



# Interim results

for the six months ended 31 March 2010



# Agenda

Key Features

André Hanekom

Operating Environment

Financial Review

Leon Cronjé

Operational Review

André Hanekom

Strategic Review

Prospects



# Key Features

- Revenue down 5% to R8.0 billion
- Adjusted operating profit up 42% to R777 m
- HEPS decreased 51% to 82c (R350 m provision)
- Adjusted HEPS increased by 65% to 280 c
- R531 m investment in working capital (2009: R154 m)
- Debt increased by R218 m to R878 m – a ratio of 19% to equity
- No interim dividend

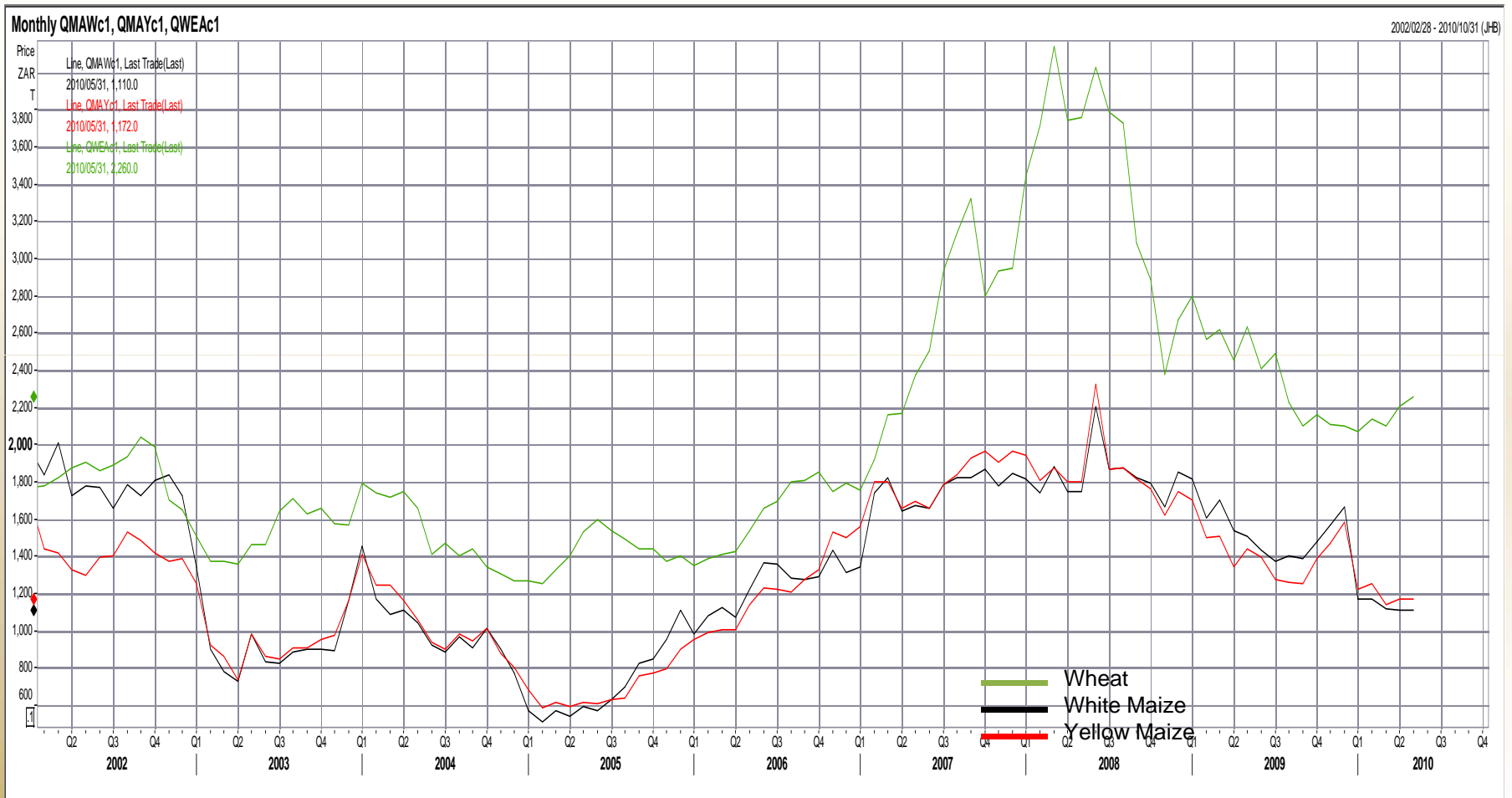


# Operating Environment

- Contrasting volume performance over different categories
- Low maize/wheat prices
  - High world grain stock levels
  - High RSA maize stock levels following bumper crop
  - Strong rand – soft commodity deflation
- Import tariff on wheat (R141/ton)
- Problems in Europe
  - Will it affect farm subsidies?
  - Weak Euro makes importing cheaper e.g. pasta
- Food inflation low and expected to remain reasonably stable
- Costs still on the up
  - Labour/electricity/transport
  - New Food Labeling Regulations / Consumer Protection Act



# Soft Commodity Price Trends





# Financial Review

Leon Cronjé



# Group Statement of Comprehensive Income

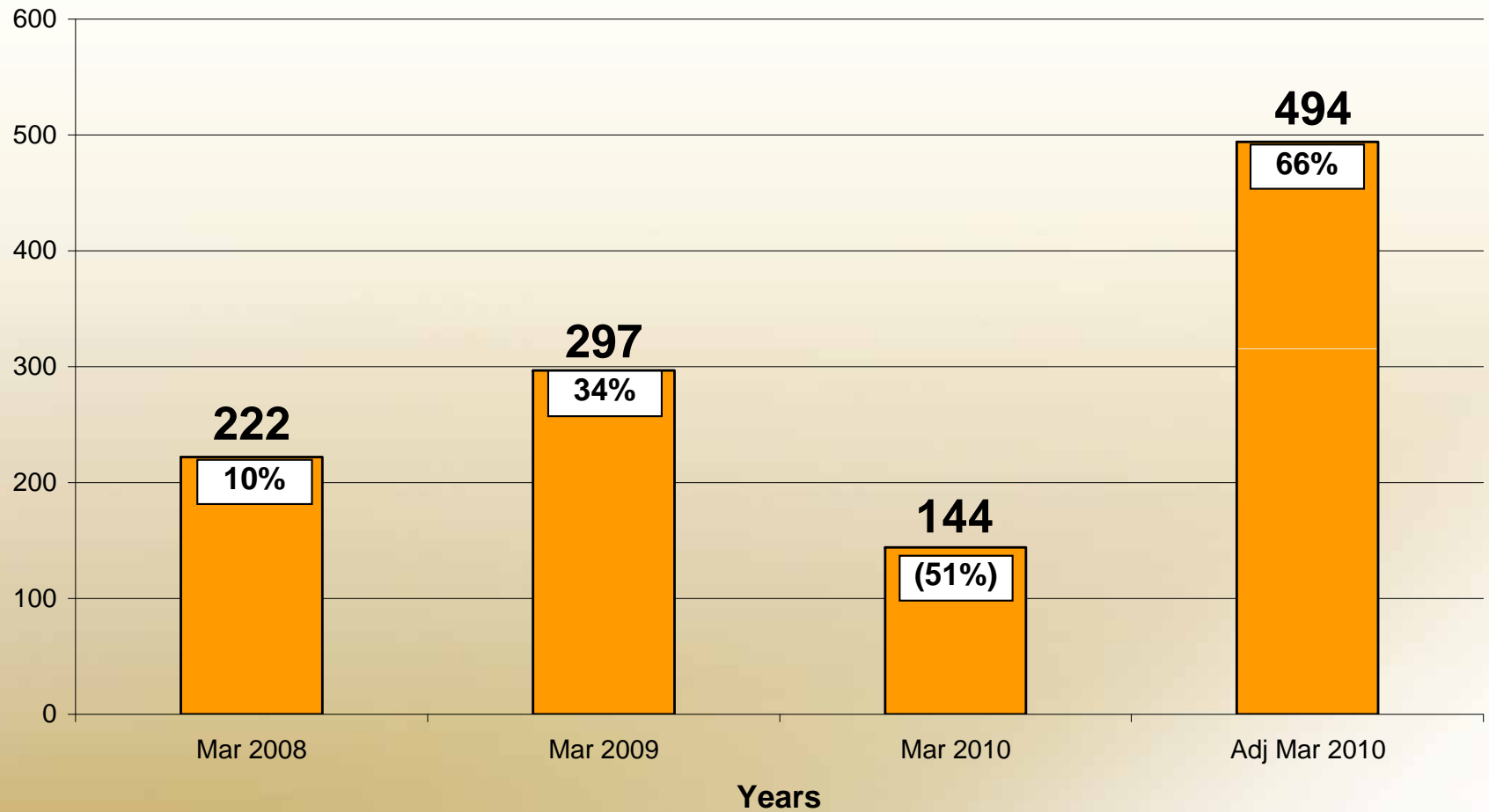
(summary)

Rm – 6 months to 31 March	2010	2009	
Revenue	7 954	8 374	-5%
Core Operating profit	777	549	+42%
Provision for penalty	(350)	-	
Items of a capital nature	14	-	
Net operating profit	441	549	-20%
Net finance costs	62	111	
Income tax expense	223	140	
Headline earnings	144	297	-51%
Adjusted Headline Earnings	494	297	+66%



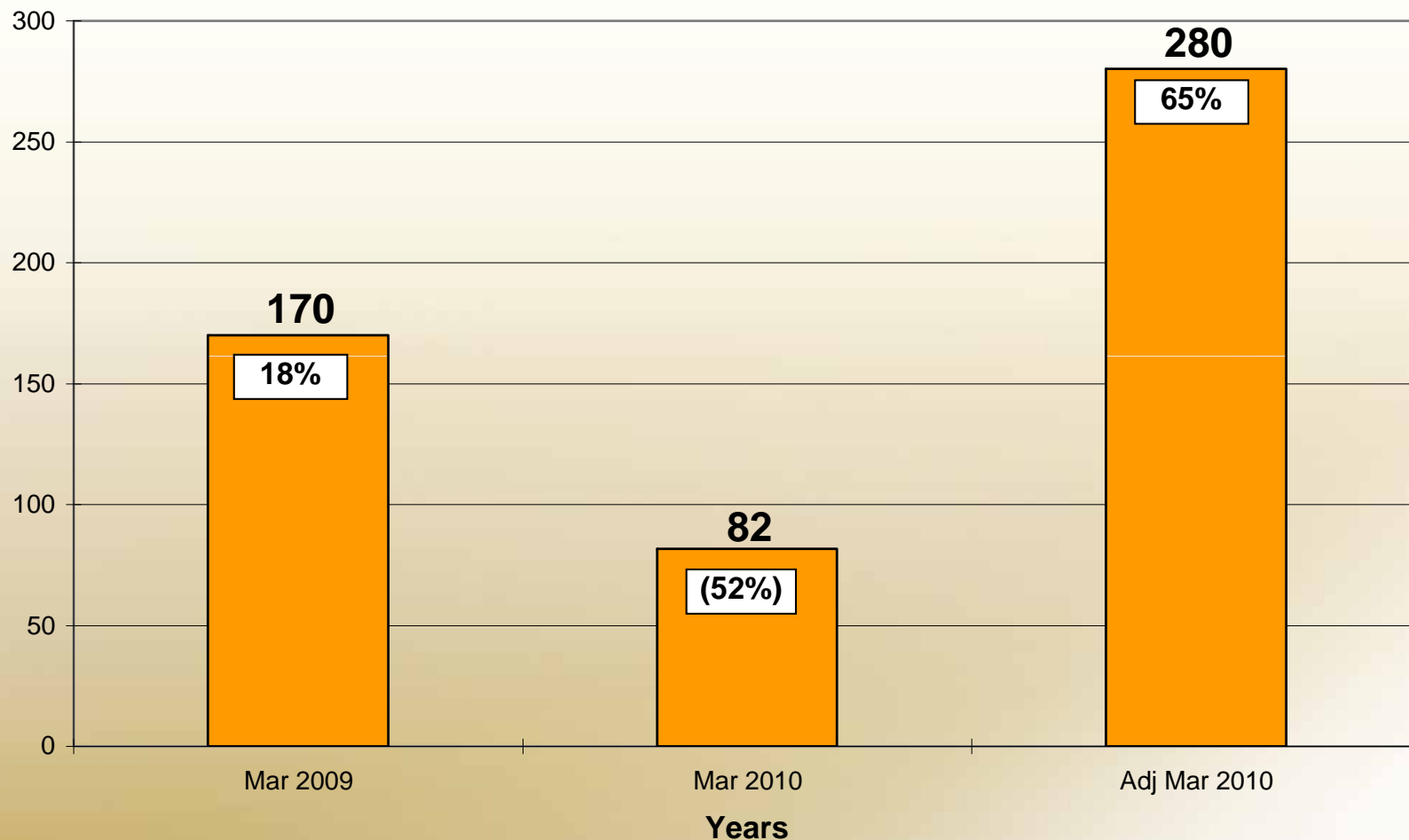
# Headline Earnings

R'm



Cent

# Headline Earnings per share



# Segment Analysis – 6 months to 31 March

Revenue (Rm)	2010	2009	
<b>Group</b>	7 954	8 374	-5%
Sasko	4 150	4 469	-7%
Agri Business	1 239	1 342	-8%
Bokomo Foods	1 323	1 333	-1%
Ceres Beverages	1 346	1 356	-1%
Inter Segment	(104)	(126)	



# Segment Analysis – 6 months to 31 March

EBITDA (Rm)	2010	2009	
<b>Group</b>	<b>914</b>	<b>687</b>	<b>+33%</b>
Sasko*	571	421	+36%
Agri Business	86	52	+65%
Bokomo Foods	150	156	-4%
Ceres Beverages	138	108	+28%
Unallocated	(31)	(50)	

\* Adjusted for administrative penalty provision



# Segment Analysis – 6 months to 31 March

Operating profit (Rm)	2010	2009	
<b>Group</b>	<b>777</b>	<b>549</b>	<b>+42%</b>
Sasko*	517	365	+42%
Agri Business	73	41	+78%
Bokomo Foods	121	126	-4%
Ceres Beverages	109	81	+35%
Unallocated	(43)	(64)	

\* Adjusted for administrative penalty provision





# Growth trend in perspective

	1 <sup>st</sup> Half 2009 A	2 <sup>nd</sup> Half 2009 B	1 <sup>st</sup> Half 2010 C	A → C	A → B	B → C
<b>GROUP</b>						
Revenue (R'm)	8,374	7,910	7,954	-5%	-6%	+1%
Ebit (R'm)	549	611	777	+42%	+11%	+27%
Margin (%)	6.6%	7.7%	9.8%	↑	↑	↑



# Growth trend in perspective

	1st Half 2009 A	2nd Half 2009 B	1st Half 2010 C	A → C	A → B	B → C
<b>SASKO</b>						
Revenue (R'm)	4,469	4,408	4,150	-7%	-1%	-6%
Ebit (R'm)	365	561	517	+42%	+54%	-8%
Margin (%)	8.2%	12.7%	12.5%	↑	↑	↓



# Growth trend in perspective

	1st Half 2009 A	2nd Half 2009 B	1st Half 2010 C	A → C	A → B	B → C
<b>AGRI BUSINESS</b>						
Revenue (R'm)	1,342	1,258	1,239	-8%	-6%	-2%
Ebit (R'm)	41	40	73	+78%	-2%	+83%
Margin (%)	3.0%	3.2%	5.9%	↑	↑	↑



# Growth trend in perspective

	1st Half 2009 A	2nd Half 2009 B	1st Half 2010 C	A → C	A → B	B → C
<b>BOKOMO FOODS</b>						
Revenue (R'm)	1,333	1,292	1,323	-1%	-3%	+2%
Ebit (R'm)	126	69	121	-4%	-45%	+75%
Margin (%)	9.5%	5.3%	9.1%	↓	↓	↑



# Growth trend in perspective

	1st Half 2009 A	2nd Half 2009 B	1st Half 2010 C	A → C	A → B	B → C
<b>CERES BEVERAGES</b>						
Revenue (R'm)	1,357	1,054	1,346	-1%	-22%	+28%
Ebit (R'm)	81	18	109	+35%	-78%	+506%
Margin (%)	6.0%	1.7%	8.1%	↑	↓	↑



# Cash Flow Analysis – 6 months to 31 March

Rm	2010	2009	
Cash profit from operations	950	711	+239 <span style="border: 1px solid black; padding: 2px;">+34%</span>
Change in working capital	(531)	(154)	-377
Inventory	(179)	(79)	
Debtors	(257)	(150)	
Creditors	(66)	83	
Other	(29)	(8)	
Cash effect from commodity hedging	14	38	-24
Cash generated by operations	<u>433</u>	<u>595</u>	<u>-162</u>



# Cash Flow Analysis – 6 months to 31 March

Rm	2010	2009
Cash flow from operating activities	352	509
Cash flow from investment activities	(341)	(227)
Sasko	(98)	(35)
Agri Business	(105)	(36)
Bokomo Foods	(64)	(89)
Ceres Beverages	(70)	(52)
Other	(4)	(15)
<b>Net Cash surplus/(deficit)</b>	<b>11</b>	<b>282</b>



# Capital Expenditure (Rm)

	2010	2011	2012
Projected	900	700	700

- Ceres Gauteng project
- Biscuit strategy
- Rice facility upgrade
- Polokwane bakery upgrade
- Broiler expansion
- Pasta capacity expansion
- Egg repositioning



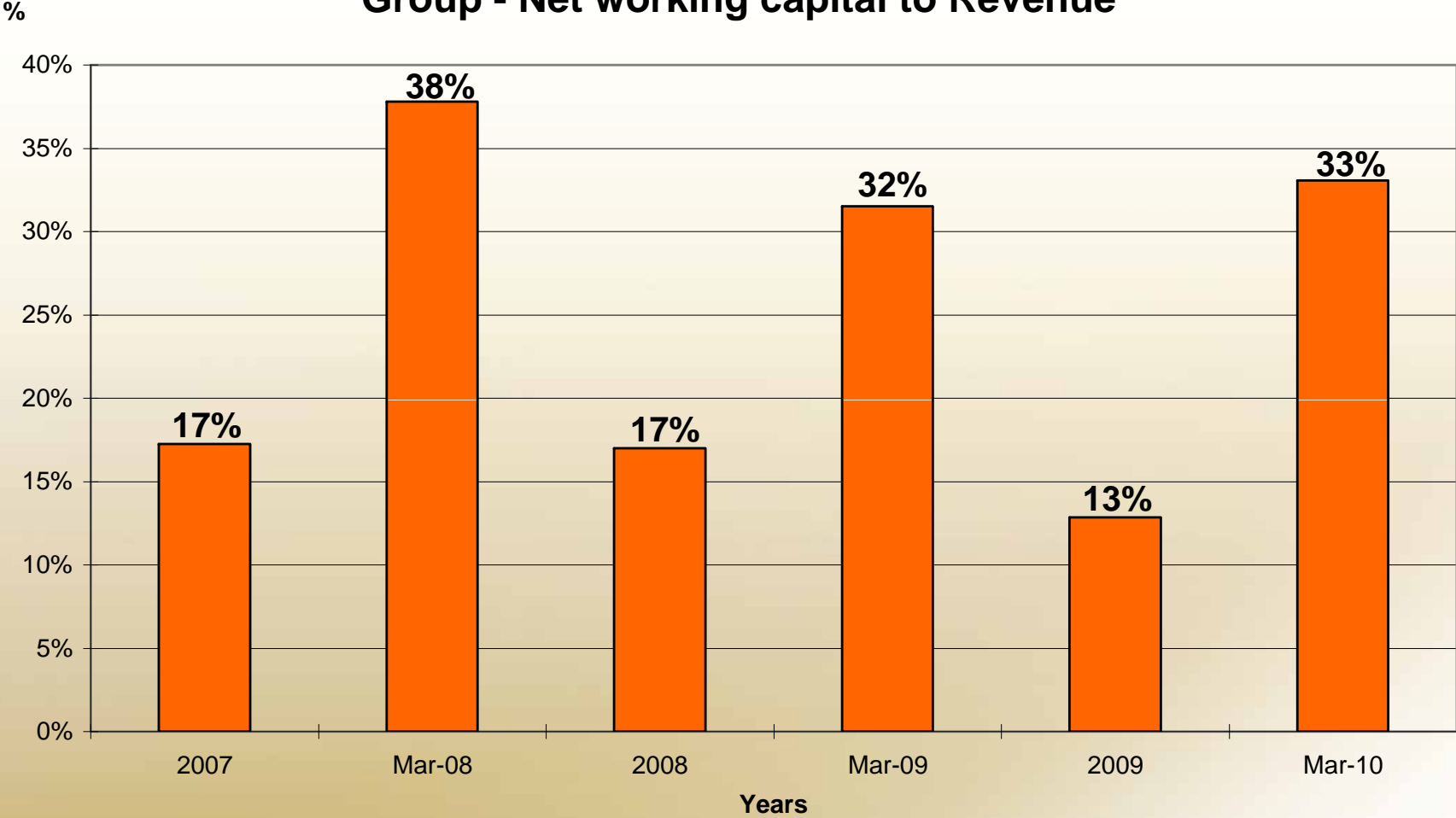
# Cash Flow Analysis – 6 months to 31 March

Rm	2010	2009
Net cash flow from financing activities	309	296

Repayments of borrowings	80	55
Interest paid	78	125
Dividends paid	158	115
Other	(7)	1

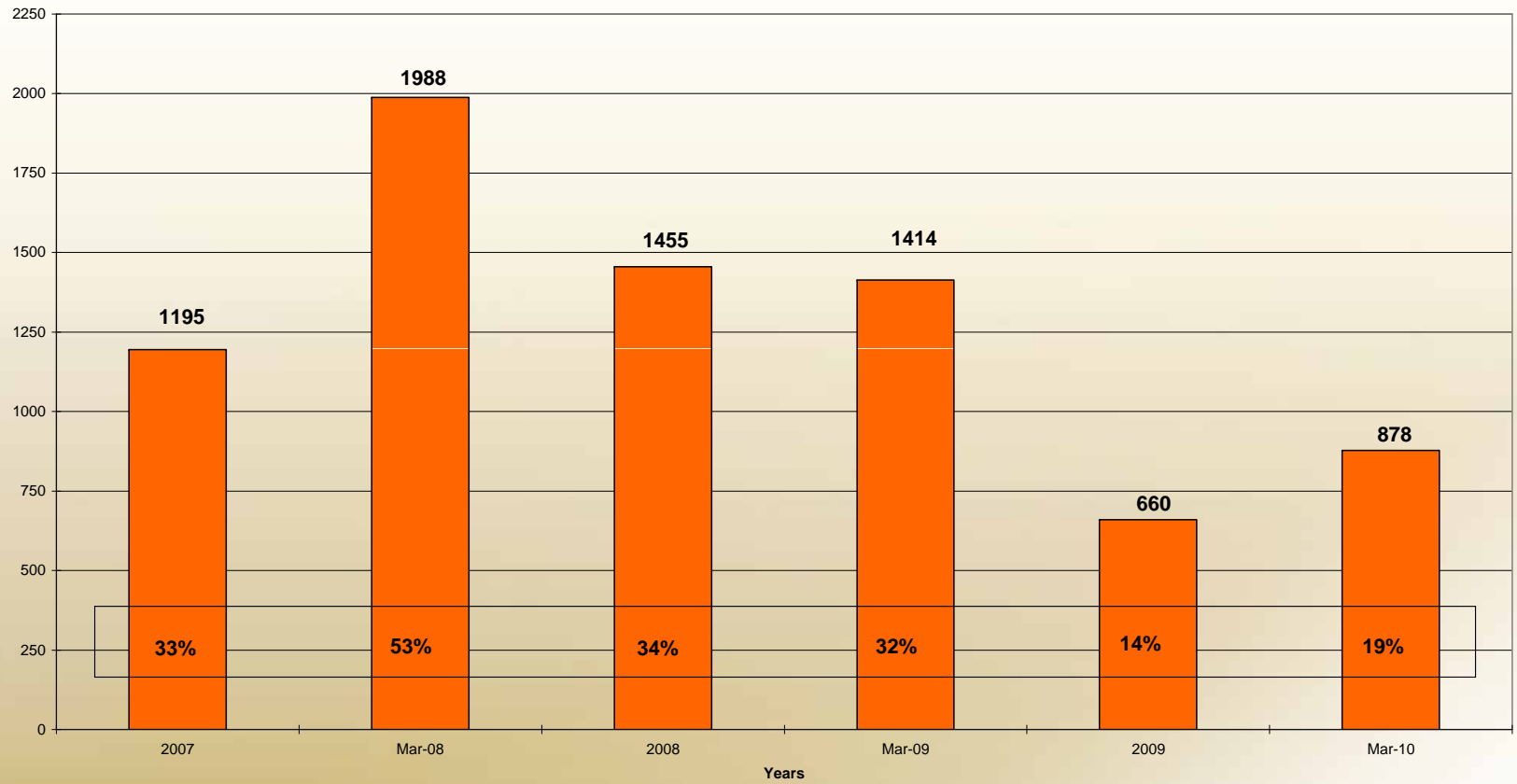


# Group - Net working capital to Revenue



R'm

### Group - Debt (R'm) and Debt to equity ratio (%)





# Operational Review

André Hanekom



# Sasko

- Improved performance with higher volume base, effective selling price strategies and rigid cost management
- Wheat, maize and rice categories posted substantial selling price declines
- Maize milling capacity expanded by 10%
- Wheat milling volumes growing after declining last year
- Spekko gained profitable market share in a category under volume pressure
- Selling prices as well as volumes declined in Sasko Bakeries
- Satisfactory performance from Pasta



# Bokomo Foods

- Improved performance from breakfast cereals - strong volume growth in Weet-Bix utilising recently installed capacity
- Weaker raisin exports impacted by small raisin crop and the stronger rand
- Consolidated Western Cape breakfast cereal facility improved service levels through better production efficiency
- Consolidating Moir's factories in one facility
- Fire damaged facility in Upington rebuilt and fully operational before the 2010 raisin crop intake
- Insurance cover limited any material financial effect



# Agri Business

- Better on-farm performance, lower raw material prices, improved efficiencies in production
- Higher broiler stock levels from weaker sales - price discounting
- Lower sales volumes in egg business with better price realisation
- Satisfactory recovery in animal feeds volumes



# Ceres Beverages

- Improved production and distribution efficiencies and effective cost management
- Fruit juice and fruit concentrate mixture products recorded a decline in sales volumes
- Export sales volumes improved in current markets and new markets added
- Sales volumes from the Pepsi range of products increased and delivered a satisfactory performance despite the cold summer





## Strategic Review



# Strategic Review

- Growth capital spend and new investments postponed in F2009 due to economic uncertainty
- Focus on cost cutting and improving efficiencies to protect margin:
  - *Rationalisation of product lines*
  - *Closing/selling smaller businesses in non-critical categories*
  - *Consolidating factory sites and moving production closer to the market*
  - *Technological advances to drive down cost*
  - *Distribution savings by using group size, optimising distribution fleet and closing depots*
- Improving environment is shifting focus back to growth capital spend and investments while continuing cost and efficiency management
  - *Lag effect after investment before benefits accrue*
- Expand production capacity in milling, pasta and broilers in Botswana, Namibia, Uganda and Zambia





# Prospects



# Prospects

- Defensive nature of the Group's product basket remains well positioned to cater for the needs of the consumer in the constrained spending environment
- Improved performance for the full year is likely , although at a lower growth rate than in the first half of the year
- Continuing efforts to manage volume and margin will be key



# Prospects continued

- All the businesses in the Group will be challenged by increased production costs, that include:
  - *Substantial electricity price hikes throughout the value chain,*
  - *Constant upward trend in the oil price,*
  - *Above inflation wage and salary increases, and*
  - *The uncertain direction of the rand relative to other currencies*
- These cost factors and the recently introduced wheat import tariff have the potential to place slight upward pressure on selling prices



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Thank you

