

Illovo Sugar Limited
(Incorporated in the Republic of South Africa)
Registration number 1906/000622/06
Share Code: ILV
ISIN: ZAE000083846
("Illovo" or "the Company" or "the Group")

RIGHTS OFFER DECLARATION ANNOUNCEMENT

1. Introduction

In its Profit and Dividend Announcement released on the Securities Exchange News Service ("SENS") of the JSE Limited ("JSE") on 26 May 2009, Illovo announced that in order to meet the ongoing financing requirements of the Group, a rights offer would be undertaken to raise new equity capital for Illovo's current and longer term growth plans ("the Rights Offer").

2. Rationale for the Rights Offer

The Group is consolidating its business in South Africa and continuing to pursue major investments outside South Africa in areas that have positive and stable social, political and economic fundamentals, adequate water and land resources, favourable climatic and agronomic conditions, strong local sugar markets and good export potential.

In line with this philosophy, investments and initiatives in the following countries have either been completed or are underway: Malawi, Zambia, Swaziland, Tanzania, Mozambique, and Mali. In this respect, an amount of R2.3 billion had been committed by 31 March 2009, projects involving capital expenditure of R1.7 billion have since been approved and further projects involving capital expenditure of approximately R2.8 billion are pending future approval.

In addition to the aforementioned expansion projects, other investment opportunities are anticipated to become available in the near future and this capital raising exercise will place the Group in a position to take advantage of such opportunities if and when they arise.

Illovo's ability to raise debt funding for the financing of these expansion projects has been affected by the ongoing global financial crisis. In particular, the cost of debt funding has increased and the conditions and covenants imposed by debt funders have become more onerous. Accordingly, in order to ensure that the Group's growth plans are not affected and that future debt:equity ratios remain at acceptable levels, an equity capital raising exercise is considered appropriate.

It is the intention of Illovo to use part of the Rights Offer proceeds to finance certain of the above mentioned expansion projects. The balance of the proceeds will be used to repay certain Group loans.

3. Terms of the Rights Offer

The Rights Offer will be for a total of 108 342 362 Illovo shares (the "Rights Offer Shares") and will be made by way of renounceable rights, at a subscription price of 2 769 cents per Illovo share on the basis of 30.83459 Rights Offer Shares for every 100 Illovo shares held on the record date for the Rights Offer, being Friday, 21 August 2009 ("the Record Date"). Qualifying shareholders recorded in the register of Illovo at the close of business on the Record Date will be entitled to participate in the Rights Offer. The Rights Offer is expected to raise R3.0 billion.

No excess applications will be permitted.

The Rights Offer is underwritten as detailed in paragraph 4 below.

4. Underwriting and undertaking to follow rights

Associated British Foods plc, through its wholly owned subsidiary ABF Overseas Limited ("ABFOL"), holds 51.3% interest in Illovo. ABFOL has irrevocably undertaken to follow its rights pursuant to the Rights Offer in respect of its entire interest in Illovo.

Allan Gray Limited ("Allan Gray"), acting on behalf of its clients and subject to such clients' continued investment, has irrevocably undertaken to procure that its clients follow their rights in terms of the Rights Offer. Allan Gray's clients are the beneficial owners of 23.4% of Illovo.

ABFOL has further agreed to underwrite the balance of the Rights Offer, subject to its interest in Illovo not exceeding 60% of the total issued share capital of Illovo after the Rights Offer.

The effect of the above undertakings and underwriting is that the Rights Offer is expected to be fully subscribed.

5. Circular to shareholders

The rights offer circular, incorporating revised listing particulars and a form of instruction in respect of a letter of allocation, where applicable ("the Rights Offer Circular"), will be posted to Illovo shareholders on Monday, 24 August 2009.

6. Conditions precedent

The Rights Offer is conditional upon:

- approval being obtained from the JSE for the Rights Offer Circular and the application for the listings of the letters of allocation and the Rights Offer Shares; and
- the necessary approvals and registrations being obtained from the Companies and Intellectual Property Registration Office.

It is anticipated that the above conditions will be met on or before the finalisation date for the Rights Offer, being Thursday, 6 August 2009.

7. *Pro forma* financial effects

The unaudited *pro forma* financial effects set out below have been prepared to assist Illovo shareholders to assess the impact of the Rights Offer on the Earnings Per Share ("EPS"), Headline Earnings Per Share ("HEPS"), Net Asset Value ("NAV") Per Share and Tangible Net Asset Value (TNAV") Per Share of Illovo. Due to the nature of these *pro forma* financial effects, they are presented for illustrative purposes only and may not fairly present the Group's financial position or the results of its operations after the Rights Offer.

The unaudited *pro forma* financial effects have been prepared in accordance with the Listings Requirements of the JSE and the Guide on *Pro Forma* Financial Information issued by The South African Institute of Chartered Accountants. These unaudited *pro forma* financial effects are the responsibility of the board of Illovo and are provided for illustrative purposes only. The material assumptions on which the *pro forma* financial effects are based are set out in the notes following the table.

Pro forma financial effects for the year ended 31 March 2009

	Audited financial information	<i>Pro forma</i> adjustments	Unaudited <i>pro forma</i> financial information	Percentage change
EPS (cents)	210.9	10.1	221.0	4.8%
Diluted EPS (cents)	209.8	10.4	220.2	4.9%
HEPS (cents)	211.6	10.0	221.6	4.7%
Diluted HEPS (cents)	210.6	9.9	220.5	4.7%
NAV per share (cents)	981.7	412.0	1 393.7	42.0%
TNAV per share (cents)	964.1	416.1	1 380.2	43.2%
Ordinary shares in issue ('000)	350 924	108 342	459 266	30.9%
Weighted average number of ordinary shares in issue ('000)	350 514	108 342	458 856	30.9%

Notes and assumptions:

(a) The audited financial information has been extracted from the published audited annual financial statements of Illovo for the year ended 31 March 2009.

(b) The *pro forma* adjustments to the income statement have been calculated on the assumption that the proceeds from the rights issue were received on 1 April 2008 and that the proceeds were used to repay debt.

(c) The *pro forma* adjustments to the balance sheet have been calculated on the assumption that the proceeds were received on 31 March 2009.

(d) A share issue price of 2 769 cents per share has been used for the *pro forma* adjustments with 108 342 362 shares being issued for a total quantum of R3.0 billion.

(e) Estimated transaction costs of R44.3 million, relating to the Rights Offer, have been taken into account in determining the *pro forma* financial effects.

(f) The interest impact on the income statement has been calculated by analysing the Group borrowings balance on a monthly basis. Interest rates used for calculating the impact are an average rate of 11.1% on cash balances and 12.8% on borrowings. These rates have been applied to the cash and borrowings balances as applicable during the year.

(g) A tax rate of 28% has been used on the interest impact.

(h) The cash flows for the year have been adjusted to take into account an increased dividend that would have been payable as a result of the decreased financing costs for the year. This dividend is calculated according to Illovo policy of two times cover.

8. Salient dates and times

The salient dates and times in respect of the Rights Offer are set out below.

	2009
Last day to trade in Illovo shares in order to participate in the Rights Offer (<i>cum</i> entitlement)	Friday, 14 August
Illovo shares commence trading ex-rights on the JSE at 09:00 on	Monday, 17 August

Listing of and trading in the letters of allocation on the JSE commences at 09:00 on	Monday, 17 August
Record date for the Rights Offer	Friday, 21 August
Rights Offer Circular and form of instruction, where applicable, posted to shareholders	Monday, 24 August
Rights Offer opens at 09:00 on	Monday, 24 August
Last day for trading letters of allocation on the JSE	Friday, 4 September
Listing of Rights Offer Shares and trading therein on the JSE commences	Monday, 7 September
Rights Offer closes at 12:00 on	Friday, 11 September
Record date for the letters of allocation	Friday, 11 September
CSDP or broker accounts in respect of holders of dematerialised shares are debited and updated with Rights Offer Shares on or about	Monday, 14 September
Share certificates are posted to certificated shareholders by registered post: on or about	Monday, 14 September
Results of Rights Offer announced on SENS	Monday, 14 September
Results of Rights Offer published in the press	Tuesday, 15 September

Notes:

(a) Share certificates in respect of Illovo shares may not be dematerialised or re-materialised between Monday, 17 August 2009 and Friday, 21 August 2009, both days inclusive.

(b) CSDPs effect payment on a delivery versus payment method in respect of qualifying shareholders holding dematerialised shares.

(c) If you are a qualifying shareholder holding dematerialised shares you are required to notify your duly appointed CSDP or broker of your acceptance of the Rights Offer in the manner and time stipulated in the custody agreement governing the relationship between yourself and your CSDP or broker. Dematerialised shareholders are advised to contact their CSDP or broker as early as possible to establish what the cut off times are for the acceptances of the rights offer, as set out in the custody agreement, as this may be earlier than the rights offer closing date.

(d) Unless otherwise indicated, all times are South African times.

(e) The above dates and times are subject to amendment. Any amendments to the dates and times will be released on SENS and published in the South African Press.

9. Further announcement

It is anticipated that the finalisation announcement for the Rights Offer will be released on SENS on Thursday, 6 August 2009 and in the South African press on Friday, 7 August 2009.

Mount Edgecombe
24 July 2009

Investment Bank and transaction sponsor
Standard Bank

Sponsor
JP Morgan

Legal adviser
Garlicke & Bousfield Inc.

Independent reporting accountants
Deloitte & Touche

Underwriter
ABF Overseas Limited

Corporate adviser to the underwriter
N M Rothschild & Sons (South Africa) (Proprietary) Limited

Legal adviser to the underwriter
Bowman Gilfillan Inc.

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