

London

June 2011



Agenda



Background Information

Historic Financial Performance

Operating Environment

Strategic Intent

Prospects

Background Information



History



EST. 1920



FORMED IN 1997



EST. 1930

The main driver of the merger was the deregulation of the South African grain industry from 1991 to 1997, which led to industry consolidation

The focus following the merger was to cut costs and re-align capacity

The strategic intent was to grow the business to create a significant diversified food manufacturer

History *continued*



Following the merger we cut excess cost and “right sized” the business

4 wheat mills closed

7 maize mills closed

27 bakeries closed

25 depots closed

More than 4 000 employees retrenched

Further strategic intent was to enter categories with dominant players to broaden consumer choice and increase competition

Operational Developments



The bread business was repositioned from only manufacturing the standard 800g “government loaf” to manufacturing a range of more than 50 different value-added, high quality, branded products

After acquiring a number of competitors to obtain critical mass, White Star was launched as a premium quality super maize meal securing the number 1 position.



Operational Developments *continued*



Entered the pasta market with significant capital spent on the latest-technology equipment

Purchased the Western Cape rice brand, Spekko, to facilitate a significant entry into the rice market on a national basis

A full range of breakfast cereal products was launched to support Weet-Bix under the Bokomo brand. Acquired ProNutro and Nature's Source to round off the portfolio



Operational Developments *continued*



Acquired the Ceres Fruit Juice business. Significant investments were made to diversify the business into different packaging formats and product categories

Signed a franchise agreement with PepsiCo International to re-enter the CSD market with Pepsi, Mirinda, 7-Up and Mountain Dew

The Heinz JV was formed to enter the ketchup market and add further value to the Pioneer Foods frozen food business

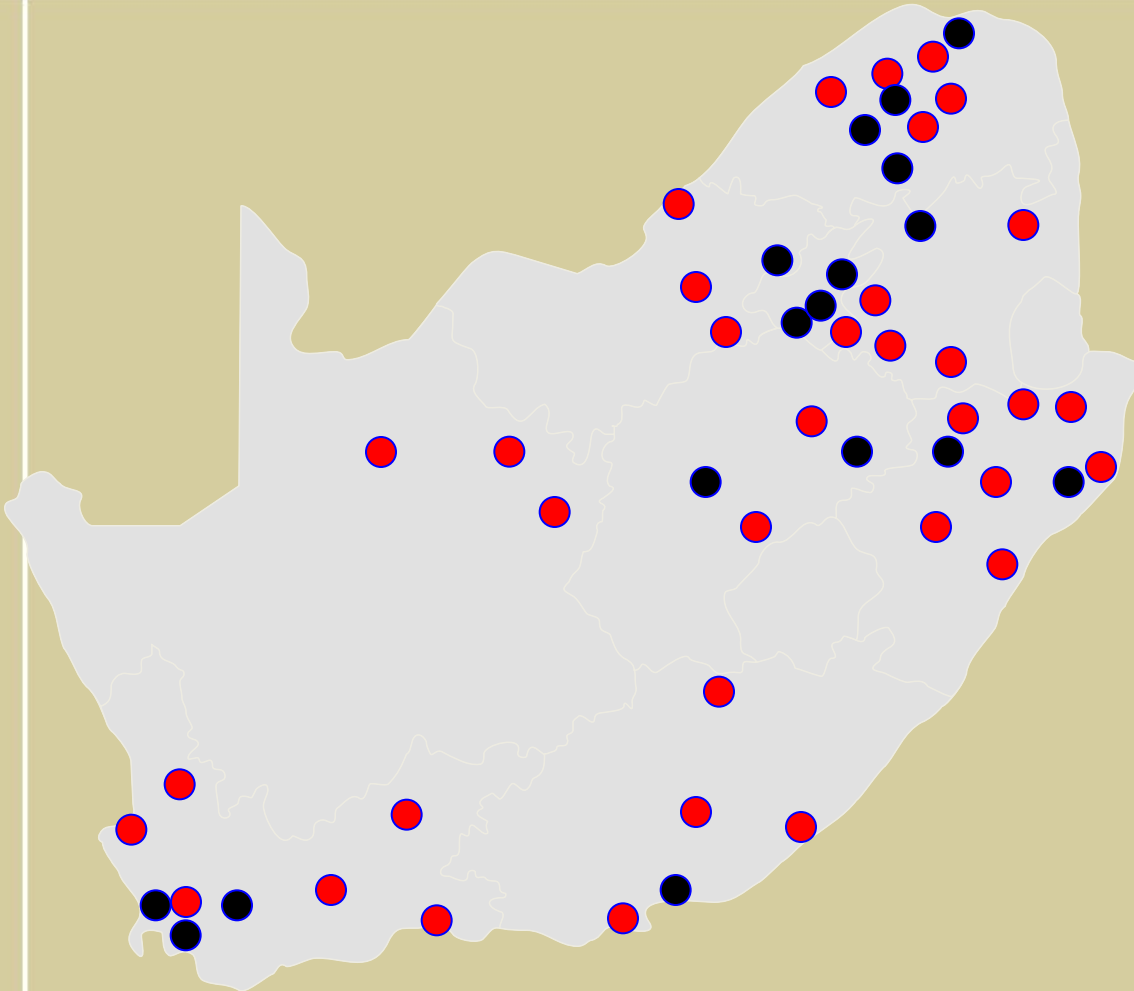
Acquired SAD/Marmite/Bovril/Peck's Anchovette and Redro



Sasko Bakeries



Bakeries and depots



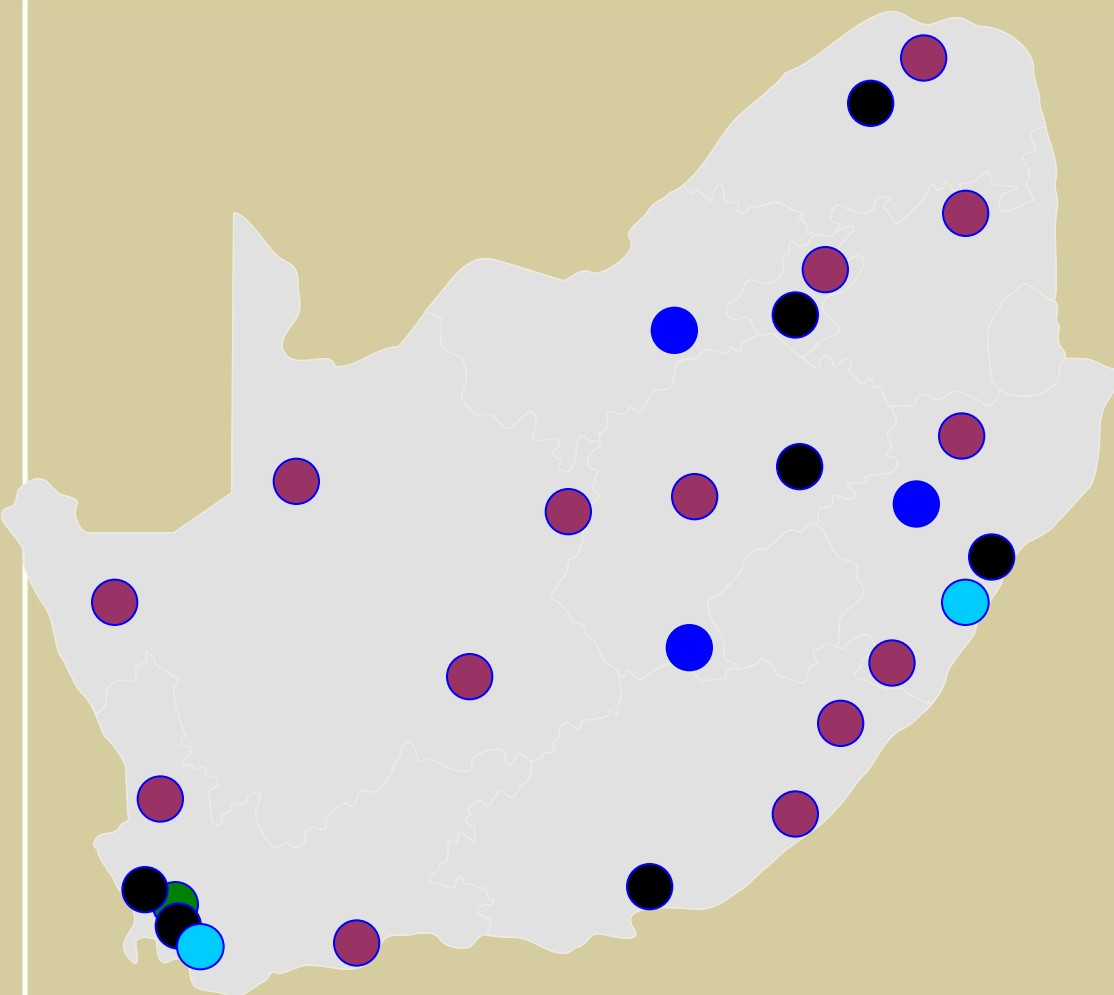
- – **Bakeries (17)** : Aeroton, Brits, Krugersdorp, Olifantsfontein, Polokwane, Mokopane, Groblersdal, Tubatse, Sibasa, Bloemfontein, Qwa-Qwa, Duens (Cpt), Enterprise (Cpt), Worcester, Brito's, Stanger, Ladysmith
- – **Bread depots (35)** : East London, Jeffreys Bay, Grahamstown, Kimberley, Aliwal North, Jan Kempdorp, Kuruman, Botshabelo, Bethlehem, East Rand, Klerksdorp, Rosslyn, Witbank, Nelspruit, Newcastle, Ulundi, Vryheid, Estcourt, Durban, Eshowe, Richards Bay, Mkuze, Zeerust, Rustenburg, Elim, Lebowakgomo, Bochum, Ellisras, Tzaneen, Vredenburg, Malmesbury, Mossel Bay, Oudtshoorn, Beaufort West, Klawer

Sasko Grain (Mills and Depots) Sasko Pasta

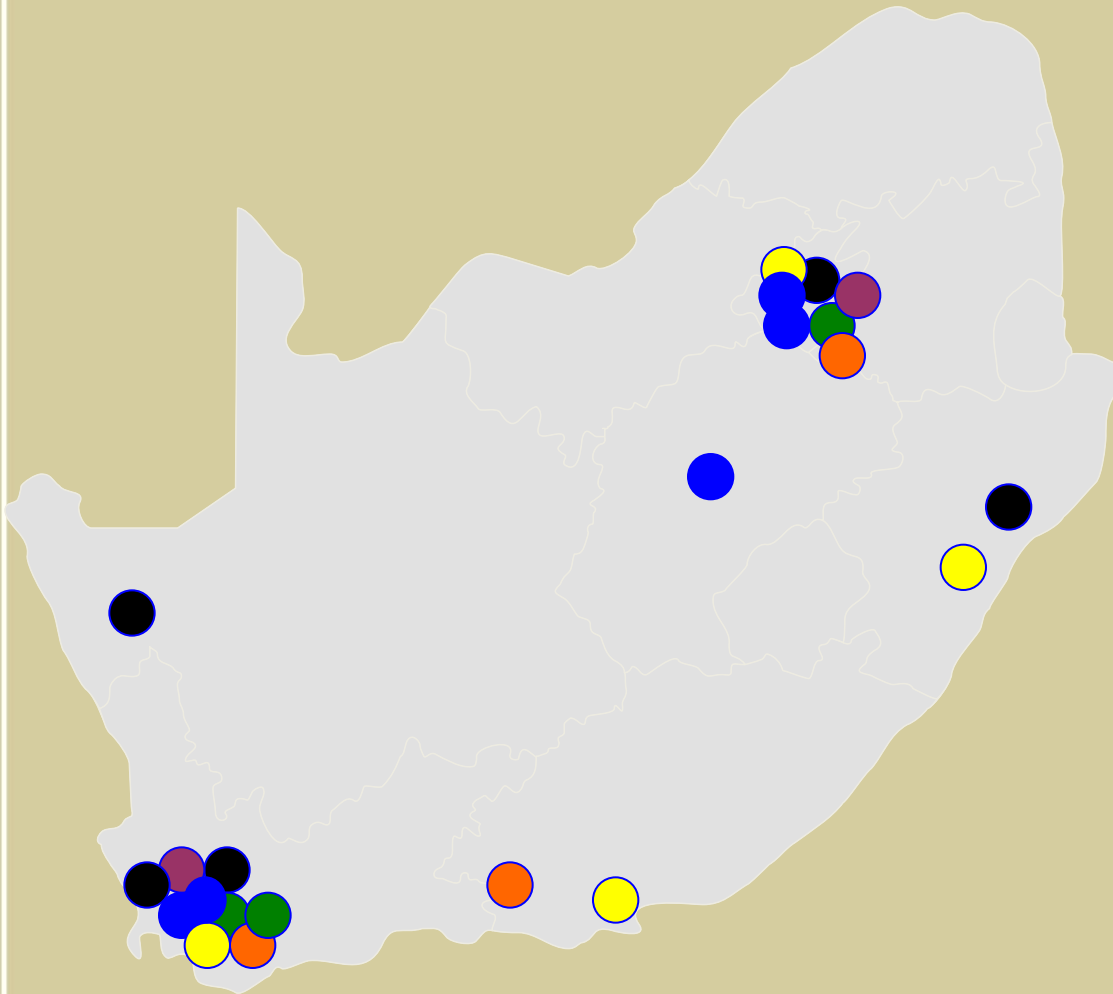


Mills, depots and pasta

- – **Wheat mills (7)** : Malmesbury, Paarl, Port Elizabeth, Durban, Bethlehem, Krugersdorp, Polokwane
- – **Maize mills (3)** : Aliwal North, Estcourt, Klerksdorp
- – **Pasta plant (1)** : Malmesbury
- – **Depots for distribution of flour and other products (14)** : Springbok, Upington, Van Rhynsdorp, De Aar, George, Kimberley, Bloemfontein, Kokstad, Mthatha (Umtata), East London DC, Makhado (Louis Trichardt), Vryheid, Witrivier, Alrode DC (Gauteng)
- – **Rice & dried vegetables packing plants (2)** : Epping, Durban



Other operations in South Africa



Other operations in South Africa

- – Bokomo Foods (14) (indicative positioning of clusters of production sites)
- – The Ceres Beverage Company (5)
- – Heinz Foods (2)
- – Feed factories (3)
- – Broiler abattoirs (3)
- – Egg pack stations (4)

(Broiler & egg production further involves 5 hatcheries and 32 egg laying or broiler production farms)

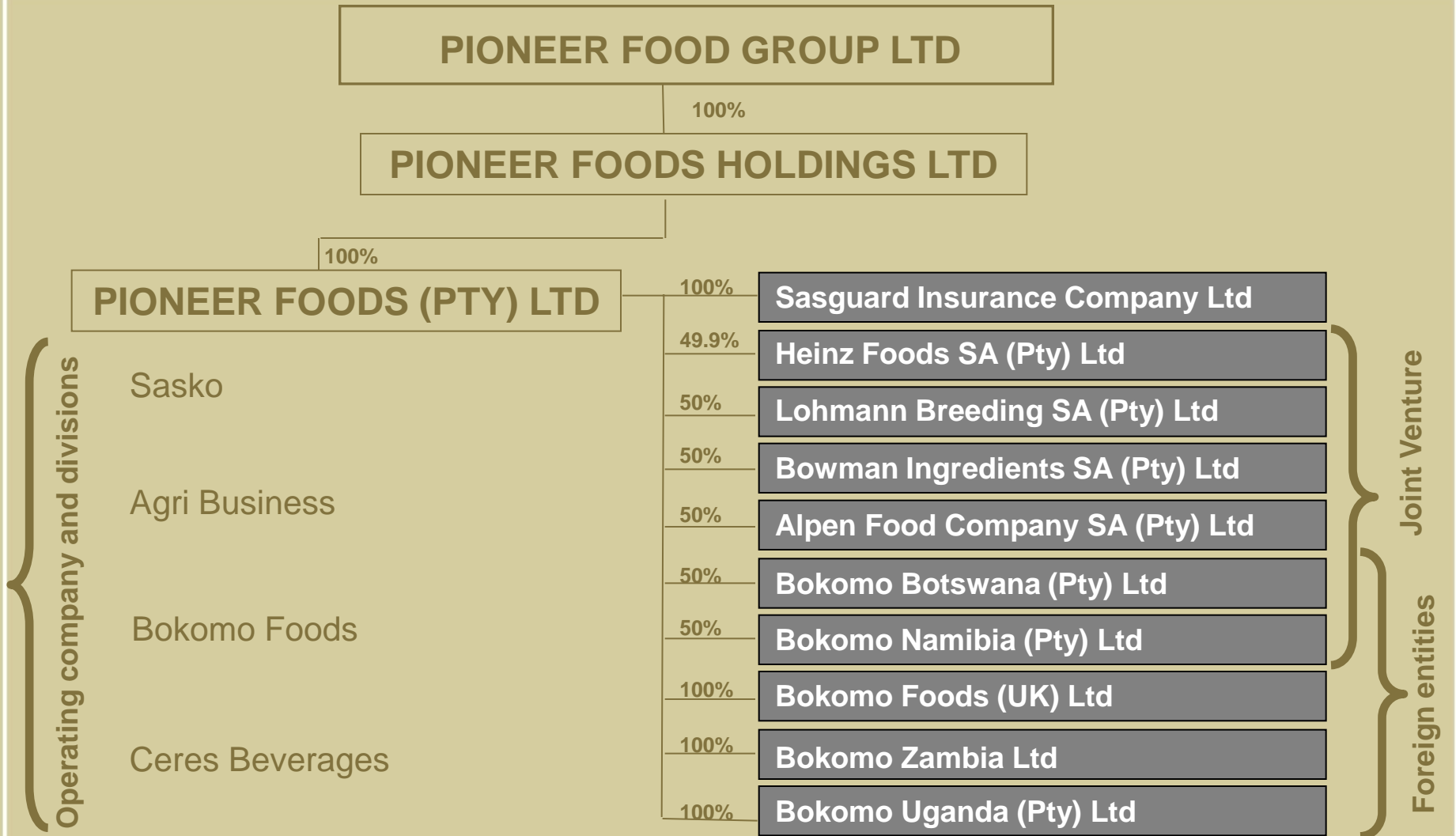
Estimated Key Market Sizes (At Wholesale/Retail Level)



	R bil:	Ton/loaves/ litres/dozens
Bread	19,5	3 bn loaves
Wheat Milling	11,9	2 900 000 ton
Maize Milling	10,5	4 130 000 ton
Rice	4,7	700 000 ton
Pasta	1,1	65 000 ton
Breakfast Cereals (Hot & Cold)	4,2	145 000 ton
Total RTD fruit juice (Long Life & Short Shelf Life)	5,3	536 mil litres
CSD's	26,5	2,95 bn litres
Concentrates (undiluted)	2,0	160 mil litres
Poultry	23,2	1 570 000 ton
Eggs	4,6	557 mil dozen
Feed	28,5	10 791 000 ton

Source : Pioneer Foods estimates

Organisational Structure



Current Shareholders



Distribution of ordinary shareholders (30 September 2010)

Number of ordinary shares	Number of ordinary shareholders	%	Number of ordinary shares ('000)	%
1 – 1000	2 533	50.2	916	0.5
1 001 – 10 000	1 703	33.8	6,105	3.0
10 001 – 50 000	525	10.4	12,004	6.0
50 001 – 100 000	127	2.5	9,033	4.5
100 001 – 500 000	124	2.5	24,633	12.2
500 001 <	32	0.6	148,500	73.8
	5 044	100.0	201,191	100.0

Black economic empowerment

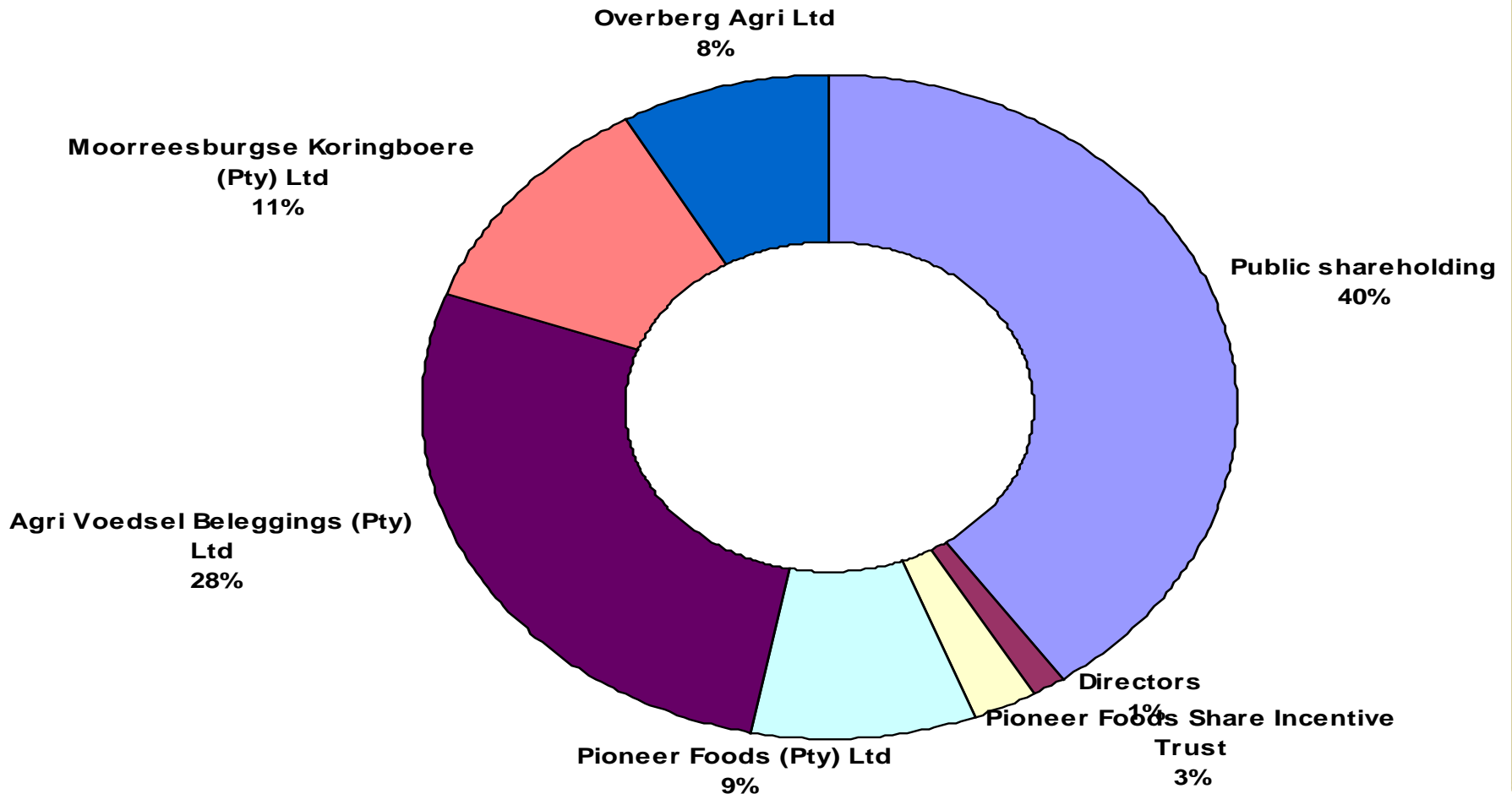
- Employee Share Ownership Trust (BEE) currently owns 14.2 million Class A Ordinary shares, entitled to 8.0% of total voting rights

Current Shareholders *continued*



Analysis of ordinary shareholding (30 September 2010)

Analysis of ordinary shareholding (30 September 2010)



Historic Financial Performance



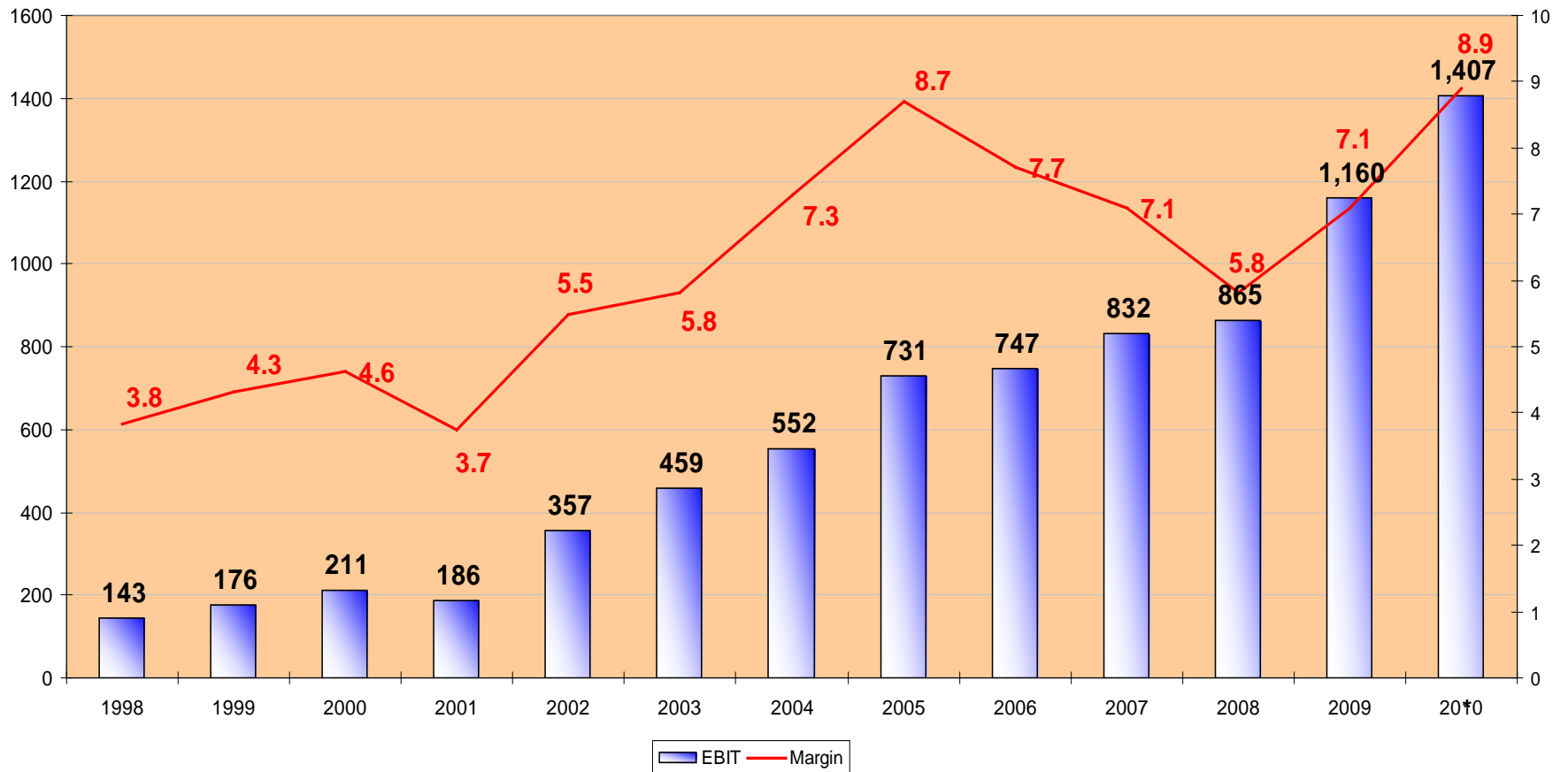
R'Billion

Revenue



Group EBIT and Margin (%)

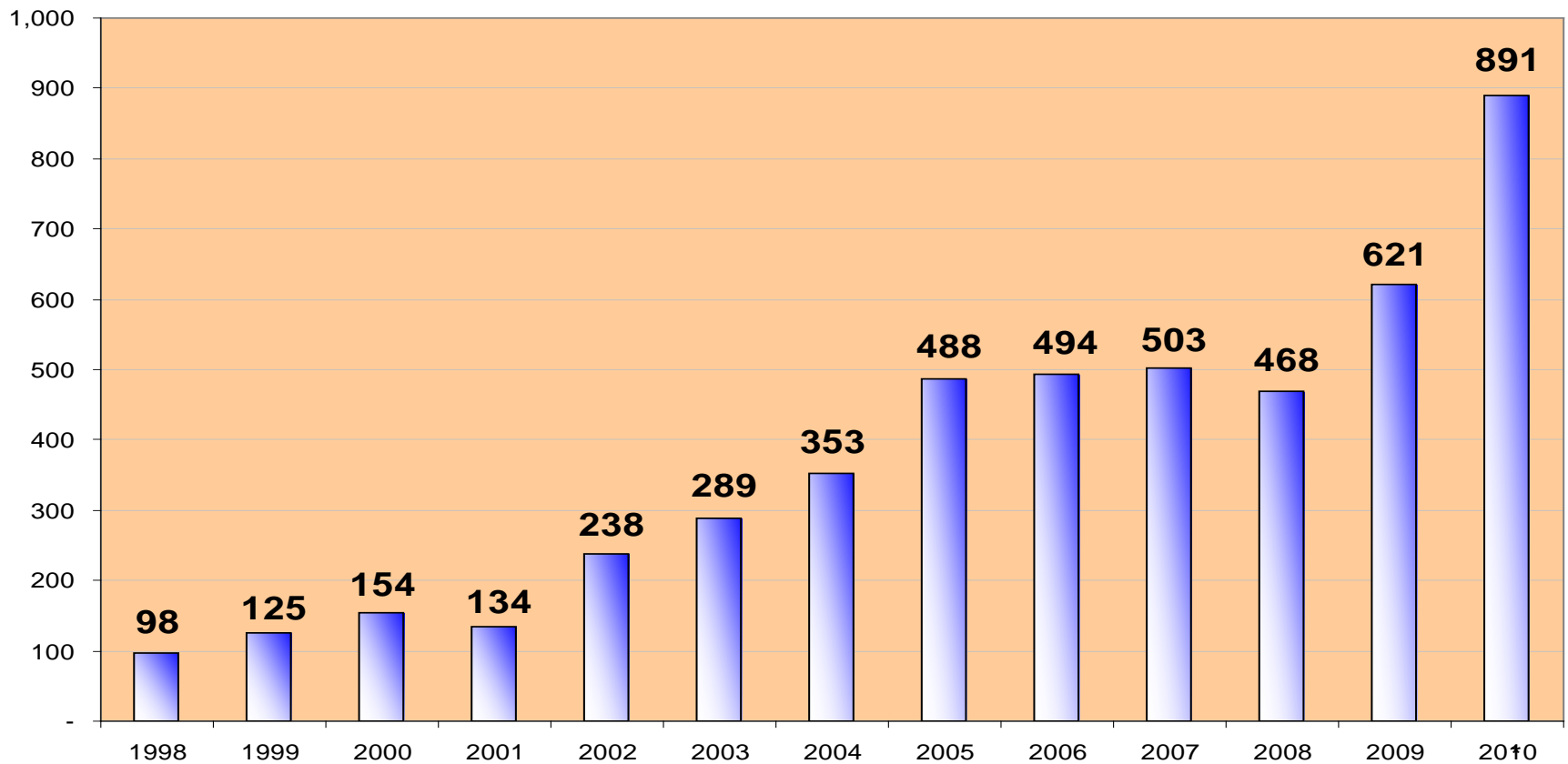
R'Million



* As adjusted

Headline Earnings

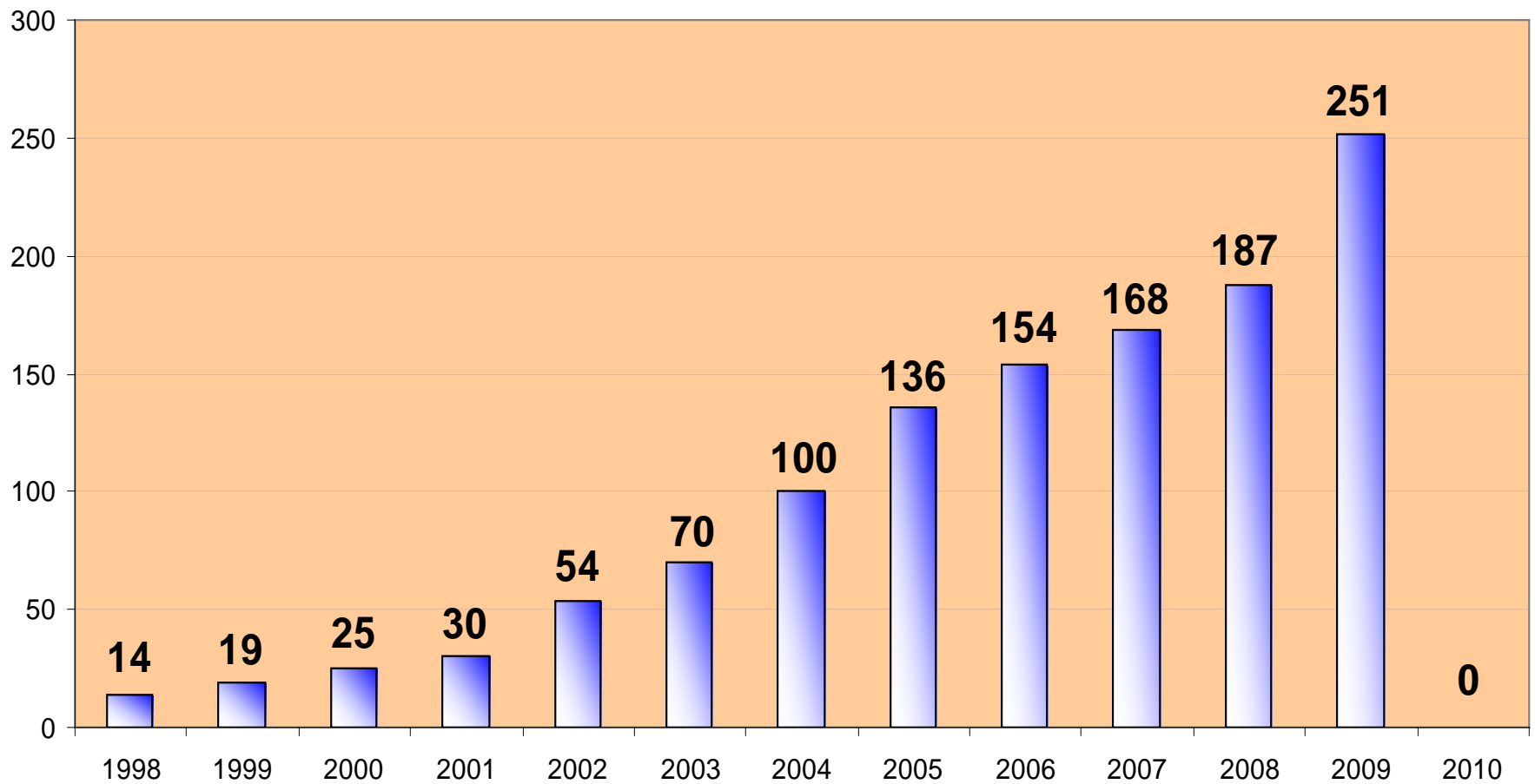
R'Million



* As adjusted

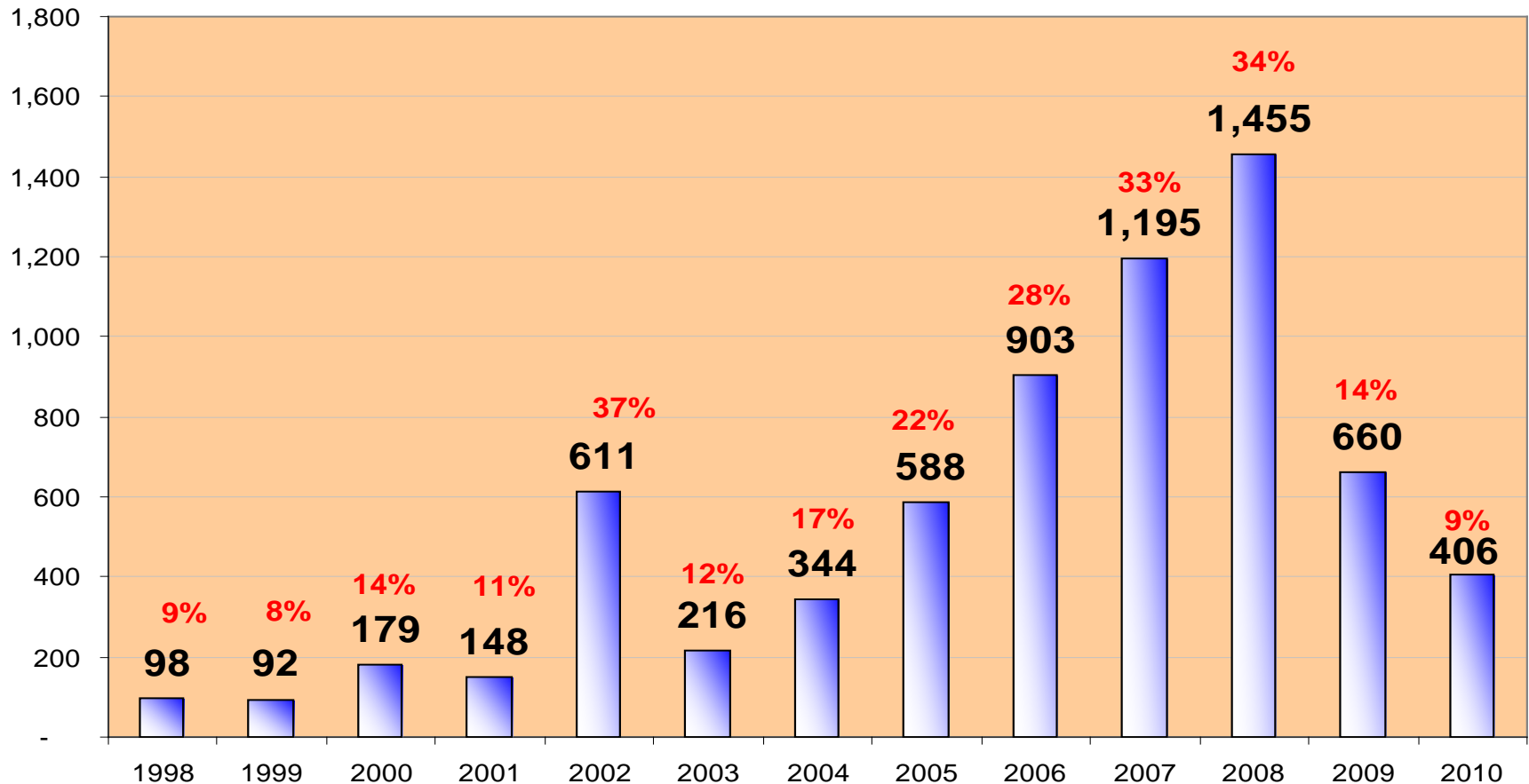
Dividend declared

R'Million



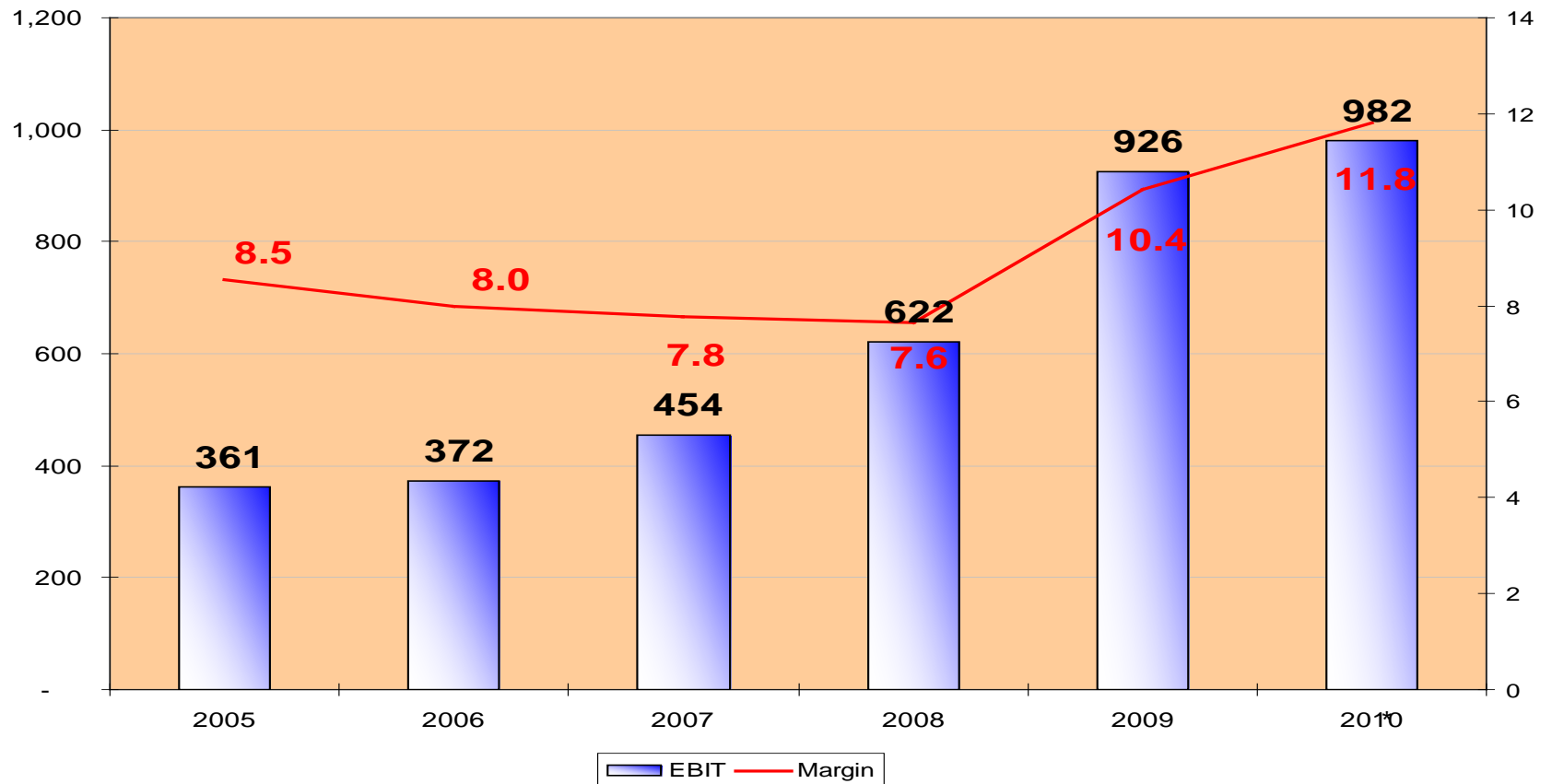
Net Interest Bearing Debt

R'Million



SASKO EBIT and Margin (%)

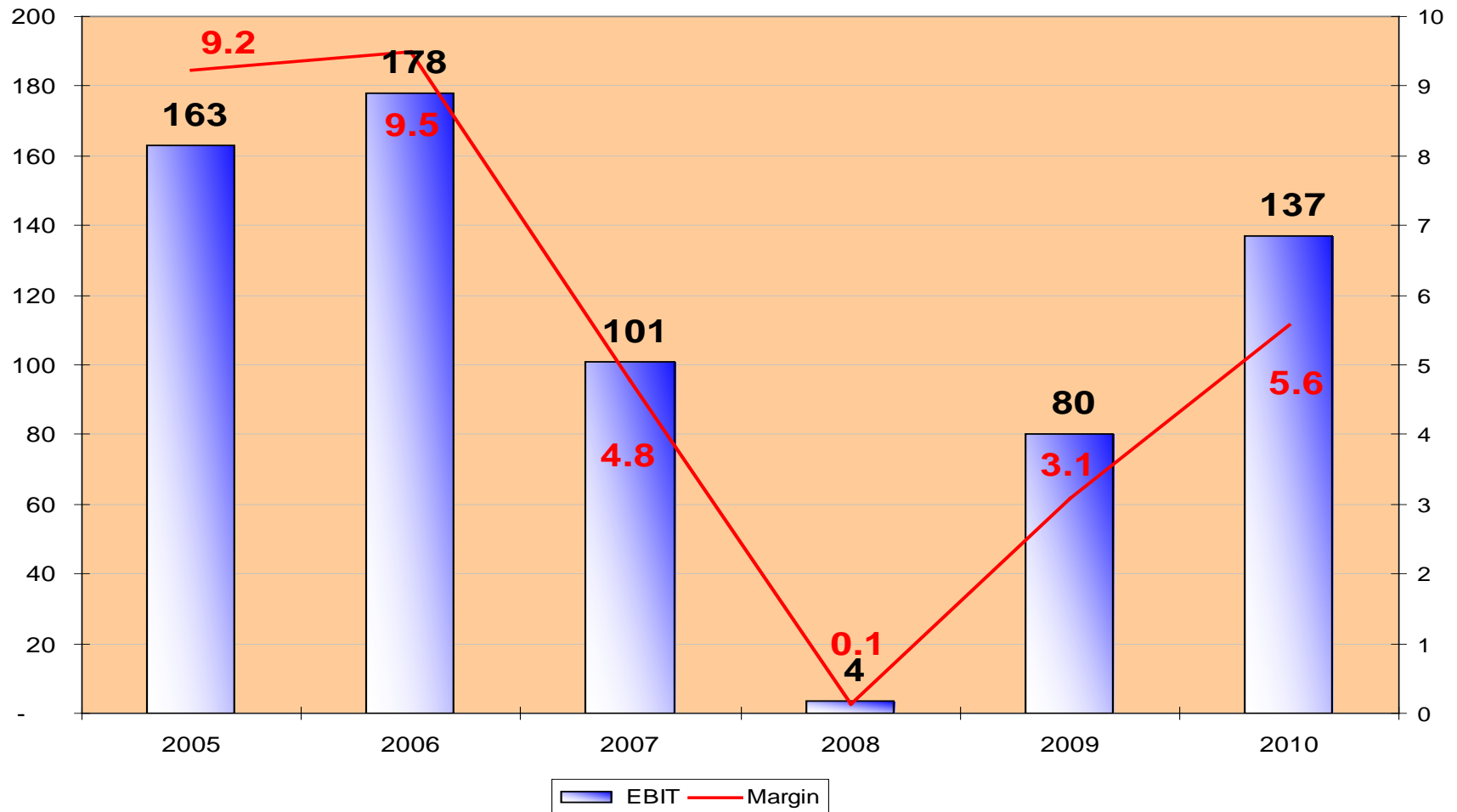
R'Million



* As adjusted

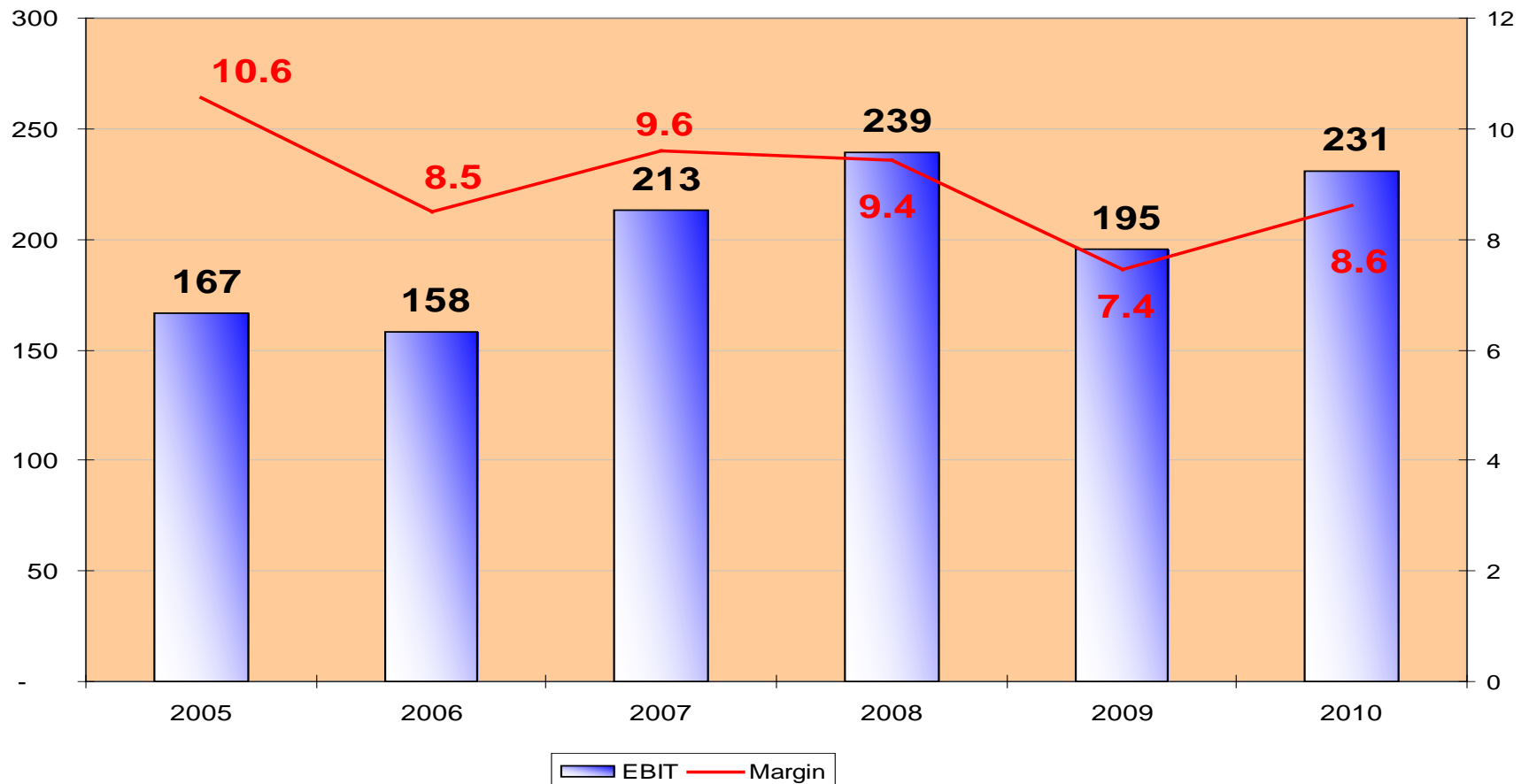
AGRI EBIT and Margin (%)

R'Million



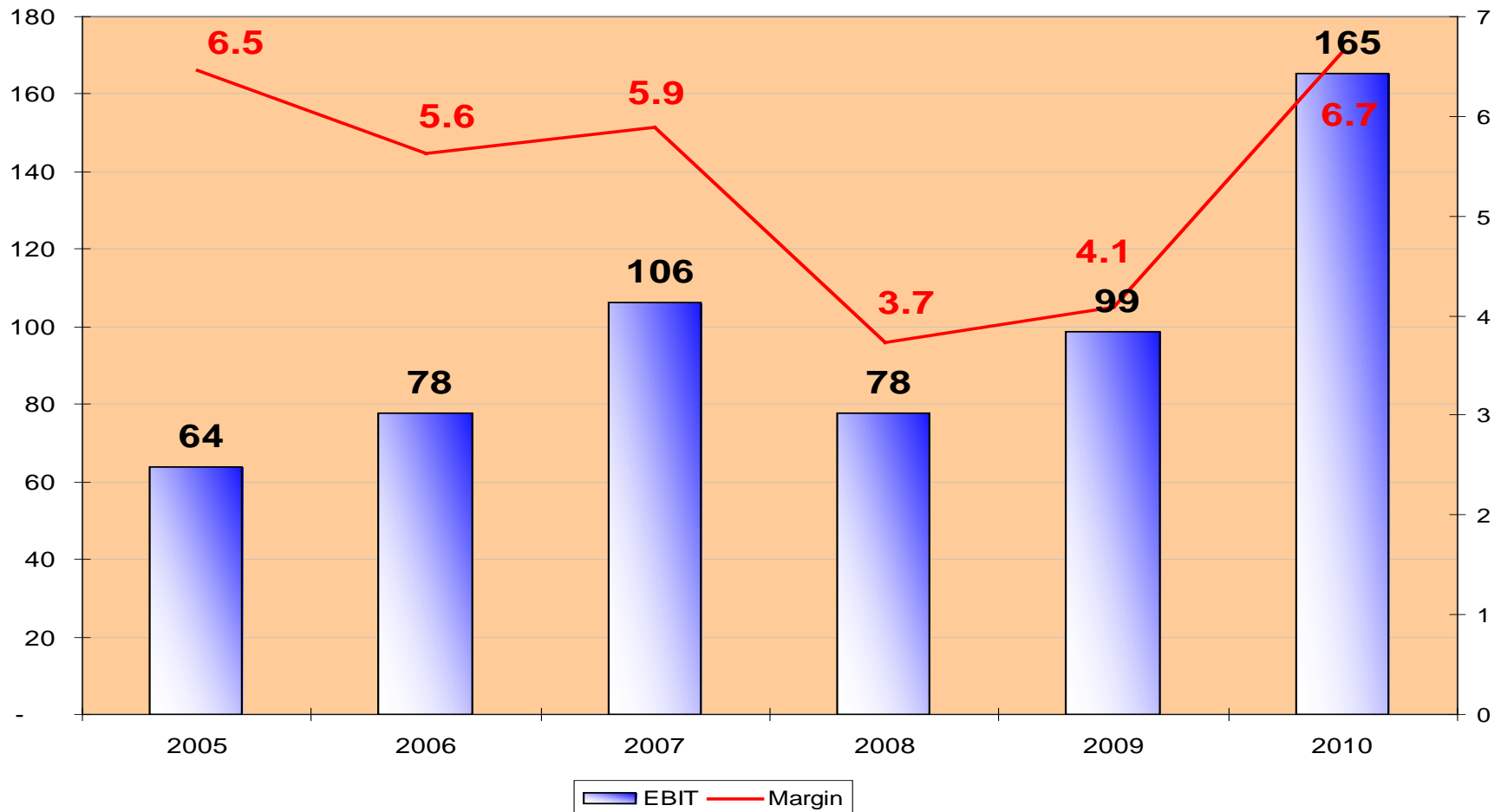
BOKOMO FOODS EBIT and Margin (%)

R'Million



CERES BEVERAGES EBIT and Margin (%)

R'Million



Operating Environment



Operating Environment



Soft commodity prices

- Soft commodity prices up 50% on average in Rand terms, >100% in USD
- Unfavourable weather patterns delaying planting maize in United States
- Ethanol use of maize consistently increasing
- 2011 European wheat crop –volume and quality critical
- 2011 South African maize crop late – quality uncertain

Operating Environment *continued*



Food inflation

- Significant direct and indirect impact of Eskom price increases
- Cost pressure due to oil price and inefficient rail transport
- All businesses ex eggs and poultry posting price increases

Consumer

- Slow job creation constrains potential spending capacity
- Consumer taking strain with disposable income under pressure
- Buying patterns supporting brand leadership

Soft Commodity Price Trends



Monthly Soft Commodities : MAW-WhiteMaize / MAY-YellowMaize / WEA-Wheat

2002/01/31 - 2011/05/31 (JHB)

T
05/31, 1,725.00
QMA Yc1, Last Trade(Last)
05/31, 1,756.00
QWEAc1, Last Trade(Last)
05/31, 3,425.00



Strategic Intent

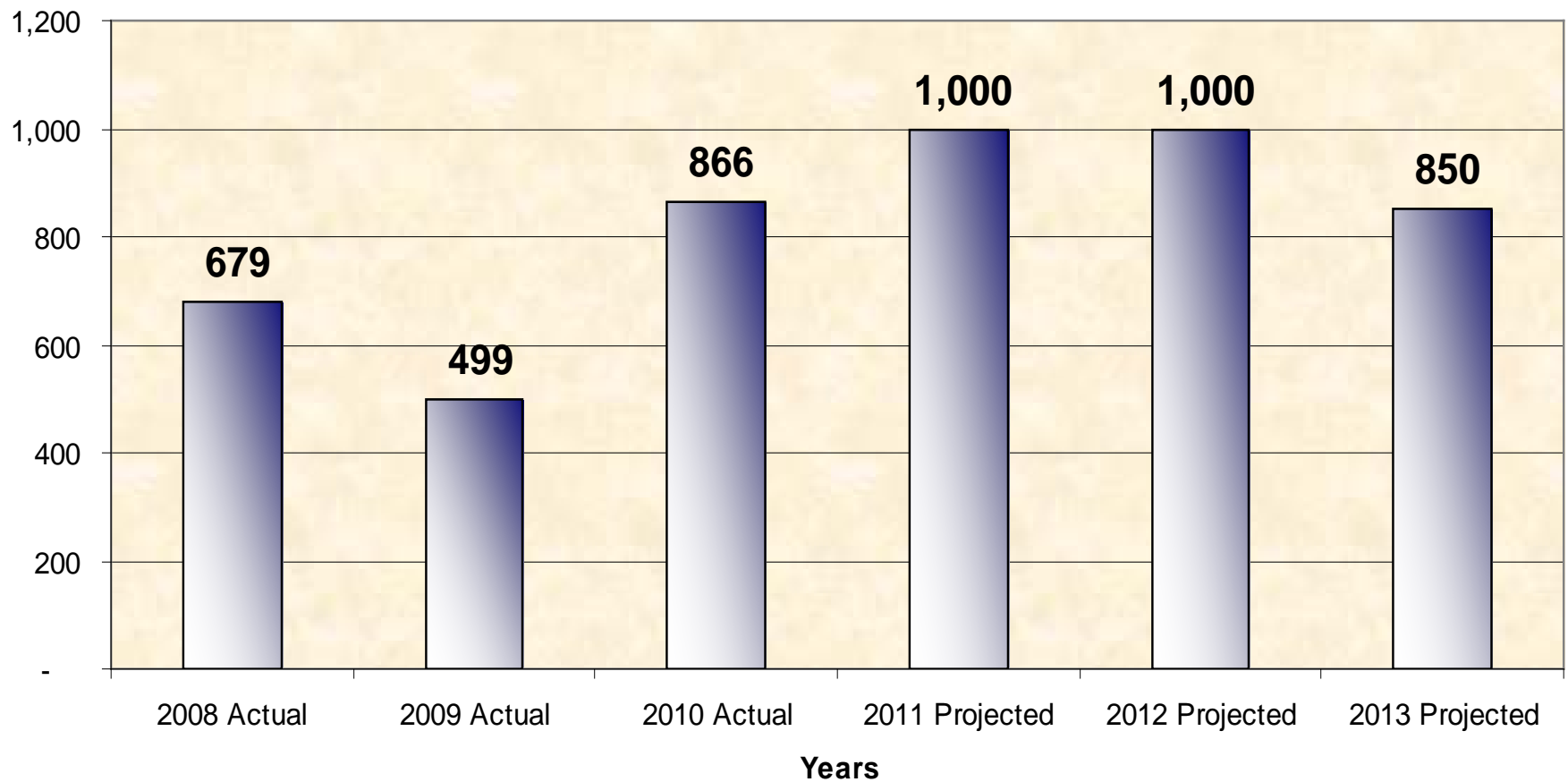


Strategic Intent



- Investing in growth capacity to support market leading brands
- Spending expansion capital to enable future growth:
 - Biscuit plant and brand launch – Q4 target
 - Gauteng juice capacity commenced April 2011 – further expansion in process
 - Gauteng broiler expansion – site consolidation
 - Rice plant capacity expanded and efficiencies upgraded
 - Pasta plant efficiency upgrade commenced
 - Weet-Bix value added range in process of commissioning
- Rightsizing of operational footprint
- Brands maturing, costs managed, margin protected

Capital Expenditure (Rm)



Prospects



Prospects



- Uncertain influence of northern hemisphere wheat and maize crops
- Upward trending input costs
- Sales price increases implemented in key categories such as bread and wheaten products in April 2011
- Uncertain consumer spending patterns given price volatility
- Unproductive costs of new plant capacity during commissioning
- Product basket of essential items better positioned to sustain volume growth in key categories whilst managing margin

Annexures



Interim Results

For the six months ended 31 March 2011



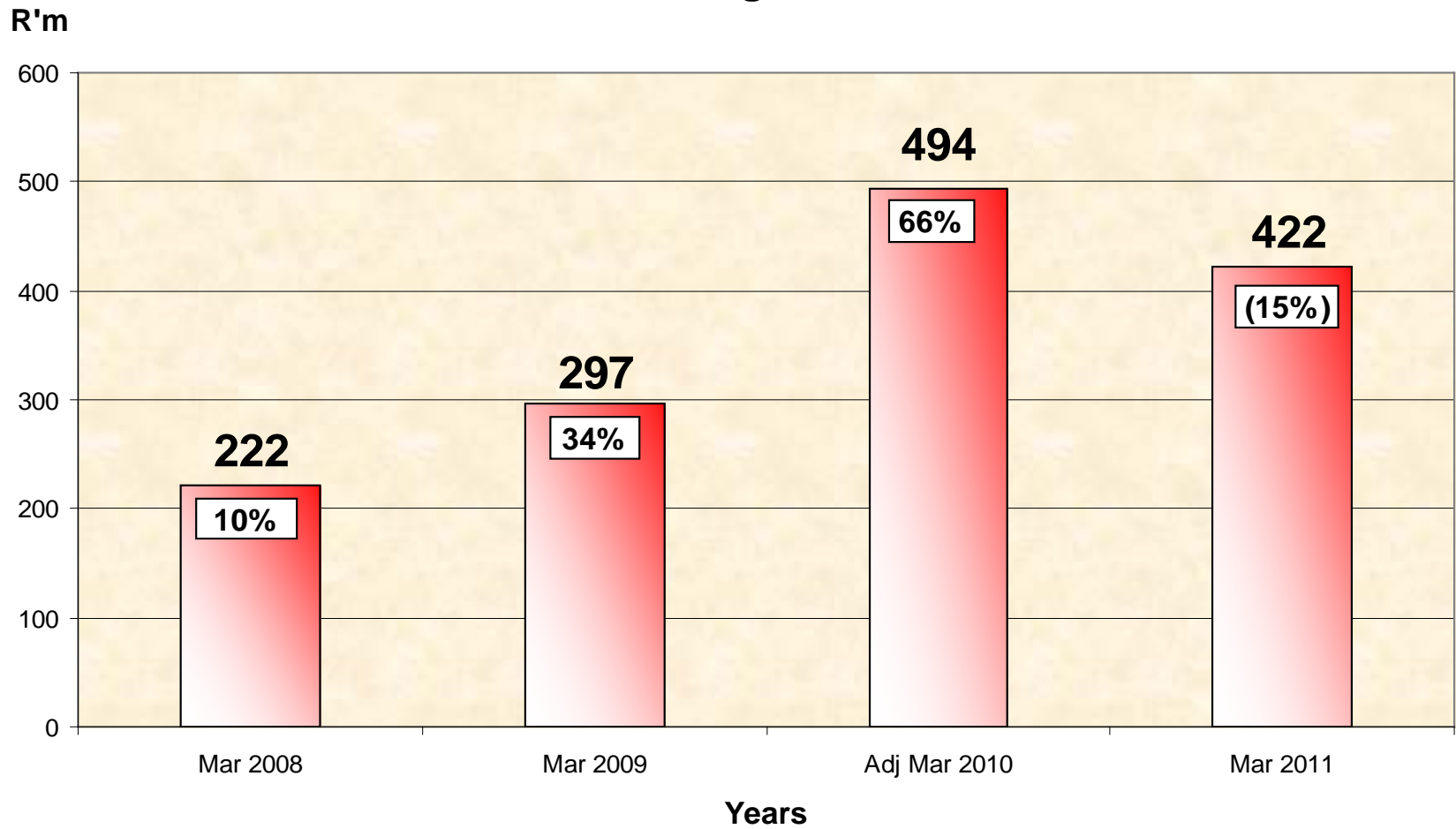
Group Income Statement (summary)



Rm – 6 months to 31 March	2011	2010	
Headline earnings	422	144	+193%
Headline Earnings *	422	494*	-15%
<i>HEPS (cents)</i>	237	82	+190%
<i>HEPS (cents) *</i>	237	280*	-15%

* Comparative period adjusted for CC penalties provided

Headline Earnings - 6 months



Group Income Statement (summary)



Rm – 6 months to 31 March	2011	2010		
Revenue	8 308	7 954	+4%	+354
Cost of goods sold	<u>(5 699)</u>	<u>(5 395)</u>	-6%	-304
Gross profit	2 609	2 559	+2%	+50
GP %	31.4%	32.2%		

Group Income Statement (summary)



Rm – 12 months to 30 September	2010	2009	
Other expenses (CC penalty excluded)	3885	3676	+6%
Rm – 6 months to 31 March	2011	2010	
Other expenses (CC penalty excluded)	2096	1912	+10%
Net finance costs	48	61	
Income tax expense	188	223	
Effective income tax rate (CC penalties excluded)	30.4%	30.6%	

Group Income Statement (summary)



Rm – 6 months to 31 March	2011	2010	
Net operating profit	667	441	+51%
Operating profit	658	777	-15%
CC settlement & penalties	-	(350)	
Items of a capital nature	9	14	
Operating profit margin *	7.9%	9.8%*	

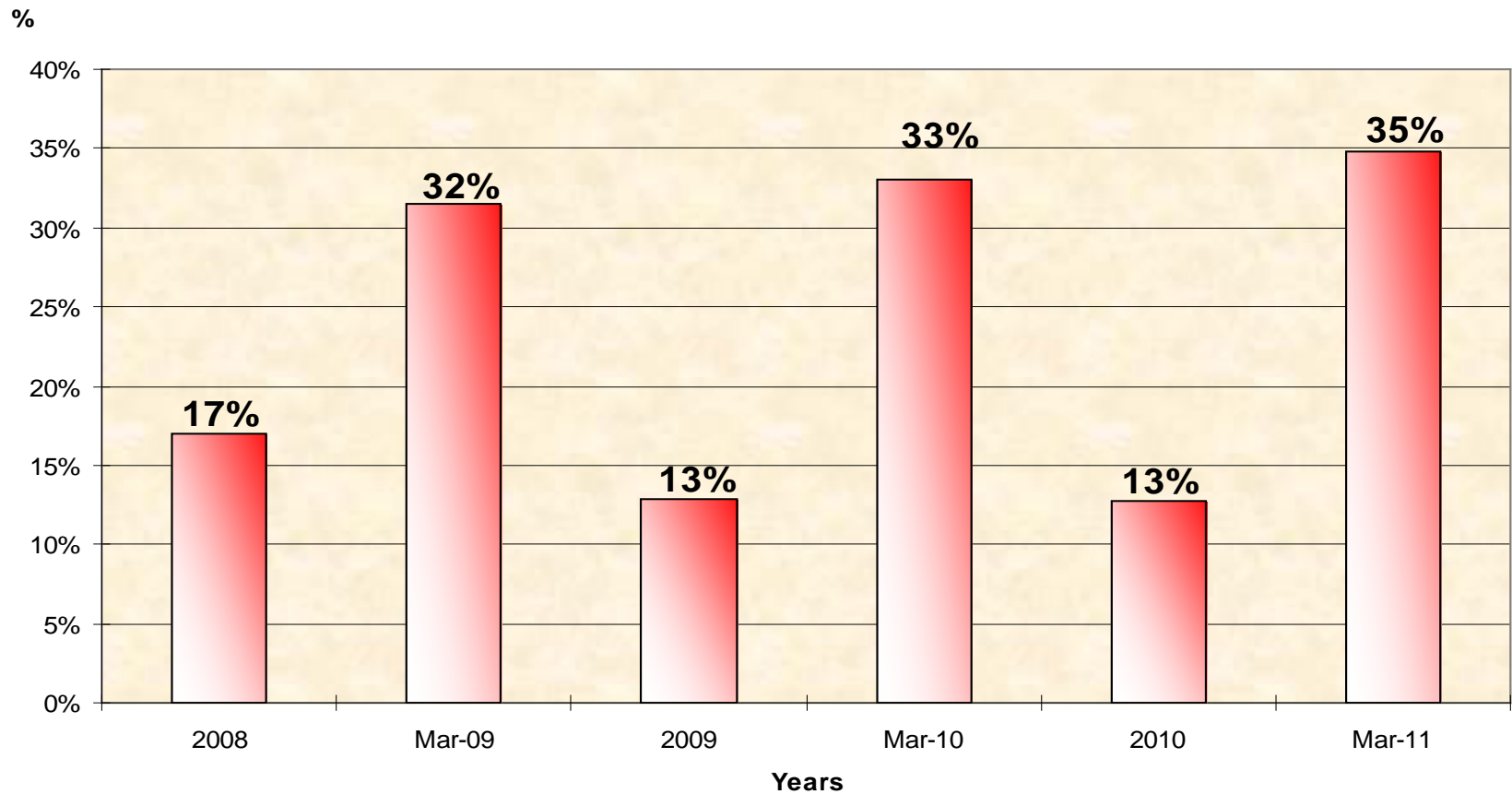
** Comparative period adjusted for CC penalties provided*

Cash Flow Analysis



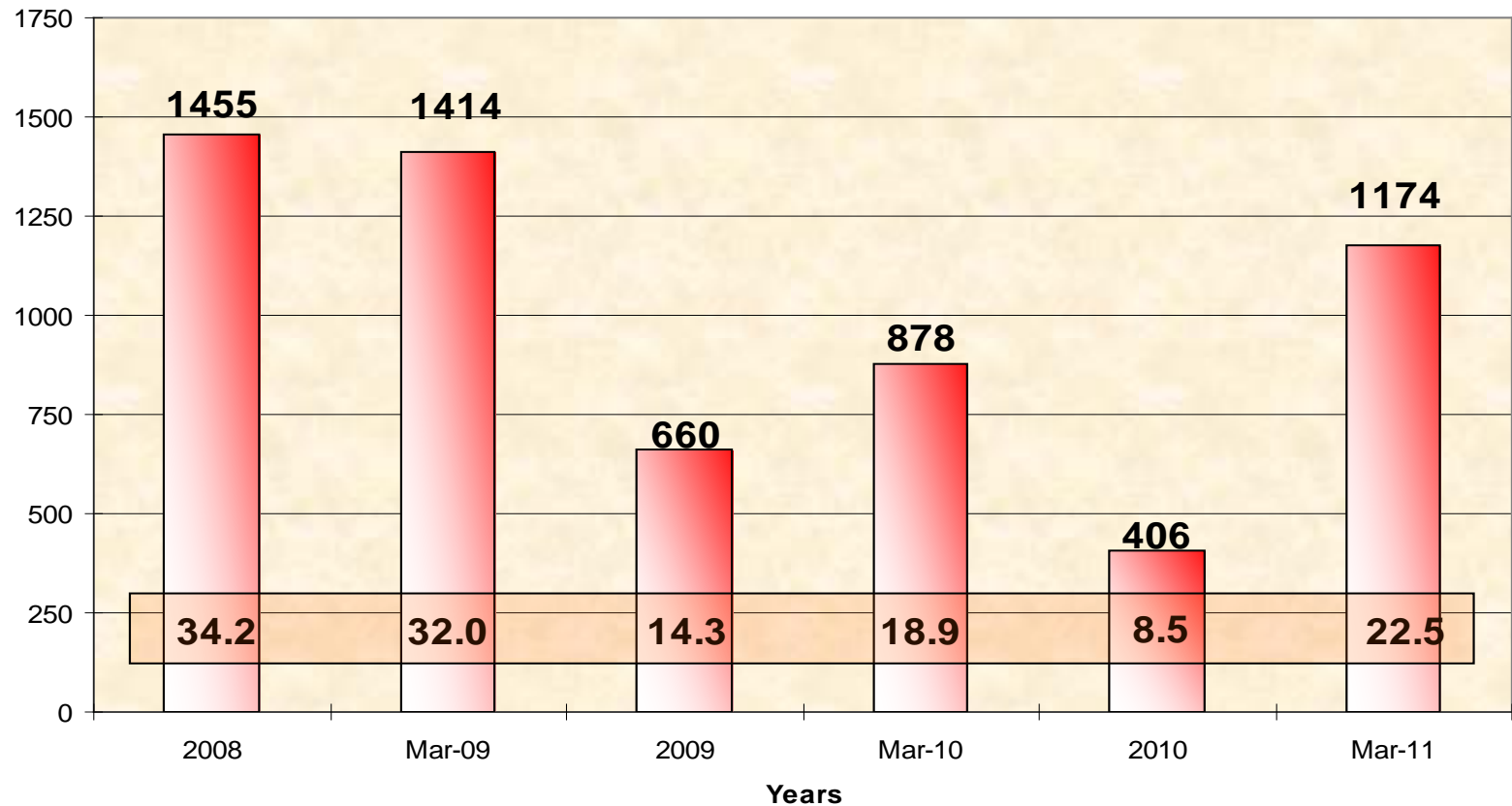
Rm – 6 months to 31 March	2011	2010	
Cash profit from operating activities	875	950	-8%
Change in working capital	(877)	(531)	
Inventory	(371)	(179)	
Debtors	(303)	(257)	
Creditors	(174)	(66)	
Other	(29)	(29)	
Cash effect from hedging	-	14	
Accrual for CC penalties	(67)	-	
Cash (utilised)/generated by operations	<u>(69)</u>	<u>433</u>	

Group - Net working capital to Revenue



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

R'm



Segment Analysis – 6 months to 31 March



Revenue (Rm)	2011	2010	
Group	8 308	7 954	4%
Sasko	4 342	4 150	5%
Agri Business	1 273	1 239	3%
Bokomo Foods	1 396	1 323	6%
Ceres Beverages	1 420	1 346	5%
Inter Segment	(123)	(104)	

Segment Analysis – 6 months to 31 March



Operating profit (Rm)	2011	2010	
Group	658	777 *	-15%
Sasko*	395	517 *	-24%
Agri Business	82	73	12%
Bokomo Foods	119	121	-2%
Ceres Beverages	122	109	12%
Unallocated	(60)	(43)	

* Comparative period adjusted for CC penalties provided

Segment Analysis – 6 months to 31 March



Operating profit margin (%)	2011	2010
Group	7.9	9.8 *
Sasko *	9.1	12.5 *
Agri Business	6.4	5.9
Bokomo Foods	8.5	9.1
Ceres Beverages	8.6	8.1

** Comparative period adjusted for CC penalties provided*

Operational Review



- Improving sales volumes in most categories
- Bread, wheat and maize price increases of around 10%
- Pasta prices stable and rice downwards due to lower landed cost
- Delayed price increases in defined bread and wheaten products between December 2010 and March 2011 to complete the gross profit reductions as agreed with the Competition Commission to the value of R171 million
- Bread and wheat increased market share in formal trade as South African wheat and maize consumption remained flat
- White Star achieved satisfactory sales
- Pasta volumes declined due to competitor activity
- African operations performing to expectation in challenging markets

Bokomo Foods



- Sustained cost pressures and lower sales volumes in most categories
- Weet-Bix maintained sales volumes on firmer sales prices
- Corn Flakes grew by double digits, approaching capacity
- Baking ingredients and deserts did very well on improved sales volumes
- Heinz JV good growth in condiments and sauces; frozen category slower
- March 2011 raisin crop halved due to flooding, quality lower
- Commissioning new biscuit plant in Clayville. Products expected to be launched under new brand in fiscal Q4 2011

Agri



- Increased efficiencies in eggs and broilers
- Absence of poultry diseases and improved farming practices
- Sales volumes of eggs and broilers improved – weaker sales prices
- New eggs and broiler capacity added
- Higher sales volumes, lower sales prices in Feeds. Favourable raw material costs kept margins stable, improving profitability
- Non-feed costs well under control

Ceres Beverages



- Sales volumes increasing in all categories, despite cold and wet weather
- Effective price management entrenched by brand strength
- Fruit juices double digit sales growth in local market
- International market grew despite strong Rand
- Fruit concentrates under margin pressure due to competitor activity
- Pleasing Pepsi volumes from informal trade - improved profitability
- Lipton Ice Tea achieved excellent volume growth
- New juice factory in Wadeville commenced in April 2011. Further installation and production improvements continuing

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