

# The Tongaat-Hulett Group Limited

(Incorporated in the Republic of South Africa)

(Registration number: 1892/000610/06)

(Share code: TNT)

(ISIN: ZAE000007449)

("THG") or ("the Company")

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## **Final terms of the proposed listing on the JSE Limited of Hulamin Limited ("Hulamin") and unbundling of THG's 50% interest in Hulamin, the pro rata share repurchase and introduction of 25% Black Economic Empowerment equity participation in THG and 15% in Hulamin and withdrawal of cautionary announcement**

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### **1. Introduction**

Further to the detailed cautionary announcement of 14 December 2006 ("Detailed Cautionary"), THG is pleased to advise shareholders of the final terms of the proposed listing on the JSE Limited ("JSE") of Hulamin, followed by the unbundling of THG's 50% interest in Hulamin ("the unbundling"), the name change to Tongaat Hulett Limited ("Tongaat Hulett" or "TH"), the pro rata share repurchase, the Black Economic Empowerment ("BEE") transactions to be implemented in TH ("TH BEE transaction") and Hulamin ("Hulamin BEE transaction") ("collectively the "transactions"), including details of the derived value split and financial effects of the transactions.

### **2. Details of the transactions**

The unbundling will result in the creation of two separately listed entities:

- a. Tongaat-Hulett, which will be an agri-processing business which includes integrated components of land management, property development and agriculture; and
- b. Hulamin, which will be an independent producer of rolled, extruded and other semi-fabricated and finished aluminium products.

This will be accompanied by the simultaneous introduction of broad based Black Economic Empowerment (BEE) equity participation in both TH and Hulamin, amounting to 25% and 15% participation respectively. The capital structure of both businesses will be optimised, including facilitating the BEE equity participation, a R500 million pro rata share repurchase and retaining the balance sheet capacity to take advantage of growth opportunities.

The salient terms of the respective transactions, which transactions will be implemented consecutively, are set out below:

#### **2.1. Value split**

As announced in the Detailed Cautionary, the transaction values will be determined by applying a relative value split of 71.5% TH and 28.5% Hulamin (attributable to THG's 50% interest in Hulamin) to the enterprise value based on the 30-day volume weighted average price ("VWAP") of THG on the last practicable date prior to issuing the THG circular and adjusting these values for the net debt in the respective entities as well as certain other pre-agreed adjustments.

The 30-day VWAP of THG as at the last practicable date (19 April 2007) was R127.88 per share and, after having taken into account the net debt in the respective businesses and the other pre-agreed adjustments, the derived relative value split had been determined as follows:

- Tongaat Hulett: R92.80 per share; and

- Hulamin (50%): R35.08 per share.

These derived values represent an equity value of R9.9bn for TH (prior to the pro rata share repurchase as detailed in 2.3 below) and R7.5bn for 100% of Hulamin.

## **2.2. Listing and unbundling of Hulamin and change of name**

Hulamin will, subject to the fulfillment of the conditions precedent contained in paragraph 5, be listed on the JSE on 25 June 2007, after which THG will unbundle its 50% interest in Hulamin to all THG shareholders recorded in the register on Friday, 29 June 2007. Shareholders will receive one Hulamin ordinary share for every THG ordinary share held prior to the unbundling.

THG will change its name to Tongaat Hulett Limited and be known as Tongaat Hulett (“TH”) after the unbundling.

## **2.3. Pro rata share repurchase**

After the unbundling of Hulamin and prior to the implementation of the TH BEE transaction, TH will undertake a pro rata repurchase of 4.5% of its issued ordinary share capital by way of a scheme of arrangement in terms of section 311 of the Companies Act 61 of 1973, as amended (“the Companies Act”) (“the scheme”).

TH will acquire 4.5 TH ordinary shares for every 100 TH ordinary shares held by shareholders for R92.80 per TH ordinary share (being the derived share price of the TH ordinary shares traded on the JSE after the unbundling) which will equate to a total consideration of R500.2 million (inclusive of STC to be incurred by TH) based on the number of shares in issue at the last practicable date.

## **2.4. TH BEE transaction**

The TH BEE transaction comprises two components, namely:

- The subscription for an effective 18% interest in TH by broad based BEE groups; and
- The subscription for an effective 7% interest in TH by eligible TH employees through the TH ESOP and the TH MSOP.

### **2.4.1. Participation by broad based BEE groups**

Ayavuna Women’s Investments (Proprietary) Limited (“Ayavuna”) and Sangena Holdings (Proprietary) Limited (“Sangena”) (collectively “the TH BEE anchor partners”), together with the Masithuthukisane Trust which benefits the small scale cane grower communities surrounding the South African TH mills and the Mphakathi Trust, which benefits the communities surrounding the TH property developments will form the following investment vehicles for the purpose of entering into the TH BEE transaction:

- i. Sangena will combine with the Masithuthukisane Trust to form BEE yoMoba SPV which will subscribe for 11 157 767 TH “A” preferred ordinary shares which will represent a fully diluted 8% interest in TH; and
- ii. Ayavuna SPV will combine with the Mphakathi Trust to form BEE Infrastructure SPV to subscribe for 13 947 209 TH “A” preferred ordinary shares which will represent a fully diluted 10% interest in TH.

The subscription price per TH “A” preferred ordinary share shall be equal to the R92.80 adjusted for the STC incurred on the pro rata distribution to shareholders which reduces the subscription price per share to R92.26. The “A” preferred ordinary shares will rank *pari passu* with TH ordinary shares except for their entitlement to a fixed annual dividend of R99.7m (in aggregate) and their automatic conversion into TH ordinary shares after a period of seven years. The TH “A” preferred ordinary shares will not be listed. As was disclosed in the Detailed Cautionary, the subscription will be funded

through a combination of third party funding and notional vendor funding. The notional vendor funding will be settled through a repurchase of TH "A" preferred ordinary shares from each of BEE yoMoba SPV and BEE Infrastructure SPV at R0.01 per share upon expiry of the funding structure. The following table shows the breakdown of the funding for the TH BEE yoMoba SPV and the BEE Infrastructure SPV:

<b>R'000</b>	<b>BEE yoMoba SPV</b>	<b>BEE Infrastructure SPV</b>	<b>Total</b>
BEE equity and shareholder loan contribution (net of projected costs)	6,037	7,547	13,584
Senior SPV preference shares	183,422	229,278	412,700
Mezzanine SPV preference shares	183,422	229,278	412,700
Notional vendor funding	656,559	820,699	1,477,259
<b>Total</b>	<b>1,029,441</b>	<b>1,286,802</b>	<b>2,316,243</b>

The notional vendor funding will escalate at a rate of 11.9% per annum and will be extinguished through the repurchase by TH of such number of TH ordinary shares, at R0.01, as equates in value (calculated at the 30 VWAP at such a point in time) to the balance of the notional vendor funding.

Each of BEE yoMoba SPV and BEE Infrastructure SPV will have the ability to enhance their returns by delivering on certain pre-agreed value-add criteria as follows:

- i. BEE yoMoba SPV's contribution towards enhanced capacity utilisation in the South African sugar milling operations by securing increased cane supply to the TH sugar mills through the promotion of small scale cane growing initiatives in the relevant communities surrounding the TH sugar mills; and
- ii. BEE Infrastructure SPV's ability to secure increased external funding for the provision of bulk and link infrastructure required to enable the achievement of the planned TH property development initiatives in the short and medium term.

The amount of the earn-in will be formulaically determined every year and is based on the principle that TH will share a proportion of the incremental profits that are realised through these value-add initiatives, with the relevant broad-based communities and BEE anchor partners that have assisted in facilitating this value creation. If the proposed earn-in mechanisms achieve their objectives of unlocking value through enhanced sugar cane milling capacity utilisation at the TH mills and by attracting significant incremental funding for infrastructure developments, it is anticipated that the annual benefit to the BEE parties could reach R10 million for each of the initiatives.

The proportion of the TH BEE anchor partners' earn-in is determined according to their respective shareholding in BEE yoMoba SPV and BEE Infrastructure SPV. The earn-in will take the form of predominantly a cash distribution in respect of the Masithuthukisane Trust and the Mphakathi Trust. While Ayavuna and Sangena will not receive a cash distribution, they will benefit through a reduction in the number of shares that can be repurchased from BEE Infrastructure SPV and BEE yoMoba SPV respectively which will improve their vesting profile.

#### 2.4.2. Employee participation

TH will establish the TH ESOP Share Trust and TH MSOP Share Trust for the benefit of TH employees. TH and its subsidiaries will contribute a projected amount of R212 million to the TH ESOP Share Trust and the TH MSOP Share Trust. The exact amount will be determined based on the 22-day VWAP of TH for 22 trading days after the date on which Hulamin is listed on the JSE, being Monday, 25 June 2007.

On receipt of this amount, the TH ESOP Share Trust will subscribe for TH B<sub>1</sub> ordinary shares and the TH MSOP Share Trust will subscribe for TH B<sub>2</sub> ordinary shares and B<sub>3</sub> ordinary shares, which will represent a collective interest of 7% in TH after the conclusion of the transactions.

The TH “B” ordinary shares will not be listed on the JSE. TH has been granted dispensation from the JSE in order to allow holders of such TH “B” ordinary shares to vote at general meetings. In terms of this dispensation, the votes attaching to each class of shares in issue in TH will be afforded equal rank and all votes are to be counted collectively.

The TH “B” ordinary shares will rank *pari passu* with the TH ordinary shares in all respects with the following main exceptions:

- i. TH retains the right to repurchase a number of each class of the TH “B” ordinary shares in terms of pre-determined formulae immediately prior to the conversion of these shares into TH ordinary shares (see (ii) below); and
- ii. On the fifth anniversary of the effective date, the remaining TH “B” ordinary shares will be converted into an equal number of TH ordinary shares, listed on the JSE and ranking *pari passu* in all respects with the existing issued TH ordinary shares.

To facilitate the employee participation, TH will contribute an estimated amount of R212 million to the TH MSOP Share Trust and the TH ESOP Share Trust which amount will be used for the subscription of TH “B” ordinary shares in TH.

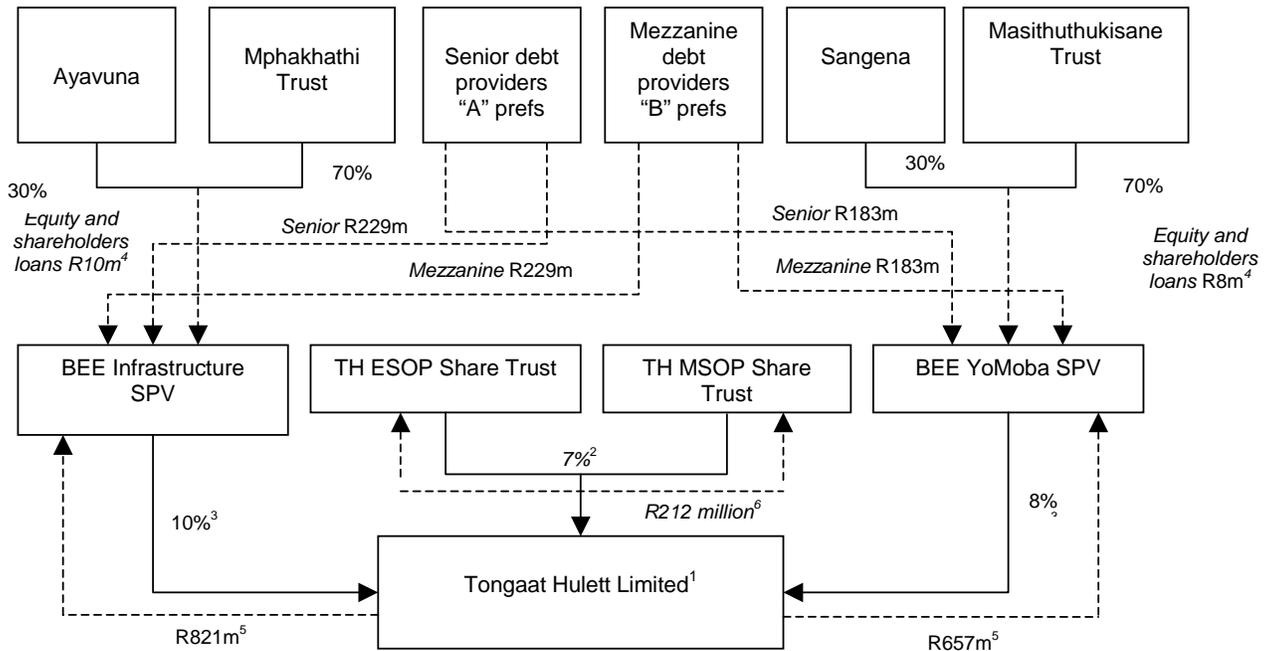
In terms of this facilitation,

- i. TH will be the nominated income beneficiary of both the TH ESOP Share Trust and the TH MSOP Share Trust and accordingly for a period of 5 years from the effective date:
  - a. the TH MSOP Share Trust beneficiaries will be attributed a notional funding amount equal to the ordinary dividend declared in every year. This notional funding charge will be discharged through the payment of all dividends for a five year period to the company in its capacity as a vested income beneficiary of the TH MSOP Share Trust. The dividends not distributed to the TH MSOP Share Trust beneficiaries will reduce the number of TH “B” ordinary shares that TH will be entitled to repurchase at maturity in order to settle the outstanding notional vendor finance amount. In accordance with the terms of the TH B<sub>2</sub> ordinary shares and TH B<sub>3</sub> ordinary shares, the TH MSOP Share Trust beneficiaries will receive some shares for no consideration after five years (the TH B<sub>3</sub> ordinary shares), while other shares will be acquired at a 20% discount to the market value on the date of allocation (the TH B<sub>2</sub> ordinary shares); and
  - b. the TH ESOP Share Trust beneficiaries will similarly be charged a notional funding amount equal to the ordinary dividend declared in every year. This notional funding amount will be partly settled through 50% of the dividends being paid to the company as a vested beneficiary of the TH ESOP Share Trust, declared on the TH B<sub>1</sub> ordinary shares with the remaining 50% of the dividends being paid to the scheme beneficiaries. The dividends not distributed to the TH ESOP Share Trust beneficiaries will reduce the number of TH B<sub>1</sub> ordinary shares that TH will be entitled to repurchase at maturity in order to settle the outstanding notional vendor finance amount. In accordance with the terms of the TH B<sub>1</sub> ordinary shares, the TH ESOP Share Trust beneficiaries will have paid the 22 day VWAP at the allocation date of the shares, adjusted for the cash dividends paid to the beneficiaries over vesting period of the TH “B” ordinary shares.
- ii. TH and any of its subsidiaries will have the right to repurchase a variable number of TH “B” ordinary shares on the fifth anniversary of the effective date at R0.01, after which any remaining shares in the TH ESOP Share Trust and the TH MSOP Trust will be converted into ordinary shares ranking *pari passu* with the existing issued TH ordinary shares with unrestricted rights.

The consideration payable by TH will be R0.01 per TH “B” ordinary share multiplied by the number of TH “B” ordinary shares to be repurchased. The consideration will be paid from available cash resources, subject to the requirements of the Companies Act and the JSE.

#### 2.4.3. Transaction diagram

The resultant TH BEE transaction structure is illustrated below.



1. Listed on the JSE and the LSE
2. TH “B” ordinary shares
3. TH “A” preferred ordinary shares
4. Contributed in the proportion of 50% equity and 50% shareholder loan for a total contribution of R9m equity and R9m shareholder loans between Sangena and Ayavuna.
5. Notional vendor funding
6. Contribution by TH

Dotted lines denote funding

Solid lines denote shareholdings

#### 2.5. Hulamin BEE transaction

The Hulamin BEE transaction facilitates the acquisition of an effective 15% interest in Hulamin by the Hulamin BEE partners, as follows:

- The subscription, through a special purpose vehicle, Hulamin BEE SPV, of an effective 10% interest in a wholly owned subsidiary of Hulamin, Hulamin Operations (Proprietary) Limited (“Hulamin OpCo”) and 25 million Hulamin “A” ordinary shares which will entitle Hulamin BEE SPV to approximately 10% of the voting rights in Hulamin; and
- The subscription for an effective 5% of the issued share capital of Hulamin by employees through the Hulamin ESOP and the Hulamin MSOP.

## 2.5.1. Participation by Hulamin SPV

### 2.5.1.1. Hulamin OpCo

In anticipation of the listing and unbundling of Hulamin on the JSE and in order to facilitate the participation of BEE partners at an operational level. Hulamin will dispose of all of its operations to a wholly owned subsidiary, Hulamin Opco for R8 211 million as a going concern, in terms of section 228 of the Companies Act. Hulamin will apply the disposal proceeds to:

- i. subscribe for 241 Hulamin OpCo ordinary shares for a total consideration of R337.5 million and 50 000 000 Hulamin Opco preference shares for a total consideration of R6 520 million; and
- ii. loan R1 354 million to Hulamin OpCo for the balance of the disposal proceeds of which approximately R754 million will be repaid at inception with money raised by Hulamin BEE SPV (R566 million) and external bank funding for the balance (R188 million).

### 2.5.1.2. Hulamin BEE SPV

Immediately after the listing of Hulamin and prior to the unbundling, the following steps will be undertaken:

- i. Imbewu Consortium SPV ("Imbewu") and Makana Investment Consortium ("Makana") will subscribe for shares in Hulamin BEE SPV as follows:
  - a. Imbewu will subscribe for 60% of Hulamin BEE SPV; and
  - b. Makana will subscribe for 40% of Hulamin BEE SPV.
- ii. Hulamin BEE SPV will subscribe for 38 Hulamin OpCo shares for a total cash consideration of R37.5 million which will represent an effective 10% interest in Hulamin OpCo
- iii. the Hulamin BEE transaction will be funded as follows:
  - a. total equity contributions by Imbewu and Makana of R40 million into Hulamin BEE SPV of which R37.5 million will be used to subscribe for the Hulamin OpCo shares referred to in (ii) above and the remaining R2.5 million will be used to subscribe for Hulamin "A" ordinary shares; and
  - b. a partially amortising term bank loan facility of R566 million to Hulamin BEE SPV, which will in turn be advanced by Hulamin BEE SPV to Hulamin OpCo as a shareholders loan.

### 2.5.1.3. Subscription for shares in Hulamin OpCo

- i. Hulamin BEE SPV will subscribe for 38 Hulamin OpCo shares which will constitute a 10% interest in Hulamin OpCo for a total consideration of R37.5 million. In addition Hulamin BEE SPV will advance R566 million to Hulamin OpCo in shareholder loans on terms matching the bank loan referred to in paragraph 2.5.1.2 above. The subscription consideration is based on the valuation as set out in paragraph 2.1 above;
- ii. the Hulamin BEE SPV loan will first be applied to repay a portion of the loans made by Hulamin to Hulamin OpCo of approximately R1 354 million arising from the sale of business referred to above;

- iii. on the seventh anniversary of the effective date, unless otherwise agreed by Hulamín and Hulamín BEE SPV, the Hulamín OpCo shares will be exchanged, on an equivalent value basis, for listed Hulamín ordinary shares in Hulamín. The Hulamín BEE partners and Hulamín BEE SPV will be subject to lock in provisions for a further period of three years;
- iv. Hulamín BEE SPV has agreed to a lock in for a period of 10 years in relation to the Hulamín OpCo shares and/or the Hulamín ordinary shares following an exchange of shares as recorded in sub paragraph (iii), as the case may be; and
- v. the Hulamín ESOP Share Trust and Hulamín MSOP Share Trust will each subscribe for Hulamín "B" ordinary shares representing a collective interest of 5% in Hulamín. The Hulamín "B" ordinary shares will not be listed on the JSE but will rank *pari passu* with the Hulamín ordinary shares other than for certain rights and obligations attaching to these shares set out in paragraph 2.5.2 below.

#### 2.5.1.4. Creation of the Hulamín "A" ordinary shares

Hulamín has increased its authorised ordinary share capital by creating 34 000 000 Hulamín "A" ordinary shares. The Hulamín "A" ordinary shares will not be transferable except with Hulamín's prior written consent and will not be listed on the JSE.

Hulamín has been granted dispensation from the JSE in order to allow the holder of the Hulamín "A" ordinary shares to vote. In terms of this dispensation, the votes attaching to each class of shares in issue in Hulamín will be afforded equal rank and all votes are to be counted collectively. Holders of Hulamín "A" ordinary shares shall not be entitled to any additional votes or veto rights.

The Hulamín "A" ordinary shares do not carry any dividend or other economic rights, but will entitle the holder, Hulamín BEE SPV, to exercise 10% of the voting rights attaching to the Hulamín shares in issue at a Hulamín general meeting until Hulamín BEE SPV ceases to hold shares in Hulamín OpCo at which time the Hulamín "A" ordinary shares will be repurchased by Hulamín at their par value of R0.10 per share.

#### 2.5.2. Hulamín employee participation

Hulamín will establish the Hulamín ESOP Share Trust and Hulamín MSOP Share Trust for the benefit of Hulamín employees. Hulamín and its subsidiaries will contribute a projected amount of R113 million to the Hulamín MSOP Share Trust and the Hulamín ESOP Share Trust. The exact amount will be determined based on the 22-day VWAP of Hulamín for 22 trading days after the date on which Hulamín is listed on the JSE, being Monday, 25 June 2007.

On receipt of this contribution, the Hulamín ESOP Share Trust will subscribe for Hulamín B<sub>1</sub> ordinary shares and the Hulamín MSOP Share Trust will subscribe for a Hulamín B<sub>2</sub> ordinary shares and Hulamín B<sub>3</sub> ordinary shares. The total cash consideration for the Hulamín "B" ordinary shares is projected to be an amount of R113 million and the number of shares subscribed for will represent an effective 5% interest in Hulamín.

The Hulamín "B" ordinary shares will not be listed on the JSE.

Hulamín has applied for and has been granted dispensation from the JSE in order to allow holders of such Hulamín "B" ordinary shares to vote. In terms of this dispensation, the votes attaching to each class of shares in issue in Hulamín will be afforded equal rank and all votes are to be counted collectively. Holders of Hulamín "B" ordinary shares shall not be entitled to any additional votes or veto rights.

The Hulamín "B" ordinary shares will rank *pari passu* with the Hulamín ordinary shares in all material respects with the following exceptions:

- i. Hulamin retains the right to repurchase a number of each class of the Hulamin “B” ordinary shares in terms of pre-determined formulae immediately prior to the conversion of these shares into Hulamin ordinary shares (see (ii) below); and
- ii. on the 5th anniversary of the effective date, the remaining Hulamin “B” ordinary shares will be converted into an equal number of ordinary shares, listed on the JSE and ranking *pari passu* in all respects with the existing issued Hulamin ordinary shares.

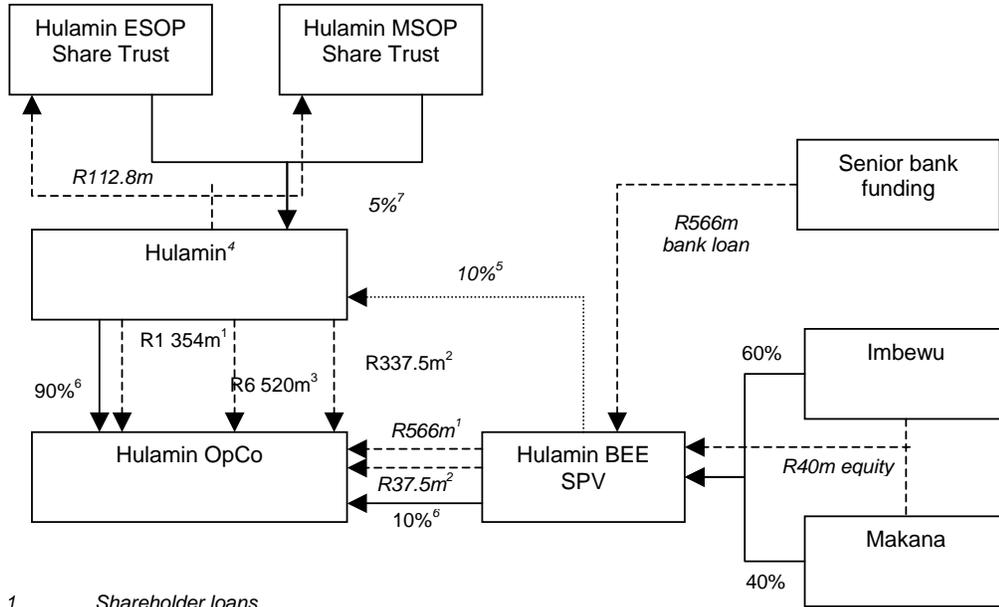
To facilitate the employee participation, Hulamin will contribute a projected amount of R113 million to the Hulamin MSOP Share Trust and the Hulamin ESOP Share Trust as set out above which amount will be used for the subscription of Hulamin “B” ordinary shares.

In terms of this facilitation,

- i. Hulamin will be the nominated income beneficiary of both the Hulamin ESOP Share Trust and the Hulamin MSOP Share Trust and accordingly for a period of five years from the effective date:
  - a. the Hulamin MSOP Share Trust beneficiaries will be attributed a notional funding amount equal to the ordinary dividend declared in every year. This notional funding charge will be discharged through the payment of all dividends for a five year period to the Company in its capacity as a vested income beneficiary of the Hulamin MSOP Share Trust. The dividends not distributed to the Hulamin MSOP Share Trust beneficiaries will thus reduce the number of Hulamin “B” ordinary shares that Hulamin will be entitled to repurchase at maturity in order to settle the outstanding notional vendor finance amount. In accordance with the terms of the Hulamin B<sub>2</sub> ordinary shares and the Hulamin B<sub>3</sub> ordinary shares, the Hulamin MSOP beneficiaries will receive some shares for no consideration after five years (the Hulamin B<sub>3</sub> ordinary shares), while other shares will be acquired at a 20% discount to the market value on the date of allocation (the Hulamin B<sub>2</sub> ordinary shares); and
  - b. the Hulamin ESOP Share Trust beneficiaries similarly will be charged a notional funding amount equal to the ordinary dividend declared in every year. This notional funding amount will be partly settled through the 50% of the dividends declared on the Hulamin B<sub>1</sub> ordinary shares being paid to the company as a vested income beneficiary of the Hulamin ESOP Share Trust with the remaining 50% of the dividends being paid to the scheme beneficiaries. The dividends not distributed to the Hulamin ESOP Share Trust beneficiaries will thus reduce the number of Hulamin B<sub>1</sub> ordinary shares that Hulamin will be entitled to repurchase at maturity in order to settle the outstanding notional vendor finance amount. In accordance with the terms of the Hulamin B<sub>1</sub> ordinary shares the Hulamin ESOP beneficiaries will have paid the 22 day VWAP at the allocation date of the shares, adjusted for the cash dividends paid to the beneficiaries over vesting period of the shares.
- ii. Hulamin will have the right to repurchase a variable number of Hulamin “B” ordinary shares on the 5<sup>th</sup> anniversary of the effective date at R0.01 per share, after which any remaining shares in the Hulamin ESOP Share Trust and the Hulamin MSOP Share Trust will be converted into Hulamin ordinary shares ranking *pari passu* with the existing issued Hulamin ordinary shares with unrestricted rights.

### 2.5.3. Transaction diagram

The resultant Hulamin BEE transaction structure and funding is illustrated below.



1. Shareholder loans
2. Equity contributions
3. Hulamin Opco preference shares
4. Listed on the JSE
5. Subscription for 25 million Hulamin "A" ordinary shares (voting only) at R2.5m
6. Hulamin OpCo ordinary shares
7. Hulamin "B" ordinary shares

### 3. Economic cost of the BEE equity transactions

The total estimated economic cost of the TH BEE transaction is expected to be approximately 3.5% of the derived TH market capitalisation and the estimated economic cost of the Hulamin BEE transaction is expected to be approximately 3% of the derived Hulamin market capitalisation. These costs, which will in terms of IFRS be recognised, mostly on a once off basis and as illustrated in paragraph 4 below, in the financial results of the respective companies, are considered to be within market norms for such BEE transactions.

### 4. Pro forma financial effects of the transactions

The table below sets out the unaudited *pro forma* financial effects of the unbundling, the pro rata share repurchase and the TH BEE transaction on THG's audited earnings per TH ordinary share, headline EPS, diluted headline EPS, NAV per TH ordinary share and NTAV per TH ordinary share, based on the audited results of THG for the financial year ended 31 December 2006. The unaudited *pro forma* financial effects are the responsibility of the THG directors and have been prepared for illustrative purposes only to provide information about how the transactions may have affected the financial position of the THG shareholders on the relevant reporting date. Due to their nature, the unaudited *pro forma* financial effects may not be a fair reflection of THG's financial position after implementation of the transactions.

	Consolidated THG before	Hulamin unbundling	TH share repurchase	TH BEE transaction	Transaction costs	TH after transactions	%
	(1)	(2)	(3)	(4)	(5)		
	(cents)	(cents)	(cents)	(cents)	(cents)	(cents)	change
Earnings per ordinary share	685	3,101	97	-352	-22	3,509	412%
Headline earnings per ordinary share	666	-73	-55	-352	-22	164	-75%
Fully diluted earnings per ordinary share	668	3,021	90	-420	-21	3,339	400%
Fully diluted headline earnings per ordinary share	649	-71	-54	-347	-21	156	-76%
Net asset value per ordinary share	4,650	-1,556	-346	-7	-43	2,698	-42%
Net tangible asset value per ordinary share	4,637	-1,545	-346	-7	-43	2,696	-42%

1. Audited consolidated financial results of THG as reported for the year ended 31 December 2006. The financial impacts on the earnings of THG are illustrated as if the transactions had been implemented at the beginning of the year which ended on 31 December 2006, while the impact on the net assets of THG is shown as if the transaction had been implemented on 31 December 2006.
2. The unbundling of Hulamin will take the form of a payment in specie by THG to its shareholders. This payment is recorded at market value, in terms of the adopted practice as permitted by IFRS, and thus a revaluation is required to bring the investment of 50% in Hulamin to the derived market value of R3 842 million. The revaluation required is R3 348 million and does not impact on headline earnings per share. This column reflects the revaluation of the investment in Hulamin upon unbundling, the impact of deconsolidating THG's share of Hulamin's earnings and net assets from the THG results as well as certain costs in respect of accelerated amortisation of IFRS costs in respect of the THG share schemes. Full details of the financial effects of these transactions will be set out in the circular to shareholders.
3. The impact of the specific, pro-rata repurchase of shares from shareholders, by way of a scheme, for an amount of R500.2 million (inclusive of STC) and the consequent cancellation of the shares repurchased and reduction in the issued share capital by 4.5 shares for every 100 shares, currently in issue. The income statement effect includes an incremental R28 million after tax net finance costs.
4. Predominantly comprised of the IFRS 2 charge in respect of the TH BEE transactions which was derived using option pricing methodology. The IFRS cost is comprised of a once off R282 million in respect of the transactions with the Infrastructure and yoMoba BEE SPVs and a further projected total pre-tax cost of R212 million, which is amortised over 5 years, in respect of the ESOP / MSOP. An after tax amortisation charge of R16 million in respect of the ESOP / MSOP is reflected in the financial effects above and this annual charge will increase as the unallocated capacity in the employee schemes is utilised.

It should be noted that the eventual IFRS 2 cost which is to be recognised by TH will depend on the difference between the derived VWAP and the derived spot price at the date of the shareholders' general meeting. Should the derived spot price at that date be greater than the derived VWAP, this will result in a greater IFRS 2 cost and, should the derived spot price be lower than the derived VWAP, the IFRS 2 cost will be lower. This latter amount can therefore

not be definitively calculated prior to the date of the shareholders' general meeting and is not included in the IFRS 2 cost disclosed above. Based on derived VWAP and spot price on 19 April 2007 of R127.88 and R137.00 this incremental cost would be c.R58 million.

The BEE SPVs and ESOP / MSOP trusts will, in terms of IFRS, be consolidated by TH which will result in TH recognising the external funding and interest charges incurred on such external funding by the BEE SPVs. This external funding and concomitant interest charges are partially offset by the injection of this funding into TH as subscription consideration and the interest earned by TH on these funds.

- The costs associated with the transaction, a breakdown of which will be contained in the circular to be sent to shareholders, have been charged to the income statement or share premium account as appropriate.

#### Impact of the Hulamín BEE transaction on the Hulamín Income Statement and Balance Sheet

The table below sets out the unaudited *pro forma* financial effects of the Hulamín BEE transaction on Hulamín's audited basic EPS, diluted basic EPS, headline EPS, diluted headline EPS, NAV per Hulamín ordinary share and NTAV per Hulamín ordinary share, based on the audited results of Hulamín for the financial year ended 31 December 2006. The unaudited *pro forma* financial effects are the responsibility of the Hulamín directors and have been prepared for illustrative purposes only to provide information about how the listed transactions may have affected the financial position of the Hulamín shareholders on the relevant reporting date. Due to their nature, the unaudited *pro forma* financial effects may not be a fair reflection of Hulamín's financial position after implementation of the transactions.

Note reference	Before Hulamín BEE transaction	Hulamín BEE Transaction	After Hulamín BEE transaction	%
	(1) (cents)	(2) (cents)	(cents)	change
Earnings per Hulamín ordinary share	117	-79	38	-68%
Headline earnings per Hulamín ordinary share	117	-79	38	-68%
Fully diluted earnings per Hulamín ordinary share	116	-79	37	-68%
Fully diluted headline earnings per Hulamín ordinary share	116	-79	37	-68%
Net asset value per Hulamín ordinary share	1 552	18	1 570	1%
Net tangible asset value per Hulamín ordinary share	1 541	18	1 559	1%

#### Notes:

- Audited Hulamín financial statements for the year ended 31 December 2006, incorporating certain balance sheet restructuring steps and associated charges as will be detailed in the pre-listing statement of Hulamín which will accompany the circular to be sent to shareholders. Hulamín will have approximately 213 million shares in issue immediately prior to the implementation of the BEE transactions. The financial impacts on the earnings of Hulamín are illustrated as if the transactions had been implemented at the beginning of the year which ended on 31 December 2006, while the impact on the net assets of Hulamín is shown as if the transaction had been implemented on 31 December 2006.

2. Predominantly comprised of the IFRS 2 charge in respect of the Hulamin BEE transactions which was derived using option pricing methodology. The IFRS cost consists of a once off R152 million in respect of the transactions with the Hulamin BEE SPV and a further projected total pre-tax cost of R113 million, which is amortised over 5 years, in respect of the ESOP / MSOP. A after tax amortisation charge of R9 million in respect of the ESOP / MSOP is reflected in the financial effects above and this annual charge will increase as the unallocated capacity in the employee schemes is utilised.

It should be noted that the eventual IFRS 2 cost which is to be recognised by Hulamin will depend on the difference between the derived VWAP and the derived spot price at the date of the shareholders' general meeting. Should the derived spot price at that date be greater than the derived VWAP, this will result in a greater IFRS 2 cost and, should the derived spot price be lower than the derived VWAP, the IFRS 2 cost will be lower. This latter amount can therefore not be definitively calculated prior to the date of the shareholders' general meeting and is not included in the IFRS2 cost disclosed above. Based on derived VWAP and spot price on 19 April 2007 of R127.88 and R137.00 this incremental amount would be c.R14 million.

## **5. Conditions precedent**

The following are the key conditions precedent to the various transaction steps.

### **5.1. Conditions precedent applying to all transaction steps**

All the transactions are subject to the following main conditions precedent which shall be fulfilled, or, where relevant, waived, on or before 25 June 2007:

- all resolutions set out in the notice of general meeting in the circular are approved by shareholders;
- obtaining all requisite regulatory approvals for the transactions including, but not limited to, JSE approval;
- the unconditional written approval of HM Treasury in the United Kingdom, under the provisions of section 765 of the United Kingdom and Corporation Taxes Act 1988, to the Transactions;
- the section 311 scheme of arrangement in respect of the pro rata repurchase is agreed to by a majority representing not less than three-fourths of the votes exercisable by the scheme members present and voting, either in person or by proxy, at the scheme meeting; and
- the section 311 scheme in respect of the pro rata share repurchase is sanctioned by the Court.

### **5.2. Additional conditions precedent applying to the unbundling of Hulamin**

- The listing of Hulamin on the JSE.

### **5.3. Additional conditions precedent applying to the TH BEE transaction**

The TH BEE transaction is subject to the following conditions precedent which shall be fulfilled, or, where relevant, waived, on or before 31 July 2007:

- the listing and unbundling of Hulamin becoming unconditional in accordance with the terms as will be set out in the circular;
- THG confirming in writing (after having consulted with each of BEE Infrastructure SPV and BEE yoMoba SPV) that it is satisfied that, through the implementation of the TH BEE Transaction, TH will achieve the TH Minimum Rating as will be set out in the circular;
- the TH share repurchase becoming unconditional in accordance with its terms as will be set out in the circular;
- the memorandum and articles of association (in the case of a company) and/or the trust deed (in the case of a trust) of each of the TH BEE anchor partners being amended to take into account the relevant provisions of the TH BEE transaction agreements (in so far as it is applicable to it) and the funding agreements in a form and substance acceptable to Hulamin and/or Tongaat (as the case may be);
- the Completion Agreement becoming unconditional and taking effect in accordance with its terms and conditions; and
- there being no breach of certain representations, warranties and undertakings contained in the TH BEE transaction agreements.

#### **5.4. Additional conditions precedent applying to the Hulamin BEE transaction**

The Hulamin BEE transaction is subject to the following conditions precedent which shall be fulfilled, or, where relevant, waived, on or before 31 July 2007:

- the listing and unbundling of Hulamin becoming unconditional in accordance with the terms as will be set out in the circular;
- Hulamin confirming in writing (after having consulted with Hulamin BEE SPV) that it is satisfied that, through the implementation of the Hulamin BEE transaction, Hulamin will achieve the Hulamin Minimum Rating;
- there being no breach of certain representations, warranties and undertakings contained in the Hulamin BEE transaction agreements; and
- the Completion Agreement becoming unconditional and taking effect in accordance with its terms and conditions.

## **6. Fair and reasonable opinions**

### **6.1. TH fair and reasonable opinion**

Confirmation from an independent professional expert acceptable to the JSE is required in terms of the JSE Listings Requirements to indicate whether or not the TH BEE transaction is fair and reasonable to THG shareholders as:

- Ms Hixonia Nyasulu, who is the executive chairperson of Ayavuna and is the largest individual shareholder in Ayavuna, through the Nyasulu Family Trust, currently serves on the THG Board and is therefore regarded as a related party to TH. Ms Nyasulu will own an indirect effective interest in TH of less than 1%; and
- the TH BEE transaction involves the issue of unlisted voting securities, the TH "A" preferred ordinary shares and the TH "B" ordinary shares, in terms of a special dispensation granted by the JSE to waive the restrictions outlined in paragraph

4.24 of its JSE Listings Requirements, which dispensation is conditional upon THG obtaining the appropriate fair and reasonable opinion.

Ernst & Young Advisory Services Limited has been appointed as independent professional expert and has concluded that the terms and conditions of the TH BEE transaction are fair and reasonable to all disinterested shareholders. This opinion will be set out in the circular to shareholders.

## 6.2. Hulamin fair and reasonable opinion

Confirmation from an independent professional expert acceptable to the JSE is required in terms of the JSE Listings Requirements to indicate whether or not the Hulamin BEE transaction is fair and reasonable to THG and Hulamin shareholders as:

- Mr JB Magwaza, who is chairman of and a shareholder in Imbewu, currently serves on the THG Board and is therefore regarded as a related party to Hulamin. Mr Magwaza will own an indirect effective interest in Hulamin of less than 1%; and
- the Hulamin BEE transaction involves the issue of unlisted voting securities, the Hulamin “A” ordinary shares and the Hulamin “B” ordinary shares, in terms of a special dispensation granted by the JSE to waive the restrictions outlined in paragraph 4.24 of the JSE Listings Requirements, which dispensation is conditional upon THG obtaining the appropriate fair and reasonable opinion in respect of the Hulamin BEE transaction.

Ernst & Young Advisory Services Limited has been appointed as independent professional expert and has concluded that the terms and conditions of the Hulamin BEE transaction are fair and reasonable to all disinterested shareholders. This opinion will be set out in the circular to shareholders.

## 7. Salient dates and times

The salient dates relating to the transactions are set out below

Last day to trade to vote at the scheme meeting on	Wednesday, 30 May
Record date to vote at the scheme meeting on	Wednesday, 6 June
Last day for receipt of proxies for the general meeting by 10:00 on	Thursday, 7 June
Last day for receipt of proxies for the scheme meeting by 10:30 on	Thursday, 7 June
General meeting to be held at 10:00 on	Monday, 11 June
Scheme meeting to be held at 10:30 (or 10 minutes after the conclusion of the general meeting, whichever is the later) on	Monday, 11 June
Results of the scheme and general meetings published on SENS on or about	Monday, 11 June
Results of the scheme and general meetings published in the press on or about	Tuesday, 12 June
Court hearing to sanction the scheme on	Tuesday, 19 June
Results of the court hearing published on SENS on	Tuesday, 19 June
Results of the court hearing published in the press on	Wednesday, 20 June

Last day to trade in THG ordinary shares on the JSE to participate in the Hulamín unbundling under the JSE Code TNT, ISIN: ZAE0000007449 on	Friday, 22 June
THG ordinary shares trade ex the entitlement to the unbundled Hulamín shares under the JSE Code TON and under the new ISIN ZAE000096533 on	Monday, 25 June
Listing of Hulamín ordinary shares under the JSE Code of HLM, ISIN ZAE000096210 from the commencement of business on	Monday, 25 June
Announcement of the specified ratio in respect of the apportionment of the costs/ base cost of Hulamín for taxation/CGT purposes on	Wednesday, 27 June
Record date to participate in the unbundling on	Friday, 29 June
Last day to trade for TH shareholders to be eligible to receive the scheme consideration on	Friday, 29 June
TH dematerialised shareholders will have their accounts at the CSDP or broker updated on	
(Note: Share certificates in the name of TH, ex the unbundling, will be posted to certificated TH shareholders from Monday 6 July 2007)	Monday, 2 July
Hulamín share certificates will be posted by registered post, at the risk of the certificated shareholder concerned, to certificated shareholders and dematerialised shareholders will have their accounts at the CSDP or broker updated on	Monday, 2 July
<b>If the scheme is sanctioned and implemented:</b>	
TH shares trade “ex” the scheme under a new ISIN ZAE000096541 on	Monday, 2 July
Record date on which TH shareholders must be recorded in the register of members of THG in order to receive the scheme consideration by 17:00 on	Friday, 6 July
Operative date of the scheme at the commencement of trading on	Monday, 9 July
Scheme consideration and share certificates in the name of TH posted to certificated TH shareholders (if documents of title are received on or prior to the consideration record date) on or about	Monday, 9 July
or, failing receipt of documents of title on or before the consideration record date, within five business days of receipt thereof by the transfer secretaries.	
Dematerialised TH shareholders have their accounts held at their CSDP or broker credited with the scheme consideration and updated on	Monday, 9 July

**Notes:**

1. These dates and times are subject to change. Any material change will be published on SENS and in the press. Any reference to time is a reference to South African time.
2. If a form of proxy for the scheme meeting is not received by the time and date shown above, it may be handed to the chairperson of the scheme meeting no later than 10 minutes before the commencement of the scheme meeting.
3. Shareholders should note that as THG is settling on STRATE, settlement for trade takes place 5 (five) business days after such trade. Therefore shareholders who acquire shares after Wednesday, 30 May 2007 will not be eligible to vote at the scheme meeting.

4. No dematerialisation or rematerialisation of THG ordinary share certificates may take place after Friday 22 June 2007.

## **8. Posting of the circular**

A circular providing further information on the transactions and containing a notice of general meeting and a form of proxy will be posted to TH shareholders on or about 18 May 2007.

## **9. Withdrawal of cautionary**

The cautionary announcement is hereby withdrawn and accordingly caution is no longer required to be exercised by shareholders when dealing in their THG ordinary shares.

Tongaat  
3 May, 2007

[www.tongaat.co.za](http://www.tongaat.co.za)

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Merchant Bank and debt adviser: Rand Merchant Bank  
Attorneys: Bowman Gilfillan Inc.  
Independent expert: Ernst & Young Advisory Services  
Reporting accountants to THG: Deloitte & Touche  
Reporting accountants to Hulamin: PricewaterhouseCoopers  
Transaction sponsor: Rand Merchant Bank  
Sponsor: Investec Bank Limited

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