PIONEERFOODS

SINCE 1920

Producing some of South Africa's most recognizable brands since 1920.

annual results presentation december 2008

Agenda

Key Features	André Hanekom
Operating Environment	
Financial Review	Leon Cronjé
Operational Review	André Hanekom
Key Strategies and Focus Areas	
Prospects	

Key Features

- *Revenue up 27% to R14.9 billion*
- *Operating profit before items of a capital nature up 4% to R865 million*
- *HEPS declined by 11% to 292 cents per share*
- *Final dividend maintained at 66c per share*
- *Total dividend up 11% to R187m (96 cents per share)*
- *Debt to equity ratio 34%*

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Key Features continued

- *The Group listed “by introduction” on 22 April 2008*
- *Rights issue for R500 million successfully completed in June 2008*
- *Group debt facilities restructured, limiting exposure to the unstable economic markets*

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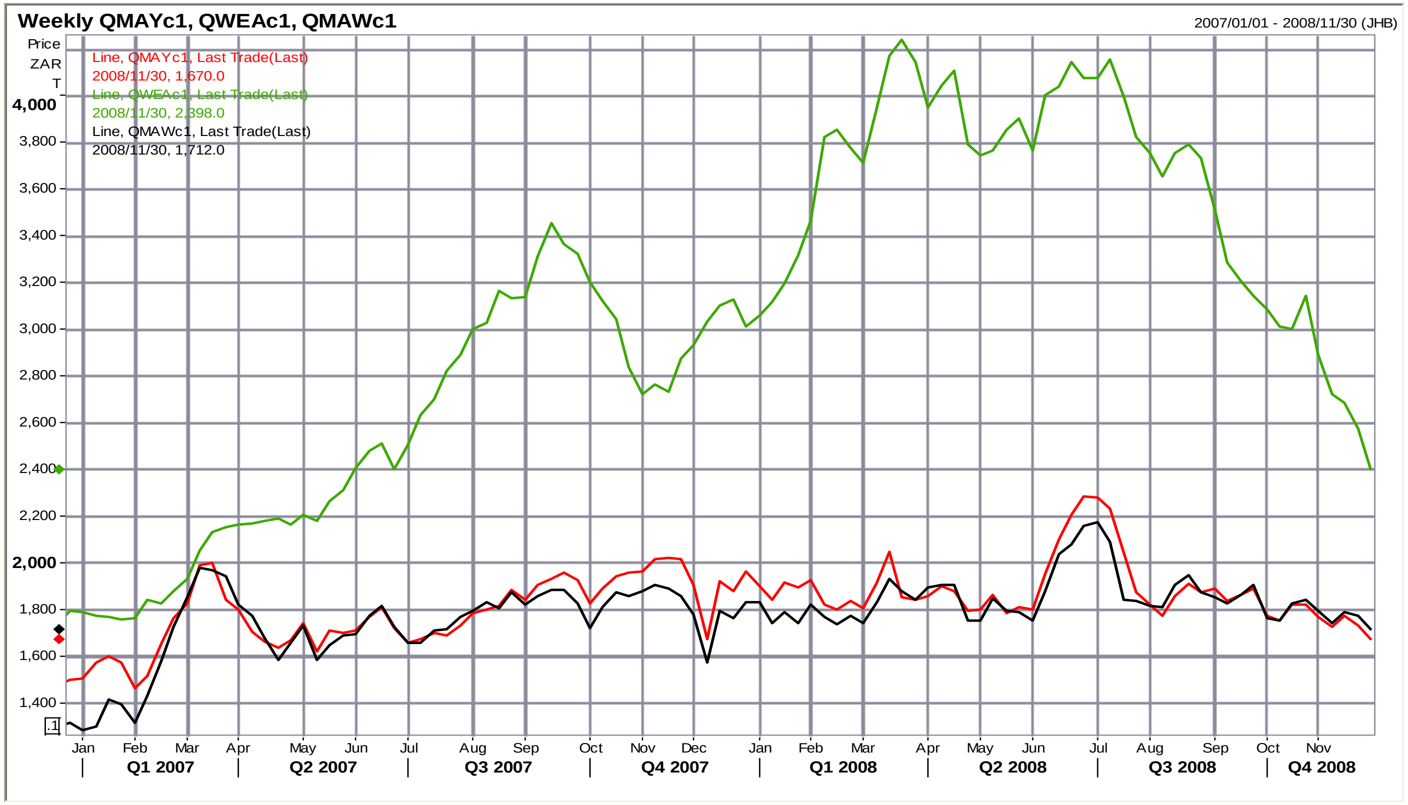
Operating Environment

- Challenging economic situation placing the consumer under strain

  - Consumers started to buy “down”

- Rand weakness currently slowing the decline in inflation
- Significant cost pressures :
  - electricity
  - salaries and wages
  - distribution

Raw materials



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Financial Review

Leon Cronjé

Segment composition

SASKO

- Wheat and maize products
- Bread
- Rice
- Pasta
- Bowman Ingredients
- Botswana, Namibia, Zambia and Uganda

BOKOMO FOODS

- Breakfast cereals (Bokomo)
- Dried fruit products (Safari/S.A.D)
- Spreads (Marmite, Bovril, Redro, Peck's)
- Baking aids (Moir's)
- Bokomo UK
- Sosoy
- Heinz Foods SA

AGRI BUSINESS

- Broilers
- Eggs
- Animal feed

CERES BEVERAGES

- Fruit juices
- Fruit concentrate mixtures
- Carbonated soft drinks

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Income Statement Analysis

Rm	08	07	
Group Revenue	14 884	11 677	+27%
Sasko	8 143	5 849	+39%
Agri Business	2 493	2 107	+18%
Bokomo Foods	2 539	2 217	+15%
Ceres Beverages	2 083	1 807	+15%
Inter Segment	(374)	(304)	

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Income Statement Analysis

Rm	08	07	
Group Ebitda	1 117	1 082	+3%
Sasko	727	565	+29%
Agri Business	24	118	-80%
Bokomo Foods	287	271	+ 6%
Ceres Beverages	129	141	- 9%
Unallocated	(48)	(13)	

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Income Statement Analysis

Rm	08	07	
Group Operating Profit	**865**	**832**	**+4%**
Sasko	622	454	+37%
Agri Business	4	101	-96%
Bokomo Foods	239	213	+12%
Ceres Beverages	78	106	-26%
Unallocated	(78)	(42)	

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SASKO

Rm	08	07	
Revenue	8 143	5 849	+39%
Ebitda	727	565	+29%
Operating Profit	622	454	+37%
Operating Profit margin	7,6%	7,8%	
Return on average net assets	23,1%	19,3%	

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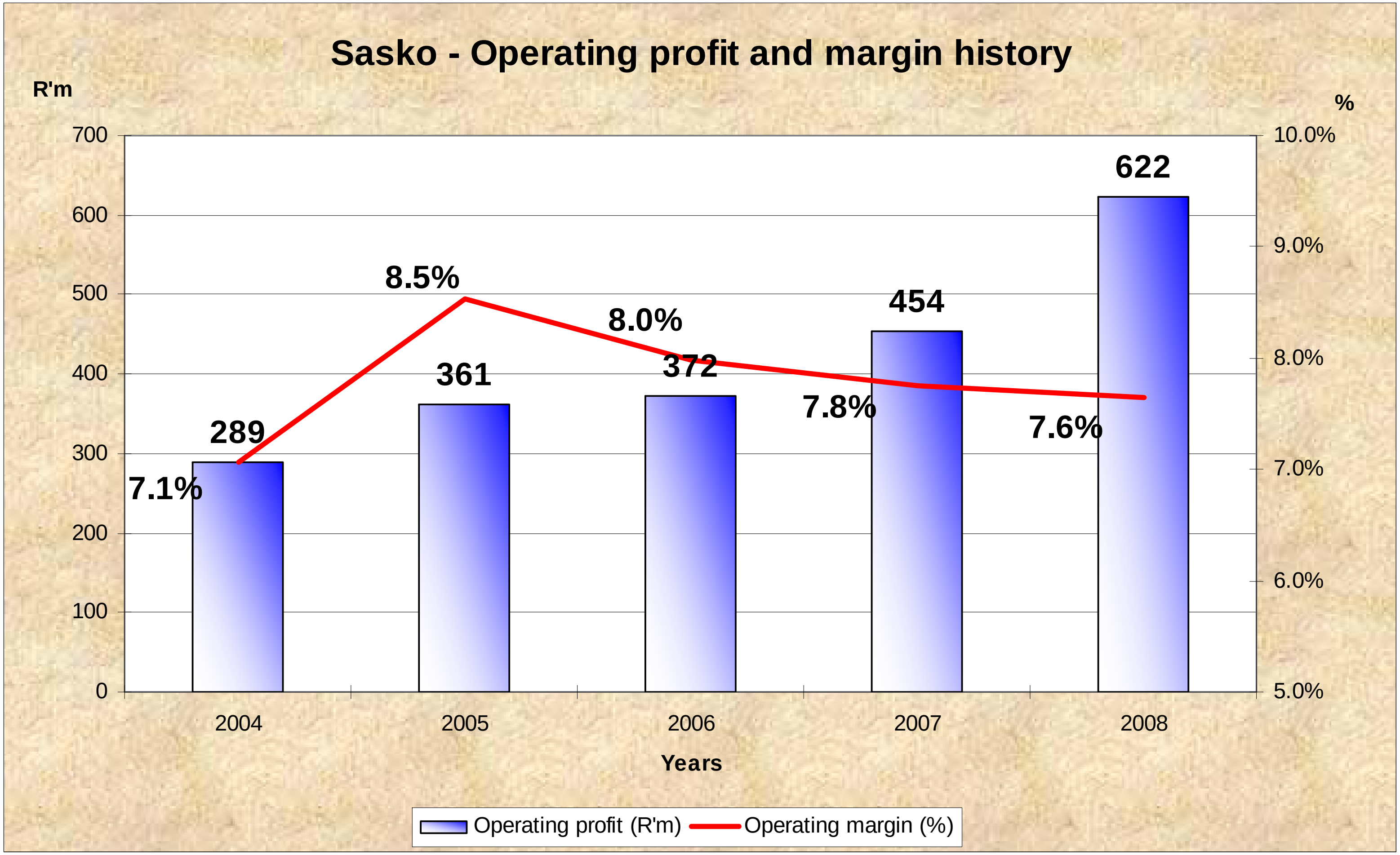
SASKO

- Revenue growth largely due to recovery of raw material cost increases
- Good volume growth in maize, bread, rice and pasta
- Wheaten flour volumes slowed considerably in last quarter
- Lost an estimated R30m due to delayed bread price increases in first quarter
- Pleasing performance from pasta and rice



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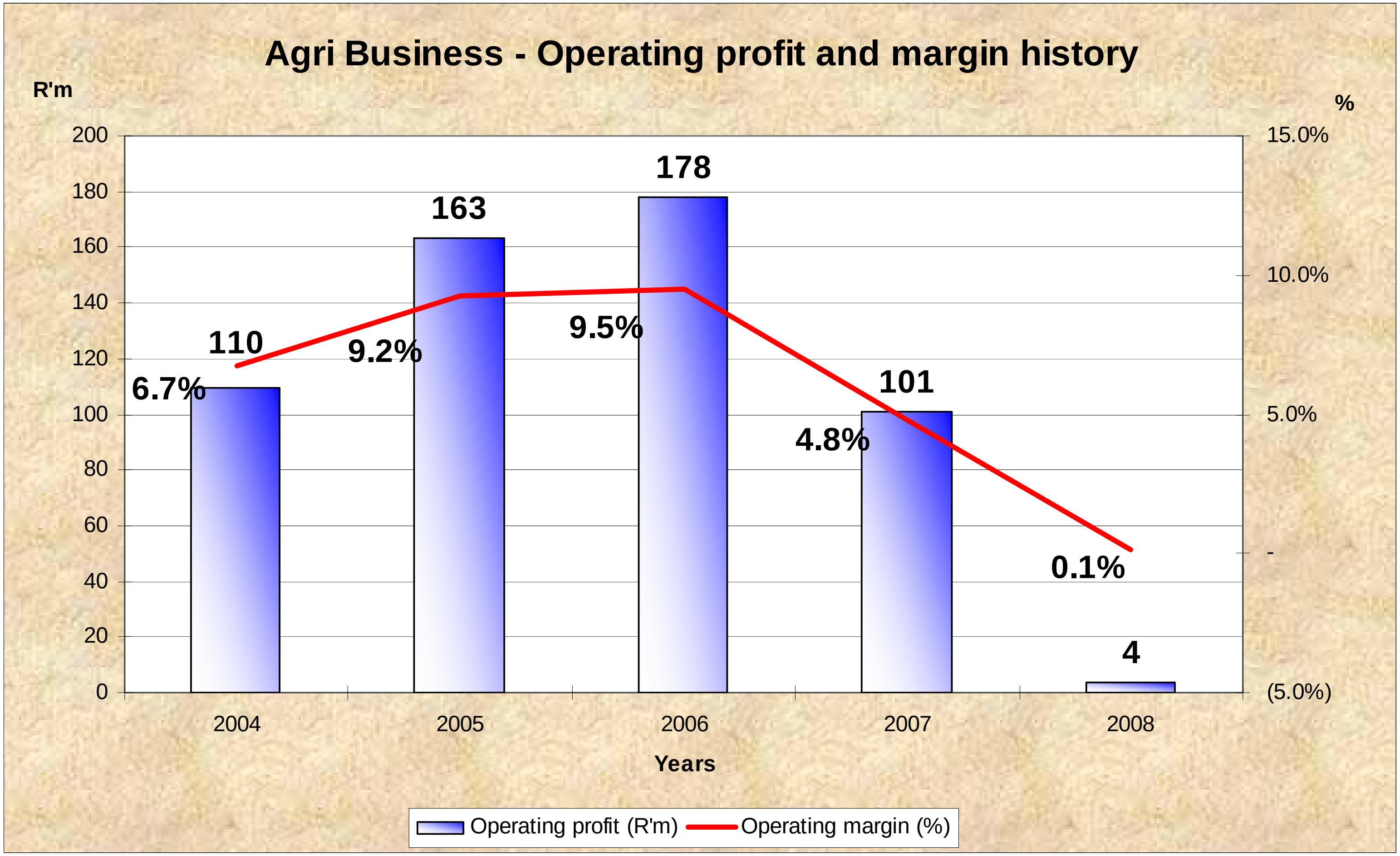
Agri Business

Rm	08	07	
Revenue	2 493	2 107	+18%
Ebitda	24	118	-80%
Operating Profit	4	101	-96%
Operating Profit margin	0,1%	4,8%	
Return on average net assets	-	24,9%	

Agri Business

- Broilers and eggs disappointing
- Volumes marginally up
- Price increase not enough to recover maize (50%) and soya (40%) cost increases
- Oversupply and switching to alternative protein sources or starches
- Animal feeds performed well



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Bokomo Foods

Rm	08	07	
Revenue	2 539	2 217	+15%
Ebitda	287	271	+6%
Operating Profit	239	213	+12%
Operating Profit margin	9,4%	9,6%	
Return on average net assets	16,0%	14,5%	

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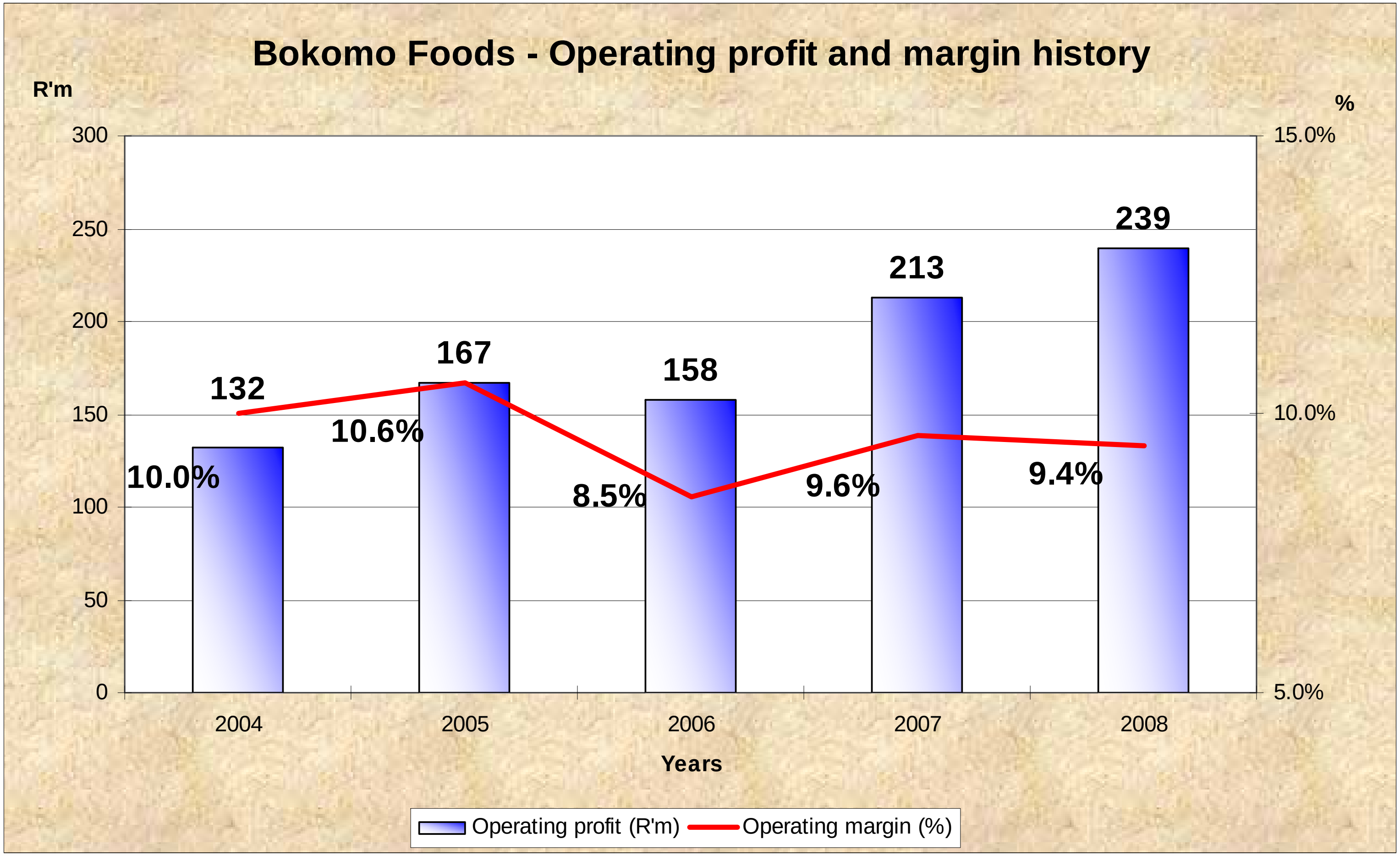
Bokomo Foods

- S.A.D export volumes and dollar pricing very favourable
- Breakfast cereal volumes flat
- Cost benefits of Bokomo Foods/S.A.D consolidation being realized



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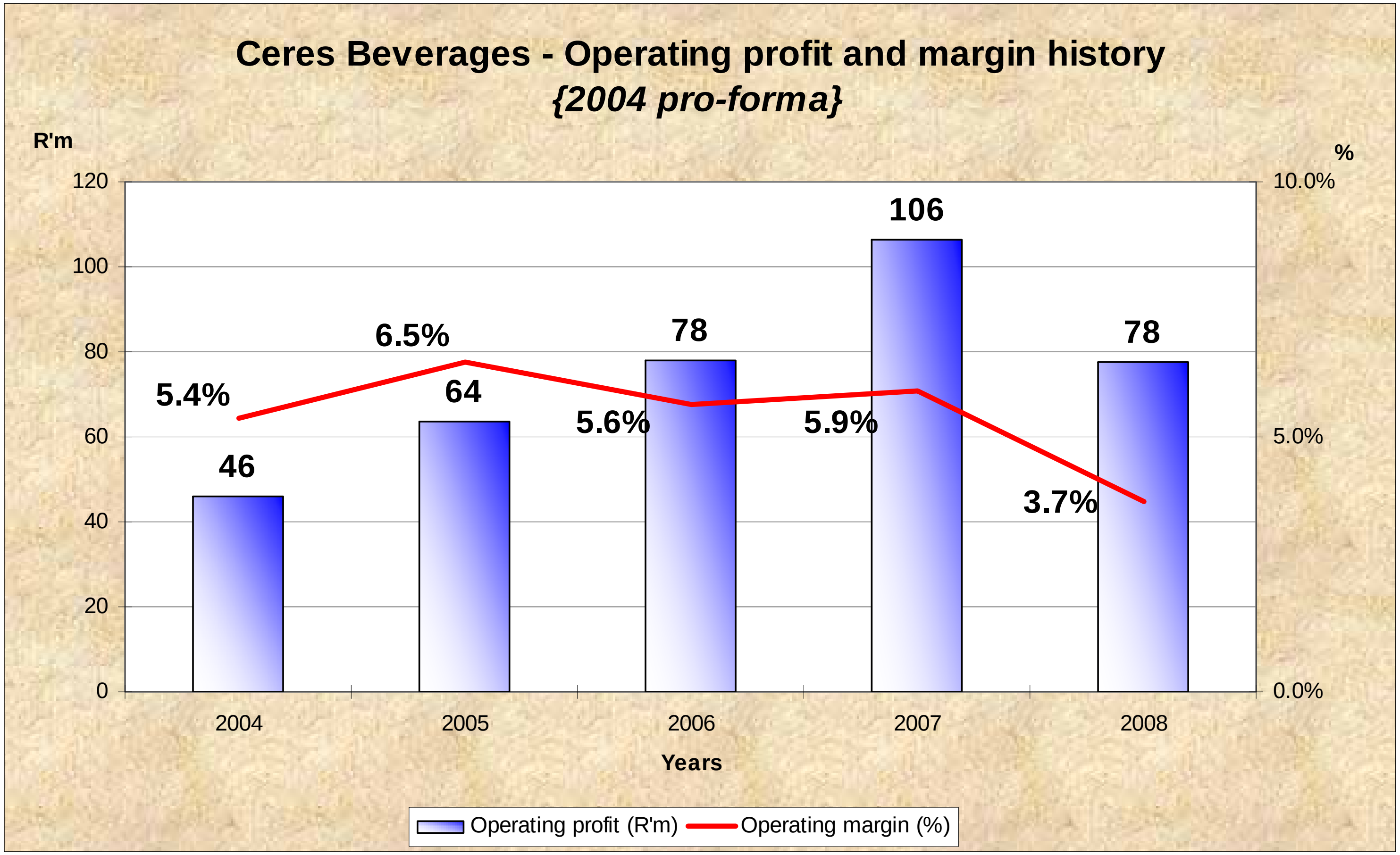
Ceres Beverages

Rm	08	07	
Revenue	2 083	1 807	+15%
Ebitda	129	141	-9%
Operating Profit	78	106	- 26%
Operating Profit margin	3,7%	5,9%	
Return on average net assets	8,3%	12,2%	

Ceres Beverages

- Market leadership enabled maintenance of fruit juice margins
- Fruit concentrate mixtures suffered
- Pepsi sales volume growth still on track with double digit growth
- Unseasonable weather conditions in peak season affected all industry players



Ceres Beverages - Operating profit and margin history
{2004 pro-forma}
R'm
%
120
100
80
60
40
20
0
10.0%
5.0%
0.0%
46
64
78
106
78
5.4%
6.5%
5.6%
5.9%
3.7%
2004
2005
2006
2007
2008
Years
Operating profit (R'm)
Operating margin (%)

Group Income Statement (summary)

Rm		08	07	
Revenue		14 884	11 677	
Operating profit		865	832	
Items of a capital nature	Moir's 15m Kwality 7m	(19)	1	
Net operating profit		846	833	
Net finance costs		220	115	+105m + 90%
Income tax expense		174	211	
Headline earnings		468	503	-7%
Earnings		453	507	-11%
HEPS (cents)		292	328	-11%
EPS (cents)		282	331	-15%

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Cash Flow Analysis

Rm	08	07	Cumm
Cash profit from operations	1 142	1 117	
Change in working capital	(511)	(350)	(861)
Inventory	(560)	(238)	(798)
Debtors	(189)	(307)	(496)
Creditors	271	230	501
Other	(32)	(36)	
Cash effect from commodity hedging	(141)	64	
Cash generated by operations	490	831	

Cash Flow Analysis

Rm	08	07	Cumm
Cash flow from operating activities	312	605	
Cash flow from investment activities	(649)	(646)	(1 295)
Sasko	(242)	(250)	(492)
Agri Business	(65)	(92)	(157)
Bokomo Foods	(143)	(95)	(238)
Ceres Beverages	(165)	(144)	(309)
Other	(34)	(65)	
Net Cash deficit	(337)	(41)	
Cash flow from financing activities	1 141	332	

Balance Sheet Analysis

Rm	08	07	Diff
Total Assets	8 041	6 829	+1 212
Property, plant & equipment	2 943	2 541	+402
Intangibles & biological assets	680	696	-16
Other	121	90	
Current assets	4 297	3 502	+795
Inventory & biological assets	2 328	1 734	+594
Debtors	1 691	1 510	+181
Cash	226	251	
Other	52	7	

Balance Sheet Analysis (cont)

Rm	08	07	Diff
Equity	4 263	3 615	+648
Non current liabilities	1 759	675	+1 084
Borrowings	1 181	187	+994
Deferred income tax	442	415	
Other	136	73	
Current liabilities	2 020	2 539	-519
Trade Creditors	1 485	1 214	+271
Borrowings	499	1 258	-759
Other	36	67	
	8 041	6 829	+1 212

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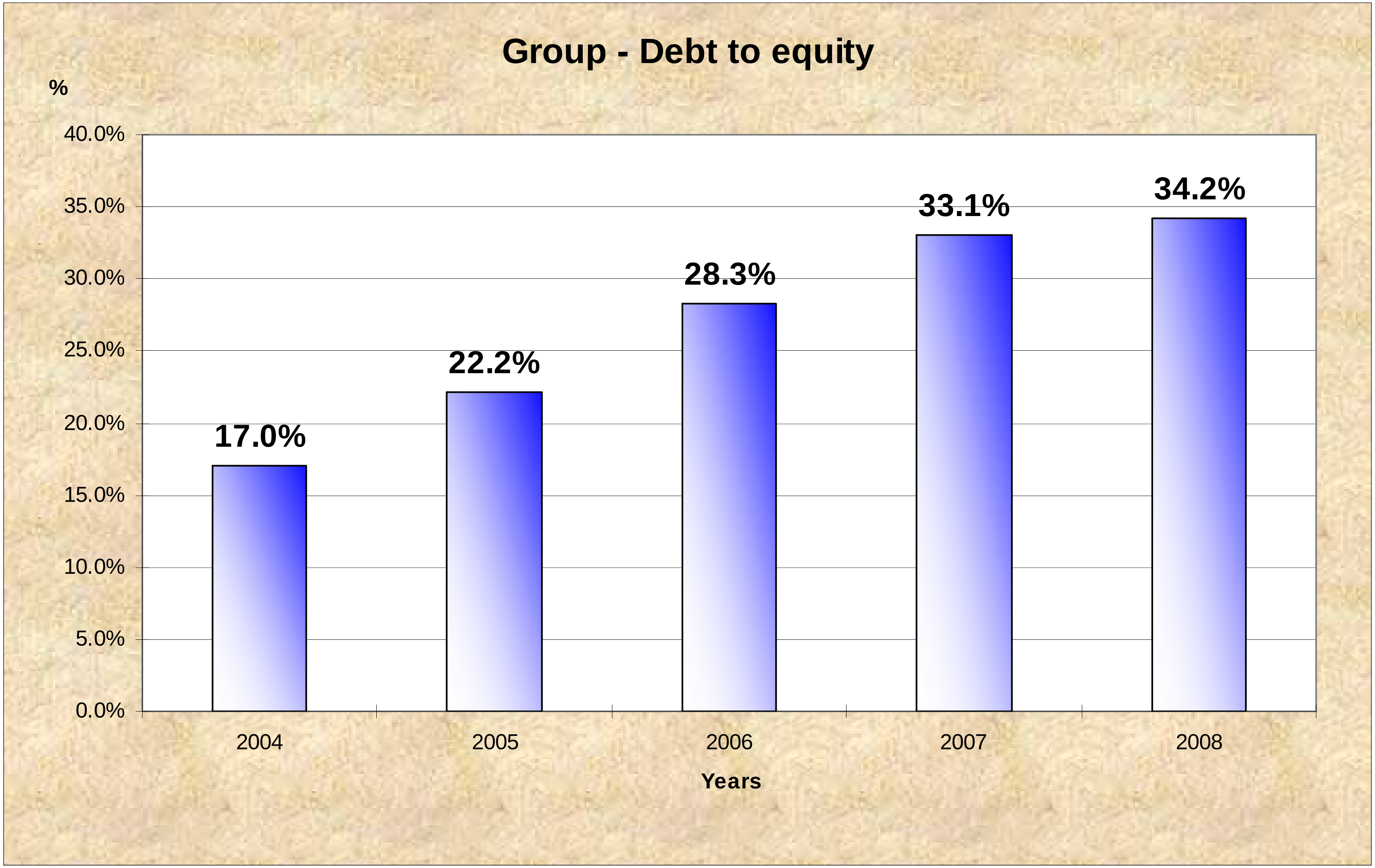

Group - Debt to equity
%
40.0%
35.0%
30.0%
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
17.0%
22.2%
28.3%
33.1%
34.2%
2004
2005
2006
2007
2008
Years


Group - Net working capital to Revenue
%
20.0%
18.0%
16.0%
14.0%
12.0%
10.0%
8.0%
6.0%
4.0%
2.0%
0.0%
15.0%
13.6%
17.7%
17.3%
17.0%
2004
2005
2006
2007
2008
Years

Operational Review

André Hanekom

Sasko

- Capital expenditure
  - Krugersdorp wheat mill - efficiency improvement and capacity increased
  - Klerksdorp and Estcourt maize mills – capacity increased
  - Port Elizabeth and Bloemfontein bakeries - efficiency improvement and capacity increased
  - Pasta – capacity and efficiency increased
- Volume growth from pasta, rice, maize and bread
- Bakery performance unsatisfactory
  - Missed intended price increase in Oct 07
  - Costly interim supply arrangements during capacity increases
- Declining raw material costs already lowering selling prices

Bokomo Foods

- Merger of Bokomo and S.A.D completed
  - Management restructured
  - Accounting system integrated
- Pleasing performance by Heinz
- S.A.D volumes expected to drop in the coming year as a result of anticipated poor raisin and dried fruit crops
- Weet-Bix capacity increase – production set for July 09
- Declining raw material prices
- Sharpened focus to improve performance from underperforming smaller brands and businesses

Agri Business

- High feed cost negative for eggs and broilers
- Farm performance below par - improved performance underway
- Feed prices to decline because of lower raw material prices
- Subdued improved performance anticipated

Ceres Beverages

- New capacity installed
  - Fruit juices, concentrate mixtures and CSD's
- Solid performance from juices
- Concentrate mixtures disappointing
- Pepsi on track
- Acquisition of the Ceres Spring Water brand on 1 Nov 08
- Plan to optimise production locations – streamline distribution costs

Key Strategies and Focus Areas

André Hanekom

Key Strategies and Focus Areas

- Revenue
  - Capacity expansion
  - Strategic Group Sales and Merchandise partner appointed from Aug 08
- Margins
  - Strengthening brand positioning
- Product development
- New category and geographic expansion
  - Evaluate opportunities to enter new categories
  - Africa will become a focus in the medium term
- Transformation
  - Committed to the principles of transformation across the Group

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Competition Commission Investigation

- Received a National Bakery complaint referral in May 2008
- Independent legal advice suggests reasonable prospects of successful defence against all the charges
- No provision for the penalties has been raised
- Committed to participate constructively with the Commission authorities
- Next pre-trial meeting in December 08; expect to get trial date then
- If the defence is unsuccessful an administrative penalty may be imposed ito S59 of the Act, not exceeding 10% of annual revenue

Prospects

André Hanekom

Prospects

- Product basket resilient in tough economic conditions
- Excellent volumes achieved in October
- Softening of grain input pricing
- Food inflation expected to soften notably – manage price points
- Capacity expansion in key growth markets
- Improving margins as operating costs stabilise and inflation subsides

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