

INTERIM RESULTS



NOVEMBER 2010

INTERIM RESULTS - OVERVIEW

Basis of preparation

- **Interim results prepared on both actual and seasonal basis**
- **Seasonal basis takes account of agriculturally-based business in which cash flows for the season are derived from expected tonnages and prices achieved for season as a whole**
- **Illovo's view that seasonal treatment provides a better basis for evaluating the performance and results for the period**
- **Sugar season basis results: operational profits for cane growing and sugar production comprise Illovo's view of the position at 30 September as it relates to the season as a whole**

INTERIM RESULTS - OVERVIEW

Seasonal basis:

- **Earnings impacted by stronger rand and severe drought in SA**
 - Operating profit - R522.9m (-33%)
 - Headline earnings - R258.6m (-33%)
- Lower net financing costs - R35.5m
- Strong cash generation - R823.8m
- **Base business in good shape – production similar to last year**
 - Zambia expansion settled well
 - SA downside offset by significantly increased Zambian production
 - Swaziland expansion on track
 - Registration of furfural as a nematicide in USA
 - Mali – positive progress

INTERIM RESULTS - OVERVIEW

Markets

- Increased domestic sales achieved in all countries
- Roller-coaster period of higher than expected world sugar prices – peaked at over US30 cents in early November, subsequently falling by >20%
- Regional market strong but sales constrained by production / prices buoyed by world price rally
- Lower EU market premiums and weaker Euro impacted upon profits – however, prognosis positive as prices rise

SOUTH AFRICA



SOUTH AFRICA

- **Severe drought conditions in South Africa**
- **Significantly reduced cane yields**
 - **Early closure of Umzimkulu and Eston**
 - **Cane production on South Coast expected to be lower in 2011/12 compared to current year**
- **Umzimkulu closed for 2011/12**
 - **Cane diverted to other Illovo mills – maximise capacity utilisation / furfural production**
 - **No cost to growers**
 - **Key operational staff to remain on site**
 - **Move remainder of staff to other group operations**
- **Domestic market sales show slight improvement**
 - **SA unable to benefit from higher world prices due to lower production → 335 000 tons at US\$18.33 cents**
- **Downstream**
 - **Furfural for use on turf as a nematicide registered in USA – golf courses and turf farms / major new market**
 - **Furfural production affected by lower cane throughput**
 - **Good performance from alcohol distilleries**
 - **Higher prices across both markets**
 - **Stronger rand impacting proceeds**

MALAWI



MALAWI

- **Similar production compared to last year**
- **Late and unseasonal rains early in the season**
 - **Affected agricultural / factory operations**
 - **Reduced cane quality**
- **Improved domestic market offtake**
- **Strong regional demand**
 - **Growing shortage of sugar strengthening demand**
 - **Increased demand from Zimbabwe**
 - **Higher world market prices benefiting regional prices**
- **EU exports ongoing**
 - **Impacted by Euro weakness & lower EU market premiums**
- **Good prospects for future expansion**

ZAMBIA



ZAMBIA

- Normal climatic conditions experienced and season has progressed well
- Significantly increased production expected - $\pm 400\ 000$ tons
- Zambia factory settled down – post expansion
 - Factory regularly exceeding design capacity
 - $>100\ 000$ tons cane crushed per week
 - Agricultural operations, including outgrowers performing well
 - Logistics to markets and ports operating well after significant up-scale
- Improved domestic sales
- Zambia also benefiting from strong regional demand & prices
- EU exports significantly increased, but returns impacted by weaker Euro and lower EU market premiums
- Ethanol opportunity to be evaluated

SWAZILAND



SWAZILAND

- **Late and unseasonal rains at the start, and during season, affected operations**
- **Sugar production marginally below last year**
- **Second phase of expansion on track / on budget**
 - **Cane development utilising water from new dam progressing well**
 - **Annual sugar production - >300 000 tons post completion**
 - **Upgraded co-generation facilities, using bio-renewable fuel sources, will commence with commissioning of factory**
 - **Ubombo – self-sufficient in power requirements for all operations**
 - **To export significant supplies to national grid**
 - **Renewable energy – carbon trading opportunities**

TANZANIA



TANZANIA

- **Generally good climatic conditions experienced during the year**
- **Factory and agricultural operations have performed well**
- **Increase in sugar production expected in 2010/11**
- **Growing benefits from agricultural upgrades**
 - **New cane varieties**
 - **Increased and more efficient irrigation**
 - **Improved drainage**
- **Increased domestic demand at good prices**
- **Potable alcohol opportunity being explored**

MOZAMBIQUE



MARAGRA AÇUCAR S.A.R.L.
NOSA GRADING BOARD

NOSA
★★★★★

Hrs. WORKED SINCE LAST D.I.	243576
TARGET	100000
D.I.F.R.	0.82
No. OF ENVIRONMENT INCIDENTS	00
No. OF OCCUPATIONAL DISEASES	0
No. OF RECORDED INCIDENTS	3

MOZAMBIQUE

- **Operations throughout the season disrupted by adverse weather conditions**
- **Factory expansion successfully commissioned at start of season**
- **Marginal increase in sugar production expected this year – increases as cane supply grows**
- **Domestic markets strong with improved offtake expected for the full year**
- **Increased EU exports also expected**
- **Impact of the weaker Euro and lower EU market premiums – potential upside as EU prices rise**
- **Shareholding in Maragra increased to 90%**

MALI

FACTORY

CANE DEVELOPMENT

Markala

Ségou

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Streaming

Pointer 13°36'16.34" N 6°01'23.45" W elev 288 m



MALI

- **Greenfield project – positive progress continues**
- **Only outstanding item - final approval of project finance**
- **Negotiation of financing terms completed and approval by African Development Bank (lead co-ordinator) expected before calendar year-end**
- **Financial completion expected mid-2011**
- **Agricultural activity to commence thereafter**
- **Factory construction to commence at the end of 2012 - will take 24 months to complete**
- **On completion: 190 000 tons sugar, 15 000kl of fuel ethanol, power self-sufficient plus export of electricity surplus to the grid**

CANE ROOTS VALUATION

- **Policy:**
 - Escalated average cost using indices, depreciated over useful lives
- **At 31 March 2010:**
 - Balance sheet value of roots = R1 100m
 - Income statement movement (net of amortisation) = R110m
 - Area under cane currently = 73 439ha
 - Average useful life = 7 – 10 years
 - Non-cash flow item but operating profit = cash
- **Factors driving the valuations:**
 - Current area under cane
 - Actual costs for replant area – land preparation, irrigation, etc.
 - CPI Index
 - Useful lives
- In year of expansion → no benefit through the income statement

STANDING CANE VALUATION

- **Policy:**
 - Estimated sucrose content at 31 March valued at estimated sucrose price for following year, less estimated harvesting and transport costs
- **At 31 March 2010:**
 - Balance sheet valuation of cane = R1 261m
 - Income statement movement = R216m (net adjustment)
 - Expected harvest area in 2011 = 64 751ha
 - Average sucrose content = 50 – 76%
 - Non-cash flow item but operating profit = cash
- **Factors driving the valuations:**
 - Expected sucrose tons for following year → yields / sucrose %
 - Expected sucrose price for following year
 - Selling prices → world price, EU & regional
 - Exchange rates → R / US\$, €, local currencies
 - Expected agricultural costs

EXCHANGE RATES

Ave. Rates	Sept '09	Sept '10	% Change
R/US\$	8.05	7.45	(7.5)
€/US\$	1.40	1.28	(8.6)
ZKw/R	617	662	7.3
MKw/R	17.31	20.31	17.3
TSh/R	167	197	18.0
ZKw/US\$	5 109	4 941	(3.2)
MKw/US\$	143	153	7.0

- **Export revenue realisations, rand-based costs and foreign loans – hedged by forward cover contracts where possible**
- **Conversion of foreign profits into rands at average exchange rates – significant impact**
- **Conversion of foreign balance sheets into rands at closing rates – reduced net asset value**

PROSPECTS

- **Sugar production for full year – impacted by severe drop in output in SA due to drought, and lower production in Swaziland due to adverse weather**
- **Offset by significant increase in production in Zambia**
- **Total sugar production expected similar to last year**
- **Continued strength of rand and weakness of US\$
→ impact on realised export earnings and conversion of foreign subsidiary profits**
- **Earnings per share and headline earnings per share expected to be between 30% and 40%, and 35% and 45% respectively below last year**
- **Growth prospects remain positive – increased capacity plus new initiatives**