

Tongaat Hulett Limited  
(Registration number 1892/000610/06)  
Share code: TON  
ISIN ZAE000096541  
("Tongaat Hulett" or "the Group" or "the Company")

## **TRADING STATEMENT AND OPERATIONAL UPDATE FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020**

The following trading statement is issued in terms of Section 3.4 (b) of the JSE Limited ("JSE") Listings Requirements.

Tongaat Hulett is pleased to announce an increase of approximately 70% in operating profit for the six months ended 30 September 2020, relative to the R1.3 billion generated in the previous comparable period. This result is due to an excellent performance from all the sugar operations and good overall business momentum, which reflects continued progress with the business turnaround strategy. In assessing these interim results, it should be noted that the sugar and starch operations have strong seasonal traits associated with both the operational and financial results. In addition, the Group's results for a six-month period for both the current and previous interim period include the financial results of the starch and glucose operation.

Whilst the impact of hyperinflation in Zimbabwe continues to have a significant bearing on the reported growth, it is the turnaround in the South African operations and continued solid performance from the Zimbabwean and Mozambican sugar operations that are the highlights of this set of results and that most clearly demonstrate the improvements that have been made in recent times. Operating profit in the South African operations reflect a turnaround of more than R500 million period-on-period. The starch and glucose operation performed well despite challenges faced from the government-imposed ban on the production and sale of alcoholic beverage during the COVID-19 lockdown.

Higher finance costs, together with a net monetary loss arising from hyperinflation accounting in Zimbabwe, countered some of the improvements in operating profit of the Group, leading to the earnings outcomes depicted in the table below.

Shareholders are advised that a reasonable degree of certainty exists that Tongaat Hulett's headline earnings for the period ended 30 September 2020 will show a substantial improvement compared to the headline loss of R315 million for the prior comparable period. Consequently, earnings per share ("EPS") and headline earnings per share ("HEPS") for the period ended 30 September 2020 are expected to be within the ranges reflected in the table below.

	<b>September 2019</b>	<b>September 2020</b>	<b>September 2020</b>
	<b>As Reported</b>	<b>Expected Range</b>	<b>Expected % change</b>
Weighted average number of shares	135,1 million	134,8 million	0% to -1%
Earnings/(loss) for the period	(R318 million)	R204 million to R235 million	+164% to +174%
Earnings/(loss) per share	(235 cents)	151 cents to 174 cents	+164% to +174%
Headline earnings/(loss) for the period	(R315 million)	R158 million to R189 million	+150% to +160%
Headline earnings/(loss) per share	(233 cents)	117 cents to 140 cents	+150% to +160%

As the financial results of the starch and glucose operation are included in the Group's results for a six-month period for both the current and previous interim period, the Board concluded that the guidance provided above was the most relevant and meaningful for shareholders. The disposal of the starch business was finalised and settled on 31 October 2020 and full disclosure concerning the classification of the starch and glucose operation as a discontinued operation, together with further details on the contribution of the Zimbabwe sugar operation to Tongaat Hulett's results, will be provided in the interim financial statements.

The Mozambican sugar operations performed well, with increased sugar production across both operations and production at the Xinavane refinery that almost doubled. The business also benefited from an improved local market sales mix and better export pricing. Ongoing cost containment initiatives contributed further to this positive result. The benefit of improved profits was impacted by a reduction in the fair value of biological assets, as leased-in farms were returned to private growers as part of a long-standing supplier development initiative.

The South African sugar operations generated a significantly enhanced financial performance. Improvements in production and productivity were further supported by notably stronger local market sales, while export sales benefitted from the weaker exchange rate and improved pricing, particularly in refined sugar markets. Together with a variety of successful cost saving initiatives, this culminated in a convincing profit for the current six months, relative to a loss in the prior period.

Operating profit in the Zimbabwean operations increased by more than 60%, benefitting from ongoing improvements to operations as well as the effects of hyperinflation. Sugar production was stable and local sales volumes and pricing were managed carefully to prevent sales arbitrage to surrounding markets, particularly during the period in which a price freeze was recommended by the Government. Ethanol production and sales grew by double digits and the focus on generating foreign currency gained further impetus with the relative contribution from exports increasing from 21% to 30%, period-on-period. Dividends from surplus export proceeds of R192 million were repatriated to South Africa during the six month period, with a further

R63 million received post-period end, bringing the total dividend received to date to R255 million.

The Government-imposed lockdown restrictions had a notable effect on starch and glucose sales to the alcoholic beverage sector, and sales to non-essential services such as confectionary and papermaking were similarly impacted. Coffee Creamer sales volumes, however, grew by more than 30%. The higher maize price placed margins under pressure, which was partially offset by higher co-product realisations. This, combined with cost reduction initiatives and the accounting requirement to not depreciate assets classified as held-for-sale, resulted in a modest reduction in operating profit in the starch and glucose operation.

The property operation sustained an operating loss in the period. While two large land sales were concluded, township property sales experienced delays in transfers due to the deeds office being closed as well as some cancellations.

Cash flow generated from operating activities increased almost threefold, despite September being the annual peak of the working capital cycle for the sugar businesses. Prudent investment continued, with capital expenditure increasing to approximately R230 million, compared to R120 million incurred in the prior period.

The Group's total net borrowings (excluding the trade finance facilities of the starch and glucose operation) reduced by approximately R900 million, from R11.8 billion at 30 September 2019 to R10.9 billion. In South Africa, net borrowings decreased by R600 million to R10.4 billion, while net debt in Mozambique decreased from R1.06 billion at September 2019 to R750 million with some assistance from a weaker Metical exchange rate against the Rand.

Post period-end, on 31 October 2020, R4.536 billion of the proceeds of the starch and glucose transaction were applied towards the reduction of debt in South Africa. The initial proceeds on disposal of the Tambankulu sugarcane estate in Eswatini of R375 million were received on 1 December 2020.

To date, cumulative debt reduction transactions concluded total R6.4 billion, with debt reduction proceeds of R5.6 billion received and applied towards the Company's debt reduction target of R8.1 billion by September 2021.

Tongaat Hulett has made pleasing progress in recent times to elevate governance and accountability within the business and to shift the culture. The Group has also strengthened financial discipline, oversight and assurance with the appointment of key positions such as a Chief Audit Executive, Chief Risk Officer, Chief Information Officer, Human Resource Executive and Group Legal Counsel.

**Interim results**

The interim results for the six months ended 30 September 2020 are expected to be released on or around 11 December 2020.

The financial information contained in this trading statement has not been reviewed or reported on by Tongaat Hulett's auditors.

Tongaat  
2 December 2020

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Investec Bank Limited