PRELIMINARY REPORT

FOR THE YEAR ENDED 31 MARCH 2013

SUGAR
ILLOVO
LIMITED

CONTENTS

FINANCIAL HIGHLIGHTS

- Revenue increases by **21%**
- Operating profit increases by **41%**
- Operating margin increases from **15%** to **17%**
- Headline earnings growth of **43%**
- Total distribution of **95 cents** per share, up by 44%
- Return on net assets increasing to **19.7%**

PHYSICAL HIGHLIGHTS

- Total cane milled by 11 sugar factories amounts to **14.865 million tons**
- Sugar production up **14%** to **1.746 million tons**
- Significant sugar recovery from South Africa after drought
- Sugar production in Zambia exceeds **400 000 tons**
- Record ethanol production of **56.875 million litres**
- **91%** total energy produced from renewable resources

CORPORATE INFORMATION

DIRECTORS

D G MacLeod *(chairman)**,
G J Clark *(managing director)* (Australian),
M H Abdool-Samad, M I Carr#*, G B Dalgleish,
M J Hankinson*, D Konar*, P A Lister#*,
P M Madi*, C W N Molope*,
A R Mpungwe (Tanzanian)*,
T S Munday*, R N Pike #*, L W Riddle
#British **Non-executive*

REGISTERED OFFICE

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POSTAL ADDRESS

PO Box 194, Durban, 4000

CONTACT DETAILS

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AUDITORS

Deloitte & Touche

TRANSFER SECRETARIES

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Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein, 2001
PO Box 4844, Johannesburg, 2000

SPONSOR

JP Morgan Equities South Africa Proprietary Limited

Company registration number

1906/000622/06

Share code

ILV

ISIN

ZAE000083846

OVERVIEW

The 2012/13 season has demonstrated the positive benefits from ongoing initiatives around the group to build our production capacity and enhance operational efficiency. Weather conditions were generally favourable during the past year and a record cane crop of nearly 6.5 million tons was produced from our own agricultural operations. Total cane production from independent farmers also increased, 8.4 million tons having been delivered to our factories during the course of the season. Recovery from the previous year's drought in South Africa and the benefit of recent factory expansions around the group, notably in Swaziland and Zambia, as well as improved plant efficiency and better process recoveries, resulted in the group's sugar production increasing over that of the previous season by 14% to 1.75 million tons.

Improved sugar availability helped to increase sales volumes by 11% compared to the previous year and better sales prices were realised in all market segments, yielding an increase of R1.9 billion in sugar revenue. Despite lower furfural sales, combined revenue from downstream products also improved year-on-year, resulting in group revenue totalling R11.1 billion, representing an increase of 21%.

Cost control remained effective during the year resulting in the group operating margin increasing from 14.7% to 17.1% for the period. Group operating profit increased accordingly by 41% to R1.9 billion. Although net financing costs increased to R280 million, reflecting the ongoing cost of servicing the group's expansion-related debt, interest cover improved compared to the previous year from 5.5 to 6.8. The effective tax rate for the group increased to 31.6% being negatively impacted by deferred tax adjustments driven by expansion-related capital allowances not expected to be fully utilised in Zambia. Headline earnings per share for the year improved by 43% to 189.6 cents and the return on group net assets increased from 15.9% to 19.7%.

The contributions to operating profit were sugar production 55%, cane growing 40%, downstream and power generation 5%. Contributions by country were Malawi 47%, Zambia 25%, South Africa 9%, Swaziland 8%, Mozambique 6% and Tanzania 5%.

2012/13 REVIEW

Growing conditions during the past season were generally much improved compared to 2011/12. Adequate early season rainfall in South Africa supported the significant and ongoing re-planting programme across all cane growing areas and seasonal cane yields were well above the 2011/12 drought-affected results. The total volume of cane supplied to our South African factories increased by 763 614 tons compared to that of the previous season, as a result of increased cane yields and a larger area harvested. Elsewhere in the group, an additional 5 233 hectares of land under cane harvested by ourselves and our growers resulted in group cane supply increasing by a further 480 698 tons compared to the previous season. Cane quality was generally better than the season before and levels of sucrose content in cane, in particular, were higher in all operations, other than in Swaziland where wet conditions depressed sucrose production. The latter half of the season was unseasonably wet in South Africa, which slowed operations and resulted in a premature end to harvesting and the carrying over of nearly 260 000 tons of cane to be crushed at the commencement of the 2013/14 season. Approximately 100 000 tons of cane was also carried over in Zambia, following the onset of summer rains at the end of last year.

Group sugar production increased by 220 343 tons compared to the previous season, largely driven by the recovery in South Africa where sugar production rose by 35% year-on-year. In Mozambique, sugar production fell short of the previous year due to a generally poorer factory performance, while all other operations recorded increases in sugar production. Credible factory performance was achieved in all operations other than Mozambique, with highlights being very good mechanical efficiency in South Africa and Malawi, and the expanded factories in Zambia and Swaziland running at their new throughput rates. A notable milestone was achieved in Zambia where over 400 000 tons of sugar was produced for the first time, with final sugar production in Zambia being 403 867 tons.

In excess of 60% of the group's sales volume continues to be sold into domestic markets in the countries in which the group produces sugar. In 2012/13, this represented 1.07 million tons, sold via a range of pre-packed and bulk industrial and direct consumption sugars in brown and refined sugar offerings. Sugar sold for direct consumption in Malawi and Zambia is fortified with Vitamin A. Higher sugar production in South Africa has driven volume growth in the country, while in Zambia improved economic fundamentals are translating to increased consumer spending power which continues to drive growth in that market. Low cost imports are negatively impacting market conditions in Tanzania and South Africa and without effective tariff protection and/or market management, prospects in these markets remain constrained. Applications to address the level of tariff in South Africa and to better regulate imports into Tanzania have been lodged with the relevant authorities. In Malawi, difficult economic conditions and a depreciating local currency have impacted on local market pricing in that country. Regular price adjustments to match inflation have been implemented throughout the past year and although local demand has contracted moderately, the market has been fully supplied and limited tonnages have been released for export by the group.

Meaningful storage and logistics benefits are anticipated in South Africa in the coming year following the successful completion of a new custom-designed central warehouse and distribution facility in Pietermaritzburg, which will streamline supply to all segments of the South African market at a lower cost.

Malawi and Zambia continue to supply sugar into large deficit markets in East and Central Africa where these two countries enjoy a geographical advantage over other potential suppliers. Pricing in these markets was buoyant during 2012/13, reflecting a general shortage in sugar supply and high inland transport costs. Preferential exports into the European Union and the United States grew further during the past year. Prices held steady in Euro terms for bulk raw sugar and niche speciality sugars, including "Fairtrade" sugar, which continued to provide premium prices in these markets.

Group exposure to the world bulk raw sugar market is limited to South Africa from where sugar is sold via the single desk export marketing function of the South African Sugar Association. Increased South African sugar production during 2012/13 resulted in a modest increase in world market sugar exposure, with the Illovo group share amounting to 60 068 tons (2011/12: 23 315 tons), priced at US22.9 cents/lb. The world sugar market is currently trading lower, below US18 cents/lb, on expectations of a growing world sugar surplus.

The rain-affected latter half of the crushing season in South Africa disrupted cane supplies to the Sezela mill which supports a downstream plant producing furfural and its derivatives. As a result of this disruption, 2012/13 furfural production was well below expectation, although diacetyl output was higher than the previous year. Pricing for furfural products softened during the year as a consequence of strong Chinese supply to the world market. While our product still commands a premium for quality, prices were lower than in 2011/12 and are only expected to recover in the second half of 2013/14 as Chinese inventories run down. The production of potable and denatured alcohol at our Merebank and Glendale distilleries reached record levels for the season, on the back of an adequate supply of molasses feedstock which followed the cane crop recovery in South Africa. Alcohol sales volumes at the start of the new year have generally been as expected and alcohol pricing has remained firm in the local and export markets.

Construction of the group's new potable alcohol distillery in Tanzania is nearing completion, with commissioning due in mid-2013. This plant will utilise the entire molasses production of our two Tanzanian factories and supply high quality potable alcohol into the expanding East African market. Alcohol production is expected to contribute to the Tanzanian factory's earnings base during 2013/14 and will provide useful diversity to our operations in that country going forward.

Co-generation of electricity remains a priority across the group, the objective being to become fully self-sufficient in power for our own requirements and, where attractive, to export electricity into the national grid. The large commercial co-generation plant recently commissioned in Swaziland is operating well and commercial exports to the national grid in Swaziland are presently exceeding contractual commitments. Limited supply into the national grid has also been achieved in Zambia.

PROSPECTS

The 2013/14 season is expected to reflect further focus on capacity utilisation and productivity across the group. In addition, prevailing weather conditions have been good, notably in South Africa. The result should see a further increase in cane production from our own operations and from our growers, which should underpin a moderate increase in sugar production for 2013/14.

Declining market fundamentals in the world of sugar, including a continued world sugar surplus and low ocean freight rates, will likely put negative pressure on pricing in the group's exports markets during the coming year. Currency exchange rates across the group are generally depreciating against the US Dollar and Euro, the major currency denominations of group exports, which could provide some relief through the conversion of export proceeds into reporting currency. Local market pricing is expected to generally follow inflation except in Tanzania where pricing will be governed by the level of imports in the year.

Further enhancement of the group's cost base is anticipated in the coming year as continuous improvement initiatives deliver results in the operations. The group's operating margin will likely come under pressure during the coming year as global sugar prices ease further, and consequently cost control will remain vital to maintaining these margins. Finance costs are expected to reduce as strong group cash flow is applied to the reduction of debt and the group's effective tax rate should normalise at around 30% as deferred tax adjustments are not expected to recur. Exchange rate volatility will, however, continue to be a major influence on the conversion of foreign subsidiary profits into Rand.

Capital expenditure in the coming year will be modest and focused on supporting performance improvement and normal plant and machinery replacements. No major new capital expansion projects are planned for the year, although ethanol and molasses beneficiation opportunities continue to present themselves in Zambia and Malawi and will be fully evaluated, along with power co-generation options during the 2013/14 season. The group continues to evaluate opportunities for further footprint expansion in Africa, but careful assessment of the risk will remain crucial to any new opportunity being progressed.

Overall we are confident of another year of progress across the group.

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 61.0 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 2013. This distribution, together with the interim capital reduction distribution of 34.0 cents per share which was declared on 14 November 2012, makes a total distribution in respect of the year ended 31 March 2013 of 95.0 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 28 June 2013
Shares commence trading ex the capital distribution	Monday 1 July 2013
Record date	Friday 5 July 2013
Payment of final capital distribution	Monday 8 July 2013

Share certificates may not be dematerialised/rematerialised between Monday 1 July 2013 and Friday 5 July 2013, 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
Chairman

G J Clark
Managing director

Mount Edgecombe
24 May 2013

ABRIDGED GROUP INCOME STATEMENT

		Note	Change %	Year ended 31 March 2013 Rm	2012 Rm
Revenue			21	**11 128.9**	9 173.2
Operating profit				**1 901.0**	1 348.8
Dividend income				**2.3**	3.5
Net financing costs		2	14	**279.6**	244.6
Profit before non-trading items				**1 623.7**	1 107.7
Share of profit from associates				**0.7**	7.2
Material items		3		**4.6**	(163.7)
Profit before taxation				**1 629.0**	951.2
Taxation				**513.9**	344.8
Profit for the year				**1 115.1**	606.4
Attributable to:					
Shareholders of Illovo Sugar Limited			98	**876.5**	443.1
Non-controlling interest				**238.6**	163.3
				1 115.1	606.4
Other comprehensive income					
Foreign currency translation differences				**(231.2)**	307.8
Adjustments in respect of cash flow hedges, net of tax				**2.1**	(2.7)
Actuarial (losses)/gains on post-retirement obligations, net of tax				**(32.0)**	0.6
Hedge of net investment in foreign subsidiaries				**(50.3)**	(87.3)
Total comprehensive income for the year				**803.7**	824.8
Attributable to:					
Shareholders of Illovo Sugar Limited				**638.3**	631.6
Non-controlling interest				**165.4**	193.2
				803.7	824.8
Headline earnings per share	(cents)	4	43	**189.6**	132.6
Diluted headline earnings per share	(cents)			**189.5**	132.5
Basic earnings per share	(cents)			**190.5**	96.4
Diluted basic earnings per share	(cents)			**190.4**	96.3
Distribution per share (interim-paid; final-declared)	(cents)	5	44	**95.0**	66.0

ABRIDGED GROUP STATEMENT OF FINANCIAL POSITION

		Note	As at 31 March 2013 Rm	2012 Rm
ASSETS				
Non-current assets			**7 938.5**	6 900.4
Property, plant and equipment			**6 223.4**	5 328.0
Cane roots			**1 260.0**	1 216.3
Intangible assets			**266.1**	218.1
Investments and loans			**131.6**	106.3
Deferred tax asset			**57.4**	31.7
Current assets			**4 635.3**	4 510.5
Inventories and factory overhaul			**1 253.7**	881.9
Growing cane			**1 520.4**	1 346.7
Trade and other receivables			**1 370.1**	877.8
Financial instruments			**16.9**	14.0
Cash and cash equivalents			**474.2**	1 390.1
Total assets			**12 573.8**	11 410.9
EQUITY AND LIABILITIES				
Total equity			**6 974.7**	6 465.3
Equity holders' interest			**5 968.5**	5 562.6
Non-controlling interest			**1 006.2**	902.7
Non-current liabilities			**2 413.0**	2 741.7
Long-term borrowings			**1 166.4**	1 545.4
Deferred taxation			**930.1**	854.0
Other liabilities			**316.5**	342.3
Current liabilities			**3 186.1**	2 203.9
Short-term borrowings			**1 174.4**	568.4
Trade and other payables			**2 001.4**	1 629.1
Financial instruments			**10.3**	6.4
Total equity and liabilities			**12 573.8**	11 410.9
OTHER SALIENT FEATURES				
Operating margin	(%)		**17.1**	14.7
Interest cover	(times)		**6.8**	5.5
Effective tax rate	(%)		**31.6**	30.3
Net debt:equity ratio		6	**26.8**	11.2
Return on net assets	(%)		**19.7**	15.9
Net asset value per share	(cents)		**1 514.8**	1 405.5
Depreciation			**259.9**	239.5
Capital expenditure			**971.1**	449.8
– Expansion capital			**640.8**	198.0
– Replacement capital			**291.4**	239.2
			932.2	437.2
– Expansion of area under cane			**28.4**	0.2
– Product registration costs			**10.5**	12.4
Capital commitments			**1 013.6**	1 125.9
– Contracted			**152.7**	168.1
– Approved but not contracted			**860.9**	957.8
Lease commitments			**201.7**	284.7
Contingent liabilities			**119.9**	175.0

ABRIDGED GROUP STATEMENT OF CASH FLOWS

	Year ended 31 March 2013 Rm	2012 Rm
Cash flows from operating and investing activities		
Cash operating profit	1 567.9	1 348.4
Working capital requirements	(506.4)	(291.6)
Cash generated from operations	1 061.5	1 056.8
Replacement capital expenditure	(291.4)	(239.2)
Financing costs, taxation and distributions	(931.4)	(820.4)
Deferred income	–	110.0
Net investment in future operations	(679.7)	(210.6)
Other movements	23.4	(58.9)
Net cash outflows before financing activities	(817.6)	(162.3)
Borrowings (repaid)/raised	(30.1)	815.2
Other financing activities	3.1	1.9
Net (decrease)/increase in cash and cash equivalents	(844.6)	654.8
Cash and cash equivalent at the beginning of the year	1 390.1	717.8
Exchange rate translation	(71.3)	17.5
Cash and cash equivalent at the end of the year	474.2	1 390.1

ABRIDGED STATEMENT OF CHANGES IN EQUITY

	Year ended 31 March 2013 Rm	2012 Rm
Share capital and share premium		
Balance at the beginning of the year	**2 489.8**	2 791.5
Issue of share capital	**3.1**	1.9
Transfer to distribution reserve	**(437.5)**	(303.6)
Balance at the end of the year	**2 055.4**	2 489.8
Share-based payments reserve		
Balance at the beginning and end of the year	**13.1**	13.1
Non-distributable reserves		
Balance at the beginning of the year	**155.8**	154.0
Realised profit on disposal of property	**–**	4.2
Transfer of realised profit on disposal of property to retained earnings	**(82.0)**	–
Transfer of foreign currency translation reserve	**211.7**	(190.3)
Release of non-controlling shareholders transactions	**(31.2)**	–
Total comprehensive income		
– Foreign currency translation	**(167.4)**	278.2
– Cash flow hedges	**(0.3)**	(2.4)
– Hedge of net investment in foreign subsidiaries	**(44.3)**	(87.9)
Balance at the end of the year	**42.3**	155.8
Retained earnings		
Balance at the beginning of the year	**2 706.1**	2 076.3
Realised profit on disposal of property	**–**	(4.2)
Transfer of realised profit on disposal of property from non-distributable reserves	**82.0**	–
Transfer of foreign currency translation reserve	**(211.7)**	190.3
Release of non-controlling shareholders transactions	**31.2**	–
Gain on redemption of preference shares	**118.9**	–
Total comprehensive income:		
– Profit for the year	**876.5**	443.1
– Actuarial losses on post-retirement obligations	**(12.9)**	(6.7)
– Movement in defined benefit pension plans	**(13.3)**	7.3
Balance at the end of the year	**3 576.8**	2 706.1
Distribution reserve		
Balance at the beginning of the year	**197.8**	156.3
Transfer from share premium	**437.5**	303.6
Distributions paid	**(354.4)**	(262.1)
Balance at the end of the year	**280.9**	197.8
Equity holders' interest	**5 968.5**	5 562.6
Non-controlling interest		
Balance at the beginning of the year	**902.7**	784.1
Distributions paid	**(103.6)**	(108.2)
Change in shareholding	**41.7**	33.6
Total comprehensive income:		
– Foreign currency translation	**(63.8)**	29.6
– Hedge of net investment in foreign subsidiary	**(6.0)**	0.6
– Cash flow hedges	**2.4**	(0.3)
– Movement in defined benefit pension plans	**(5.8)**	–
– Profit for the year	**238.6**	163.3
Balance at the end of the year	**1 006.2**	902.7
Total equity	**6 974.7**	6 465.3

SEGMENTAL ANALYSIS

	Year ended 31 March 2013 Rm	%	Year ended 31 March 2012 Rm	%
BUSINESS SEGMENTS				
Revenue				
Sugar production	7 610.8	68	6 310.1	69
Cane growing	2 565.5	23	1 995.9	22
Downstream and co-generation	952.6	9	867.2	9
	11 128.9		9 173.2	
Operating profit				
Sugar production	1 039.2	55	803.4	59
Cane growing	762.7	40	398.7	30
Downstream and co-generation	99.1	5	146.7	11
	1 901.0		1 348.8	
Total assets				
Sugar production	6 191.7	51	5 237.3	53
Cane growing	4 636.0	39	3 984.0	40
Downstream and co-generation	1 197.6	10	753.8	7
	12 025.3		9 975.1	
Note: *Total assets excludes cash and cash equivalents and financial instruments.*				
GEOGRAPHICAL SEGMENTS				
Revenue				
Malawi	1 829.8	16	1 686.8	18
Zambia	2 519.8	23	2 208.3	24
South Africa	4 229.5	38	3 129.2	34
Swaziland	1 314.9	12	989.1	11
Mozambique	536.4	5	457.7	5
Tanzania	698.5	6	702.1	8
	11 128.9		9 173.2	
Operating profit				
Malawi	899.3	47	530.9	39
Zambia	478.8	25	445.8	33
South Africa	164.3	9	89.2	7
Swaziland	155.8	8	78.4	6
Mozambique	109.1	6	59.9	4
Tanzania	93.7	5	144.6	11
	1 901.0		1 348.8	

NOTES TO THE FINANCIAL STATEMENTS

1. **Basis of preparation**

   These abridged consolidated financial statements have been prepared under the supervision of Mr M H Abdool-Samad CA(SA), the group financial director.

   The abridged financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements are for the abridged financial statements to be prepared in accordance with the conceptual framework 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 also, as a minimum, to contain the information required by IAS 34 Interim Financial Reporting. The accounting policies applied in the preparation of the consolidated financial statements from which the summary consolidated financial statements were derived are in terms of International Financial Reporting Standards and are consistent with the accounting policies applied in the preparation of the previous consolidated annual financial statements except for the adoption of the revised IFRS 7 Financial Instruments Disclosures and IAS 12 Income Taxes. The adoption of these revised standards has had no impact on the financial statements.

	Year ended 31 March	
	2013	2012
	Rm	Rm
2. Net financing costs		
Interest paid	**324.8**	274.4
Less: capitalised	**(21.7)**	–
	303.1	274.4
Interest received	**(36.2)**	(20.7)
Foreign exchange losses/(gains)	**12.7**	(9.1)
	279.6	244.6
3. Material items		
Profit on disposal of property	**1.5**	9.8
Impairment of investment in Mali project	**–**	(173.5)
Profit on disposal of previously impaired assets	**3.1**	–
Material profit/(loss) before taxation	**4.6**	(163.7)
Taxation	**–**	(0.3)
Non-controlling interest	**–**	(2.1)
Material profit/(loss) attributable to shareholders of Illovo Sugar Limited	**4.6**	(166.1)

		Year ended 31 March 2013 Rm	2012 Rm
4. Determination of headline earnings			
Profit attributable to shareholders		**876.5**	443.1
Adjusted for:			
– Profit on disposal of property		**(1.5)**	(9.8)
– Loss on disposal of plant and equipment		**–**	1.7
– Impairment of investment in Mali project		**–**	173.5
– Profit on disposal of previously impaired assets		**(3.1)**	–
Total tax effect of adjustments		**–**	(0.2)
Total non-controlling interest effect of adjustments		**0.6**	1.5
Headline earnings		**872.5**	609.8
Number of shares in issue	(millions)	**460.4**	460.0
Weighted average number of shares on which headline earnings per share are based	(millions)	**460.2**	459.9
Headline earnings per share	(cents)	**189.6**	132.6

5. Distribution per share

The distribution per share of 95.0 cents (2012: 66.0 cents) includes an interim capital distribution of 34.0 cents paid out of share premium and a final capital distribution of 61.0 cents declared out of share premium.

6. 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.

AUDIT OPINION

The audit report of the independent auditor on the abridged consolidated financial statements, which were derived from the audited consolidated financial statements, on which an unmodified opinion was expressed, is available for inspection at the company's registered office together with the summary consolidated financial statements identified in the auditor's report. We have not audited future financial performance and expectations expressed by management included in the commentary in the accompanying financial statements and accordingly do not express an opinion thereon. The auditor's report does not necessarily cover all of the information contained in this report. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's work they should obtain a copy of that report together with the accompanying financial information from the registered office of the company.