

Illovo Sugar Limited
(Incorporated in the Republic of South Africa)
Company registration number 1906/000622/06
Share Code: ILV
ISIN: ZAE000003547

ANNUAL GENERAL MEETING - 12 JULY 2006 : CHAIRMAN'S ADDRESS

In respect of the year ended 31 March 2006, as already reported, the group achieved excellent results with headline earnings per share increasing by 127% to 104,2 cents. This was largely due to increased sugar production, a general improvement in domestic sales, a good increase in world and regional sugar prices, cost savings and a reduction in financing costs. The change in the value of growing cane, largely due to improved sugar prices, also enhanced earnings from cane growing.

Cash generation was strong with group borrowings of R441,0 million reflecting a major decrease of R360,6 million, resulting in gearing of 24,3%.

The existing factory and field operations have significant expansion potential. In the current year, the group will commence these expansions which will be phased-in over a four year period. New investment opportunities elsewhere in Africa continue to be pursued. The group's feasibility studies on power generation are well advanced.

The reform of the European Union Sugar Regime was finalised in early 2006. The new Regime was implemented from 1 July this year and will be effective until 30 September 2015. The finalisation of the reform package creates a period of certainty in respect of the EU market until that date, and will underpin the sugar expansion plans of the group.

This shareholders' meeting provides the opportunity to update you on the current state of the group's operations.

Generally climatic conditions have been good across the group and favourable to crop growth. Good rainfall was received in South Africa during the summer months, although this has resulted in the sucrose content in the cane being lower than last year. In Tanzania, it was very dry for a long period, although once the rains came, the rainfall was considerably above the long term mean. However the dry period has impacted on the cane yields of outgrowers who do not have irrigation.

For the group as a whole, sugar production is forecast to be around 1,875 million tons for the season (a small increase compared to the previous season), whilst cane production is expected to be around 5,5 million tons (approximately 2% above last year).

Generally, the sugar factories have been operating well, whilst the downstream plants at Sezela and Merebank have performed up to expectations and production is anticipated to be marginally above that of last year.

The world sugar price has continued to be strong, although like many other commodities it remains volatile. The current world raw sugar futures prices are above 16,0c/lb. In respect of the 2006/07 season, the South African Sugar Association has priced around 675 000 tons raw sugar for export at 15,54 cents/lb (58% of anticipated raw sugar exports).

Overall, operations are generally performing well and the world sugar price and current rand/US dollar exchange rate are more favourable for the company than in the previous year. These factors will impact positively on profits for the current financial year.

Mount Edgecombe
12 July 2006

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