publication of the first cautionary announcement.

2 Volume-weighted average price at which Illovo shares traded on the JSE for the 30 trading days up to and including Monday, 13 February 2006, being the last trading day preceding the publication of the first cautionary announcement.

3 Closing price of Illovo shares on the JSE on Thursday, 18 May 2006, being the last trading day preceding the publication of this announcement.

4 Volume-weighted average price at which Illovo shares traded on the JSE for the 30 trading days up to and including Thursday, 18 May 2006, being the last trading day preceding the publication of this announcement.

5 Audited net asset value and net tangible asset value per share at 31 March 2006.

## 11. CONFIRMATION OF FUNDS

N M Rothschild & Sons (South Africa) (Proprietary) Limited has confirmed, to the satisfaction of the SRP, that the offeror has sufficient resources to discharge its obligations in terms of the offer.

## 12. THE ILLOVO SUGAR 1992 SHARE OPTION SCHEME

Illovo and ABF will jointly explore and implement a mechanism that, to the satisfaction of the SRP, will enable current Illovo Sugar 1992 Share Option Scheme Participants ("option holders") to be treated fairly and equally in respect of all options, vested and unvested, as if the option holders were participants under the scheme or offerees in respect of the substitute offer.

## 13. DOCUMENTATION

Subject to the fulfilment of the conditions referred to in paragraph 3 above, a circular providing further information on the offer and containing, *inter alia*, a notice of scheme meeting (if applicable), a notice of general meeting, forms of proxy and a form of surrender will be posted to Illovo shareholders and an announcement setting out the salient dates and times relating to the offer will be published in due course.

## 14. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

Illovo shareholders are advised that caution is no longer required when dealing in their Illovo shares.

Mount Edgecombe

19 May 2006

Investment bank to Illovo

Standard Bank

Attorneys to Illovo

Cliffe Dekker Inc

Sponsor to Illovo

J.P. Morgan Equities Limited

Investment bank to ABF  
Rothschild

Attorneys to ABF  
Bowman Gilfillan