

Chairman's Statement

OVERVIEW

The past year was disappointing for the group. Despite the significantly enhanced production capability of the business, the financial results were adversely affected by a number of external factors. Key amongst these were abnormal weather conditions which hampered group production and volatile exchange rates.

Group sugar production was marginally below last year and this, together with unfavourable exchange rates, impacted negatively on group revenues and margins resulting in operating profit of R1 029 million being 31% below that of the previous year. In addition, the operating margin declined from 18% to 13%. Headline earnings of R516 million declined by 27%, whilst headline earnings per share fell by 35% to 112.2 cents.

However, with its strong cash generation and a healthy balance sheet, the group is well positioned to continue with its growth path of increased sugar and cane production in Africa. Our focus on Africa and the way we have organised and deployed resources over the past few years to attain our business objectives on the continent position us uniquely to participate in the considerable growth opportunities that Africa offers. In addition, the group is focused on continuing to be the lowest-cost producer in every country in which it operates and amongst the lowest-cost producers in the world, optimising the return on every stick of cane by adding value to its core commodity products of fibre, sugar and molasses. This strategy is both robust and sustainable.

SUGAR CAPACITY EXPANSIONS

The commissioning of the major factory expansion and power co-generation project at Ubombo in Swaziland in April of this year will, over the longer-term, add an additional 100 000 tons of sugar to Illovo's current production capacity. In addition to providing sufficient electricity to cover all of Ubombo's power requirements, surplus electricity will also be exported to the national grid in terms of a commercial agreement with the Swaziland Electricity Company. The project is linked to the Lower Usuthu Small-holder Irrigation Project which, already in its initial phases of development has created almost 1 500 jobs and is ultimately expected to provide economic benefits to 28 000 people.

The benefits of the substantial capital investment in our sugar operations at Nakambala in Zambia started to flow through during the past year. This successful major expansion, which has increased annual sugar production capacity from around 200 000 tons to 450 000 tons, saw all previous production and sales records being exceeded. This was a milestone achievement for Zambia Sugar. The confidence level is high at Nakambala, leading to the expectation of further milestones in the 2011/12 sugar milling season.

Following the completion of the two-year factory capacity expansion at Maragra in Mozambique, and in order to fulfil its increased production objectives, the focus of attention is on increasing its current cane supply. Ultimately, in steady-state, 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 which will result in its offcrop refining capacity increasing by 60 000 tons of refined sugar above the previous annual capacity of 290 000 tons. Smaller factory and agricultural expansions have also been undertaken in Malawi whilst in Tanzania, ongoing agricultural projects to increase cane yields at Kilombero have shown meaningful results.



Robbie Williams



The commissioning of the major factory expansion and power co-generation project at Ubombo in Swaziland in April of this year will, over the longer-term, add an additional 100 000 tons of sugar to Illovo's current production capacity.

Progress on the capital investment opportunity in Mali is ongoing, with the remaining hurdle being project funding for the development. This greenfield project continues to receive high priority support from the government of Mali and would represent a major economic milestone in the industrial transformation of that country. Once commissioned and in steady-state, the project will produce 200 000 tons of sugar, 15 000 kilolitres of fuel-blend ethanol and sufficient electrical power to be self-sufficient plus export a small surplus to the national grid. It is anticipated that, subject to funding being secured in terms of current timelines, the project will commence towards the end of 2011, with first sugar production likely in early 2014/15.

DOWNSTREAM

Illovo's downstream business is constantly seeking value-added niche opportunities and recently Agriguard's products gained access to potentially significant new markets. The conversion of furfural, derived from sugar cane, to a natural environmentally-friendly agricultural chemical to combat plant root nematodes recently achieved registration for use in the United States of America (USA) on golf courses and turf. Granted by that country's Environmental Protection Agency, one of the world's most stringent regulatory bodies, this is the first registration of furfural as a nematicide in the USA and allows access to a sizeable market that will be used as a springboard to achieve further registrations and to expand into other international markets. Further production enhancements at the Merebank ethanol plant resulted in increased production and record output being achieved in 2010/11.

MARKETS

A strength of the Illovo business lies in its established strong presence in the domestic markets in the countries in which it operates. In addition, it has access to markets in the European Union (EU) and the USA whilst in Africa, deficit sugar markets in close proximity to the group's operations remain a strong focus. It is significant that of total sugar sales of 1.64 million tons in 2010/11, 65% was sold to local consumers and industrial users. Illovo's proven sugar distribution into some of southern Africa's most remote and rural areas further enhanced sales. Only 5% of total group sales was exported to the world raw sugar market through the South African Sugar Association. The mix of downstream product sales is predominantly export orientated, where prices which were strong in the past year are governed by international market forces. Domestic sales of downstream products continue to provide positive returns on the basis of quality and availability.

OPPORTUNITIES

The cane sugar industry holds a major competitive advantage in that the residual fibre from the cane extraction process, bagasse, is used primarily as a bio-renewable fuel feedstock for factory boilers to produce electricity to power its own operations. A further enhancement to this internal electricity production model, is Illovo's development of the process to utilise biomass left in cane fields after harvesting. Blended with bagasse this increases boiler fuel feedstock and, with additional installed co-generation capacity, further increases electricity production. Power shortages are a growing issue across Africa with considerable negative consequences for economic development and growth in many African countries. In addition to Illovo's stated objective to become self-sufficient in its own power requirements, there exists significant potential to supply surplus power into national electricity grids from existing and new operations, provided that there is a stable regulatory environment within which to work. Against this background and with considerable in-house experience, the commissioning of the Ubombo expansion this year provides a sustainable sugar/power co-generation production model which can be used in existing operations or new sugar projects.

Molasses, as a by-product of the sugar manufacturing process, is already used in South Africa to produce high-quality grades of potable and denatured ethanol. In most other countries in which Illovo operates, there are several opportunities which would expand the group's involvement in this area of operation. In the medium-term, these include potential projects in Tanzania to produce potable alcohol at the Kilombero operation, and in Malawi, Zambia and Mali to produce ethanol for fuel blending programmes.

It is significant that of total sugar sales of 1.64 million tons, 65% was sold to local consumers and industrial users.

There are several opportunities to expand Illovo's current involvement in the production of ethanol from molasses in South Africa to most of the group's other countries of operation. Pictured here are the molasses storage tanks at Merebank which produces high quality grades of potable and denatured ethanol.



CORPORATE GOVERNANCE

The directors and employees of Illovo strive to ensure that the company is managed in an efficient, accountable, responsible and moral manner and to this end, endorsed fully its compliance with the Code of Corporate Practices and Conduct contained in the King Report on Corporate Governance for South Africa 2002, known as King II. With the release of the King Report on Governance for 2009 (King III), Illovo committed in its 2010 Annual Report to compliance with the new standards incorporated in the King III Code and during the past year, the board has reviewed and evaluated corporate governance practice within the group, presenting its first report relative to this Code on pages 62 and 63. We have established a system to apply the principles of the Code, except for those instances where the board decides that certain principles are not appropriate, in which case reasons for this are provided. For the year ahead, Illovo will also comply with the new South African Companies Act, 2008, as amended, effective 1 May 2011.

Sustainability is a critical component of corporate governance and the group aims to ensure that sustainable development principles underpin all business activities and that it operates in a socially responsible manner towards its stakeholders in delivering positive social, economic and environmental benefits. During the past year, Illovo initiated a reporting process aligned to global reporting standards across all operations to assess and quantify key areas of its sustainability performance. This process, when completed later in the current year, will assist the group with the formalisation of an integrated sustainable approach, and include reporting of the group's sustainability performance and the setting of future performance objectives.

Illovo's progress towards these objectives has been assisted by its ongoing involvement with the JSE's Socially Responsible Investment (SRI) Index, to which it has been admitted for the past four years. On the ground, and cognisant of the development needs of the diverse and rural environments in which Illovo operates, the group has a long-standing track record of social investment delivery extending from the provision of basic services to direct financial investment to improve education delivery. In the past year, the group spent R143 million on both employee-related and community development programmes.

PROSPECTS

Overall, the strength of the group's base business and continued efforts to mitigate the impacts of Illovo's business risk factors, should result in Illovo increasing its sugar production to more than two million tons over the next five years. Equally, further developments of the group's downstream business will see this segment's profits increase over the same period.

Record cane production of 1.97 million tons was achieved by the agricultural operations at Zambia Sugar. Combined with outgrower deliveries, 385 000 tons of sugar was produced in 2010/11, the most produced by a single factory in the Illovo group.



In this coming year, an increase in group sugar production is anticipated. However, the strength of local currencies will continue to impact upon revenue realisations for both sugar and downstream exports and the conversion of profits.

DIRECTORATE

Karin Zarnack, the Financial Director, has resigned and will be leaving at the end of May 2011 to pursue other business interests. I would like to thank her for her contribution over the years and wish her well in her future endeavours.

APPRECIATION

I would like to thank the members of the board for the wise counsel and strategic value they bring to the group. On behalf of the board, I would like to also thank Illovo's people across its operations for the considerable effort they have put into their work in what has been a most challenging year. Their contributions and efforts are much appreciated.

The upcoming annual general meeting brings to an end my tenure as Chairman of Illovo.

It has been a privilege to have been on the board and to have played a part in the company's growth and development over the years.

I leave confident that the company is well positioned for the future.

Illovo has a highly competent and motivated management team well led by Graham Clark. It has a strong and experienced board and in addition receives valuable strategic input from its association with controlling shareholder, Associated British Foods plc and its subsidiary AB Sugar.

I am very pleased that Don MacLeod has been appointed to succeed me as Chairman. Don not only has a great depth of knowledge and wealth of experience in the industry, but also has a shared vision of growth for the future.

I wish him, my colleagues on the board and the company much success.

R A Williams

Chairman

Mount Edgecombe

27 May 2011

A TRIBUTE TO ROBBIE WILLIAMS

Robbie Williams will be retiring from Illovo at the forthcoming annual general meeting having reached the compulsory retirement age of 70, after 14 years as Chairman of the board and 26 years as a director.

He was born in the United Kingdom, went to Northlea High School in Bulawayo and is a law graduate of the University of Cape Town. He practised as a prosecutor before entering the world of business in Zimbabwe in 1964, then Rhodesia, and joined the Barlow Rand Group in 1967. He held a number of senior positions and was a director of the Barlow Rand Group which was the ultimate holding company of Illovo from 1980 until the unbundling of that company in 1993. He was Chairman of C G Smith Foods Limited, the then holding company of Illovo, from 1985.

He has served on a number of other listed company boards. He was the National President of the Institute of Marketing Management and in 1986 was South Africa's Marketing Man of the Year.

His association with Illovo goes back to 1985 when he was Chairman of C G Smith Foods and he has seen and been part of all major changes that have taken place in the group since that date. In the early years, Illovo was only a South African-based business focused on being the major player in that country, but in the year that he became Chairman, the group profile changed with the acquisition of Lonrho Sugar and Illovo became a truly African business with operations in Malawi, Swaziland and Mauritius. Since then, further acquisitions have taken place in Zambia and Tanzania with the re-development and expansion of the Mozambique business, following the catastrophic flood in 2000, also undertaken.

A number of expansions and rationalisations of the business have occurred over the last 14 years under the guiding hand of Robbie. He has played an integral role in all major strategic decisions taken during his involvement with the company, both as Chairman and whilst a director and Chairman of the holding company.

Figures only tell part of the story of the changes which have occurred in the group whilst Robbie has been involved. However, when he became Chairman, Illovo's sugar production was just over 800 000 tons, now having grown to 1.6 million tons in 2011, whilst earnings amounted to R81 million and now stand at R516 million. Equally, the employees numbered 5 200 permanents and 4 100 seasonals, which now compare with the current numbers of 12 169 and 17 000 respectively. Thus it is a very different group today compared to when he started as Chairman.

During his tenure as Chairman, he has visited the operations on a regular basis and understood the drivers and risks of the business which enabled him to pose critical questions to management whilst giving support and guidance. His knowledge of Illovo and its people has equipped him well in chairing the board particularly as the group has expanded its production base across the continent.

Illovo, its management and staff, and other stakeholders are highly appreciative of the role Robbie has played in guiding the group through a definitive period in its history, and we wish him well in his fully-retired years.

D G MacLeod

Deputy Chairman

Managing Director's Review

OVERVIEW

The impact of adverse weather and currency movements combined to depress group financial performance during the past year. Although sugar production was only marginally below the previous year, the strength of the rand and strong local currencies in Malawi and Zambia, together with a period of euro weakness, collectively impacted negatively on export earnings and the conversion of foreign subsidiary profits into rand. Group operating profit fell by R469 million from the previous year to R1 029 million, whilst headline earnings reduced by 27% to R516 million. Cash generation at R1 279 million was however strong, further strengthening the group balance sheet, notwithstanding the significant capital investments made by the group in the past five years.

CANE SUPPLY

Illovo's drive to increase the supply of cane to the group's sugar factories made good progress, with various developments in each country of operation. Total cane production of 6.3 million tons was a new record for the group, and compared to the 6.1 million tons produced in 2010, despite severe drought in South Africa and unseasonable wet weather in other countries. Notwithstanding a rain-interrupted season in Zambia, record cane production was achieved following the recent major expansion at Nakambala and this, together with increased output in Tanzania, more than offset significant cane supply losses in South Africa due to the drought, and to a lesser extent, weather-affected production in Malawi, Swaziland and Mozambique.

The coming year should see the results of several ongoing initiatives to further increase cane production across the group, notably in Swaziland where an additional area of land was planted to irrigated cane and good progress was made with a centre-pivot irrigation conversion project to increase cane yields. Further marginal land development took place in Malawi, whilst in Tanzania, a three-pronged initiative involving the planting of new cane varieties, an irrigation conversion and up-grading programme, and the rehabilitation of the estate drainage system saw a meaningful increase in cane yields in the year under review. A programme to optimise the disposition of new cane varieties, linked to irrigation up-grades, also improved cane yields in Mozambique. In South Africa, the initiative to increase cane supply from the small-scale farming sector progressed with the launch of an innovative, externally-funded cane rehabilitation and development programme over 4 000 hectares of land, which is being co-ordinated jointly by the company and its partners; the grower community, the provincial government of KwaZulu-Natal and The Standard Bank of South Africa Limited. In Zambia, further increases in cane supply are anticipated arising out of the completion of the outgrower component of the recent expansion in that country. The coming year should see the results of several initiatives to increase cane production by 300 000 tons across the group with an increase of 200 000 tons expected to be delivered by the group's growers.

SUGAR PRODUCTION

Group sugar production in 2010/11 of 1.639 million tons was marginally below last year's tonnage of 1.685 million tons. The loss of tonnage arising from the drought in South Africa was almost fully offset by increased production in other group operations, highlighting the strategic benefit of Illovo's geographic spread of operations. The severity of the drought in South Africa during 2010, affecting both company and outgrower cane production, was to remove more than 100 000 tons of sugar from forecast targets. There were also smaller sugar production decreases in Malawi, Swaziland and Mozambique due to unseasonably wet weather both at the beginning and end of the season. However, record sugar production



Graham Clark



Total cane production of 6.3 million tons was a new record for the group, and compared to the 6.1 million tons produced in 2010, despite severe drought in South Africa and unseasonable wet weather in other countries.

in Zambia of 385 000 tons, despite weather-related disruptions during the year, and increased output in Tanzania, mitigated the down-side.

Overall, despite disruptions caused by erratic cane supplies and reduced cane quality due to the impact of the adverse weather, factory performance was generally good, with meaningful improvements in operational and mechanical efficiencies being achieved in many of the group's sugar factories. It is significant that the Nakambala factory in Zambia reached and exceeded its design cane throughput capacity and achieved an average factory capacity utilisation of more than 80%, the highest in the group.

The major factory expansion and co-generation project at Ubombo in Swaziland was commissioned, within budget and on time in April 2011 and, in its first year of operation, with increased company and outgrower cane supplies, is forecast to raise production by around 20% compared to last year. In South Africa, an expansion project to increase Noodsberg's total refining capacity to 350 000 tons of sugar was completed and will contribute towards the group's refined sugar needs into the future. Ongoing minor capacity enhancements continue throughout the group.

SUGAR MARKETS

The group's domestic sugar markets are of major importance and in a year impacted generally by restricted sugar availability, it was encouraging to note that record offtake was achieved in the Zambian local market, increasing by 10% compared to 2010/11, whilst domestic sales in South Africa performed strongly and those in Tanzania showed a smaller improvement. Export sales were negatively affected by sugar availability. Sales to the EU and the USA showed a slight increase over last year, whereas regional sales volumes declined by 11%. EU and regional market prices firmed in line with the higher world price and tight sugar supplies. With the focus on domestic sales and EU and regional markets, less than 90 000 tons of sugar produced by Illovo was exported out of South Africa to the world raw sugar market. World raw sugar prices began 2010/11 on a downward trend following a period of sustained growth during 2009/10. This reversed as production expectations deteriorated in Brazil and India, and prices returned to the highs of the previous year. World sugar availability was extremely limited throughout the year as stocks in major consumer countries were replenished, whilst at the same time the increasing demand pipeline was supplied. A high level of speculative activity also supported world sugar prices. Towards the end of the 2010/11 season, news of improving production prospects began to soften demand and sugar future prices came under pressure. Predictions of a record crop in Thailand also drove sentiment. Against this background, the South African sugar industry exported 340 000 tons of sugar and realised an average price of US17.70 cents/lb compared to US16.53 cents/lb in the previous year.

DOWNSTREAM PRODUCTS

Drought in South Africa and its negative impact on cane supply reduced the raw material throughput of Sezela's furfural plant, resulting in production levels of furfural and furfuryl alcohol falling to around 15 900 tons and 9 000 tons respectively, representing a reduction of nearly 15% compared to the previous year. A good increase in diacetyl production to 115 000 kilograms was achieved, whilst Agriguard production for use as a nematicide almost doubled to more than 450 kilolitres. Good performance following plant modifications undertaken last year resulted in record production of ethanol at Merebank which, together with that produced by the Glendale distillery, amounted to more than 55 500 kilolitres. Lactulose and syrup production were similar to last year's levels.

Shortages of furfural and furfuryl alcohol in all major world markets resulted in strong export prices, rising to record levels for furfuryl alcohol. As much advantage as possible was taken of this strong demand but marketing activity was restricted by limited supply. Following the registration for the use of MultiGuard Protect, a furfural-based nematicide developed by Illovo, on turf and golf courses in the USA, the product was launched at the USA Golf and Turf Show in Florida in February 2011 during which the product received good exposure converting to a growing order book. Ethanol sales volumes remained steady with firmer export prices prevailing throughout the season.

PROSPECTS

The group's prospects for 2011/12 are driven off an anticipated increase in group sugar production compared to the past year. This is constrained by South African sugar output which is forecast to be sharply lower than in 2010/11 following the extreme knock-on impact of the drought experienced in KwaZulu-Natal. In this context, the Umzimkulu factory will not open for the 2011/12 season and the sugar cane from this area will be diverted to Sezela and Eston to better utilise plant capacity. Assuming normal weather conditions elsewhere, the fall in South African sugar production is expected to be offset by increased sugar production in the group's other operations. This follows the recent major production expansions, and a focus on performance optimisation to increase Illovo's sugar production efficiency. Downstream production of furfural will increase due to the diversion of cane to Sezela, and similar levels of ethanol production are estimated for the coming year. Sugar markets will be primarily domestic-market driven, but with increased sales to the EU where sugar prices have improved during the first half of 2011. Ongoing advantage will be taken of downstream prices which remain at good levels. However, the strength of local currencies will continue to have a negative impact upon revenue realisations for both sugar and downstream exports and the conversion of foreign subsidiary profits. Overall, operating profit is anticipated to improve, but increased financing costs, following the completion of the Swaziland expansion project, are expected to be sharply higher.

G J Clark

Managing Director

STRATEGIC REVIEW

The group's goals and objectives continue unchanged, with primary objectives being to remain a world-class, low-cost and highly efficient organisation seeking to enhance shareholder wealth and optimise growth, whilst at the same time achieving a sustainable, balanced and integrated economic, social and environmental performance.

High standards of corporate governance are demanded from all group operations and compliance is regularly reviewed. The group strives to achieve and surpass its goals and objectives on an ongoing basis, guided by the principles incorporated within the group Strategic Intent. All entities within the group are aligned to Illovo's common goals and objectives. Annual strategic plans and budgets are prepared with these aspects in mind.

Growth philosophy

Investments in the group's operations will continue to be undertaken in areas that display positive and stable social, political and economic fundamentals, have adequate water and land resources, favourable climatic and agronomic conditions, strong local sugar markets and good export potential and returns.

STRATEGIC UP-DATE

Malawi

- At Nchalo and Dwangwa, new areas of land have been developed to cane which will make full use of Malawi's installed milling capacity.
- As reported previously, evaluation of options for further significant cane and sugar expansion is ongoing, involving both company and outgrower land expansions, and the potential for power co-generation.
- Illovo is also exploring opportunities for ethanol production utilising molasses as the fermentation raw material.

Zambia

- The focus of attention at Nakambala over the medium-term will be to realise the full potential of the significant production capacity expansion from a previous level of 200 000 tons to 450 000 tons of sugar per annum. In addition, an investigation is underway to evaluate the construction of an ethanol plant to provide alcohol for fuel blending in Zambia, using the factory's molasses as fermentation feedstock.

South Africa

- The group's South African sugar production potential rests on several initiatives currently underway to increase independent grower cane supplies, to improve the quality of cane delivered by Illovo's own agricultural operations and to ensure the continued efficient operation of its factories and downstream plants. Subject to the success of the various support programmes involving small-scale growers and a good recovery from the drought, these initiatives are forecast to result in sugar production increasing from around the current annual capacity of 670 000 tons to approximately 700 000 tons over the medium term. It is expected that the downstream segment will benefit from the further commercialisation of the Agriguard business, together with ongoing stable performance from the Merebank and Glendale distilleries.

Tanzania

- Various projects over the past three years to increase cane yields on the Kilombero estate will be completed in the current season, with an already encouraging improvement of 3% in yields achieved in the past year. Further potential to increase cane supplies from Kilombero's outgrowers exists, with plans to convert existing outgrower cane fields from dry-land to irrigated production. An external feasibility study, facilitated by Illovo, has recently been commissioned to evaluate this opportunity.
- A further feasibility study, to evaluate the possibility of establishing an ethanol distillery at Kilombero, is presently being finalised.

Swaziland

- Following the completion of the factory expansion and co-generation project at Ubombo, the short-term focus will be on increasing annual sugar production in 2011/12 to 240 000 tons, with a further increase to around 300 000 tons over the next three years as cane supplies from the Lower Usuthu Small-holder Irrigation Project increase.

Mozambique

- The project to double annual sugar production capacity at the Maragra factory to 150 000 tons of sugar per annum was commissioned during the 2010/11 season. Unseasonable wet weather throughout the year disrupted cane supplies and factory operations, and ultimately sugar production. In the short-term, assuming normal weather conditions, objectives are in place to increase sugar production at the operation to more than 100 000 tons and, over the medium-term, to focus on increasing cane supplies to the factory in order that it reaches its annual design capacity.

Mali

- As mentioned elsewhere in this report, work towards commencing the group's greenfield project in Mali continues. Once commissioned and in steady state, the project will produce 200 000 tons of sugar, 15 000 kilolitres of fuel-blend ethanol and sufficient electrical power to be self-sufficient plus export any surplus to the national grid.

Financial Director's Review

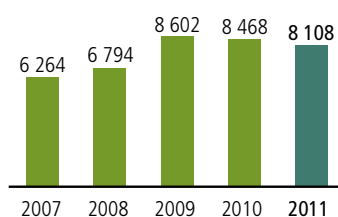
HIGHLIGHTS

- Net financing costs declined by 31%
- The effective tax rate reduced by 3.6% to 26.6%
- Strong cash flow generated from operating activities
- Total distribution of 56.0 cents per share
- Strong balance sheet to fund growth
- Capital projects remain on track

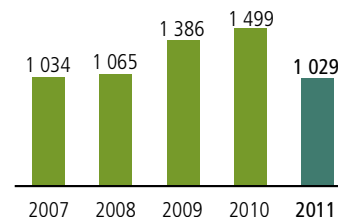


Karin Zarnack

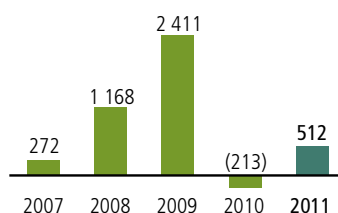
REVENUE (Rm)



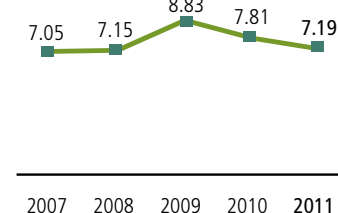
OPERATING PROFIT (Rm)



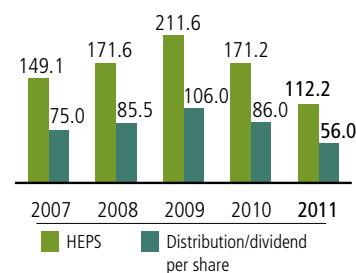
TOTAL NET BORROWINGS/(CASH) (Rm)



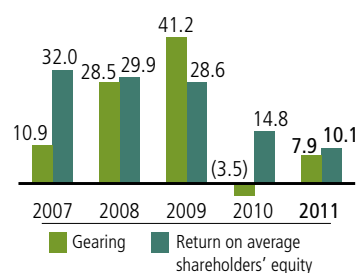
AVERAGE RAND/US DOLLAR RATE



HEADLINE EARNINGS AND DISTRIBUTION/DIVIDEND PER SHARE (cents)



GEARING AND RETURN ON SHAREHOLDERS' EQUITY (%)



PURPOSE

The purpose of this review is to provide further insight into the financial performance and financial position of the group and should be read in conjunction with the consolidated annual financial statements presented on pages 93 to 144.

KEY FINANCIAL RISKS

Exchange rates

Of the group's operating profit, 78% is derived from non-rand based countries, which exposes the group to fluctuations of the rand against those currencies. In particular, the fluctuation of the rand has a significant impact on the translation of local profits into rands which are converted at the average exchange rate for the year. During the financial year, the average rand/US dollar exchange rate strengthened by 8% following 12% in the previous year.

In the normal course of business, the group enters into transactions denominated in foreign currencies and as a result is subject to transaction and translation exposure from fluctuating foreign currency exchange rates. In order to protect the business from the effects of exchange rate volatility, forward exchange contracts are utilised, enabling more effective management of the group's cash flows and debt.



The downstream furfural plant operated well during the season but production was impacted by reduced raw material throughput as a result of the severe South African drought.

World sugar prices

The South African business is the only operation that exports excess sugar into the world market. These sales, together with the related hedging activities, are undertaken on behalf of the sugar milling companies by the South African Sugar Association (SASA). The company participates in all decisions made by SASA relative to its pricing and hedging activities.

The group's regional sales prices are also indirectly exposed to the world market price through import parity pricing. In order to minimise the group's exposure to the world market price, sales into domestic markets are maximised and better sales premiums are sought in the EU and USA markets. The quantities of sugar sold into the various markets are managed so as to ensure that the group realises the best possible return.

The impact of inflation and cost containment

It is a group imperative to ensure that local market price increases are aligned with country specific inflation. Generally, inflation in most countries in which the group operates has been relatively stable, however, global demand for certain input materials has resulted in higher operating costs in recent years.

To mitigate these effects, the group has continued to maintain strict cost disciplines through a combination of efficiency and productivity improvements as well as economies of scale.

Interest rate risk management

The group is exposed to interest rate risk in respect of variable rate loans and short-term cash investments. Interest rate swap contracts which exchange floating interest rates for fixed interest rates are entered into in order to reduce the group's exposure to variable interest rate borrowings.

If interest rates applicable to existing borrowings increase by 50 basis points, the group's profit before tax would reduce by R5.7 million.

CHANGES IN ACCOUNTING PRINCIPLES

During the current financial year, the group adopted a number of new accounting principles as set out in the accounting policies in the notes to the annual financial statements, none of which have had a significant impact on the financial performance or position.

FINANCIAL PERFORMANCE

The financial performance of the group is measured in terms of various key financial ratios which include the operating margin, headline earnings growth, gearing and cash flow generation, as set out below.

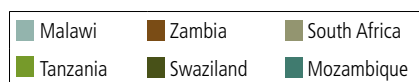
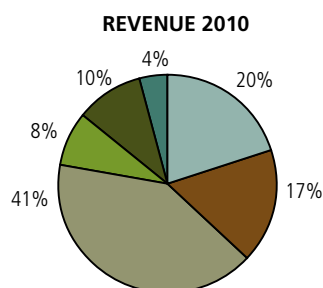
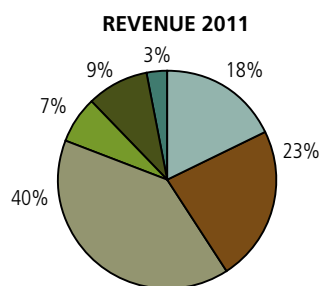
| | | 2007 | 2008 | 2009 | 2010 | 2011 |
|-------------------|------|------|-------|-------|-------|-------|
| Operating margin | (%) | 17 | 16 | 16 | 18 | 13 |
| Headline earnings | (Rm) | 515 | 600 | 742 | 703 | 516 |
| Gearing | (%) | 11 | 29 | 41 | (4) | 8 |
| Cash generated | | | | | | |
| from operations | (Rm) | 981 | 1 080 | 1 536 | 1 237 | 1 279 |

ACQUISITIONS AND DISPOSALS

Effective 1 April 2010, the group increased its shareholding in Maragra Açúcar SA from 74.0% to 80.2% by converting a R238 million loan into equity. Following the debt to equity conversion, the group acquired a further 9.8% for a consideration of R99 million, increasing its shareholding to 90.0%.

Also on 1 April 2010, net assets of the company's South African operations totalling R1 076 million were transferred from the company to Illovo Sugar (South Africa) Limited, a wholly-owned subsidiary of the company.

On 31 May 2010, Illovo Sugar (South Africa) Limited disposed of its investment in Castaneous Trading 38 (Pty) Limited, a property holding company, for a consideration of R131 million and realised a profit of R20 million.



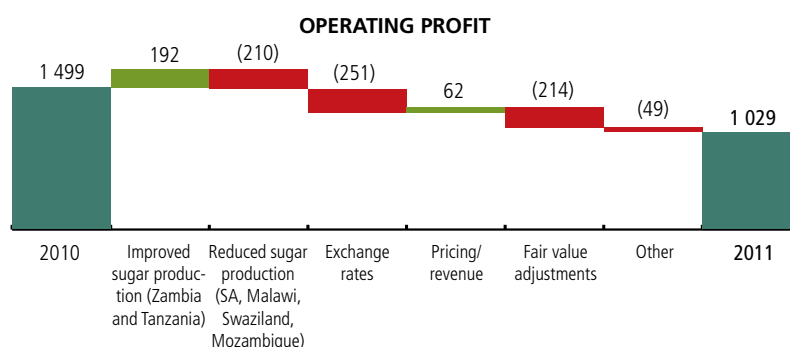
OPERATING PERFORMANCE

Group revenue decreased by 4%, operating profit declined by 31% and headline earnings reduced by 27% for the year. The reduction in operating profit resulted primarily from abnormal weather conditions negatively impacting on sugar production, and the strength of the rand against all currencies.

During the year under review, the group continued to focus on enhancing operational efficiencies while maintaining strict cost reduction initiatives. These initiatives realised savings of over R180 million. Cost containment strategies continue to be a significant focus area for the group.

Operating profit before accounting for the foreign currency translation movements declined by 14%, which is a reflection of the impact of the abnormal weather upon production. However, once the effects of the foreign currency translation movements are included, operating profit declined by 31%. The operating margin was 13% in the year under review (2010: 18%).

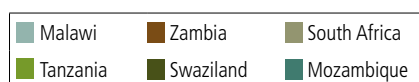
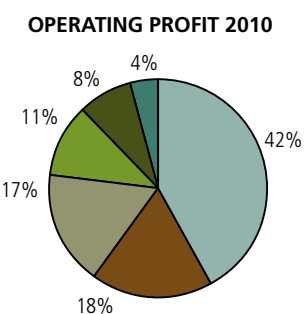
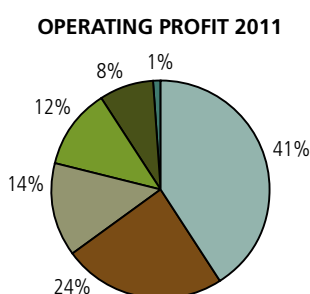
The decrease in operating profit over the previous year is graphically depicted as follows:



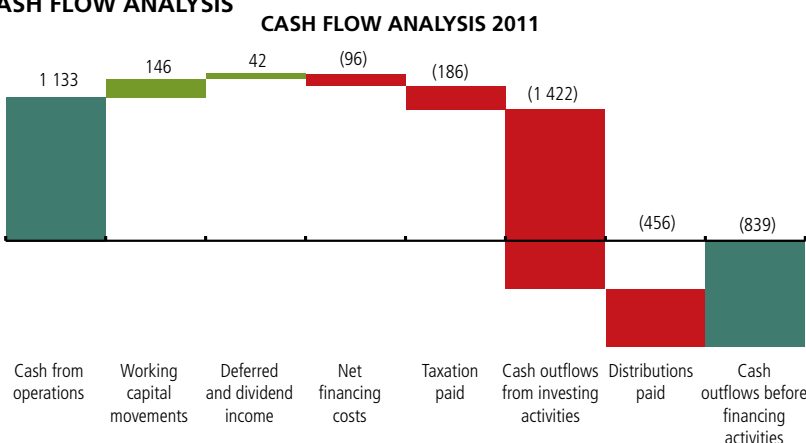
Although the average group debt was higher than in 2010, net financing costs were lower than those of the previous year, due to the group's concerted focus on managing its debt level and working capital as well as negotiating lower commercial interest rates. Interest of R26 million (2010: R14 million) was capitalised to expansion projects in the year under review.

In addition, the effective tax rate decreased from 30.2% to 26.6% as a result of the expansion-related tax allowances granted to the Swaziland operations. Included in the tax charge for the year are withholding taxes paid on cross-border transactions which contributed 6.2% (2010: 2.3%) to the overall tax rate.

Headline earnings declined by 27% to R516 million (2010: R703 million). The weighted average number of shares in issue has also increased by 49.5 million shares to 459.8 million shares due to the full year's impact of the rights issue completed in September 2009. The reduced profit after taxation and the dilutive effect of the rights issue shares resulted in headline earnings per share decreasing by 35% from 171.2 cents to 112.2 cents.



CASH FLOW ANALYSIS



During the year under review, the group continued to focus on cash flows generated from operations which ensured that the groups' operating profit was all cash. To maximise cash flow generation across the group, management continued to focus on revenue enhancements and cost reductions, as well as optimising working capital requirements and minimising financing costs and taxation.

In the year under review each of the operations generated cash from its operations with the group's cash operating profit increasing from R1 237 million to R1 279 million. The group's working capital requirements declined during 2011 due to the continued focus on working capital management. R282 million was spent on taxation and net financing costs. The group also invested R1 263 million in expansion capital projects which primarily relates to the factory expansion and co-generation project in Swaziland. R200 million was also spent on replacement capital. R456 million in distributions was paid to shareholders. Additional borrowings of R263 million were raised. The overall result is a decrease in cash of R602 million.

BORROWINGS

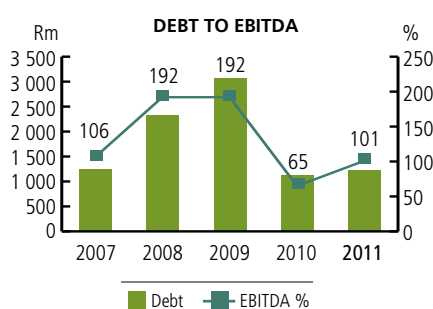
Net borrowings/(cash) is made up as follows:

| | 2011 Rm | 2010 Rm |
|---------------------------------|------------|------------|
| Long-term borrowings | 235 | 432 |
| Short-term borrowings | 934 | 612 |
| Bank overdraft | 61 | 88 |
| Total borrowings | 1 230 | 1 132 |
| Less: Cash and cash equivalents | (718) | (1 345) |
| Net borrowings/(cash) | 512 | (213) |
| Increase/(decrease) in funding | 263 | (1 427) |

All capital projects of the group are funded by each of the businesses, primarily in the same currency as the underlying project costs. Any residual funding is financed through group treasury which in turn is financed by the local debt markets. The group's borrowings profile is long-term in nature which reflects both the capital investment programme and the cash generated by the operations. Capital expansion projects are financed by a combination of floating and fixed rate long-term debt and are repaid from project cash flows.

The borrowings exposure at 31 March is analysed by currency:

| | 2011 Rm | % | 2010 Rm | % |
|---------------------|------------|-----|------------|-----|
| Rand | 405 | 33 | 75 | 7 |
| US dollar | 390 | 32 | 130 | 11 |
| Euro | 20 | 2 | 33 | 3 |
| Zambian kwacha | 327 | 26 | 816 | 72 |
| Tanzanian shillings | 80 | 6 | 42 | 4 |
| Malawian kwacha | 8 | 1 | 36 | 3 |
| Total borrowings | 1 230 | 100 | 1 132 | 100 |



During the year, group borrowings increased primarily due to financing of the Swaziland factory expansion and co-generation project. Gearing increased to 8% which is within the group's objective limit of 40%. The low level of gearing is expected to be maintained in the short-term, however, over the medium to long-term, in anticipation of large capital expansion projects, this gearing level is expected to reach the objective limit.

At year-end, the group had total committed bank facilities amounting to R1 922 million of which R811 million was drawn-down. The group also has access to uncommitted facilities of R1 495 million. Cash-on-hand at year-end totalled R718 million, resulting in a net debt position of R512 million.

SHAREHOLDING AND RETURN

Trading activity by volume of shares traded on the JSE has declined by 27% year-on-year. The share price declined by 10% from 2 970 cents to 2 685 cents at year-end.

The group has maintained its policy to pay a distribution to shareholders twice a year (interim and final), in aggregate twice covered by headline earnings. The board believes that this distribution cover ratio is appropriate given the group's current and forecast cash generation, planned capital expenditure and gearing levels.

An interim capital distribution in lieu of dividend of 22.0 cents was paid and a final capital distribution in lieu of dividend of 34.0 cents has been approved. The distributions for the year decreased by 35% to 56.0 cents per share, compared to 86.0 cents in 2010. In accordance with International Financial Reporting Standards, no liability has been raised for the final distribution. The source of the distribution is the capital reduction out of share premium and therefore the cost of the final distribution of R156 million has been transferred from share premium to a separate distribution reserve.

RETURN ON NET ASSETS

The return on net assets for the group of 14% (2010: 22%) reflects the impact of the substantial investment in agricultural and factory expansion projects which are not yet fully utilised. A currency loss of R402 million arose on the translation of the group's foreign currency denominated net assets into rands.

CAPITAL EXPENDITURE AND COMMITMENTS

A summary of the group's capital expenditure and approved capital expenditure as at 31 March is set out below:

| Rm | Capital expenditure 2011 | | Approved capital expenditure 2012 | | Total capital commitments |
|--------------|--------------------------|------------|-----------------------------------|------------|---------------------------|
| | Expansion | Ongoing | Expansion | Ongoing | |
| South Africa | 57 | 78 | 64 | 93 | 157 |
| Malawi | 7 | 52 | – | 64 | 64 |
| Zambia | – | 26 | – | 46 | 46 |
| Swaziland | 1 120 | 16 | 70 | 32 | 102 |
| Tanzania | 49 | 13 | 64 | 23 | 87 |
| Mozambique | 30 | 15 | – | 28 | 28 |
| Mali | – | – | 2 068 | – | 2 068 |
| Group | – | – | – | 54 | 54 |
| Total | 1 263 | 200 | 2 266 | 340 | 2 606 |

The group continued to apply the following hurdle rates to new capital projects:

| | |
|------------------------------|-----------|
| Internal rate of return | > 20% |
| EBIT/capital at steady state | > 20% |
| Payback | < 7 years |

These hurdles ensure that capital is applied to projects that give the best return on investment, but do not apply to ongoing capital expenditure on existing operations and in particular environmental capital in respect of which it is not always possible to demonstrate economic viability. Equity injections into the operating subsidiaries are considered from time-to-time as may be appropriate, in order to maximise shareholders' returns.

FINANCIAL CONTROLS

The internal control systems are designed to provide reasonable assurance against material losses and misstatement of financial results, and are intended to manage all significant risks. The safeguarding and prevention of misuse of assets is an important aspect of internal control. During the year under review in line with King III, the internal financial control framework was further developed to improve the identification of financial reporting risks and to provide additional assurance that controls are adequate to address the risk of material misstatements of financial results.

GOING-CONCERN ASSERTION

The board has formally considered the going-concern assertion for the Illovo group and is of the opinion that it is appropriate for the forthcoming year.

K Zarnack

Financial Director

Operational reviews

MALAWI

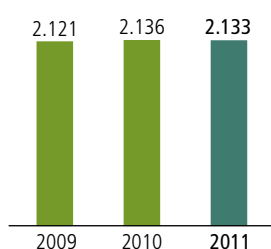


Ian Parrott (44) *Country Head*
BCom, CIA
Joined the group in 1997

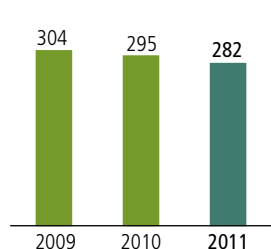
Illovo Sugar (Malawi) Limited is listed on the Malawi Stock Exchange with the Illovo group holding 76% of the issued share capital. Old Mutual Life Assurance Company (Malawi) Limited holds 9%, whilst the balance of the shares are held by the public and various other institutional investors. The operations at Nchalo in the south of Malawi and Dwangwa in the mid-central region produce sugar cane, raw and refined sugar and speciality sugars at Nchalo. More than 60% of total sugar sales are sold to domestic consumer and industrial markets, with the balance exported to preferential markets in the EU and the USA, and the surrounding region.

In Malawi, and in Illovo's other countries of operation outside South Africa, the agricultural operations are significantly enhanced by a number of factors, including access to secure water sources for irrigation, excellent soils and ideal climatic conditions to promote optimum cane growth. Combined, these attributes result in high-yielding sugar cane crops which are harvested annually.

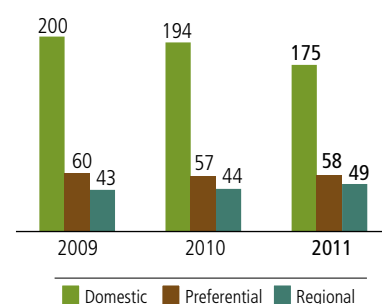
CANE PRODUCTION (million tons)



SUGAR PRODUCTION (tons '000)



MARKETS (tons '000)



Agriculture

Cane yields of around 109 tons of cane per hectare at both estates were similar to the previous season, with total cane throughput in Malawi of 2.4 million tons assisted by a welcome yield increase in cane cultivated by Malawian smallholder farmers. However, unseasonable wet weather conditions during the year resulted in lower than estimated sucrose content in cane, negatively impacting upon sugar production.

Ongoing small-holder cane developments at Kasinthula, adjacent to Nchalo, in addition to smaller estate cane expansions at Dwangwa, are being undertaken to further consolidate cane supply to the Malawian operation.

A "green cane" harvesting trial was commissioned at the Nchalo estate, with the objective of providing the sugar mill with additional renewable boiler fuel, in the form of cane trash. During the year under review, 11 500 tons of cane trash were harvested and fed into the boilers.

Sugar production

Total sugar production of 282 000 tons was around 4% lower than in 2009/10, representing a satisfactory performance against a background of poor operating conditions caused by unseasonal rains during the season. Approximately 70 000 tons of cane was carried over to the current season for processing, following a rigorous offcrop maintenance programme designed to improve operational efficiencies at both factories.



Total sugar production of 282 000 tons in Malawi was around 4% lower than in 2009/10, impacted negatively by unseasonable rains during the season.



Blended with bagasse, biomass collected in cane fields at Nchalo in Malawi and at Ubombo in Swaziland, is used to increase boiler fuel feedstock, thereby augmenting electricity production within the factory power plant.

Cane yields of around 109 tons of cane per hectare at both estates were similar to the previous season, with total cane throughput in Malawi of 2.4 million tons assisted by a welcome yield increase in cane cultivated by Malawian smallholder farmers.

Molasses, produced at Nchalo and Dwangwa, is currently sold as a fermentation raw material to the Ethanol Company Limited and Presscane Limited respectively, which are both fuel alcohol distilleries in Malawi.

Good rains were received at Dwangwa during the first three months of the year, whilst the cane crop at Nchalo was irrigated to offset the generally drier conditions experienced in the south of the country. Overall, sugar production is forecast to increase by more than 10% compared to that produced in the previous season, resulting in additional sugar availability to satisfy Malawi's primary markets.

Marketing

Illovo branded pre-packed refined and brown sugar is sold to Malawian consumers through an established marketing and distribution network of depots strategically positioned to reach all parts of the country. Together with sales to industrial manufacturers of sugar containing products, total local off-take amounts to around two-thirds of production with the balance exported into long-standing markets in the EU and USA, and also regionally into markets in neighbouring African countries.

Compared to 2009/10, demand for sugar within the local market was depressed due to local economic conditions and decreased by about 12%. However, regional market sales at good prices, particularly into the Zimbabwean market, supported the achievement of overall sales targets. Sales into the USA and the EU under the Least Developed Countries (LDC) and African, Caribbean and Pacific (ACP) duty-free and quota-free supply arrangements, were shipped against agreed contract arrangements but were impacted by lower EU prices and the weaker Euro. However, more recently, market prices in the EU have increased strongly and will be of future benefit to LDC/ACP sugar suppliers to the EU.

Environmental

In support of the Malawian Government Reforestation Initiative, aimed at rehabilitating the Shire Valley through the cultivation of indigenous trees and woodlots, Nchalo planted approximately 6 000 trees during 2010/11. The cultivation of Eucalypt woodlots is promoted in an effort to reduce the harvesting of indigenous trees for firewood and charcoal production, a serious threat to Malawi's natural environment.

Social

Maize was again grown by Illovo to assist with initiatives aimed at achieving food security within the country. Continued support was also provided to various child feeding schemes as part of the governmental social and economic development programme as well as to local community education facilities, charity organisations, and sporting bodies amongst others.

In response to an outbreak of measles in Malawi during the year, Nchalo implemented a measles education, counselling, treatment and immunisation programme, in which approximately 12 000 children were immunised.

Operational reviews

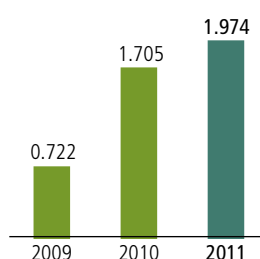
ZAMBIA



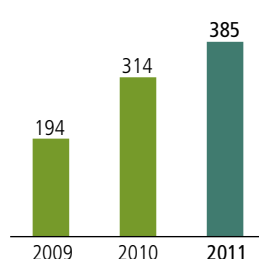
Steven Langton (50) *Country Head*
PrEng, BScEng
Joined the group in 1996

Zambia Sugar Plc is the group's second largest sugar producer after South Africa following a major agricultural and factory expansion project completed in 2009, which increased total annual sugar production capacity from around 200 000 tons to 450 000 tons. The company is listed on the Lusaka Stock Exchange with 82% of shares held by the Illovo group and the balance by institutional and private investors. As the country's leading sugar producer, located in the south-western region of the country alongside the Kafue River, it cultivates sugar cane and manufactures Vitamin A-enriched raw and refined sugar under the Whitespoon brand name for local consumer markets and industrial customers, comprising around 38% of total sales. With increased sugar availability following the expansion project, sales to preferential markets in the EU and into surrounding African countries have risen significantly, comprising around 29% and 33% of total sales respectively. The company also produces speciality sugars for export to the EU and syrup for local consumer markets.

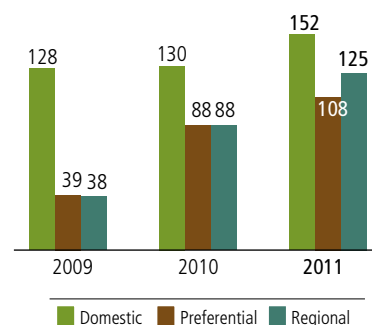
CANE PRODUCTION (million tons)



SUGAR PRODUCTION (tons '000)



MARKETS (tons '000)



Agriculture

The agricultural operations produced a record 1.97 million tons of cane in the 2010/11 season, representing a 16% increase compared to last year. Wet weather in the early and latter parts of the season affected cane harvesting operations resulting in cane being carried over for processing in the current season. Combined with deliveries from Zambia Sugar's supplying outgrowers, total cane throughput amounted to 3.1 million tons, representing a 19% increase compared to the previous year.

Sugar production

Milling operations were consolidated during the season, with the factory achieving its design milling capacity and improving on factory performance compared to last year. Sugar production increased to 385 000 tons from 315 000 tons last season, representing a new sugar production record for Zambia Sugar and the most produced by a single factory in the Illovo group. However, it was unfortunate that unseasonable rains hampered the crush rate and impacted negatively upon an otherwise good performance. Factory time efficiencies and the recovery of sugar from cane showed considerable improvement compared to the previous season.

Good rains were received during December and January, and increased radiation levels combined with early irrigation of the crop provided ideal conditions for good growth. As more sugar cane arising out of the expansion project becomes available



TOP: The Nakambala factory achieved its design milling capacity producing a record 385 000 tons of sugar.

RIGHT: The agricultural operations produced a record 1.97 million tons of cane in the 2010/11 season in Zambia, representing a 16% increase compared to last year.



Sugar production increased to 385 000 tons from 315 000 tons last season, representing a new sugar production record for Zambia Sugar.

for crushing, so sugar production levels are expected to increase with, given normal weather conditions, a 7% rise in output forecast for the current season.

Marketing

Domestic sales in Zambia of 143 000 tons in the 2010/11 season increased by 10% compared to the previous year. The year was characterised by strong domestic economic fundamentals, a stable exchange rate and strong regional demand which supported higher prices and inhibited illegal imports from entering the country. Zambia Sugar again benefited from its well-established sugar marketing and distribution systems to reach all of its markets across the country.

The increased tonnage of duty-free, quota-free sugar exports to EU markets on the back of the recent production expansion partially offset lower prices and the impact of the weaker euro on revenue realisations. However, more recently, market prices in the EU have increased strongly and will be of benefit to the Zambian operation going forward. Regional market sales also increased significantly and benefited from higher prices, influenced largely by the major rise in world raw sugar prices in 2010, and in the first five months of 2011.

Environmental

Zambia Sugar initiated the development of a Waste Management Strategy during the year under review, with the objective of reducing operational waste at the production level, along with improving overall waste, effluent and emission management. In the interim, measures were employed for the relocation of the hazardous waste disposal site to a more suitable location. Once completed, the hazardous waste landfill will be managed according to improved operational standards to mitigate environmental impacts.

Social

A number of social responsibility projects were supported during the year including the building of classrooms for the Mazabuka High School and provision of potable water and other essential services for the St Edmunds and Rusanga Mission High Schools. Monetary donations to local welfare organisations and sporting and recreation clubs were also made.

The company continues to fortify all sugar intended for local consumption with Vitamin A in support of the government of Zambia initiative to decrease mortality and morbidity in children as a result of Vitamin A deficiencies.

Operational reviews

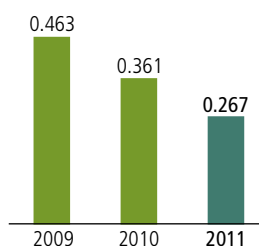
SOUTH AFRICA



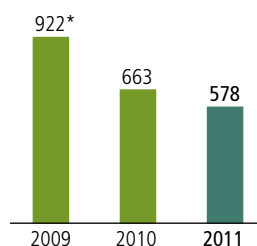
Dave Howells (47) *Country Head*
 BCom, CA(SA)
 Joined the group in 1997

Illovo's first presence in South Africa is traced back to KwaZulu-Natal in 1891 when Sir Charles George Smith set in motion a series of events that would result in the formation in 1975 of C G Smith Sugar Limited, and which would be transformed into Africa's biggest sugar producer, under the name of Illovo Sugar Limited. Listed on the JSE Limited in 1992, Durban remains the corporate centre of Illovo, providing strategic, financial, operational, technical, commercial, human resources and corporate support to its extensive operations across six African countries.

CANE PRODUCTION (million tons)

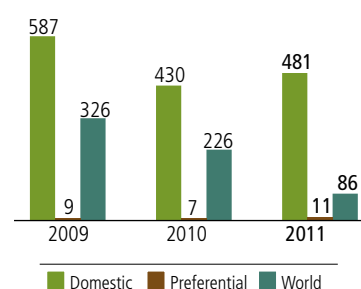


SUGAR PRODUCTION (tons '000)



* Includes production from Pongola, Umfolozi and Gledhow – now sold

MARKETS (tons '000)



The operations of Illovo Sugar (South Africa) Limited (Illovo SA), a wholly-owned subsidiary of the Illovo group, include the cultivation of sugar cane and production of raw and refined sugar, syrup, the downstream products of furfural, furfuryl alcohol, Agriguard, diacetyl, 2,3-pentanedione and ethanol, together with lactulose. Illovo's sugar markets are largely domestic, with around 15% of South African production exported on to the world raw sugar market, representing approximately 5% of total group sales, whilst downstream products are primarily export-focused. There are six sugar producers in South Africa with combined production of around 1.9 million tons in 2010/11, with sales into domestic, regional and world markets.

Agriculture

In KwaZulu-Natal, Illovo's own agricultural operations and those of its independent cane suppliers, rely on rainfall to sustain their cane crops. Long-term average cane yields for the South African sugar industry in the province are approximately 65 tons of cane per hectare, in a normal season. The warmer sub-tropical climate of the coastal cane growing region results in the crop being harvested every 18 months whilst cane grown in the higher and colder midlands regions matures every two years. To optimise opportunities, and as a risk mitigating strategy, Illovo operates two sugar mills on the south coast at Sezela and Port Shepstone, and two mills in the south and north midlands regions, at Eston and Noodsberg respectively.



In a season of normal rainfall, sugar cane cultivated in South Africa flourishes to achieve yields of more than 70 tons of cane per hectare. However, in 2010, severe drought conditions, the worst since that experienced in 1992/93, wreaked considerable damage on the crop, reducing yields on Illovo cane lands to an average of 52 tons of cane per hectare.



Cane production in Illovo's cane supply regions in 2010/11 was impacted significantly by a severe drought in 2010 with rainfall for the period January 2010 to September 2010 well below the long-term mean, and its lowest for the past 15 years. As a result, average company cane yields, which are generally higher than the industry average, decreased from last year and resulted in production falling from 361 000 tons of cane last season to 267 000 tons in 2010/11. Increased sucrose in cane partly offset these yield losses.

The drought also impacted negatively on the production of Illovo's independent cane growing community with total deliveries from small, medium and large-scale growers decreasing from last season by around one million tons to 4.3 million tons in the year under review.

Cane supply remains a significant concern in the South African sugar industry, with 43% of the total land area supplying cane to Illovo mills being the subject of long-standing land claims in terms of the Restitution of Land Rights Act, 1994. Thus far, of the areas claimed, just over 11% has been transferred to claimants. While the protracted process of settling land claims continues, independent cane growers affected by the process are reluctant to re-invest in their crops, thereby impacting further on cane yields. However, the company is working with these growers, the claimants and the relevant government authorities to ensure that farms transferred in terms of the restitution process continue to be cultivated productively. Land reform committees are active in all mill areas and Illovo is playing a leading role in sugar industry land reform initiatives.

Significantly, as part of ongoing initiatives co-ordinated by Illovo and local cane growing bodies to increase cane supply from the small-scale grower sector, a R60 million development finance loan was approved by the Agricultural Division of The Standard Bank Group Limited to fund the rehabilitation of approximately 2 000 hectares of existing land under cane and at the same time, to develop an additional 2 000 hectares of new land to sugar cane. Entitled 'Sizanayo', the initiative is forecast to increase cane supply to Illovo's Sezela sugar mill by 180 000 tons in the medium-term, benefiting around 4 000 small-scale farmers in the region and creating 750 permanent employment opportunities.

Sugar production

The performance of Illovo's three raw sugar mills was generally good with excellent factory efficiencies being achieved, against the backdrop of the severe drought conditions which impacted negatively on cane quality and in turn, on general factory operations. At Noodsberg, factory and refinery performance continued to improve with the production of 261 000 tons of refined sugar. Good progress was achieved with the expansion project to increase Noodsberg's offcrop refining capacity by an additional 60 000 tons of refined sugar. Total company sugar production of 578 000 tons ended well below normal levels, however, Illovo's share of industry production, which was also impacted by the drought, remained at 30%.

In an effort to improve broad-scale operational efficiencies and reduce the consumption of purchased electricity and coal, performance optimisation studies were undertaken at the three raw sugar mills. These studies resulted in the proposition of various site-specific projects, focusing largely on optimising production efficiencies during the sugar production process.

The Gledhow sugar factory, in which Illovo has a 30% share, performed well in difficult drought conditions to produce 96 000 tons of raw sugar. Together with raw sugar supplies supplied by other sugar mills, Gledhow produced 154 000 tons of refined sugar.

The drought in 2010 severely affected cane production, particularly across the lower south coast cane supply region, and it is anticipated that cane production in 2011/12 will be lower than that of last season. The associated reduction in cane supply has resulted in the Umzimkulu mill not opening for the 2011/12 season and all cane that would normally be delivered to this mill is being diverted for crushing at the Sezela mill. Illovo facilitated the full re-deployment and/or relocation of all affected employees to alternative mills within the group. This prevented retrenchment of employees and ensured retention of skills in anticipation of the re-opening of the mill after the 2011/12 season.

Downstream

The furfural plant at Sezela operated consistently throughout the season although production was lower than in 2009/10 due to significantly reduced cane supplies. The Merebank and Glendale distilleries continued to perform well and maintained consistent product quality and good throughput levels throughout the year, with both plants combining to achieve record production of 55 500 kilolitres of ethanol. Lactulose production was similar to that of last year.

| Downstream production | Furfural tons | Ethanol kilolitres |
|-----------------------|---------------|--------------------|
| 2009 | 20 000 | 52 000 |
| 2010 | 18 700 | 52 500 |
| 2011 | 15 900 | 55 500 |

Marketing

Illovo sells raw, brown and refined sugar, speciality brown sugars, syrup, furfural and its derivatives, potable and denatured ethanol, and lactulose into local and international markets. Illovo's domestic market sugar sales performance in 2010/11, particularly in the brown sugar sector, was pleasing. The group remains the major supplier of sugar to the South African industrial market. Regional market sales into the South African Customs Union (SACU), which has traditionally been supplied from Zimbabwe, were again boosted this year due to that country's current sugar production difficulties.

Illovo's share of raw sugar exports to the world market, undertaken by the South African Sugar Association (SASA), amounted to 86 000 tons for the year. The average price realised by the industry, including hedging activities undertaken by SASA, was US17.70 cents/lb, representing an increase of US1.17 cents/lb compared to the previous year, due to the higher average world market price in 2010/11. South African sugar industry production in 2011/12 is again expected to be impacted negatively by the effects of the severe drought in 2010 resulting in uncertainty about export availability. Around 34 000 tons of sugar have been priced to date on behalf of the industry by SASA, at an increased average price of US25.5 cents/lb. Futures prices currently are around US22.5 cents/lb.

In the downstream arena, international furfural and furfuryl alcohol prices climbed to record highs as world demand exceeded supply last year when China, the world's largest furfural producer, cut back its exports. A number of factors, including the

At Noodsberg, factory and refinery performance continued to improve with the production of 261 000 tons of refined sugar. The factory's off-crop refining capacity project was completed, increasing total annual refined sugar production by an additional 60 000 tons.



closure of most Chinese furfural plants due to an exceptionally severe winter, increased product demand from the foundry sector and heightened competition for corn cobs used in Chinese furfural production, combined to establish new international price levels. Export ethanol prices remained strong, although those received for lactulose were disappointing.

Several new developments, including access to the highly regulated USA turf market, impacted positively on Illovo's growing Agriguard business which produces agricultural chemicals from furfural to combat nematode infestation in a wide range of agricultural crops and on turf at sports stadia and golf courses. In South Africa, a refocused marketing initiative and the phased withdrawal from the market of a competing product, resulted in sales volumes increasing by more than 70% compared to the previous year. Sales of BioMass Sugar, a liquid organic fertiliser derived from sugar cane, were disappointing as its primary markets in Europe were affected by the economic slowdown.

Environmental

An extensive legal compliance review of Illovo SA operations was commissioned to consider waste management activities and constituents to ensure compliance with the recently promulgated National Environmental Management Waste Act. In addition, emissions control mechanisms were installed at Sezela, Eston and Umzimkulu and air quality monitoring was undertaken to ensure compliance with the emissions limits as stipulated by the South African Air Quality Standards.

Social

Illovo SA supported a number of corporate social initiative projects in the communities surrounding each mill entity, as part of its social investment programme. These included, inter alia, the support of education through the building of classrooms, provision of potable water and other essential services, donations to local welfare organisations, sporting and recreation subsidies, and assistance with the development of small to medium business enterprises at each operation.

Operational reviews

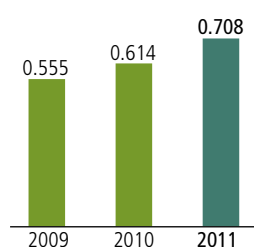
TANZANIA



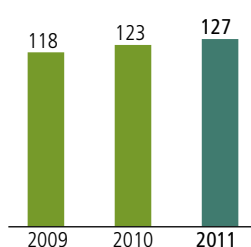
Don Carter-Brown (61) *Country Head*
BScAgricEng
Joined the group in 1978

Illovo holds 55% of the issued share capital in Kilombero Sugar Company Limited, with 20% held by ED&F Man, the London-based commodities group, and 25% by the government of Tanzania. Kilombero is situated in the Morogoro region in the centre/south of the country and comprises two adjacent agricultural estates and sugar factories, Msolwa and Ruembe, on either side of the Great Ruaha River, linked by a low-level bridge. It produces direct consumption brown sugar under the 'Bwana Sukari' brand-name, almost all of which is marketed and distributed by the company. Kilombero is one of four sugar producers in Tanzania which, at current production levels of just over 300 000 tons of sugar, is a net importer of sugar. A small portion of sugar is sold to regional markets.

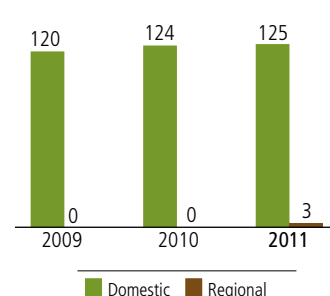
CANE PRODUCTION (million tons)



SUGAR PRODUCTION (tons '000)



MARKETS (tons '000)



Agriculture

Good summer rains and growing conditions resulted in the estate harvesting an increased cane crop of 708 000 tons, which was approximately 100 000 tons more than harvested in 2009/10. Cane yield improvements of 4% were attributed to newly-introduced cane varieties, which now make up 72% of the crop. Increases in the area under irrigation and the overall irrigation efficiencies helped sustain and maintain yields towards year-end when conditions became very dry. Outgrower cane production, which is rain-fed, benefited from the good pre-season rains and an improved crop of 493 000 tons was harvested. Heavy rains from December onwards disrupted harvesting and resulted in the season extending to early March 2011.

Following on from the previous year's increase in cane areas under expansion, a further project was undertaken to convert around 1 000 hectares of land to permanent linear irrigation, which is particularly cost effective for use on exceptionally flat land. In addition, further work was completed on improving the drainage and water management within the estate, which will further improve cane yields.

In a separate initiative and under the EU Accompanying Measures programme, the EU has commissioned a feasibility study to determine the irrigation potential within Kilombero's outgrower sector. The study also includes the design of a pilot irrigation



TOP: Sugar production in 2010/11 amounted to 127 000, a 5% increase over the previous year.

RIGHT: In Tanzania, around 1 000 hectares of land was converted to permanent linear irrigation which is particularly cost effective for use on exceptionally flat land, such as that at Kilombero.



Cane yield improvements of 4% were attributed to newly-introduced cane varieties which now make up 72% of the crop.

scheme which, when established, will be used to test the sustainability of a grower operated, sugar cane irrigation scheme.

Sugar production

Sugar production in 2010/11 amounted to just under 127 000 tons, a 5% increase over the previous year. Both factories operated satisfactorily up until mid-October after which a number of factors, including excessive rainfall, impacted upon factory performance.

Another extraction mill is to be added to the Msolwa milling train this coming offcrop maintenance period to increase extraction and sustain throughput at 110 tons of cane per hour.

The continuation of Kilombero’s irrigation expansion and drainage rehabilitation projects are expected to bring about meaningful improvements in average cane yields on the estate, with increased sugar production continuing over the medium-term.

Marketing

Current domestic requirements remain at just over 400 000 tons with the balance provided by duty-paid imports from the world sugar market. Domestic market demand and prices remained strong throughout the season. A small tonnage of sugar was exported into the region.

Environmental

Emissions monitoring was undertaken at both the factories during 2010/11 to establish an emissions baseline. Moving grates were installed in the Ruembe mill boilers to decrease particulate matter emissions and increase boiler efficiency.

Social

Sponsored by the Kilombero Trust, which is partly financed by the Kilombero Sugar Company, and by the company itself, the construction of a new government hospital, situated within the Kilombero community, has commenced. Once completed, the hospital will provide full operating and maternity facilities, a children’s ward and a modern mortuary.

Operational reviews

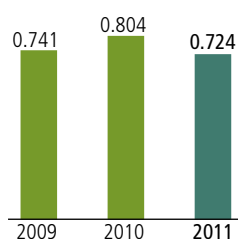
SWAZILAND



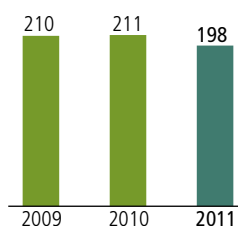
Simon Cleasby (52) *Country Head*
BScEng(Chem), MBA
Joined the group in 2009

The group has a 60% share in Ubombo Sugar Limited, with the balance of shares held on behalf of the Swazi nation by Tibiyo Taka Ngwane (Tibiyo). Ubombo, situated adjacent to the Usuthu River in the south east of the country, is one of three sugar producers in Swaziland whose combined total sugar output of more than 580 000 tons is marketed and distributed by the Swaziland Sugar Association (SSA). Around 40% of Ubombo's current sugar production is refined and sold into the SACU region, whilst more than 40% is exported to preferential markets in the EU and the USA, and the balance sold to regional markets.

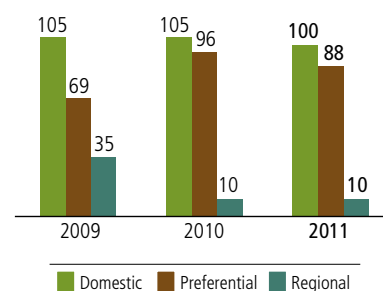
CANE PRODUCTION (million tons)



SUGAR PRODUCTION (tons '000)



MARKETS (tons '000)



Ubombo's future long-term sustainability has been further consolidated with the successful commissioning of a major factory expansion and co-generation project which has increased milling capacity from around 220 000 tons to more than 300 000 tons of sugar. The project has also allowed Ubombo to become self-sufficient in all of its own power requirements, utilising biomass from cane as supplementary fuel for the factory boilers, and a commercial agreement has been concluded with the Swaziland Electricity Company to supply electricity to the Swaziland national grid. This is the single largest commercial investment in Swaziland in recent years and one which will also benefit many indigenous small-holder farmers who, as part of the Lower Usuthu Small-holder Irrigation Project, have already commenced large-scale cane development projects, the produce of which will be delivered for processing by the Ubombo factory.

The operation is pursuing registration for carbon credits under the Clean Development Mechanism, derived from the replacement of fossil fuels and the generation of renewable energy. The validation of the project is presently being undertaken on behalf of the United Nations Framework Convention on Climate Change (UNFCCC) by an appointed Designated Operating Entity.

Agriculture

Own cane production at Ubombo in 2010/11 amounted to just under 724 000 tons, representing a 9% decline in production compared to last year.



Total sugar production in Swaziland in 2010/11 amounted to 198 000 tons. It is forecast that following commissioning of the major expansion and co-generation project in April 2011, sugar production will increase by 20% in the current year. A key installation of the factory expansion was a chainless sugar cane diffuser which is able to process 250 tons of cane per hour.



An additional 758 hectares of company cane land was converted to centre pivot irrigation in an ongoing project to improve cane yields and to improve water efficiency usage at the same time.

The factory expansion and co-generation project has allowed Ubombo to become self-sufficient in all of its power requirements and to export electricity to the national Swaziland grid.

Unseasonable wet weather impacting upon growth in both the 2010 and 2011 growing seasons, combined with the lower average age of the crop due to a longer than normal season in 2009/10, impacted negatively on cane yields.

Environmental

Good progress was made with the ongoing project to convert a portion of Ubombo's irrigated fields to centre pivot irrigation. Aimed at upgrading water usage efficiencies and increasing cane yields, an additional 758 hectares of land were converted during the season. A further 485 hectares were established to cane under centre pivot irrigation during 2010/11.

Approximately 3 000 hectares of 'green cane' were harvested at Ubombo with the objective of providing an additional renewable boiler fuel, further augmenting Ubombo's co-generation capacity. In addition, the use of wood chips as supplementary boiler fuel, is being investigated and tested.

Sugar production

Factory performance was generally satisfactory with various factory performance records being established. Both harvesting and milling operations were disrupted by wet conditions which affected factory efficiencies and resulted in sugar production of just under 200 000 tons being lower than production in the previous season. The Ubombo refinery ran well throughout the year. The increasing success of the biomass initiative, which utilises residual cane tops and leaves combined with bagasse to fuel the factory boilers, is aimed at eliminating completely any coal usage.

The good condition of the crop, combined with additional cane delivered from newly established small-holder and company expanded cane lands, is expected to result in sugar production in the coming season increasing by more than 20% compared to that produced in the past season.

Marketing

Demand for Swaziland sugar in the SACU market remained strong. Swaziland has recently become entitled to duty-free, quota-free access to the EU, subject only to a global safeguard applied to all ACP countries. Revenues from these sales during the season were impacted negatively by lower prices and a weaker euro, however, more recently, market prices have recovered and will benefit Swaziland as a whole, and particularly Ubombo, whose export availability is expected to increase significantly as a result of the recent production expansion. Sugar was also exported to the USA. Regional shortages of sugar in east and central Africa and improved world sugar prices resulted in higher premiums being achieved from this market.

Social

Ubombo facilitated a number of social initiatives within the community surrounding the mill, including contributions towards the construction of a new wing at the Ubombo Police Station in support of the 'Anti-Abuse Towards Women and Children Campaign'.

Operational reviews

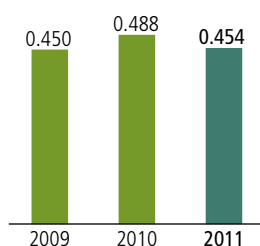
MOZAMBIQUE



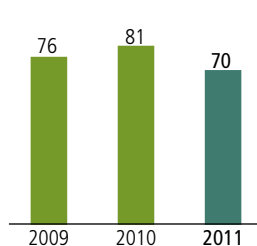
Mike Buchanan (61) *Country Head*
 BTechMkt, SEP
 Joined the group in 1981

Illovo's shareholding in Maragra Açúcar SA increased from 74% to 90% in 2010/11 as a result of Illovo purchasing shares from the minority shareholder, together with the conversion of long-term debt to equity. Maragra is situated adjacent to the coastline of Mozambique, approximately 80 kilometres north of Maputo. There are four sugar producers in the country with combined production capacity of more than 380 000 tons of sugar per annum. Around 60% of the production is sold to local consumer and industrial markets and the balance exported to preferential markets in the EU.

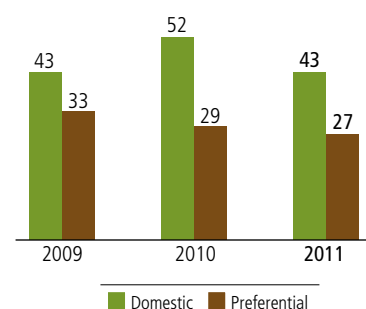
CANE PRODUCTION (million tons)



SUGAR PRODUCTION (tons '000)



MARKETS (tons '000)



Agriculture

Cane yields on the Maragra estate showed an encouraging improvement but overall, total cane production of 454 000 tons in 2010/11 reduced by 7% compared to last season, due primarily to abnormally wet conditions with average rainfall received over the season measuring 24% more than the long-term average. Combined with late summer rains which delayed the commencement of the season, ongoing loading and haulage operations were hampered by the wet weather conditions throughout the season resulting in intermittent supplies of cane to the factory. This resulted in both estate and outgrower cane being carried-over for processing in the current season.

Sugar production

The successful completion of the two-year expansion project to increase the milling capacity of the Maragra factory to 150 000 tons of sugar per annum was a highlight in a year troubled by wet weather throughout the season which also impacted negatively on cane quality and the smooth running of the factory. Combined with reduced cane supplies from Maragra's outgrowers, total sugar production amounted to 69 000 tons, compared to 81 000 tons produced in 2009/10.



Cane yields on the Maragra estate showed an encouraging improvement but overall, total cane production of 454 000 tons was 7% below that of the previous year due primarily to abnormally wet conditions.



Maragra's factory capacity expansion to 150 000 tons of sugar per annum was successfully commissioned in 2010.

Good rainfall in December and January and the subsequent drier weather conditions in the early part of the year have provided a strong platform for the current season's cane crop, with sugar production of 100 000 tons expected in 2011/12.

With the 2010/11 milling season prematurely closed, good rainfall in December and January and the subsequent drier weather conditions in the early part of the year have provided a strong platform for the current season's cane crop, with sugar production of 100 000 tons expected in 2011/12.

Marketing

Whilst the overall Mozambique domestic offtake increased by 3.4%, reduced sugar production at Maragra resulted in its domestic sales volumes in 2010/11 being lower than those in the previous season. Sales were also negatively impacted by the devaluation of the Mozambique metical. Whilst the country's export opportunities were optimised to the fullest extent, revenue realisations were affected by the reduction in the EU prices compared to the previous season. Sugar was also exported to the USA market in terms of Mozambique's quota access.

Environmental

Maragra undertook an internal waste survey and developed a Waste Management Plan in order to manage waste generated by the operation more effectively.

Social

Maragra contributed towards the construction of a new estate clinic during 2010/11 which provides 24-hour facilities for patients and an ambulance service.

Market Review

The group produces and sells a range of sugar, syrup and downstream products into domestic, regional and world markets.

Maximising sales to higher-priced and stable domestic markets form the basis of Illovo's primary marketing strategy. Sugar surplus to local markets is sold into preferential markets in the EU and the USA, and regional markets in Africa, whilst in South Africa, bulk raw exports to the world market are sold on behalf of Illovo through the South African Sugar Association (SASA). Combined, sales to these markets, comprised 25 countries. Downstream products developed mainly from molasses and bagasse are produced and sold into niche markets in 81 countries to complement this strategy. Export sales in 2010/11 contributed 31% of total revenue.

Unseasonable weather in a number of the group's operations resulted in lower sugar volumes being produced. This constrained Illovo's ability to take full advantage of the higher world price, attractive regional markets and improved EU prices in the second half of the year.

Group revenues were underpinned by strong domestic sugar sales in all countries of operation. Regional exports benefited from higher market prices in line with the higher world price and tight sugar supplies. This was offset by lower sugar availability, the relatively low EU export prices, the continued strength of the rand and the weak euro.

DOMESTIC MARKETS

Sugar

Illovo continues to benefit from strong market shares in each of the domestic sugar markets in which it operates and, in the year under review, domestic market sales represented 65% of total sugar sales volumes.

The SACU sugar market showed modest growth of 2% compared to the previous year registering sales of marginally under two million tons. The major suppliers into this market are the South African and Swaziland sugar industries. No imports from SADC sugar producing countries were sold into SACU this season. Higher world sugar market prices resulted in duty-paid imports decreasing to 85 000 tons compared to around 100 000 tons the previous season. The prolonged drought conditions in KwaZulu-Natal had a negative impact on Illovo's South African production which presented challenges in keeping the market supplied. Notwithstanding these difficulties, domestic sugar sales were ahead of expectations. In South Africa, 83% of total production was sold into the SACU market. Illovo is Malawi's sole sugar producer and in the 2010/11 season, domestic sales comprised approximately 62% of total sales. Zambia Sugar experienced strong demand in its domestic market with sales increasing by 10% during the year. In Swaziland, Ubombo Sugar accounted for about 34% of industry sales. Swaziland's domestic sales in 2010/11, undertaken by the Swaziland Sugar Association into the SACU market, represented approximately 51% of total sales. In Tanzania, almost all of Kilombero's total production was sold into the domestic market which benefited from improved returns due to higher regional prices. Whilst Maragra's local sales were affected by reduced production, industry sugar sales in Mozambique reflected annual growth of 3.4%, with most of the growth coming in the raw sugar consumer and refined sugar industrial markets.

Syrup is produced in South Africa and Zambia with the product being a brand leader in each of the respective domestic markets. Speciality sugars made in South Africa are for domestic consumption, whilst in Malawi and Zambia they are produced for preferential markets in the EU and in the case of Malawi, also in the USA.



In South Africa and Malawi, sugar is marketed under the Illovo brand name, and in Zambia and Tanzania, under the Whitespoon and Bwana Sukari brand names respectively. All sugar produced in Swaziland is marketed by the Swaziland Sugar Association and by Distribuidora Nacional de Açúcar (DNA) in Mozambique.



Illovo continues to benefit from strong market shares in each of the countries in which it operates and, in the year under review, domestic market sales represented 65% of total sugar sales volumes.

Downstream

Whilst the group's range of downstream products is primarily aimed at export markets, the Merebank and Glendale distilleries remain important suppliers of ethanol to the South African beverage, pharmaceutical and industrial chemical industries. Relatively small volumes of furfural and its derivatives, including Crop Guard, a furfural-based agricultural nematicide under the Agriguard range of products, as well as lactulose, are sold in the local South African market.

EXPORT MARKETS

Sugar

The unseasonable weather in a number of the group's operations impacted negatively on production and constrained Illovo's ability to take full advantage of the higher world sugar price, attractive regional prices and EU markets.

Preferential markets

The EU sugar market underwent a major transformation towards the end of the year with prices reaching record highs in response to a sugar shortage arising from a lower beet harvest and less sugar imports than anticipated. In an attempt to alleviate the shortage, the EU Commission dropped the €98 per ton duty on imports, re-allocated 500 000 tons of out-of-quota sugar into the domestic market and opened a duty-free sugar import quota (TRQ) allocation of 300 000 tons in April. This was 55 times over-subscribed resulting in importers receiving less than 6 000 tons per application. EU prices may ease from the record highs seen in recent months, but are expected to settle at a level much higher than a year ago.

During the year, the group's preferential exports to the EU and the USA from Malawi, Swaziland, Mozambique and Zambia amounted to approximately 292 000 tons.

Regional markets

The higher average world market sugar price and the tight supply conditions had a positive impact on regional market prices. Illovo was able to take advantage of this opportunity by selling into the regional markets in Southern Africa.

World market

More than 100 countries produce sugar around the world either from sugar beet or sugar cane. Approximately 81% of total production is made from sugar cane grown primarily in the tropical and sub-tropical zones of the southern hemisphere, and the balance from sugar beet which is grown mainly in the temperate zones of the northern hemisphere. Generally, the costs of producing sugar from sugar cane are lower than those in respect of processing sugar beets. Currently, 72% of the world's sugar is consumed in the countries of origin, whilst the balance is traded on world markets.

The world market sugar price lived up to its reputation as being one of the most volatile commodities, trading to record highs of US32 cents/lb early in the first quarter of 2011, before correcting to levels of around US23 cents/lb towards the end of May 2011. An improving supply position out of Thailand and India, combined with an expectation of a reasonable Brazilian crop has resulted in market sentiment turning around very quickly to a more bearish outlook.

The SASA export allocation of 326 000 tons for bulk sugar was significantly down on the previous year due to the drought, representing 17% of total industry production for the 2010/11 season. SASA achieved an average price of US17.70 cents/lb compared to US16.53 cents/lb in the previous season, and realised approximately R1.1 billion in export proceeds.

Downstream

The group is a material player in most of the world markets in which it participates and exports furfural, furfuryl alcohol, diacetyl, 2,3-pentanedione, ethanol and lactulose to 81 countries. In addition, BioMass Sugar, a liquid organic fertiliser derived from sugar cane is being sold to a growing number of international markets. MultiGuard Protect, a furfural-based agricultural nematicide derived from sugar cane has been successfully registered with the Environmental Protection Agency in the USA and the product was officially launched at the Golf and Turf Show held in Florida in February 2011. Initial orders are encouraging.

The stronger rand impacted negatively on downstream export revenues, which during the year under review, contributed R595 million (2010: R785 million) to group revenue.

World of sugar

INTERNATIONAL STATISTICS

THE WORLD SUGAR YEAR RUNS FROM OCTOBER TO SEPTEMBER



| | Production million tons | Exports million tons | | Population millions | Per capita consumption |
|--------------------------|----------------------------|-------------------------|---|------------------------|---------------------------|
| Brazil | 40.502 | 26.300 | 1 | 197 | 62 |
| India | 25.728 | 2.837 | 3 | 1 214 | 19 |
| EU | 15.446 | 0.707 | 9 | 499 | 35 |
| China | 11.815 | – | – | 1 362 | 11 |
| Thailand | 10.230 | 6.827 | 2 | 69 | 40 |
| United States of America | 7.113 | – | – | 321 | 40 |
| Mexico | 5.682 | 1.027 | 8 | 112 | 39 |
| SADC | 5.233 | 2.004 | 5 | 256 | 13 |
| Australia | 4.083 | 2.483 | 4 | 22 | 49 |
| Pakistan | 3.913 | – | – | 189 | 21 |

SUSTAINABILITY

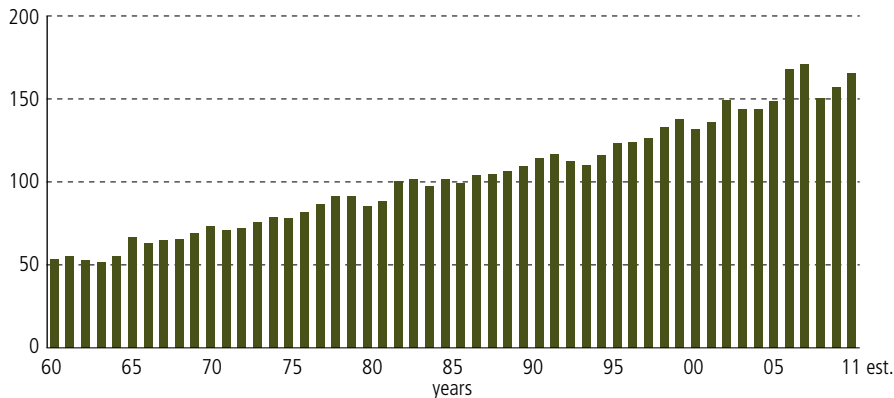
The global sugar industry is one of the world's oldest agriculturally-based industries, which is estimated to produce around 167 million tons of sugar in the 2010/11 international sugar season. Whilst many forces continually impact upon annual global production, a major sustainability feature of this industry is its historic and ongoing sugar consumption growth, which on average, increases by around 1.8% per annum. Africa, with its favourable agronomic conditions, has significant potential to contribute towards the production needed to meet this growing demand. Illovo, as a world-class, low-cost, highly efficient sugar producer, operating in Africa, is well-placed to participate in this ongoing growth opportunity. The following tables, graphs and data are intended to promote a broader understanding of the dynamic international circumstances in which the Illovo group operates.

OVERVIEW

More than 100 countries produce sugar, about 81% of which is made from sugar cane grown primarily in the tropical and sub-tropical zones of the southern hemisphere, and the balance from sugar beet which is grown mainly in the temperate zones of the northern hemisphere. Generally, the costs of producing sugar from sugar cane are lower than those in respect of processing sugar beets. Currently, 72% of the world's sugar is consumed in the countries of origin, whilst the balance is traded on world markets. (Source: Czarnikow Sugar 2010/11, Oct/Sep basis.)

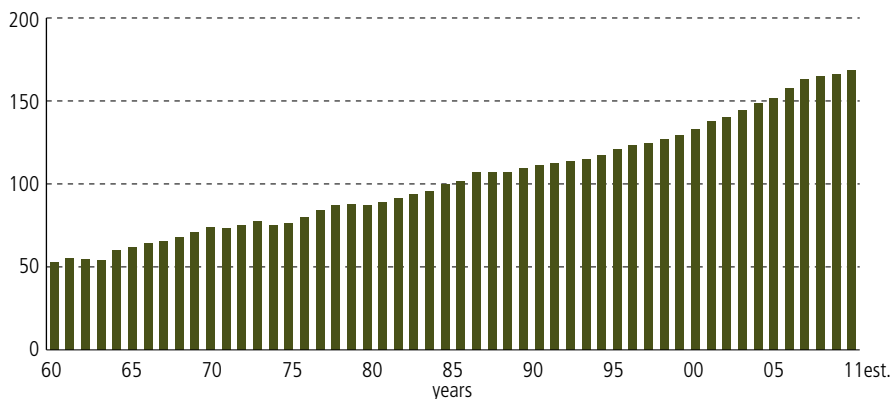
WORLD SUGAR PRODUCTION (million tons)

Global sugar production in 2010/11 is forecast at 167 million tons, representing an almost 10% increase compared to that of last year.



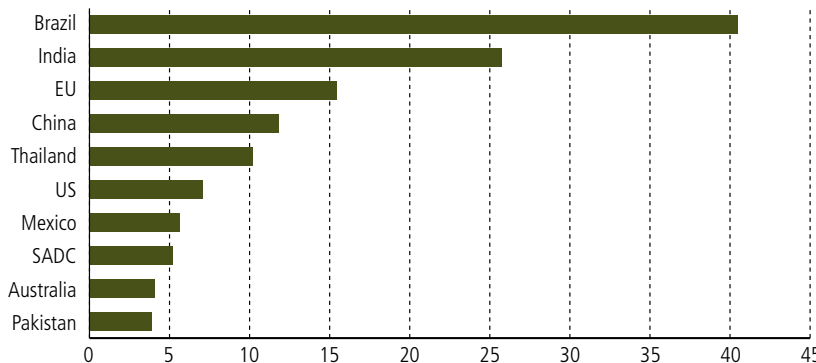
WORLD SUGAR CONSUMPTION (million tons)

Global sugar consumption growth during the current year is expected to be constrained to marginally above 1% as a result of reduced sugar availability and increased world sugar market prices.



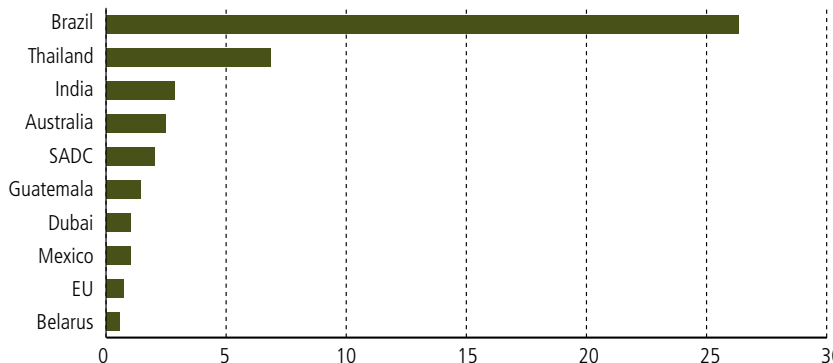
TOP SUGAR PRODUCERS 2010/11 est. (million tons)
(South Africa is a member of the SADC)

The rise in global sugar production expected in 2010/11 is primarily attributed to increased production in Brazil, India and Thailand. The top ten producers account for around 78% of global production.



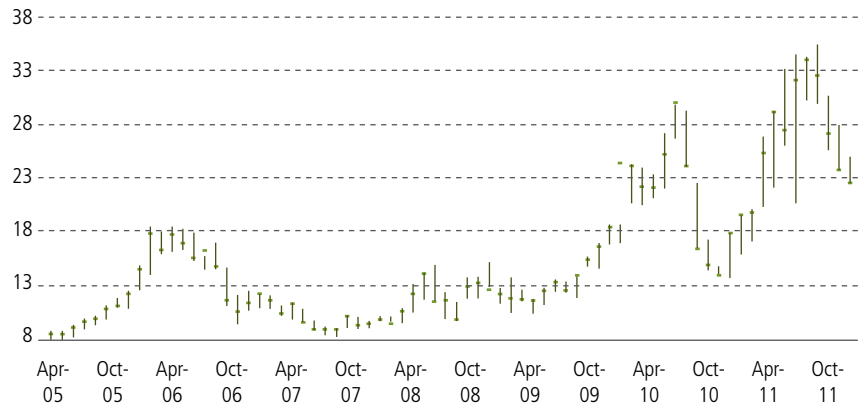
TOP SUGAR EXPORTERS 2010/11 est. (million tons)
(South Africa is a member of the SADC)

Around 71% of sugar production is expected to be consumed in the countries of origin, with the balance traded on world markets. The top five sugar exporters account for around 90% of total world exports.



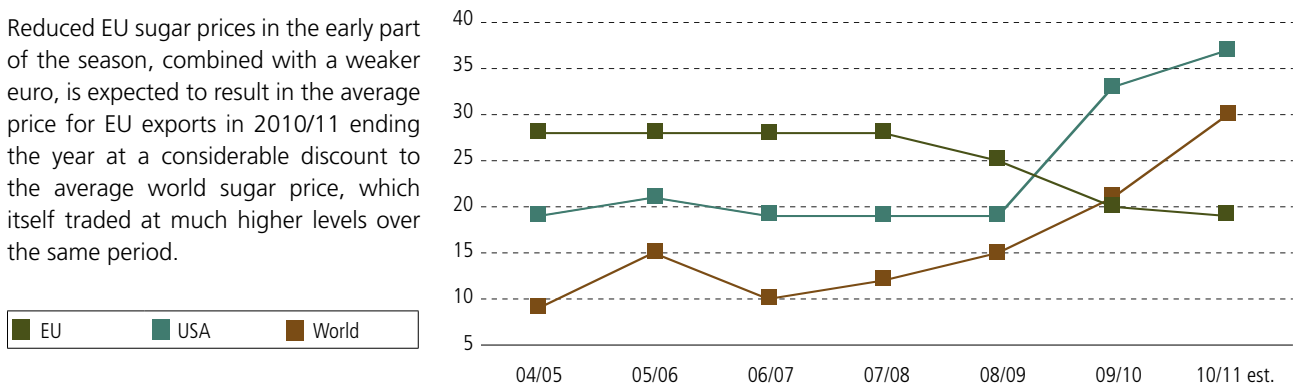
During 2010, extremely limited sugar availability precipitated increased and sustained higher world sugar prices which rose above US30 cents/lb. More recently, improving production prospects, including predictions of a record crop in Thailand, have softened demand resulting in the price falling to around US23 cents/lb in May 2011.

WORLD RAW SUGAR PRICE (US cents per pound)



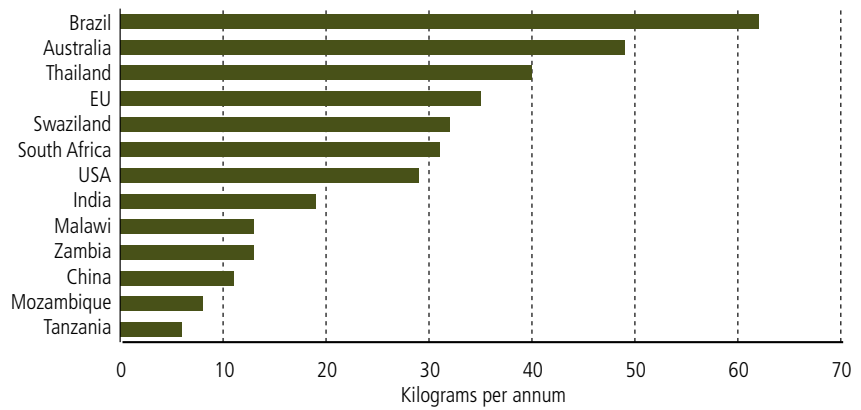
Reduced EU sugar prices in the early part of the season, combined with a weaker euro, is expected to result in the average price for EU exports in 2010/11 ending the year at a considerable discount to the average world sugar price, which itself traded at much higher levels over the same period.

PREFERENTIAL PRICES (FREE ON BOARD) (US cents per pound)



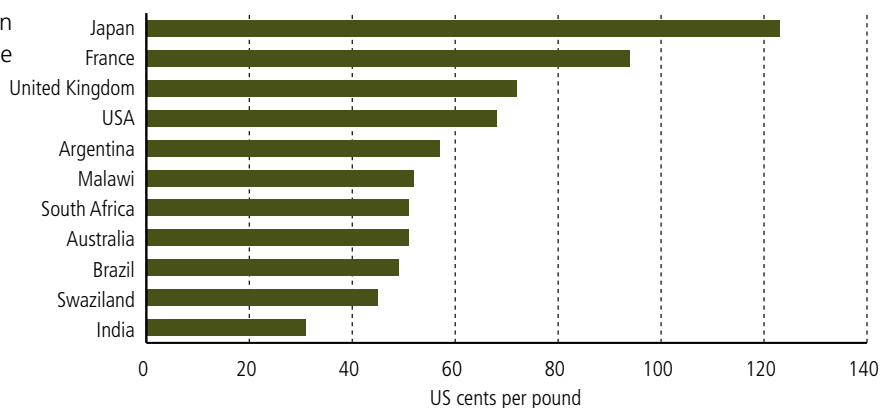
The potential for consumption growth in southern African countries over the longer-term remains promising.

PER CAPITA CONSUMPTION 2010/11 est.



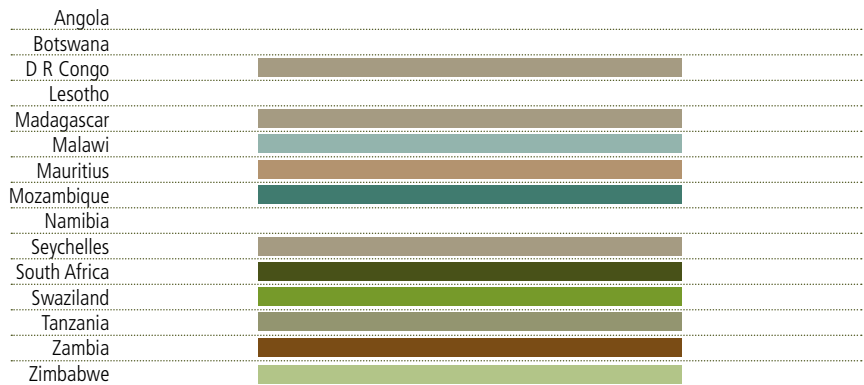
Sugar prices in the SADC remain substantially below those of some developed nations.

DOMESTIC RETAIL SUGAR PRICES 2010/11 est.

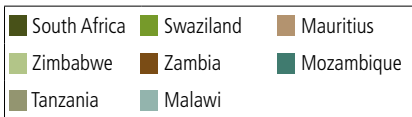


SOUTHERN AFRICAN DEVELOPMENT COMMUNITY STATISTICS THE SADC SUGAR SEASON RUNS FROM APRIL TO MARCH

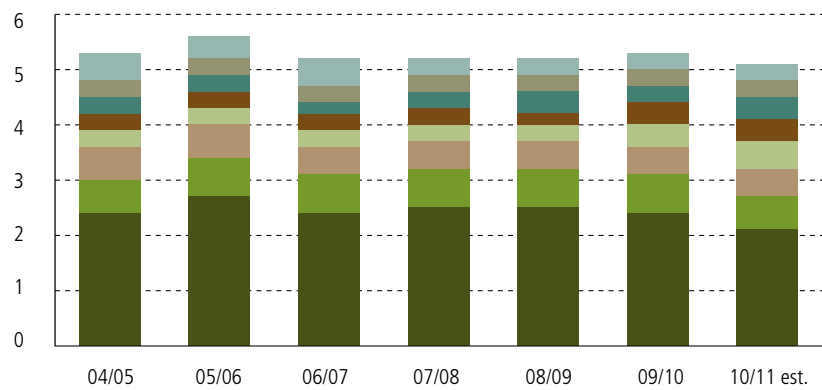
SOUTHERN AFRICAN DEVELOPMENT COMMUNITY – MEMBER COUNTRIES



Reduced sugar production in several SADC countries, most notably South Africa following a severe localised drought, is expected in aggregate to fall to around five million tons in the 2010/11 season.



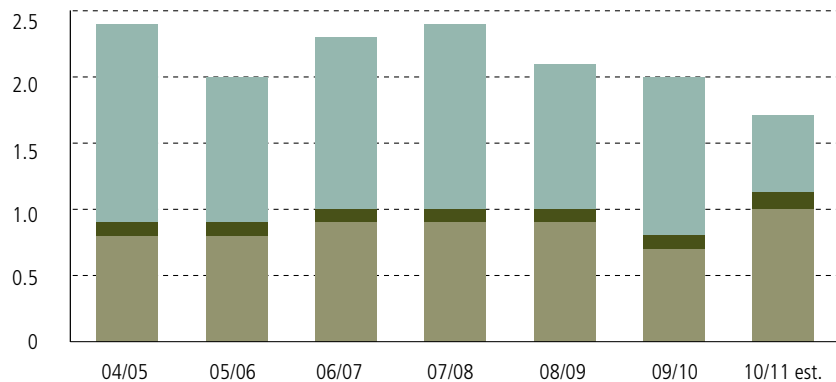
SUGAR PRODUCTION BY COUNTRY (million tons)



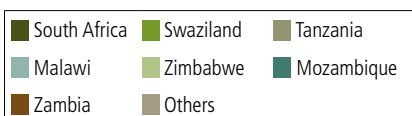
The EU and USA preferential markets are very important to SADC sugar producers with around 70% of sugar production expected to be exported to these regions during the current season.



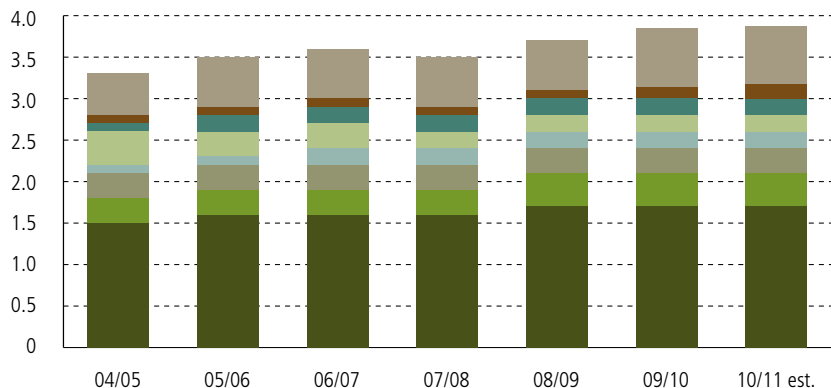
EXPORT MARKETS (million tons)



Annual sugar consumption across the SADC region in the current season is expected to remain similar to that of 2009/10, at approximately 3.8 million tons.



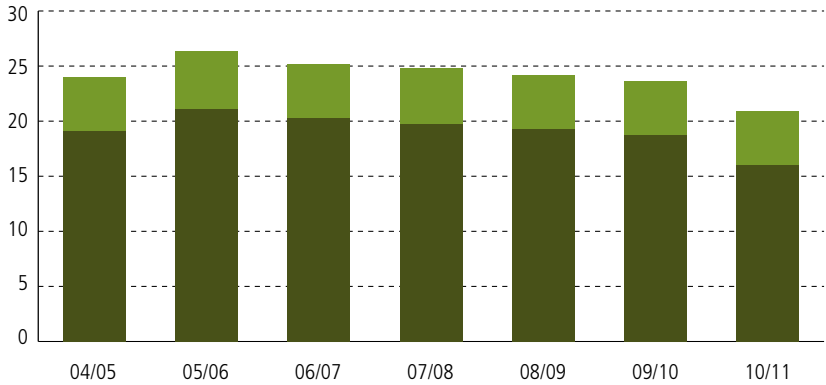
LOCAL CONSUMPTION (million tons)



SOUTH AFRICAN CUSTOMS UNION STATISTICS
THE SOUTHERN AFRICAN SUGAR SEASON RUNS FROM APRIL TO MARCH

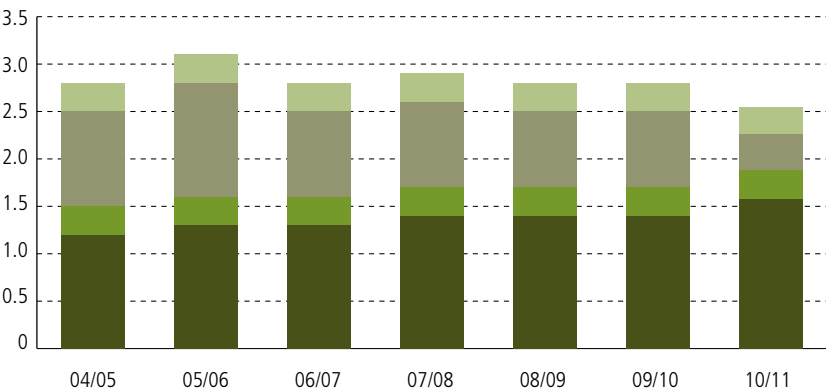
CANE PRODUCTION (million tons)

Total cane production in the region was negatively impacted by a severe drought in the KwaZulu-Natal cane growing region in South Africa.



SUGAR PRODUCTION AND MARKETS (million tons)

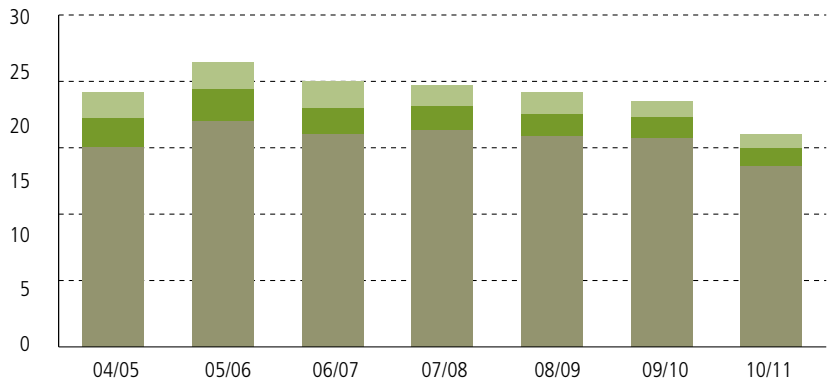
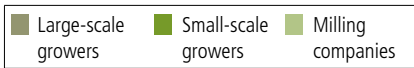
Drought in South Africa and increased demand for sugar within the SACU region resulted in export availability falling by around 250 000 tons compared to the previous season.



SOUTH AFRICAN STATISTICS

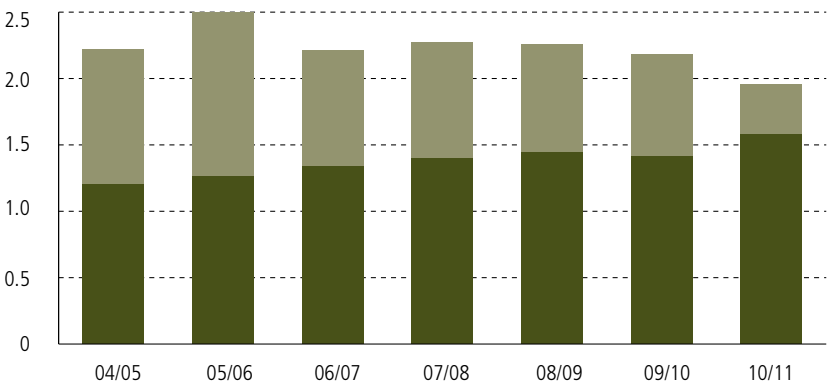
CANE PRODUCTION (million tons)

All cane growing sectors in the KwaZulu-Natal province were impacted by severe drought conditions with total production falling from 18.5 million tons of cane in 2009/10 to 16.0 million tons of cane in 2010/11.



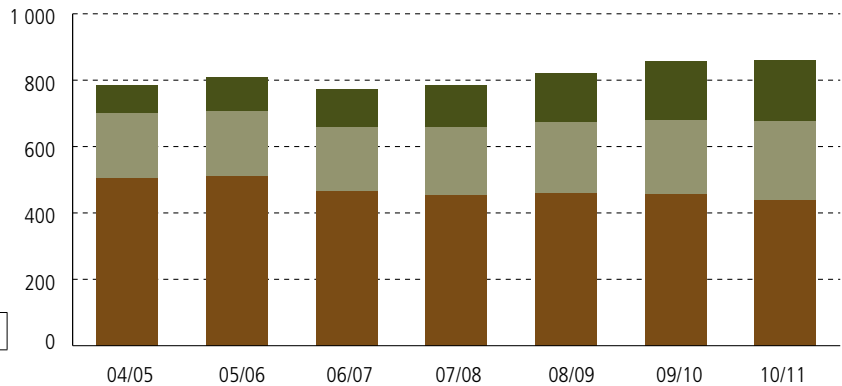
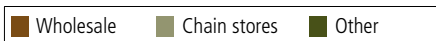
SUGAR PRODUCTION AND MARKETS (million tons)

Sugar production in 2010/11 fell below two million tons for the first time since the 1995/96 season, following one of the worst recorded droughts in history.



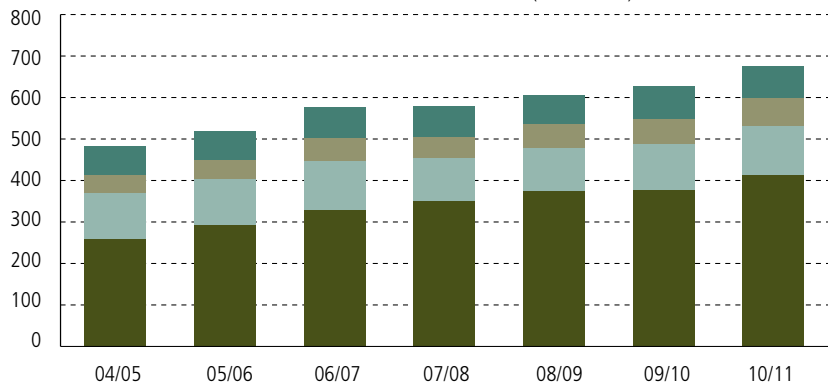
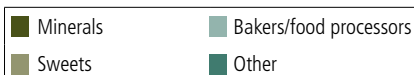
CONSUMER MARKET SALES (000 tons)

Consumer market sales benefited from increased demand in the South African market.



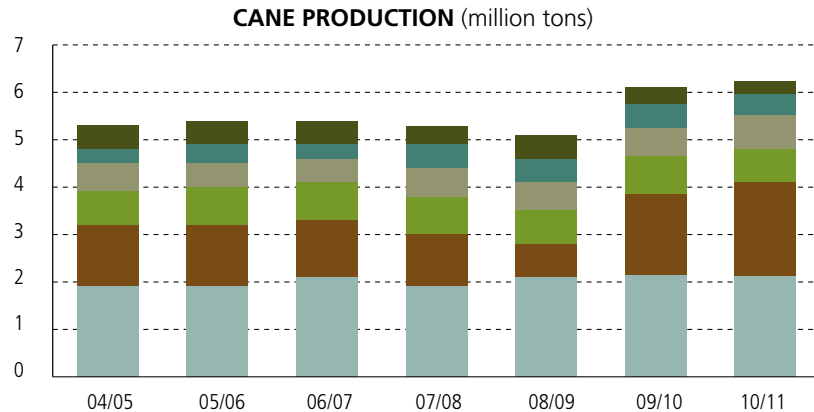
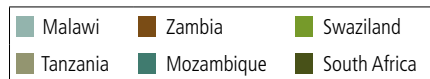
INDUSTRIAL MARKET SALES (000 tons)

Industrial sales continue to show good growth year-on-year.

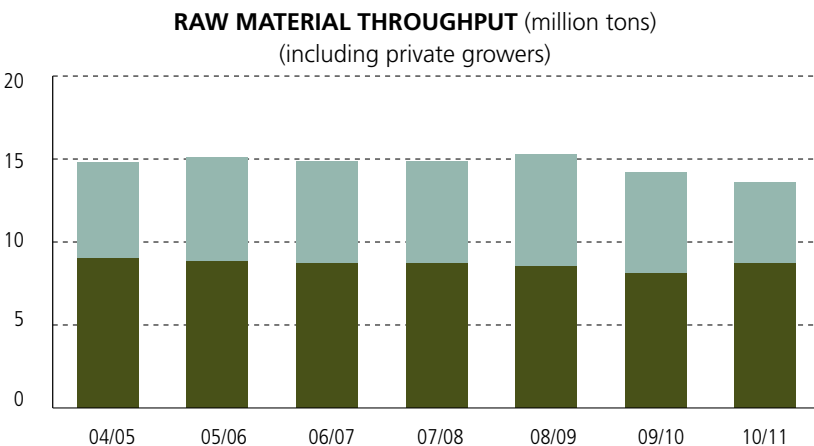


ILLOVO GROUP STATISTICS

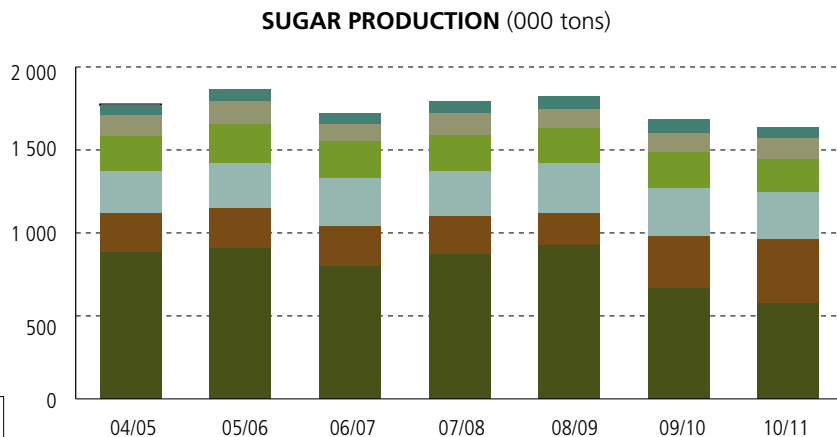
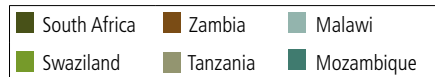
Total cane production of 6.3 million tons was a new record for the group, despite severe drought in South Africa and unseasonable wet weather in other countries of operation.



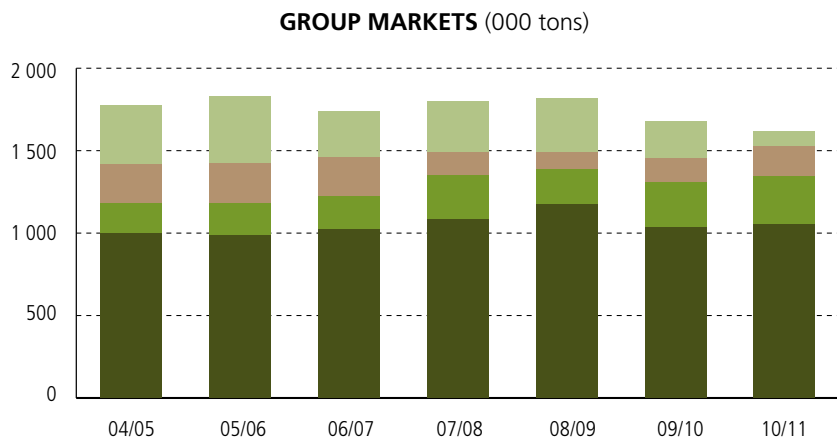
Around 64% of cane throughput supplied by the group's own agricultural operations and by private growers is cultivated under irrigation.



Record cane and sugar production in Zambia following its recent significant production expansion, combined with increased sugar output in Tanzania, almost fully offset the loss of tonnage arising from drought in South Africa and from unseasonable wet weather in other countries of operation. Total production in 2010/11 amounted to 1.64 million tons.

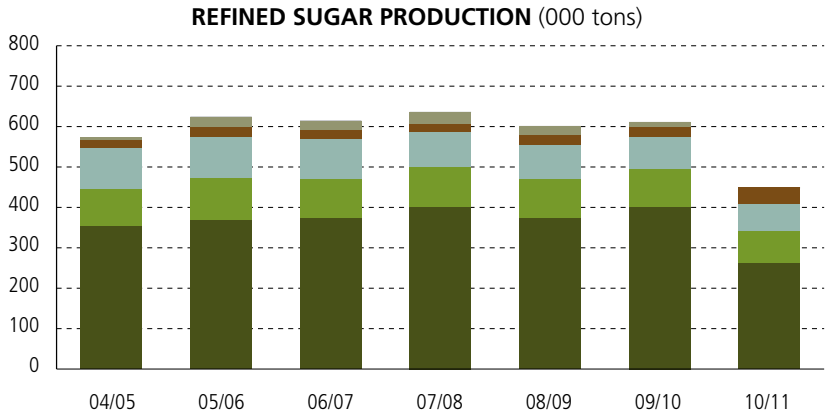


It is significant that of total sugar sales of 1.64 million tons in 2010/11, 65% was sold to local consumers and industrial users.



ILLOVO GROUP STATISTICS

Group refined sugar production was impacted primarily by reduced raw sugar feedstock arising out of the severe drought in South Africa.



Consistent with its Strategic Intent, Illovo commands a significant share of production in each of the countries in which it operates.

