ILLOVO SUGAR LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1906/000622/06)
Share Code: ILV
ISIN: ZAE000083846
("Illovo" or "the company")

PRELIMINARY REPORT FOR THE YEAR ENDED 31 MARCH 2015 AND TRADING STATEMENT FOR THE YEAR ENDING 31 MARCH 2016

Salient features

- Difficult market conditions – low export sugar prices, currency volatility
- Operating profit decreases 12.3% and HEPS decreases 7.7% for the full year
- Group sugar production remains broadly level at 1.8 million tons due to adverse weather conditions in South Africa
- Record sugar production in Zambia, Mozambique and at the Dwangwa mill in Malawi
- Diversification strategy bearing fruit - downstream products contribute 16% of operating profits
- Record ethanol production in South Africa and Tanzania
- Record electrical cogeneration into the Swaziland national grid

Managing Director's Quote:

"Market conditions have not been easy over the last year. Despite strong domestic markets our exposure to lower EU and world sugar prices and currency headwinds, in particular the sharp weakening of the Euro, have affected earnings. Adverse weather conditions in South Africa also resulted in considerable cane yield losses. Notwithstanding these factors, we continue to move forward on a number of fronts to reposition the business. Our recently announced Zambia Sugar refinery expansion and product alignment project and the increased contribution to operating profit from our downstream activities are testament to these initiatives.

Whilst the already challenging market conditions are expected to become more difficult in the year ahead, our longer term prospects look positive. We remain focused on capturing growth opportunities in our African domestic and regional markets and with increasing world sugar demand and less capacity investment globally, we expect medium-term price recovery from the current six-year low in world sugar prices. Our investment initiatives and our continuing cost reduction and continuous improvement programmes will also strengthen the business and ensure long-term sustainability."

Gavin Dalgleish

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Overview

The business continued to face headwinds of declining world and EU market pricing, currency volatility and the impact of poor weather on the South African cane crop.

However, these challenges were partly offset by a number of initiatives, including the full-year benefits of the new distillery in Tanzania, growing proceeds from electrical co-generation in Swaziland, higher ethanol exports from South Africa and meaningful cost reduction from the group's continuous improvement initiatives. We also benefited from better pricing in domestic and some regional markets and improved market regulation in South Africa and Tanzania.

Overall it was a tough year with operating profit declining 12.3% from R1 886.9 million in 2013/14 to R1 655.1 million in 2014/15 and headline earnings per share (HEPS) declining 7.7% from 194 cents per share to 179 cents per share. The contribution to operating profits by country were Malawi (38%), Zambia (35%), South Africa (13%), Tanzania (9%), Swaziland (4%) and Mozambique (1%) and by activity sugar production (71%), cane growing (13%) and downstream (16%).

Review 2014/15

Sugar production for the year of 1.76 million tons was affected by the drought and winter frost in South Africa but was reasonably close to last year's 1.83 million tons with the benefit of record sugar production in Zambia, Mozambique and at the Dwangwa mill in Malawi and a strong performance improvement in Tanzania. This achievement once again underscores the value of the geographic spread of our largely irrigated cane growing outside of South Africa and sugar milling assets in mitigating climate risks.

The record outgrower yields in Mozambique were a particularly pleasing result. Developing thriving economies that surround our operations is a key pillar of our long-term business sustainability. We continue to engage multiple funding and community agencies in developing and delivering successful outgrower schemes that enjoy increasingly international recognition.

Consistent milling operations in Tanzania supported strong output of potable alcohol at our Kilombero distillery, comfortably exceeding the first full-year investment case assumptions. Increased proceeds from electrical co-generation in Swaziland and record ethanol production at South Africa's Merebank and Glendale distilleries supported the excellent downstream performance, impacted only by the lower drought-affected furfural production at Sezela.

The group's commercial and trade advocacy teams continue to make sound progress in growing domestic, regional and niche markets ahead of the EU market reform in 2017. Bulk raw exports to the EU reduced by 73 000 tons compared to the previous year, while speciality sugar exports to the EU continue to deliver a premium to regional markets. Regional sales increased by 42 000 tons.

Domestic markets continue to be important for the group with strong demand growth particularly in Zambia. The introduction of an effective dollar-based reference price import duty in South Africa reduced sugar imports from 462 000 tons in the 2013/14 season to 137 000 tons in 2014/15, impacting positively on local industry sales. In Tanzania, the political recognition of the long-term damage to the domestic economy of illegal sugar imports and the emerging measures to control these trade flows, resulted in a significant recovery in domestic sales volumes. In Malawi, the strong Kwacha, high interest rates and little or no economic growth in Malawi saw domestic demand under significant pressure.

Prospects

A key principle of our strategy is to diversify product mix to offset the cyclicality in our business caused by unfavourable weather conditions, world market influenced sugar pricing and currency fluctuation. Initiatives, including the Zambian refinery expansion and product alignment project announced during the year, to shift the group sugar export sales mix away from the EU are progressing well and two further downstream investment projects are under review.

As part of our drive for greater operational efficiencies, structural cost reduction programmes will continue to build on the good results achieved by the group-wide continuous improvement programme during the year.

However, the already challenging market conditions are expected to become more difficult in the year ahead.

Proceeds from EU sales are expected to fall due to the impact of a weaker Euro and the recent depreciation in the Brazilian Real against the US Dollar has provided an export incentive to Brazil's sugar producers which will impact an already over-supplied world market. The recent fall in world prices to a six year low will indirectly impact regional market pricing.

Group sugar production in the 2015/16 season is expected to be marginally lower than the prior year due mainly to the continuing effect of drought and frost in South Africa.

The consistent on-going growth in world and African demand (around 2% and 3% respectively) in the absence of any new capacity investment, the benefits of the Zambia Sugar refinery expansion and product alignment project, reduced exposure to the EU market and some crop recovery in South Africa signal better longer term prospects.

Trading statement for the year ending 31 March 2016

Shareholders are advised that a reasonable degree of certainty exists that, as a result of the difficult market and production conditions, earnings per share and headline earnings per share (2015: 179 cents) are expected to decrease by between 25% (134 cents) and 45% (98 cents) for the year ending 31 March 2016, compared to that for the period ended 31 March 2015.

The financial information in this trading statement has not been reviewed and reported on by the Company's auditors.

Capital reduction distribution by way of a reduction of contributed tax capital in lieu of dividend

Notice is hereby given that a final capital reduction distribution, by way of a reduction of contributed tax capital, of 53.0 cents per share has been declared, in lieu of a dividend, on the ordinary shares of the company in respect of the year ended 31 March 2015. This distribution, together with the interim capital reduction distribution of 37.0 cents per share which was declared on 28 November 2014, makes a total distribution in respect of the year ended 31 March 2015 of 90.0 cents per share. The directors have determined that this capital reduction distribution will be paid out of qualifying contributed tax capital, as contemplated in the definition of "contributed tax capital" in section 1 of the Income Tax Act, 1962. As the distribution will be regarded as a return of capital and may have potential capital gains tax consequences, Illovo shareholders are advised to consult their tax advisors regarding the impact of the distribution.

In accordance with the settlement procedures of STRATE, the company has determined the following salient dates for the payment of the capital distribution:

Last day to trade cum the capital distribution	Friday, 26 June 2015
Shares commence trading ex the capital distribution	Monday, 29 June 2015
Record date	Friday, 3 July 2015
Payment of final capital distribution	Monday, 6 July 2015

Share certificates may not be dematerialised/rematerialised between Monday, 29 June 2015 and Friday, 3 July 2015, both days inclusive.

Relative to this capital reduction distribution, the directors have confirmed that the company will satisfy the solvency and liquidity test immediately after completing such distribution.

On behalf of the Board

D G MacLeod	**G B Dalgleish**
Chairman	Managing Director

Mount Edgecombe
25 May 2015

Directors:
D G MacLeod (Chairman)*, G B Dalgleish (Managing Director), M H Abdool-Samad, M I Carr#*, J Cowper #*, M J Hankinson*, J P Hulley, D Konar*, P A Lister#*, P M Madi*, C W N Molope*, A R Mpungwe (Tanzanian)*, T S Munday*, L W Riddle.

British * Non-executive

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Transfer Secretaries:
Link Market Services South Africa Proprietary Limited
Rennie House,
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Braamfontein, 2001
P O Box 4844, Johannesburg, 2000

Auditors:
Deloitte & Touche

Sponsor:
J.P. Morgan Equities South Africa Proprietary Limited.

SUMMARY CONSOLIDATED INCOME STATEMENT

	Notes	Change %	Year ended 31 March 2015 Rm	2014 Rm
Revenue		0.6	**13 266.5**	13 190.1
Operating profit		(12.3)	**1 655.1**	1 886.9
Dividend income			**2.8**	5.1
Net financing costs	3		**355.8**	336.4
Profit before non-trading items			**1 302.1**	1 555.6
Share of profit from joint venture			**4.6**	12.9
Share of profit from associates			**22.1**	12.3
Material items	4		**3.0**	24.5
Profit before taxation			**1 331.8**	1 605.3
Taxation			**388.0**	486.8
Profit for the year			**943.8**	1 118.5
Attributable to:				
Shareholders of Illovo Sugar Limited		(9.8)	**826.4**	916.3
Non-controlling interest			**117.4**	202.2
			943.8	1 118.5
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial gains on post-retirement obligations			**43.2**	2.6
Tax effect of actuarial gains on post-retirement obligations			**(13.4)**	(3.0)
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences			**(408.9)**	209.7
Adjustments in respect of cash flow hedges			**(13.7)**	(51.4)
Tax effect of cash flow hedges			**2.3**	3.2
Hedge of net investment in foreign subsidiaries			**(26.1)**	(231.3)
Tax effect of hedge of net investment in foreign subsidiaries			**11.7**	1.2
Total comprehensive income for the year			**538.9**	1 049.5
Attributable to:				
Shareholders of Illovo Sugar Limited			**431.1**	821.8
Non-controlling interest			**107.8**	227.7
			538.9	1 049.5
Headline earnings per share (cents)	5	(7.7)	**179.0**	194.0
Diluted headline earnings per share (cents)			**179.0**	194.0
Basic earnings per share (cents)		(9.8)	**179.4**	199.0
Diluted basic earnings per share (cents)			**179.4**	198.9
Distribution per share (interim- paid; final- declared) (cents)	6	(7.2)	**90.0**	97.0

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Year ended 31 March	
	2015	2014
	Rm	Rm
ASSETS		
Non-current assets	**9 472.9**	8 895.0
Property, plant and equipment	**7 043.3**	6 783.3
Cane roots	**1 776.4**	1 531.0
Intangible assets	**311.9**	288.0
Investments and loans	**312.8**	248.6
Deferred taxation asset	**28.5**	44.1
Current assets	**5 353.6**	4 924.8
Inventories	**1 022.6**	998.9
Growing cane	**1 797.2**	1 662.5
Trade and other receivables	**1 660.9**	1 309.2
Factory overhaul costs	**372.0**	338.6
Derivative financial instruments	**24.4**	18.5
Cash and cash equivalents	**476.5**	597.1
Total assets	**14 826.5**	13 819.8
EQUITY AND LIABILITIES		
Total equity	**7 675.7**	7 468.6
Equity holders' interest	**6 472.4**	6 340.3
Non-controlling interest	**1 203.3**	1 128.3
Non-current liabilities	**3 754.4**	3 320.8
Long-term borrowings	**2 042.9**	1 824.8
Deferred taxation liability	**1 412.6**	1 189.9
Other liabilities	**298.9**	306.1
Current liabilities	**3 396.4**	3 030.4
Short-term borrowings	**1 164.6**	858.2
Trade and other payables	**2 150.7**	2 110.7
Derivative financial instruments	**81.1**	61.5
Total equity and liabilities	**14 826.5**	13 819.8

SALIENT FEATURES

	Note	Year ended 31 March 2015	2014
Operating margin (%)		**12.5**	14.3
Interest cover (times)		**4.7**	5.6
Effective tax rate (%)		**29.8**	31.3
Distribution cover (times)		**2.0**	2.0
Net debt : equity ratio	8	**35.6**	27.9
Gearing (%)		**26.2**	21.8
Net asset value per share (cents)		**1 666.1**	1 621.4
Net borrowings		**2 731.0**	2 085.9
Depreciation		**336.8**	309.0
Capital expenditure		**699.5**	722.0
- Expansion / opportunity capital		**318.3**	366.2
- Replacement capital		**365.6**	342.6
		683.9	708.8
- Expansion of area under cane		**5.7**	7.9
- Product registration costs		**9.9**	5.3
Capital commitments		**1 868.4**	1 042.2
- Contracted		**326.9**	255.1
- Approved but not contracted		**1 541.5**	787.1
Lease commitments		**189.3**	220.7
Contingent liabilities		**155.9**	116.5

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Year ended 31 March	
	2015	2014
	Rm	Rm
Share capital and share premium		
Balance at beginning of the year	**1 609.9**	2 055.4
Issue of share capital	**0.8**	1.3
Transfer to distribution reserve	**(414.6)**	(446.8)
Balance at end of the year	**1 196.1**	1 609.9
Share-based payment reserve		
Balance at beginning of the year	**13.1**	13.1
Purchase of shares in terms of forfeitable share plan	**(5.9)**	-
Balance at end of the year	**7.2**	13.1
Non-distributable reserves		
Balance at beginning of the year	**5.8**	42.3
Transfer of foreign currency translation reserve	**416.8**	64.9
Total comprehensive income attributable to:		
- Foreign currency translation differences	**(404.9)**	165.0
- Cash flow hedges	**(9.7)**	(36.5)
- Hedge of net investment in foreign subsidiaries	**(11.9)**	(229.9)
Balance at end of the year	**(3.9)**	5.8
Retained earnings		
Balance at beginning of the year	**4 435.1**	3 576.8
Gain on part-disposal of shareholding in subsidiary	**93.1**	-
Gain on liquidation of subsidiary	**59.9**	-
Transfer of foreign currency translation reserve	**(416.8)**	(64.9)
Total comprehensive income attributable to:		
- Profit for the year	**826.4**	916.3
- Actuarial gains on post-retirement obligations	**31.2**	6.9
Balance at end of the year	**5 028.9**	4 435.1
Distribution reserve		
Balance at beginning of the year	**276.4**	280.9
Transfer from share premium	**414.6**	446.8
Distributions paid	**(446.9)**	(451.3)
Balance at end of the year	**244.1**	276.4
Equity holders' interest	**6 472.4**	6 340.3
Non-controlling interest		
Balance at beginning of the year	**1 128.3**	1 006.2
Distributions paid	**(129.0)**	(105.6)
Change in shareholding	**96.2**	-
Total comprehensive income attributable to:		
- Foreign currency translation differences	**(4.0)**	44.7
- Hedge of net investment in foreign subsidiary	**(2.5)**	(0.2)
- Cash flow hedges	**(1.7)**	(11.7)
- Actuarial losses on post-retirement obligations	**(1.4)**	(7.3)
- Profit for the year	**117.4**	202.2
Balance at end of the year	**1 203.3**	1 128.3
Total equity	**7 675.7**	7 468.6

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 March 2015 Rm	2014 Rm
Cash flows from operating activities		
Cash operating profit	**1 663.7**	1 922.4
Working capital movements	**(314.1)**	105.2
Cash generated from operations	**1 349.6**	2 027.6
Net financing costs	**(355.8)**	(336.4)
Taxation paid	**(252.7)**	(298.6)
Dividend income	**2.8**	5.1
Distributions/dividends paid	**(575.9)**	(556.9)
Net cash inflows from operating activities	**168.0**	840.8
Cash flows from investing activities		
Replacement capital expenditure	**(365.6)**	(342.6)
Expansion/opportunity capital expenditure	**(333.9)**	(379.4)
Proceeds on disposal of property, plant and equipment	**9.6**	8.7
Movement on investments and loans	**21.5**	(17.1)
Acquisition of business	**-**	15.6
Proceeds on disposal of shareholding in joint ventures	**-**	9.5
Net cash outflows from investing activities	**(668.4)**	(705.3)
Net cash (outflows)/inflows before financing activities	**(500.4)**	135.5
Cash flows from financing activities		
Borrowings raised	**196.6**	51.6
Issue of share capital	**0.8**	1.3
Purchase of shares in terms of forfeitable share plan	**(5.9)**	-
Proceeds on part-disposal of shareholding in subsidiary	**189.3**	-
Net cash inflows from financing activities	**380.8**	52.9
Net (decrease)/increase in cash and cash equivalents	**(119.6)**	188.4
Cash and cash equivalents at beginning of the year	**597.1**	453.5
Exchange rate translation	**(1.0)**	(44.8)
Cash and cash equivalents at end of the year	**476.5**	597.1

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The summarised consolidated financial statements are prepared in accordance with the requirements of the Listings Requirements of the JSE Limited for preliminary reports and the requirements of the South African Companies Act, 71 of 2008 applicable for summarised financial statements. The Listings Requirements of the JSE Limited for the preliminary reports require them to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and financial reporting pronouncements as issued by the Financial Reporting Standards Council, and also, as a minimum, to contain the information required by IAS 34 Interim Financial Reporting.

The accounting policies applied in preparation of these summarised consolidated financial statements are in terms of IFRS and are consistent with those applied in the previous consolidated annual financial statements.

The audited summarised consolidated financial statements have been prepared under the supervision of the group financial director, Mohammed Abdool-Samad CA(SA). The summarised consolidated financial statements were approved by the board of directors on 21 May 2015.

The full consolidated annual financial statements from which these summarised consolidated financial statements were derived are electronically available on the group’s website www.illovosugar.com.

2. AUDIT OPINION

These summarised consolidated financial statements for the year ended 31 March 2015 have been audited by Deloitte & Touche, who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the full consolidated financial statements for the year ended 31 March 2015, from which these summarised consolidated financial statements were derived. A copy of the auditor’s report on the summarised consolidated financial statements and of the auditor’s report on the full consolidated financial statements are available for inspection at the company’s registered office, together with the financial statements identified in the respective auditor’s reports.

Deloitte & Touche has not audited future financial performance and expectations expressed by management included in the commentary in the accompanying preliminary report and accordingly do not express an opinion thereon. The auditor’s report does not necessarily report on all of the information contained in this preliminary report. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor’s engagement, they should obtain a copy of the auditor’s report together with the accompanying financial information from the issuer’s registered office or the group's website.

	Year ended 31 March	
	2015	2014
	Rm	Rm
3. NET FINANCING COSTS		
Interest paid	**362.9**	353.5
Less: capitalised to property, plant and equipment	**(4.0)**	(20.8)
	358.9	332.7
Interest received	**(13.4)**	(8.3)
Foreign exchange losses	**10.3**	12.0
	355.8	336.4

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Year ended 31 March 2015 Rm	2014 Rm
4. MATERIAL ITEMS		
Profit on disposal of property	**3.0**	1.3
Profit on disposal of previously impaired assets	**-**	0.1
Gain on bargain purchase	**-**	2.2
Proceeds received from insurance claim	**-**	19.1
Disposal and deregistration of businesses	**-**	1.8
Material items	**3.0**	24.5
5. DETERMINATION OF HEADLINE EARNINGS		
Profit attributable to shareholders of Illovo Sugar Limited	**826.4**	916.3
Adjusted for:		
- Profit on disposal of property	**(3.0)**	(1.3)
- Profit on disposal of previously impaired assets	**-**	(0.1)
- Gain on bargain purchase	**-**	(2.2)
- Proceeds received from insurance claim	**-**	(19.1)
- Disposal and deregistration of businesses	**-**	(1.8)
Total tax effect of adjustments	**-**	1.4
Total non-controlling interest effect of adjustments	**1.2**	0.4
Headline earnings	**824.6**	893.6
Number of shares in issue (millions)	**460.7**	460.6
Weighted average number of shares on which headline earnings per share is based (millions)	**460.7**	460.5
Headline earnings per share (cents)	**179.0**	194.0

6. DISTRIBUTION PER SHARE

The distribution per share of 90.0 cents (2014: 97.0 cents) includes an interim capital distribution of 37.0 cents and a final capital distribution of 53.0 cents, both declared out of share premium.

7. FINANCIAL INSTRUMENTS

The fair values of financial instruments are determined using inputs that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices), other than quoted prices in an active market and therefore fall into the level 2 fair value category. The fair values of non-financial assets are determined using inputs that are unobservable, using the best information available in the circumstances for using the assets and therefore fall into the level 3 fair value category.

This report does not include the information required to paragraph 16A(j) of IAS 34 - Interim Financial Reporting. The full consolidated annual financial statements will be available for inspection on the group's website, together with the required disclosures.

8. NET DEBT : EQUITY RATIO

The net debt : equity ratio is calculated as interest-bearing liabilities, net of cash and cash equivalents, divided by total equity.

9. POST-BALANCE SHEET EVENTS

No material change has taken place in the affairs of the group between the end of the financial year and the date of this report.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS (continued)

	Year ended 31 March			
	2015		2014	
	Rm	%	Rm	%
10. SEGMENTAL ANALYSIS				
Business Segments				
Revenue				
Sugar production	**9 242.3**	**70**	9 355.7	71
Cane growing	**2 848.3**	**21**	2 856.2	22
Downstream and co-generation	**1 175.9**	**9**	978.2	7
	13 266.5		13 190.1	
Operating profit				
Sugar production	**1 179.8**	**71**	1 320.3	70
Cane growing	**207.4**	**13**	388.8	21
Downstream and co-generation	**267.9**	**16**	177.8	9
	1 655.1		1 886.9	
Geographical Segments				
Revenue				
Malawi	**2 362.7**	**18**	2 341.5	18
Mozambique	**593.3**	**4**	552.8	4
South Africa	**4 481.6**	**34**	4 504.1	34
Swaziland	**1 396.5**	**11**	1 601.1	12
Tanzania	**1 247.4**	**9**	924.7	7
Zambia	**3 185.0**	**24**	3 265.9	25
	13 266.5		13 190.1	
Operating profit				
Malawi	**625.3**	**38**	762.0	39
Mozambique	**24.6**	**1**	32.5	2
South Africa	**215.2**	**13**	265.8	14
Swaziland	**68.7**	**4**	257.5	14
Tanzania	**145.0**	**9**	11.0	1
Zambia	**576.3**	**35**	558.1	30
	1 655.1		1 886.9	
Total assets				
Malawi	**2 878.7**	**20**	2 052.8	15
Mozambique	**944.7**	**7**	918.9	7
South Africa	**2 857.6**	**20**	2 658.7	20
Swaziland	**2 033.2**	**14**	2 046.0	16
Tanzania	**1 598.8**	**11**	1 690.3	13
Zambia	**3 984.1**	**28**	3 793.4	29
	14 297.1		13 160.1	

Note: Total assets exclude cash and cash equivalents, deferred tax and derivative financial instruments.