

FINANCIAL RESULTS PRESENTATION

MAY 2010



HIGHLIGHTS

POSTITIVES

- **Good physical performance**
- **Growth continues**
 - Cane – up by more than 1mt
 - Sugar – up more than 100 000t
- **Strong domestic sales**
- **World sugar price up 29%**
- **Regional pricing / demand improved**
- **Strong cash generation**
 - Rights issues
 - Operating profit = cash (R1.4bn)

NEGATIVES

- **Weather: SA & Zambia**
- **R/US\$ appreciation – + 23%**
- **Firm local currencies**
- **Final EU price reduction**
- **Lower downstream production**
- **Reduced downstream prices**
- **Higher effective tax charge**
- **HEPS dilution – increased shares in issue**

FINANCIAL HIGHLIGHTS

- **Operating profit up to R1 499m (8%)**
- **Margin improvement from 16% to 18%**
- **Lower finance costs – down R46m (-25%)**
- **Effective tax rate normalises to 30% from 20%**
- **Headline earnings down to R702.5m (-5%)**
- **HEPS to R171.2 cents (-19%)**
- **Expansion / acquisition capex – R1 100m**
 - **Expansion - R846m**
 - **Acquisitions – R250m**

AREA UNDER CANE / CANE YIELDS

	2009		2010	
	Estate	Yields	Estate	Yields
	Ha	Tons/ha	Ha	Tons/Ha
South Africa	9 669	71	8 145	70
Malawi				
Dwangwa	6 502	113	6 608	109
Nchalo	12 632	114	13 316	111
Zambia	11 190	132	16 725	129
Swaziland	7 950	97	8 171	104
Tanzania	8 415	68	8 515	75
Mozambique	5 263	88	5 581	92
	61 621	98	67 061	104

GROUP CANE AND SUGAR PRODUCTION

	2009		2010	
Tons 000's	Own cane	Sugar	Own cane	Sugar
South Africa	464	676 *	361	663 *
Malawi	2 122	304	2 136	295
Zambia	722	194	1 705	315
Swaziland	741	210	804	211
Tanzania	555	118	614	120
Mozambique	450	76	488	81
	5 054	1 578	6 108	1 685

* - Excludes Pongola & Umfolozi – sold

- Excludes Gledhow (Managed) – 129 000 tons (2009:107 000 tons)

FACTORY CAPACITY UTILISATION

Tons cane per hour	2010			
	Rated	Actual	%	Season length (wks)
South Africa				
Noodsberg	300	281	94	37.0
Eston	275	238	87	36.0
Sezela	450	390	87	35.7
Umzimkulu	263	228	87	33.2
Malawi				
Dwangwa	195	188	96	33.4
Nchalo	330	318	96	34.1
Zambia	640	583	91	40.0
Swaziland	410	398	97	34.3
Tanzania				
Msolwa	105	98	93	31.0
Ruembe	140	133	95	36.0
Mozambique	167	175	105	28.3

DOWNSTREAM PRODUCTION SOUTH AFRICA

	2009	2010
Furfural (tons)	20 371	18 686
Furfuryl alcohol (tons)	11 040	9 789
Lactulose (tons)	6 323	7 603
Ethyl alcohol (kl)	52 911	52 457
Syrup (tons)	5 932	6 241

EXCHANGE RATES

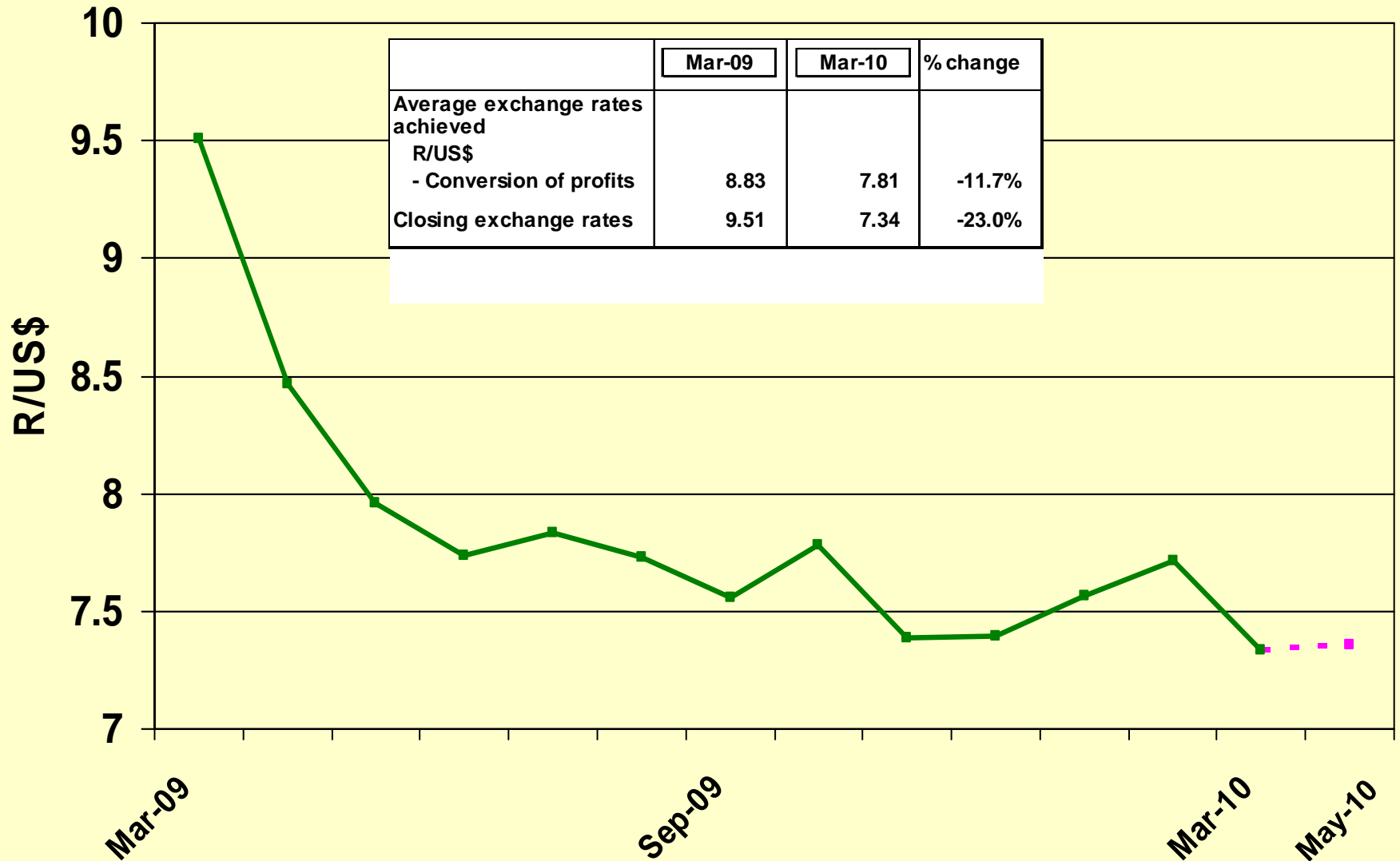
- Significant movement in exchange rates year on year:

Average Rates	2009	2010	Change
R/US\$	8.83	7.81	(12)
€/R	1.41	1.41	-
ZKw/R	463	618	34
MKw/R	15.00	16.74	12
Tsh/R	141	171	21

- Export revenue, rand-based costs and foreign loans – hedged by forward cover contracts
- Conversion of foreign profits into rands at average exchange rates for the year = significant impact
- Conversion of foreign balance sheets into rands at year end closing exchange rates = reduced net asset value

EXCHANGE RATES – R/US\$

CLOSING RATES



GROUP INCOME STATEMENTS

(AVERAGE RATES – R8.83 vs R7.81)

Rm	2009	2010	Change
			%
Revenue	8 601.7	8 467.9	(2)
Operating profit	1 386.2	1 498.6	8
Net financing costs	(183.7)	(135.1)	(25)
Profit before non-trading items	1 202.5	1 363.5	13
Material items / loss from associate	0.3	(60.8)	
Profit before taxation	1 202.8	1 302.7	8
Taxation	(238.9)	(411.5)	
Profit for the year	963.9	891.2	(8)
Attributable to minorities	224.8	229.2	
Profit before headline earnings adjust.	739.1	662.0	
Adjustment to headline earnings	2.7	40.5	
Headline earnings	741.8	702.5	(5)
Operating margin (%)	16	18	
Interest cover - times	8	11	
Effective tax rate (%)	20	30	
Headline earnings per share (cents)	211.6	171.2	(19)
Dividend per share (cents)	106.0	86.0	(19)

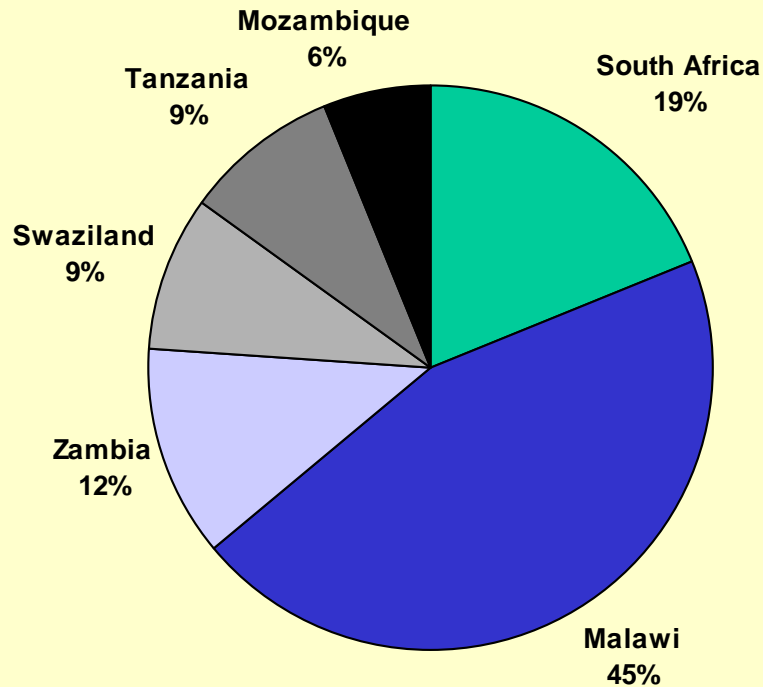
Growth in 2010 at constant FX rate %
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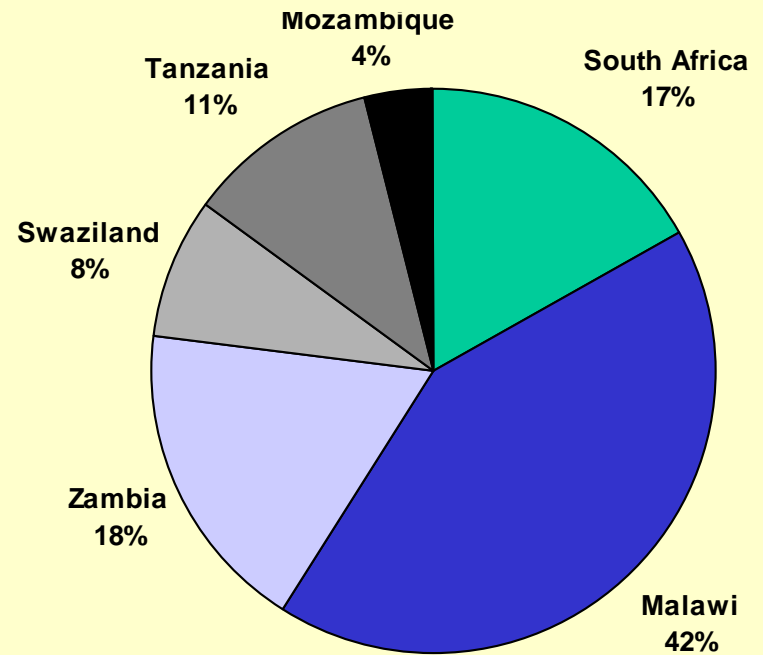
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GROUP OPERATING PROFIT by country



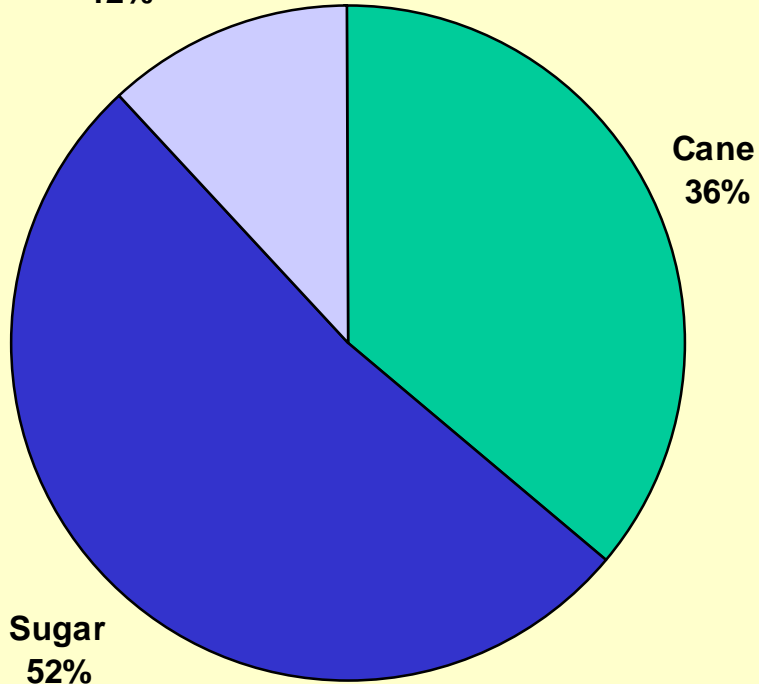
2009 – R1.386bn



2010 – R1.499bn

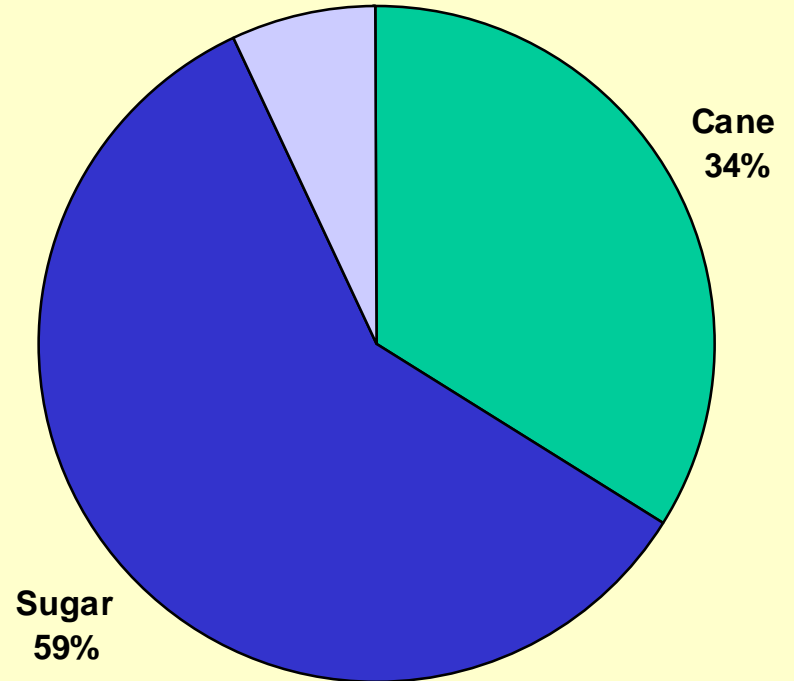
GROUP OPERATING PROFIT by activity

Downstream
12%



2009 – R1.386bn

Downstream
7%



2010 – R1.499bn

OPERATING MARGIN

%	2009	2010
South Africa	7	7
Malawi	36	38
Zambia	15	18
Swaziland	16	16
Tanzania	18	25
Mozambique	21	16
Group	16	18

FINANCE COSTS ANALYSIS

Rm	31 March	
	2009	2010
Interest paid on:		
Long term borrowings	155.7	93.1
Short term borrowings	318.4	199.6
Other	14.9	14.9
Total interest paid	489.0	307.6
Less capitalised	(258.4)	(14.2)
	230.6	293.4
Interest received on loans & deposits	(44.5)	(30.5)
Foreign exchange gains	(0.7)	(123.9)
Dividend income	(1.7)	(3.9)
Net finance costs	183.7	135.1

BALANCE SHEET

(CLOSING RATES – R9.51 vs R7.34)

Rm	31 March		Restated 2010
	2009	2010	
ASSETS			
Non-current assets	5 370.2	5 722.8	6 562.6
Property, plant and equipment	4 087.7	4 441.8	5 054.0
Cane roots	1 132.3	1 100.2	1 348.9
Investments	150.2	180.8	159.7
Net current assets	1 187.0	1 064.5	1 651.1
	6 557.2	6 787.3	8 213.7
EQUITY AND LIABILITIES			
Capital and reserves	2 773.8	5 502.6	6 384.1
Interest of outside shareholders in subsidiaries	671.2	812.1	975.6
Deferred taxation	701.1	685.8	957.0
Net borrowings / (cash)	2 411.1	(213.2)	(103.0)
	6 557.2	6 787.3	8 213.7
Net debt:equity	70.0	(3.4)	(1.4)
Gearing (%)	41.2	(3.5)	(0.01)
RONA	22	22	22

BALANCE SHEET NOTES

NET CURRENT ASSETS

Rm	31 March		Restated 2010
	2009	2010	
Current assets	2 894.2	2 579.7	3 061.1
Inventories	513.8	457.4	532.0
Growing cane	1 222.9	1 260.7	1 531.7
Accounts receivable	756.3	639.0	739.6
Factory overhaul costs	212.0	221.7	256.6
Financial instruments	189.2	0.9	1.2
Current liabilities	1 707.2	1 515.2	1 410.0
Accounts payable	1 310.9	1 168.4	1 087.2
Financial instruments	5.2	1.8	1.8
Taxation	114.5	68.6	63.8
Leave / retirement benefits	276.6	276.4	257.2
Net current assets	1 187.0	1 064.5	1 651.1

NET (CASH) / BORROWINGS ANALYSIS

	2009	2010
Short term		
Zambia expansion loan (Kw)	133	453
ABF Loan	1 139	0
Other	664	247
Long Term		
Zambian expansion loan (Kw)	954	354
Other external loans (\$ & €)	177	78
Cash on hand	(656)	(1 345)
Net borrowings / (cash)	2 411	(213)

CASH FLOW

Rm	MARCH	
	2009	2010
Cashflows from operating activities	1 207	1 443
Working capital	363	(183)
Taxation / net finance costs / dividends	(864)	(930)
Capital expenditure - ongoing	(170)	(181)
- expansion	(1 496)	(846)
- other incl. R&D	(250)	(75)
Acquisition of business	-	(250)
Other movements	83	37
Net cash outflow before financing	(1 127)	(985)
Borrowings raised / (repaid)	653	(1 427)
Proceeds from rights issue, net of costs	-	2 951
Other financing activities	6	262
Net (decrease) / increase in cash	(468)	801

CAPITAL EXPENDITURE

Rm	Capital Spent		
	2010		
	Expand.	Repl	Total
South Africa	179	54	233
Malawi	64	40	104
Zambia	234	20	254
Swaziland	172	22	194
Tanzania	17	17	34
Mozambique	180	28	208
Mali	-	-	-
Group	-	-	-
	846	181	1 027
Nanga acquisition	250	-	250
Total	1 096	181	1 277

Forecast commitments				Total commit.
2011			+2012	
Expand.	Repl.	Total		
93	96	189	12	201
14	50	64	-	64
-	38	38	-	38
1 325	63	1 388	63	1 451
60	20	80	-	80
55	42	97	-	97
-	-	-	1 440	1 440
-	44	44	-	44
1 547	353	1 900	1 515	3 415

Depreciation for the year = R250m

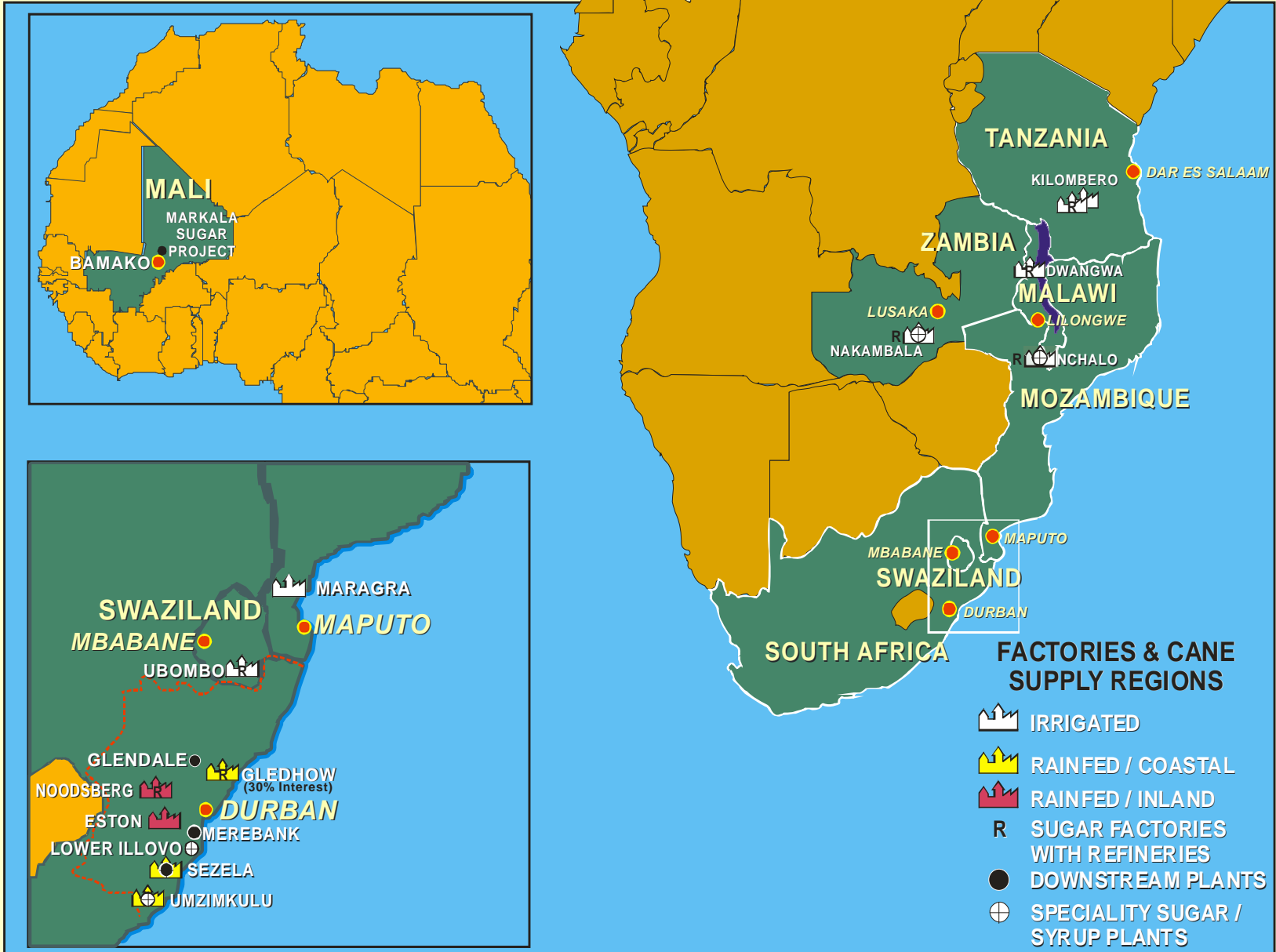
FUNDING THE BUSINESS

- **R3bn rights issue, proceeds used to repay ABF \$120m loan & various other rand-based debt**
- **Zambian \$50m rights issue, proceeds used to acquire Nanga Farms & settle debt**
- **Cash on hand – R1.3bn**
- **Continue to raise debt at entity level in local currency**
- **Project financing for expansions e.g. Swaziland & Mali**
- **Existing bank facilities**
 - **Committed facilities of R2.2bn (R1bn drawn-down)**
 - **Uncommitted facilities of R1.6bn (R200m draw down)**

CAPITAL DISTRIBUTION

- **Rights issue in September 2009 has increased share premium to ±R3.3bn**
- **Opportunity to declare future dividends out of share premium and save STC**
- **A number of listed companies have done this e.g. Tiger Brands, Nampak**
- **Applicable to final 2010 dividend**
- **Requires shareholder approval at AGM in July**
- **Final dividend for 2009/10 will be paid after AGM**

OPERATIONAL OVERVIEW



OVERVIEW – SOUTH AFRICA SUGAR



- Rationalisation of SA business progressed
- Finalisation of Pongola mill sale to TSB
- Follows sale of Umfolozi, and Gledhow + purchase of 30% + management
- SA business incorporated into wholly-owned subsidiary – Illovo Sugar (South Africa) Limited
- 3 agricultural estates, four sugar factories, one with refinery, five downstream plants plus 30% share in Gledhow (management / access to refined sugar)
- 360 000 tons cane / 670 000 tons sugar / high-value downstream products

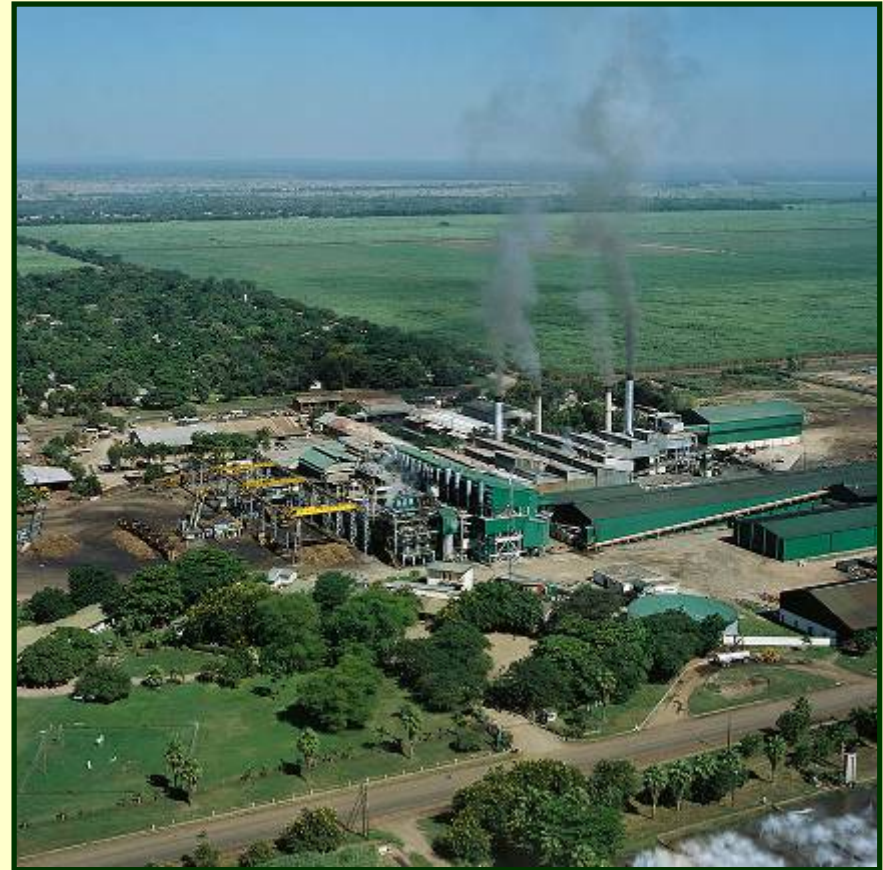
OVERVIEW – SOUTH AFRICA DOWNSTREAM

- Downstream production remains a core group activity
- Furfural and derivatives, Agriguard (agricultural nematicide products), alcohol & lactulose
- Agriguard business continues to expand – Crop Guard, Multi-Guard Protect, BioMass Sugar
 - Crop Guard – growing number of registrations in South Africa
 - MultiGuard Protect – progressing to registration in USA EPA for use on turf. UK/EU registrations pending
 - BioMass Sugar – liquid organic fertiliser – good international growth, EU, Asia, Far East



OVERVIEW - MALAWI

- **Marginal factory expansions at both factories**
- **Current capacity to produce ±330 000 tons sugar**
- **New areas of cane at both estates, together with outgrower expansions over next two years**
- **Further major expansion options under evaluation**
 - **Considerable potential for both company and outgrower cane expansions**
 - **Opportunities for power co-generation being assessed**
 - **Ethanol production opportunity**



OVERVIEW - ZAMBIA



- Expansion completed April 2009
- Factory reached rated capacity
→ 640 tons cane per hour
- Power generation – self sufficiency
- 25% growth in production forecast for 2010/11
- \$50m rights issue successfully completed
- Acquisition of Nanga Farms
- Company estates now supply 65% of total cane throughput
- Ongoing cane developments to grow cane supply
- Ethanol production for fuel blending

OVERVIEW - SWAZILAND

- Phase 1 of two-year expansion project to increase annual sugar production to in excess of 300 000 tons, completed
- Phase 2 incorporates final sugar phase plus power co-generation project – to supply own electricity requirements and export to Swazi grid – commissioning in April 2011
- Linked to completion of major dam and canal system promoted by Swazi government - Lower Usuthu Smallholder Irrigation project
- Development of 1 500 hectares underway – total initial development area 5 000 hectares



OVERVIEW - TANZANIA



- Ongoing programme to introduce new varieties, upgrade irrigation and drainage systems on estate
 - 450 hectares completed during the season
 - 1060 hectares to be completed in 2010/11
 - Yield improvements
- Kilombero facilitating small-scale farmer irrigation projects on existing cane lands
- Potable alcohol opportunity – East African market

OVERVIEW - MOZAMBIQUE

- **Project to double factory capacity to 150 000 tons p/a completed – ramp up over 2-3 years**
- **Maragra actively involved in projects to increase cane supply from own estate and surrounding local growers**
- **Evaluation of longer-term opportunities to increase sugar production in Mozambique to 300 000 tons**
- **Company chosen not to exercise Búzi option**
- **Alternatives being assessed**



OVERVIEW - MALI



- **Pre-project activity at advanced stage**
- **Funding evaluation – subject to due diligence by consortium of concessional funders**
- **Strong support from Mali government**
- **Formalities for debt funding likely to be concluded second half of 2010**
- **Project includes: 195 000 tons of sugar / 15 000 kl of alcohol / co-generation for own power requirements and exports to grid**

OVERVIEW – POWER CO-GENERATION



- Illovo strives to become power self-sufficient and where possible, to export surplus power into national grids, basis Swazi model
- Electricity generation at 10 sugar factory sites across 6 African countries – total generation 450 GWh
- 90% of group's power requirements are produced from renewable sources - bagasse & biomass
- Balance sourced from coal – to be eliminated
- Improved carbon footprint and carbon funding

MARKETS

Tons '000	2009*	2010
Domestic markets	1 015	1 034
Preferential markets	211	277
Regional exports	109	141
World Market	237	226
	1 572	1 678

* Excludes Pongola & Umfolozi

- Illovo's domestic markets account for 62% of sales by volume and 69% of sales by revenue
- 25% of sales by volume are sold into preferential markets in the EU & USA, and into regional markets which enjoy good premiums above world market price

- EU Sugar Regime reform implemented 1 October 2009 – duty-free, quota-free imports albeit at reduced price
- Decreasing world market exposure – sales from South Africa only

PRICING

- **Local markets vs inflation**
- **Regional**
 - Import parity
 - Zimbabwe an importer
- **World market**
 - **SA realisations:**
 - 2008/09 : US12.77 cents/lb
 - 2009/10 : US16.53 cents/lb
 - **SA outlook 2010/11**
 - 300 000 tons of world exports priced at US19.34 cents/lb – potentially +60% of availability
 - Current levels - US15.00 – US16.0 cents/lb

EU PRICE EVOLUTION

	Raw Sugar		White Sugar	
	Institutional price cuts			
	(€/ton CIF)	% Cut (OVM)	(€/ton CIF)	% Cut (EUR)
1-Oct-08	496.8		632.0	
	448.8	10	524.5	14
1-Oct-09	335.0	33	404.4	36

Illovo returns (€/ton)	
Raw price	335
+ Pol Premium	XXX
+ Profit share	XXX
CIF realisation	XXX
Less: Marine Freight	XXX
FOB Costs	XXX
Inland transp.	XXX
Ex Factory / Return	XXX

Profit share calculation (€/ton)	
Raw price	(335)
+ Pol Premium	(XXX)
+ Conversion cost	(XXX)
Ex Works cost	(XXX)
Market Price	XXX
Premium	XXX
Profit share thereof	XXX
as negotiated	

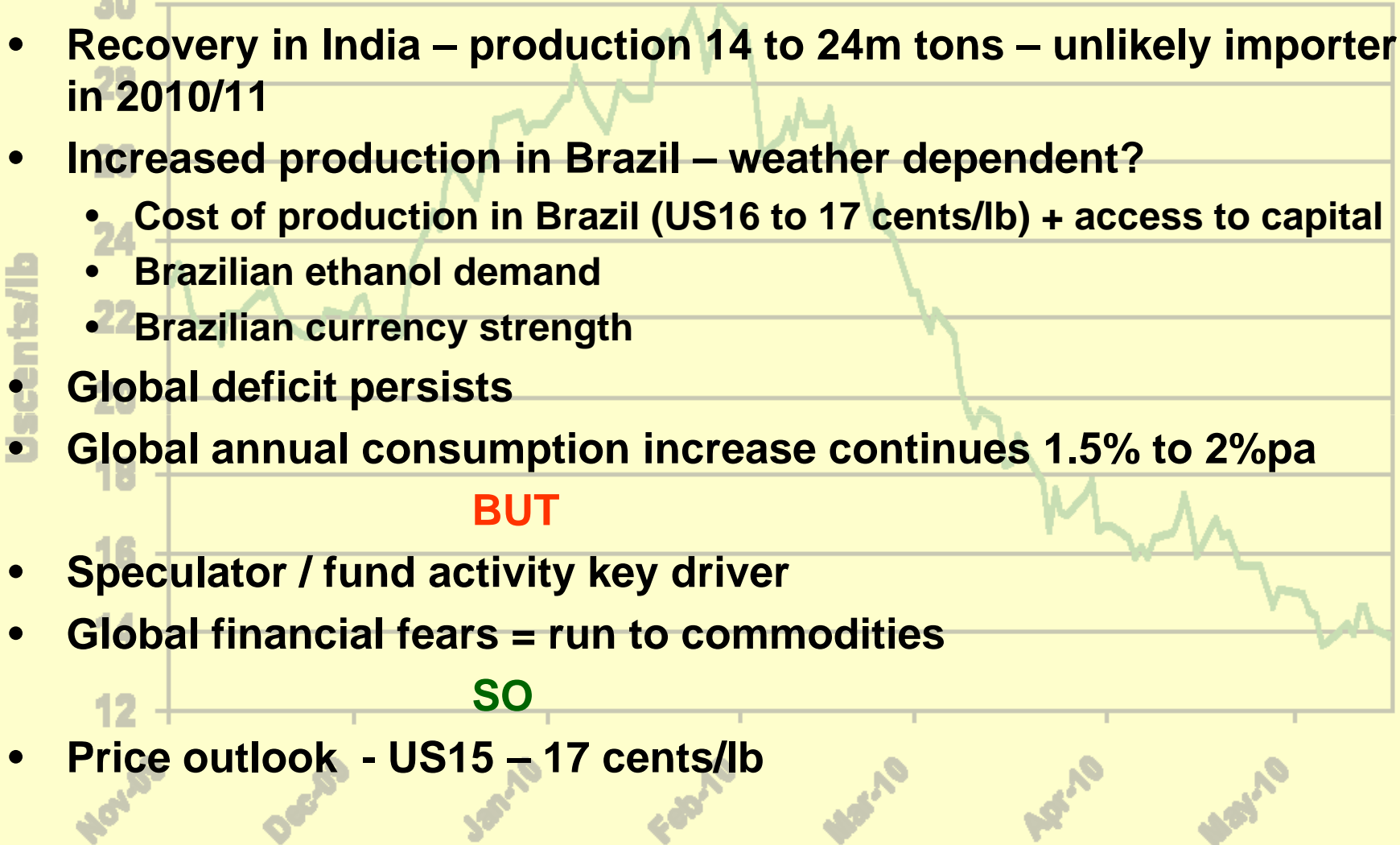
EU market price - white sugar Ex. Works in bulk €475 - €480 ton

EU Prices website: <http://www.bit/ly/circasugar>

Select: Prices / Point 1-2A prices April 2010

WORLD RAW MARKET PRICES

- Fundamentals
- Recovery in India – production 14 to 24m tons – unlikely importer in 2010/11
- Increased production in Brazil – weather dependent?
 - Cost of production in Brazil (US16 to 17 cents/lb) + access to capital
 - Brazilian ethanol demand
 - Brazilian currency strength
- Global deficit persists
- Global annual consumption increase continues 1.5% to 2%pa
- **BUT**
- Speculator / fund activity key driver
- Global financial fears = run to commodities
- **SO**
- Price outlook - US15 – 17 cents/lb

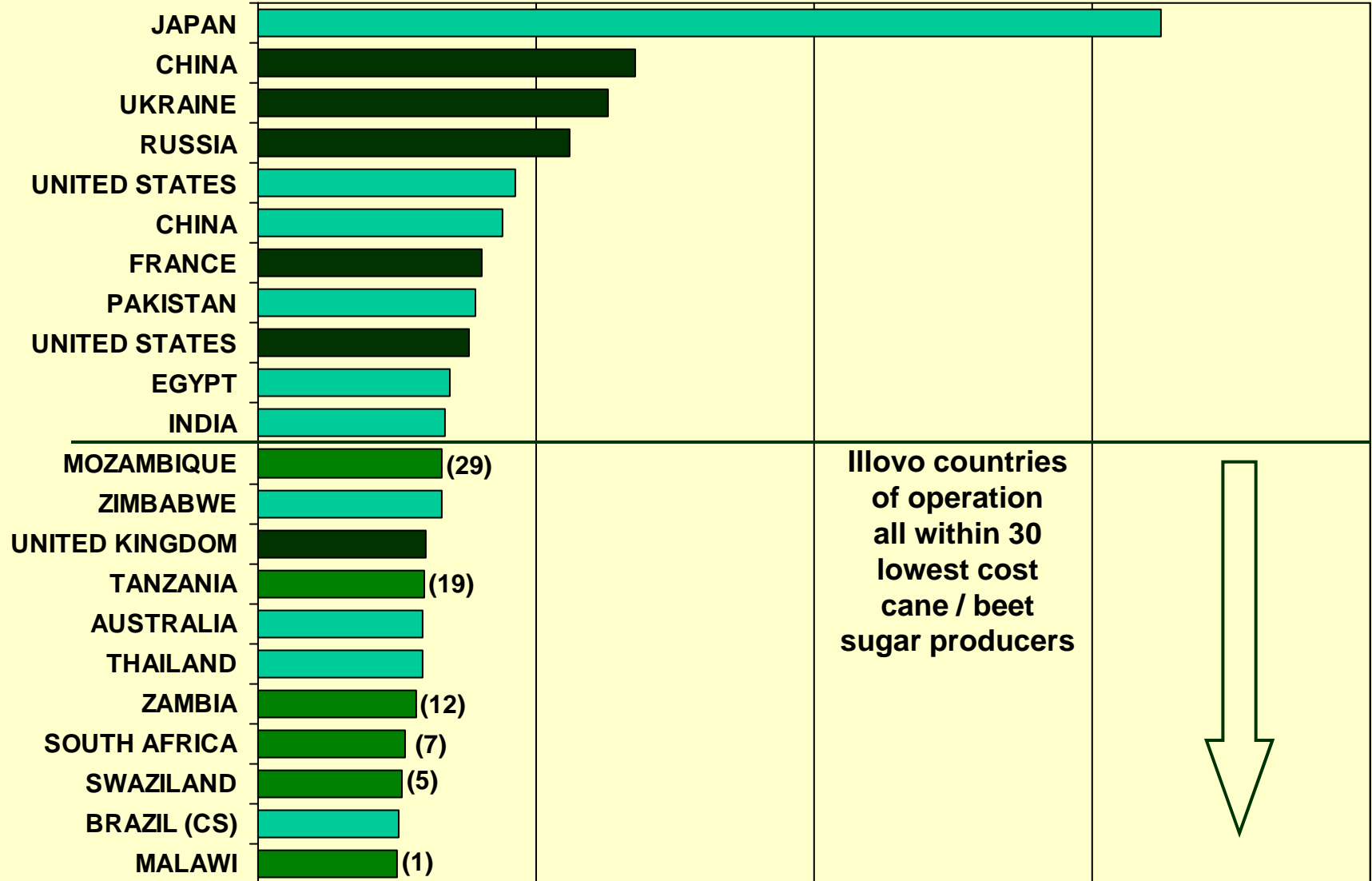


OPERATING COSTS

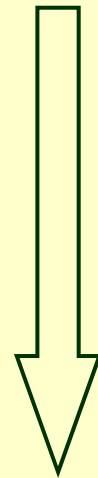
- **Aggressive focus on reducing costs**
- **Agricultural costs predominantly variable (20% fixed)**
 - Includes fertiliser, chemicals, manpower, irrigation, haulage and harvesting costs
- **Milling costs predominantly fixed ±80%**
- **Improved operating margins**
- **Benchmarking implemented**
 - Internal cost leadership
 - Technical international best practice
 - British Sugar Group initiatives – 270 factories / 35 countries
- **Performance optimisation**
 - Unit cost reduction

COSTS OF PRODUCTION

PERIOD 2006/07 TO 2009/10*



Illovo countries
of operation
all within 30
lowest cost
cane / beet
sugar producers



* - Forecast

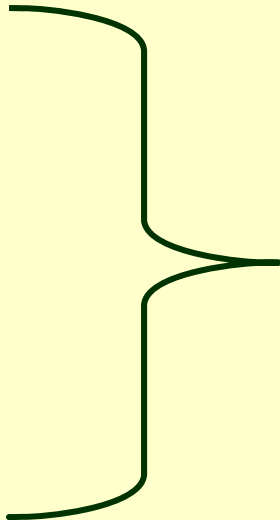


Denotes beet production



Illovo countries of operation

GROUP STRATEGY

- Africa focus
 - Consolidation in SA
 - Organic growth and expansion in:
 - Malawi
 - Mozambique
 - Swaziland
 - Tanzania
 - Zambia
 - New development in Mali
 - Downstream opportunities – Co-Gen / ethanol / furfural
 - Appropriate acquisitions if they arise
- 5-year
production
target
2.6m tons p/a**
- 

PROSPECTS

- **Good physical prospects (cane / sugar / downstream)**
- **Offset by external factors**
 - **Currency – Dollar / Euro / Rand / other African currencies**
 - **World price**
- **Difficult year ahead**
- **Expansions continue**
 - **Swaziland**
 - **Mali**
 - **Mozambique**
 - **Malawi**
- **Funding intact**