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Share Code: ILV

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ANNUAL GENERAL MEETING – 19 JULY 2011 CHAIRMAN’S ADDRESS PRESENTED BY ROBBIE WILLIAMS

In respect of the year ended 31 March 2011, as already reported, group operating profit of R1 029 million was 31% below that of the previous year whilst headline earnings of R516 million showed a decline of 27%. Headline earnings per share fell by 35% to 112.2 cents.

The group continues with its drive to consolidate its position in South Africa and to significantly increase its cane and sugar production capacity outside of South Africa. Progress is being made towards becoming self-sufficient in respect of power requirements for the group’s operations as well as supplying power into the national electricity grids in the various countries in which it operates. The commissioning of the major factory expansion and power co-generation project at Ubombo in Swaziland in April this year will provide sufficient electricity to cover all of Ubombo’s power requirements, and surplus electricity will be exported to the national grid in terms of a commercial agreement with the Swaziland Electricity Company. Over the longer term the project will add an additional 100 000 tons of sugar to Illovo’s current production capacity.

The benefits of the substantial capital investment in our sugar operations at Nakambala in Zambia, which increased annual sugar production capacity from around 200 000 tons to 450 000 tons, have started to be seen. Last year new production and sales records were achieved in Zambia and further improvements are anticipated in the current year.

At Maragra in Mozambique the focus of attention is on increasing the current cane supply following the recent factory capacity expansion. Ultimately, Maragra will have the ability to produce around 150 000 tons of sugar annually compared to approximately 80 000 tons before the expansion commenced.

In South Africa a major expansion of the Noodsberg refinery was completed early this calendar year which will increase its offcrop refining capacity thereby enabling the factory to produce 350 000 tons of refined sugar annually. Smaller factory and agricultural expansions have taken place in Malawi, whilst in Tanzania ongoing agricultural projects to increase cane yields at Kilombero have shown meaningful results and a small factory expansion has been undertaken.

Progress on the capital investment opportunity in Mali is ongoing with the remaining hurdle being project funding for the development. Subject to funding being secured in terms of current timelines, the project will commence towards the end of 2011 with first sugar production in early 2014/15. In steady state the project will produce 200 000 tons sugar, 15 000 kilolitres of fuel-blend alcohol and sufficient electrical power to be self sufficient plus export a small surplus to the national grid. This greenfield project continues to receive high priority support from the government of Mali.

Molasses, a by-product of the sugar manufacturing process, is already used in South Africa to produce high quality potable and de-natured ethanol. Opportunities to expand the group's involvement in this area exist in most of the other countries in which Illovo operates. In the medium term potential projects include potable alcohol at Kilombero in Tanzania and in Malawi, as well as ethanol for fuel alcohol in Malawi, Zambia and Mali.

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

Generally climatic conditions outside South Africa have been good and favourable for crop growth. However in South Africa the knock-on effect of the drought experienced last year has impacted negatively on cane quality as well as yields which are sharply lower than last season.

Cane production from the group's own operations is presently expected to be about 250 000 tons higher than last year at around 6.5 million tons.

Generally sucrose % cane across the group has been lower than anticipated with cane purities also below expectations. Both these factors have impacted negatively on sugar extraction and recoveries although the throughput of the group's factories has in general been satisfactory. The expanded factory at Nakambala in Zambia is operating well. At Ubombo in Swaziland, following the major expansion of the factory, the plant has taken time to settle down and early season performance has been below expectations. Overall the negative impact of the drought in South Africa is expected to be offset by increased production elsewhere, and group sugar production for the current year is estimated to be little changed from last year. The downstream plants continue to perform well, with a significant increase in furfural production forecast following the diversion of cane to Sezela from the closed Umzimkulu factory. Similar levels of ethanol production are estimated.

The world sugar market continues to be volatile with sugar prices having firmed recently following concerns regarding the size of the Brazilian crop. Congestion at Brazilian ports is also restricting availability and driving up premiums for short-term deliveries. The drought affected South African sugar industry has only a limited tonnage of sugar available for export to the world market in the current year, and pricing to date is above US25 cents/lb.

Domestic sugar market offtake and prices are expected to remain firm. Downstream prices continue at good levels.

The strength of the Rand and local currencies generally will continue to have a negative impact on revenue realisations for both sugar and downstream exports, as well as the conversion of foreign subsidiary profits into Rand for the year ahead.

R A Williams
Chairman

Mount Edgecombe
19 July 2011

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