

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

ANNUAL GENERAL MEETING - 21 JULY 2010
CHAIRMAN'S ADDRESS AND TRADING STATEMENT

In respect of the year ended 31 March 2010, as already reported, group operating profit increased by 8% to R1 499 million whilst headline earnings of R703 million showed a decline of 5% over the previous year. As a result of the dilution effect of the rights issue, headline earnings per share fell by 19% to 171.2 cents.

The group continues with its drive to significantly increase its cane and sugar production capacity outside of South Africa, and to become self-sufficient in respect of power requirements for its operations as well as supplying power into the national electricity grids in the various countries in which it operates. The first step in the major growth phase was the Zambian expansion project which was completed on schedule for the beginning of the 2009/10 season. The expansion resulted in factory capacity increasing to a level which enables sugar production to rise from 220 000 tons to 450 000 tons per annum. The plant has settled down and is demonstrating its increased production capability. The Zambian operation also acquired a large cane growing company, Nanga Farms PLC, currently producing 325 000 tons cane per annum with the potential to further increase output. The Maragra expansion project in Mozambique, which has increased the factory capacity to around 150 000 tons of sugar per annum, was completed for the start of the current season. Linked to this, the company is currently involved in projects to increase cane supplies from both its own estate and local growers.

The Ubombo factory expansion and co-generation project in Swaziland has commenced with commissioning planned for the start of the 2011/12 season. The project provides for an increase in annual sugar production from 220 000 tons to over 300 000 tons, together with an increase in power generation capacity utilising biomass as supplementary fuel for the factory boilers. The power plant will enable the factory and estates to become self-sufficient in electricity consumption. In addition, agreement in principle has been reached with the Swaziland Electricity Company to supply power into the national grid for 48 weeks of each year. The project is linked to the completion of a major new dam and canal system sponsored by the Swaziland Government which will facilitate the development of some 5 000 hectares of new outgrower cane land in the medium-term. Development of the first 880 hectares of this area is nearing completion and will be harvested in 2011. A further

400 hectares of outgrower land is planned for development during the current calendar year. Continued expansion of cane production on the Ubombo estate is also progressing via the upgrading of irrigation systems and the development of new areas to cane. An additional 485 hectares will be planted in the current year.

During the last two years, marginal factory capacity expansions have also been undertaken at Dwangwa and Nchalo in Malawi, and at Kilombero in Tanzania. Additional areas have also been developed to cane by both the company's own estates and outgrowers. New varieties of cane have been introduced and improved irrigation installed in order to improve cane and sucrose yields. Opportunities to further increase the area under cane and improve yields together with related factory expansions are being explored in these countries. In addition, opportunities for power co-generation are also being assessed. Illovo remains the largest sugar producer in South Africa and the sugar refinery at Noodsberg is to be expanded during the course of the current season to consolidate this position.

The proposed greenfields project in Mali continues to be progressed, and various pre-project activities are at an advanced stage. The Government of Mali has provided significant support for the project and subject to the necessary approvals for the funding of the project being substantially secured in the second half of the calendar year, the process will advance to final project preparation. The Malian operation would ultimately produce 195 000 tons of sugar, 15 000 kilolitres of ethanol for fuel blending, and generate sufficient electricity for the agricultural and factory operations, with additional capacity to export power into the national grid.

This shareholders' meeting provides the opportunity to up-date you on the outlook for the group's operations in the current year.

Generally climatic conditions outside South Africa have been good and favourable for crop growth. However, it has been very dry in KwaZulu-Natal and cane yields are below expectation. Cane production from the group's own operations is presently expected to be about 0.7 million tons above last year at around 6.8 million tons.

The performance of the group's sugar factories has in general been satisfactory with the expanded factory at Nakambala in Zambia now operating at its new capacity rating. For the group as a whole, sugar production is expected to be around 1.8 million tons which is just over 100 000 tons above that of last year. The downstream plants continue to perform well, with production at the Sezela operation forecast to be slightly above last year, whilst the Merebank and Glendale distilleries' output is anticipated to be marginally above last season.

The world sugar market continues to be volatile with futures prices currently well below the high levels experienced in January / February 2010. This market is now forecast to be moving into a small surplus for the 2010/11 sugar season, following increased production estimates in both Brazil and India, and this is introducing downward pressure on price expectations. The South African sugar industry has however priced in excess of 60% of its current year's anticipated export availability at US19 cents/lb compared to prevailing spot prices of around US17 cents/lb. Domestic market offtake and prices are expected to remain positive.

Later in the meeting, shareholders will be asked to approve capital reduction distributions out of share premium in lieu of dividends. Distributions of this nature are not liable for Secondary Tax on Companies and should the resolution be passed, then the effective tax rate for the year is likely to reduce from 30% to approximately 28%.

Trading Statement

Overall, the forthcoming year is expected to be a difficult one for the company. The results for the year will again be affected by the level of the rand compared to other currencies, whilst drought in South Africa will also negatively affect sugar production in that country. In addition, the weaker value of the Euro will impact on downstream sales and sugar export earnings from sales to the European Union. Accordingly, the company expects earnings and headline earnings to be lower than achieved in the previous financial year. Earnings per share and headline earnings per share, which will be further affected by the full year dilution impact of the rights issue completed in September 2009, are currently expected to be between 15% and 25%, and 20% and 30% lower respectively, than achieved in the financial year ended 31 March 2010.

The forecast financial information on which this trading statement is based has neither been reviewed nor reported on by the company's auditors.

Directorate

Brian Connellan and Martin Shaw both retire at this Annual General Meeting and I thank them for their valuable contribution and wise counsel over the long period they have been members of the Board.

R A Williams
Chairman

Mount Edgecombe
21 July 2010

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