



**Interim Results
Presentation**
May 2008

Agenda

Introduction and Operating Environment

André Hanekom

Financial Review

Leon Cronjé

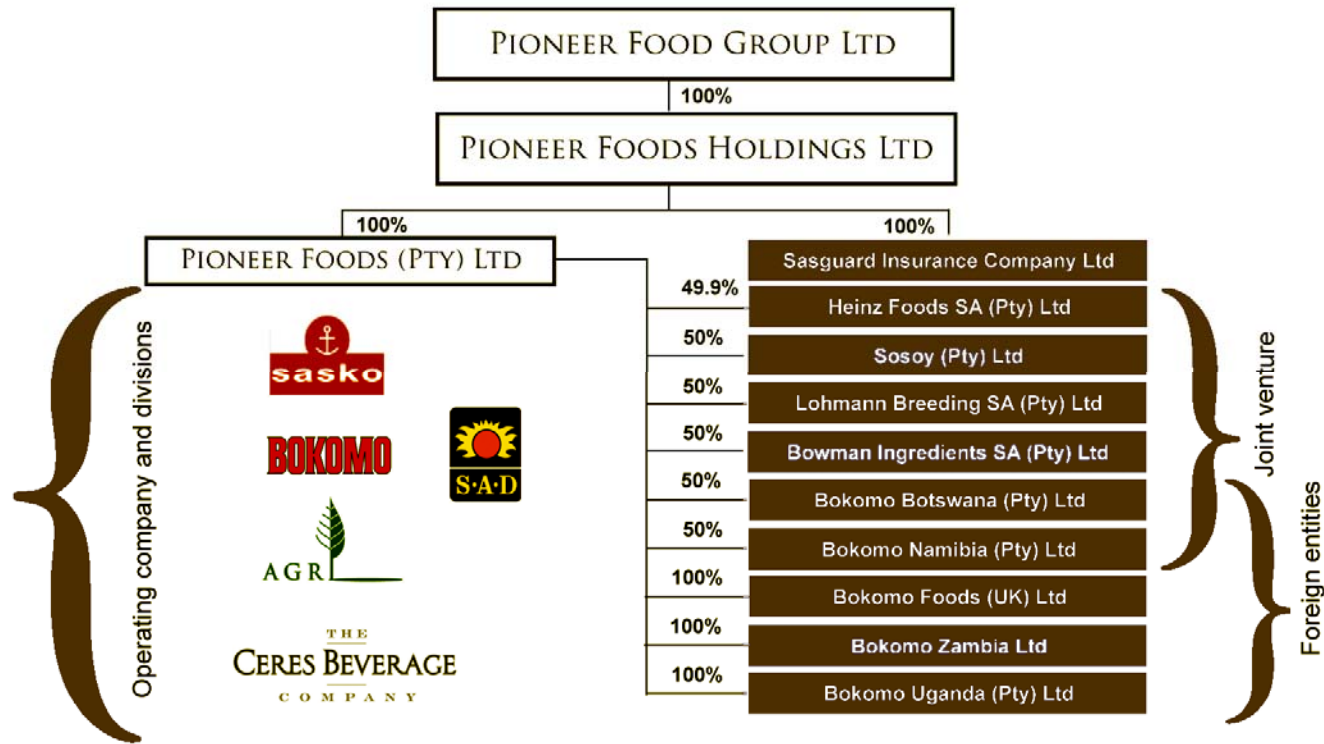
Operational Review

André Hanekom

Key Strategies and Focus Areas

Prospects

Organisational Structure



Key Financials

- Revenue up 25.0% to R7 billion
- Operating profit before items of a capital nature up 11.7% to R396 million
- Operating profit margin 5.7% (2008: 6.3%)
- HEPS up 8.8% to 144 cents per share
- Cash utilised by operations R99 million
(2008: R106 million generated)
- Interim dividend per share up 11.1% to 30 cents per share
- Debt to equity ratio 53.0% (2007: 42.8%)

Operating Environment

- Very high raw material prices – wheat, maize, soya, rice
- Very tight world stock situation further affected by supply disruptions due to foreign government interventions
- Increasing demand pressure from major retailers due to volume growth
- Inflation likely to increase further before it declines
- Consumers under strain due to high inflation (i.e. Food and Fuel) and high interest rates and debt levels

Operating Environment continued

- Affordability for the consumer is always a concern
- Consumers expected to start “buying down” and purchase smaller pack sizes
- Volume growth in key staple categories may slow from continuing price hikes



Financial Review

Leon Cronjé



Income Statement Analysis

- Growth in revenue driven predominantly by
 - increased sales prices, and sustained volume growth in wheaten products, bread, pasta, rice, Pepsi and Weet-Bix
 - higher selling prices necessitated by the substantially increased cost of raw materials, specifically wheat and other costs
- The increased debt, along with increased interest rates, resulted in an increase in net finance cost of R36 million for the reporting period
- Once-off deferred tax effect of R13 million due to the lower income tax rate

Income Statement Analysis continued

- When reversed, headline earnings up 3.0%
- Operating profit margin declining from 6.3% to 5.7% due to the lagged recovery of steep increases in raw material and other costs
- Branded products margin from 6.9% to 7.4% mainly from improved results from cereals

Balance Sheet Analysis

- Total debt increased to almost R2 billion, mainly as a result of an investment in working capital of R604 million together with R370 million invested in fixed capital
- The substantial increase in working capital changes to R604 million is largely the result of the abnormal increase in the cost of wheat, as well as increased debtors following the increased selling prices

Cash Flow Analysis

- Cash profit from operations was insufficient to fund the increased working capital needs
- The fixed capital expenditure is in line with the approved capital expansion programme to address capacity constraints in the milling, baking, Weet-Bix and Pepsi businesses

Working Capital

	Mar 08	Sept 07	Sept 06	Sept 05
	R'm	R'm	R'm	R'm
Inventory	2122	1622	1380	970
Accounts receivable	1787	1510	1209	1017
	3909	3132	2589	1987
Trade payables	(1403)	(1214)	(988)	(934)
	2506	1918	1601	1053

Net cash profit generated from operating activities R2.6bn over the last 30 months with R1.5bn invested in working capital

Debtors

- Discipline important
- Debtor days remained stable
- No acceleration in debt delinquencies

Capital Expenditure Spend

Sept 06 Actual R'm	Sept 07 Actual R'm	Sept 08 Estimated R'm	Sept 09 Estimated R'm	Sept 10 Estimated R'm
535	611	800	700	600

Maintenance capital spend approx. R300m p.a

Recapitalisation and Debt Restructuring

- Board approved an extensive capital expansion programme of R1.2 billion
- Capital will predominantly be utilised to address capacity constraints across all divisions
- Analysis of the Group's debt capacity resulted in decision to seek additional shareholder capital

Recapitalisation and Debt Restructuring

continued

- Board approval of renounceable rights offer of 20 million ordinary shares – issue price R25 per share, totaling R500 million
- Underwritten to R360 million by Zeder Investments Ltd
- Minimum amount of R488,35 million is guaranteed

Recapitalisation and Debt Restructuring

continued

- Debt:equity ratio 35% if raised at Mar 08
- R1.5 billion long term facility committed by a syndication of financial institutions
- Short term borrowing facilities in place

Competition Commission Investigation

- Studying contents of referral – response to follow in coming weeks
- Board sub-committee overseeing management's response
- If the defense is unsuccessful an administrative penalty may be imposed ito S59 of the Act, not exceeding 10% of annual revenue
- Board and management condemn any actions that may be interpreted as or lead to price-fixing

Competition Commission Investigation

continued

- Committed to participate constructively with the Commission authorities
- No provision for a potential penalty has been raised



Operational Review

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Sasko

- Despite good volume growth, disappointing performance by Baking due to margin pressure
 - Rising input costs; lagged price increases
- Bloemfontein bakery in full production from Mar 08 after upgrade
- KZN bakery (Stanger) aimed for completion in 2010
- Wheaten products had good volume growth, tracking strong bread sales

Sasko continued

- Krugersdorp wheat mill capacity and efficiency upgrade due for completion in Dec 08
- Two maize meal plant remodellings to increase capacity, completed in Mar 08 – volume growth flat
- Excellent performance and volume growth in rice and pasta
 - smaller players exited the rice market
 - new pasta capacity, short goods line commissioned in Mar 07 and long goods line in Mar 08

Agri

- Good performance by the broiler business in the first quarter
- Significant margin pressure in the second quarter
 - Oversupply of chicken
- Sustained losses in the egg business
- Efficiency upgrade in supply and production of eggs due for completion in Sept 08

Bokomo and S.A.D (now Bokomo Foods)

- Bokomo and S.A.D divisions merged in 2007
 - leverage benefits of a bigger division
- Pleasing performance
- Good volume growth from Weet-Bix
- Improved efficiencies at Moir's, Bokomo UK and Kwality Biscuits; and more to come
- New Weet-Bix capacity targeted for Dec 09

The Ceres Beverage Company

- Solid performance given the constraints of CO2 shortages and load shedding
- Fruit juice and fruit concentrate mixtures
 - Struggled to sustain sales volumes
 - Profit growth still obtained
- Targeted sales volumes of Pepsi achieved but, as planned, not earnings enhancing yet
- New capacity installed in dilutables, CSDs and juices during Dec 07/Jan 08

Other operations

Heinz JV

- Good financial performance
- Pleasing volume growth

Africa

- Solid performance



Key Strategies and Focus Areas

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Key Strategies and Focus Areas

Organic growth in revenue

- Capacity expansion
- Strong demand for products
- Strategic Group Sales and Merchandise partner appointed from Aug 08

New category and geographic expansion

- Evaluate opportunities to enter new categories
- Africa will become a focus in the medium term

Key Strategies and Focus Areas continued

Margin improvement

- Raw material input cost increases being passed on to consumer
- Driving efficiencies through process optimisation
- Capacity growth from capex spend
- Strengthening brand positioning

Pepsi

- Market penetration increasing
- Profits invested in marketing for next two years

Key Strategies and Focus Areas continued

Agri

- Reviewing all options to turn around the unprofitable egg business
- Broiler margins tracking the industry average
- Lowest cost production not negotiable

Transformation

- Committed to the principles of transformation across the Group



Prospects

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Prospects

- Managing profit margins difficult in the challenging trading environment
- Further price increases to follow, may cause volume growth to slow
- Agri performance significant swing factor in the short term
- Group will do well to achieve growth in earnings for the year to September 2008
- Earnings growth momentum maintained in the medium to long term by added capacity and defensive product mix

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