INTERIM RESULTS PRESENTATION

FOR THE SIX MONTHS ENDED 31 MARCH 2019
AGENDA

SIX MONTHS UNDER REVIEW

FINANCIAL REVIEW
  > Group Performance

DIVISIONAL PERFORMANCE
  > Essential Foods
  > Groceries
  > International

STRATEGIC FOCUS AND OUTLOOK

QUESTIONS
SIX MONTHS UNDER REVIEW

TERTIUS CARSTENS
SALIENT FEATURES

- SA economy stumbles on
  - So does Brexit uncertainty
  - Most other markets remain frail
- Infrastructure failures disrupts
- Inadequate recovery of input cost inflation
- Customer competitive intensity high
- Overall basket participation improved
- International business resilient

- Maize regression material
- Wheat to bread value chain delivered well
- Long life fruit juice grew leading position
- Cereal product mix and pricing detracts
- Pioneer Foods Wellingtons holds upside, but work in progress
- Repurchased 11.6m shares (5%)
TOTAL SA FOOD PERFORMANCE

Weak volume growth, limited inflation

Source: ASK’d March 2019

YTD March 2019 | 12MM | 6MM | 3MM
--- | --- | --- | ---
ASK’d Value | 0.9% | 2.5% | 2.3%
ASK’d Volume | 0.4% | -0.6% | -2.3%

Source: ASK’d March 2019
BRAND PERFORMANCE
Value share by Brand

---

Corporate share\(^1\)

<table>
<thead>
<tr>
<th>Category</th>
<th>Value share</th>
<th>Share points change</th>
<th>Category value growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bakery</td>
<td>28.4%</td>
<td>0.6%</td>
<td>10.1%</td>
</tr>
<tr>
<td>Flour</td>
<td>30.8%</td>
<td>-0.4%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Power Brands</td>
<td>15.6%</td>
<td>-0.6%</td>
<td>6.5%</td>
</tr>
<tr>
<td></td>
<td>31.4%</td>
<td>-0.5%</td>
<td>1.7%</td>
</tr>
<tr>
<td></td>
<td>20.0%</td>
<td>-2.6%</td>
<td>2.7%</td>
</tr>
<tr>
<td></td>
<td>24.1%</td>
<td>5.5%</td>
<td>5.9%</td>
</tr>
<tr>
<td></td>
<td>27.5%</td>
<td>2.2%</td>
<td>16.1%</td>
</tr>
</tbody>
</table>

1 Measured as weighted average of Pioneer Foods’ share in 18 categories in which it operates and reads. Nielsen Trade Desk, including DOB’s (New categories added include defined frozen prepared meals, defined cold sauces).
## FINANCIAL REVIEW

**Six months to 31 March 2019**

<table>
<thead>
<tr>
<th>Metric</th>
<th>Description</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volume</td>
<td></td>
<td>+2.7%</td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- as reported</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- excluding PF Wellingtons</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted operating profit(^1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- as reported</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- excluding PF Wellingtons</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating margin</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- as reported</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- excluding PF Wellingtons</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted HEPS(^1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net cash profit from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net debt position</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interim dividend</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Adjusted for Phase I B-BBEE share-based payment charge and the related hedge, as well as items of a capital nature
GROUP OPERATIONAL INCOME STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>2019 Rm</th>
<th>2018 Rm</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Volumes (‘000 ton)</td>
<td>1 177</td>
<td>1 146</td>
<td>3</td>
</tr>
<tr>
<td>Revenue</td>
<td>11 039</td>
<td>9 899</td>
<td>12</td>
</tr>
<tr>
<td>Cost raw materials and packaging</td>
<td>6 370</td>
<td>5 586</td>
<td>(14)</td>
</tr>
<tr>
<td>Naked margin</td>
<td>4 669</td>
<td>4 313</td>
<td>8</td>
</tr>
<tr>
<td>Naked margin %</td>
<td>42.3%</td>
<td>43.6%</td>
<td>-</td>
</tr>
<tr>
<td>Gross profit %</td>
<td>27.9%</td>
<td>29.6%</td>
<td>-</td>
</tr>
<tr>
<td>Operating cost</td>
<td>3 940</td>
<td>3 364</td>
<td>(17)</td>
</tr>
<tr>
<td>Adjusted operating profit¹</td>
<td>729</td>
<td>949</td>
<td>(23)</td>
</tr>
<tr>
<td>Adjusted operating margin</td>
<td>6.6%</td>
<td>9.6%</td>
<td>-</td>
</tr>
</tbody>
</table>

Baking and long life juice the major volume performers. Acquisitions + 1.4 pp
Sales price inflation of 6.6% mainly related to baking, milling and export fruit. Trade marketing spend > revenue growth. Acquisitions + 3.6 pp
Margin under recovery mainly related to maize and Groceries
Operating cost pressure related to logistics, energy and manpower cost (inflation and capacity). Acquisitions + 4.2 pp

¹ Adjusted for Phase I B-BBEE share-based payment charge and the related hedge, as well as items of a capital nature
## OPERATING PROFIT MOVEMENT ANALYSIS

<table>
<thead>
<tr>
<th>Major categories - unfavourable movement</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maize</td>
<td>R145m</td>
</tr>
<tr>
<td>Wellingtons</td>
<td>R40m</td>
</tr>
<tr>
<td>Cereals</td>
<td>R59m</td>
</tr>
<tr>
<td><strong>R244m</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other categories - favourable movement</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>R24m</td>
</tr>
</tbody>
</table>
## SEGMENTAL PERFORMANCE

### Revenue

<table>
<thead>
<tr>
<th>Segment</th>
<th>2019 Rm</th>
<th>2018 Rm</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Essential Foods</td>
<td>6 384</td>
<td>5 826</td>
<td>10</td>
</tr>
<tr>
<td>Groceries</td>
<td>3 076</td>
<td>2 647</td>
<td>16</td>
</tr>
<tr>
<td>International</td>
<td>1 579</td>
<td>1 426</td>
<td>11</td>
</tr>
<tr>
<td>Group</td>
<td>11 039</td>
<td>9 899</td>
<td>12</td>
</tr>
</tbody>
</table>

### Adjusted operating profit\(^1\)

<table>
<thead>
<tr>
<th>Segment</th>
<th>2019</th>
<th>2018</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Essential Foods</td>
<td>422</td>
<td>561</td>
<td>(25)</td>
</tr>
<tr>
<td>Groceries</td>
<td>171</td>
<td>292</td>
<td>(41)</td>
</tr>
<tr>
<td>International</td>
<td>142</td>
<td>121</td>
<td>18</td>
</tr>
<tr>
<td>Other</td>
<td>(6)</td>
<td>(25)</td>
<td>76</td>
</tr>
<tr>
<td>Group</td>
<td>729</td>
<td>949</td>
<td>(23)</td>
</tr>
</tbody>
</table>

---

1. Adjusted for Phase I B-BBEE share-based payment charge and the related hedge, as well as items of a capital nature.

**Essential Foods**
- Maize meal deflation. Good performance from wheaten value chain, mainly as result of increase in Baking volumes and price inflation.

**Groceries**
- Excellent volume and profit performance from long life juice. Under recovery of cost inflation as well as negative mix led to below par performance from most other categories.
- Wellingtons still major loss although materially better than previous period.

**International**
- Excellent performance from export fruit as a result of gross margin expansion.
- All business hubs outside South Africa grew their profit aided by the profit contribution from Lizi’s.
## UNDERSTANDING ADJUSTMENTS

<table>
<thead>
<tr>
<th>Description</th>
<th>2019 Rm</th>
<th>2018 Rm</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted operating profit</td>
<td>729</td>
<td>949</td>
<td>(23)</td>
</tr>
<tr>
<td>Phase I B-BBEE share-based payment charge and related hedge</td>
<td>(5)</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Items of a capital nature</td>
<td>1</td>
<td>37</td>
<td>(97)</td>
</tr>
<tr>
<td>Operating profit</td>
<td>725</td>
<td>992</td>
<td>(27)</td>
</tr>
<tr>
<td>Investment income</td>
<td>25</td>
<td>15</td>
<td>67</td>
</tr>
<tr>
<td>Finance costs</td>
<td>(97)</td>
<td>(89)</td>
<td>(9)</td>
</tr>
<tr>
<td>Share of (loss)/profit of investments accounted for using the equity method</td>
<td>39</td>
<td>(22)</td>
<td>-</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>692</td>
<td>896</td>
<td>(23)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(180)</td>
<td>(274)</td>
<td>34</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>512</td>
<td>622</td>
<td>(18)</td>
</tr>
</tbody>
</table>

Includes Quantum Foods dividends of R12.7 million related to consolidated BEE SPVs

Includes interest of R19.3 million on third party BEE debt

Pioneer Foods Wellingtons a subsidiary from 1 June 2018
## PERFORMANCE OF JOINT VENTURES AND ASSOCIATES

### Turnover - PFG share

<table>
<thead>
<tr>
<th></th>
<th>2019 Rm</th>
<th>2018 Rm</th>
<th>% Change</th>
<th>2019 Rm</th>
<th>2018 Rm</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other</td>
<td>104</td>
<td>93</td>
<td>12</td>
<td>8</td>
<td>13</td>
<td>(38)</td>
</tr>
<tr>
<td>Bokomo Botswana</td>
<td>277</td>
<td>214</td>
<td>29</td>
<td>13</td>
<td>3</td>
<td>333</td>
</tr>
<tr>
<td>Bokomo Namibia</td>
<td>156</td>
<td>141</td>
<td>11</td>
<td>3</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Pioneer Foods Wellingtons</td>
<td>-</td>
<td>128</td>
<td>-</td>
<td>-</td>
<td>(54)</td>
<td>-</td>
</tr>
<tr>
<td>Future Life Health Products</td>
<td>75</td>
<td>71</td>
<td>6</td>
<td>9</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td>Weetabix East Africa</td>
<td>52</td>
<td>41</td>
<td>27</td>
<td>8</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>664</strong></td>
<td><strong>688</strong></td>
<td><strong>(3)</strong></td>
<td><strong>41</strong></td>
<td><strong>(22)</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

### Share of PAT<sup>1</sup>

Regression due to impairments

Botswana back on track after overhaul of milling operations

Became a subsidiary in 2018

Revenue and PAT increased by 19% and 28% respectively excluding Pioneer Foods Wellingtons

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<sup>1</sup> Before items of a capital nature
## CASH FLOW ANALYSIS

**Sustained cash generation**

<table>
<thead>
<tr>
<th></th>
<th>2019 Rm</th>
<th>2018 Rm</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cash profit from operating activities</strong></td>
<td>971</td>
<td>1 195</td>
<td>(19)</td>
</tr>
<tr>
<td><strong>Change in working capital</strong></td>
<td>(996)</td>
<td>(1 152)</td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>(529)</td>
<td>(358)</td>
<td></td>
</tr>
<tr>
<td>Debtors</td>
<td>(203)</td>
<td>(255)</td>
<td></td>
</tr>
<tr>
<td>Creditors</td>
<td>(264)</td>
<td>(539)</td>
<td></td>
</tr>
<tr>
<td><strong>Cash effect from hedging activities</strong></td>
<td>(20)</td>
<td>(12)</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash (utilised in)/generated by operations</strong></td>
<td>(45)</td>
<td>31</td>
<td></td>
</tr>
<tr>
<td>Cash effect B-BBEE share-based payment charge and the related hedge</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Income tax paid</strong></td>
<td>(158)</td>
<td>(206)</td>
<td></td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td>(203)</td>
<td>(175)</td>
<td>(16)</td>
</tr>
</tbody>
</table>

**Decline in operating performance**

**Major contributors:**
- Normally invest in working capital in H1
- Increased by inclusion of Wellingtons (R130 million)

**GROUP Net Working Capital to Revenue**

- Mar 15: 15.6%
- Sep 15: 14.0%
- Mar 16: 17.7%
- Sep 16: 16.8%
- Mar 17: 17.4%
- Sep 17: 12.7%
- Mar 18: 19.6%
- Sep 18: 11.9%
- Mar 19: 16.0%
GROUP NET DEBT AND DEBT EQUITY RATIO - March 2019

Good cash conversion:
- Improved working capital management
- Moderated capital spend
DIVISIONAL PERFORMANCE

ESSENTIAL FOODS

RIAA HEYL
Decline in maize profitability material
  - Raw material inflation not recovered in tough trading environment
  - Size of participation
Wheat milling and baking improvement led by strong bread volumes
Competitively priced imports continue to impact pasta category
Rice and dried vegetables pleasing
Raw material cost uncertainty
  - New maize crop and exchange rate
Significant operational cost pressure (manpower and distribution) with marginal category inflation
  - Bread (+5.2%), flour (+0.6%) and rice (+2.0%), but maize (-4.0%)\(^1\)
Consumer pursuit for value/industry capacity/retailer competition

\(^1\) Source: Nielsen Trade Desk 6MM March 2019
ESSENTIAL FOODS
Performance summary – 6 months ended 31 March 2019

VOLUMES
+1%
All categories positive except maize (-5%)
Bakeries +9%
Rice +11%

EXTERNAL REVENUE
+10%
R6.4b
Inflation in all categories except pasta
Bakeries revenue +15%
Rice revenue + 17%
Maize milling mix (super maize 3% deflation)

OPERATING PROFIT
-25%
R422m
Decline attributable to maize
Wheat milling and baking +10%
Rice gains negated by pasta decline

OPERATING MARGIN
-3.0pp
6.6%
2018: 9.6%
Maize profit regression
R/ton margin vs. inflationary cycle
ESSENTIAL FOODS

Maize

CATEGORY

- Category demand sustained
  - Industry milling all time high January 2019\(^1\)
  - Short-term slow-down evident

- Raw material cost vs. RSP disconnect easing\(^2\)
  - Trade Desk category inflation Feb 2019 (month)\(^3\)

- White Star maintained value share leadership
  - White Star value/volume share ratio: 1.19\(^3\)
  - Volume share regression halted Q2\(^3\)
  - DOB volume share of Trade Desk: 30%\(^3\)

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1. Source: SAGIS 12 months ended
2. Source: SAFEX WM near month, STATS SA Food Price Monitor
3. Source: Nielsen Trade Desk 6MM March 2019
ESSENTIAL FOODS
Maize

H1 PERFORMANCE

- Milling volumes 12% lower
  - Softer White Star demand (0.9% volume growth)
  - Load-shedding, Aliwal North new technology
- Uncompromised quality (weaker extraction)
- Instant maize
  - Number 1 position in a growing category\(^1\)
  - Category > corn flakes (volume)
- YTD EBIT regressed by R145m vs strong prior year
  - Margin regression to retain participation
  - Weaker extraction
  - Lower milling volumes

\(^1\) Source: Nielsen Trade Desk 3MM March 2019 volume share
ESSENTIAL FOODS
Maize

OUTLOOK

- Raw material cost stability → new crop uncertainty eases
  - White maize imports not expected
  - Crop late and yield uncertain (milling quality/extraction)
- Key focus areas
  - Maintain White Star relevance
  - Play the long game
  - Consumer value offerings
  - Improved extraction (Aliwal North pilot) and mix
  - Uncompromised White Star quality
  - Sustain White Star brand support and leverage basket
- Raw material cost easing Q4+ only
ESSENTIAL FOODS
Wheat milling and baking

CATEGORY

- Wheat procurement volatility remains
  - Import duty, import origins, currency
- Bread inflation evident
  - February ‘19 > December ‘16

H1 PERFORMANCE

- Wheaten flour margins remained under pressure
- Bread volume growth (+9.1%) driving value chain
- Bread L&T growth > TEG
  - Trade Desk volume and value share gains
  - PFG inflation > category
- Bread manufacturing capacity augmented
  - Quality (ingredients) and distribution investments
  - Bakeries +463 FTEs (incl unemployed learnerships)
  - Significant fixed cost investment
- Bakeries sustained operational execution and route-to-market effectiveness
  - Production efficiency and consumer complaints at all time best levels

1 Source: STATS SA Food Price Monitor
2 Source: Nielsen Trade Desk 6MM March 2019
OUTLOOK

- Further input cost pressure (distribution, energy and manpower) being passed on
- Durban Mill commissioning in process with benefits expected from Q4
- Bakeries strategy execution and performance to remain on track
  - Fixed cost investments to be leveraged through sustained volume growth
ESSENTIAL FOODS
Pasta, rice, dried vegetables

CATEGORY
• Rice imports 4% lower\(^1\)
• Pasta category +2% in volume\(^2\)
  ○ Imports +11%\(^1\)

H1 PERFORMANCE
• Significant regression in pasta profitability
  ○ Imports set benchmark for DOB and No. 2 brand pricing
  ○ Volume participation maintained at gross margin expense
• Strong rice volume and profit performance
  ○ Spekko customer and consumer support
  ○ Spekko leading market share\(^3\)
• Satisfactory dried vegetables performance
  ○ Growth of second tier/quality RSSB (local crop enabled)

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1 Source: SARS customs data 12 months ended March 2019
2 Source: Nielsen Trade Desk 6MM March 2019
3 Source: Nielsen Trade Desk 3MM March 2019 volume
ESSENTIAL FOODS
Pasta, rice, dried vegetables

OUTLOOK
- Pasta performance to remain under pressure
  - Currency and trade protection
  - Capacity to leverage PVM
- Rice competition to increase
  - New entrants
  - Retailer promotional intensity (TEG)
  - Procurement volatility
- Reasonable new RSSB crop, but quality uncertain
GROCERIES
Performance summary

- Strong overall portfolio volume growth driven by long life juice and Wellington’s. Underlying volume growth of 5.3%
- Competitive trading landscape constrains price inflation to under 5% overall
- Cost push ahead of revenue realisation creates operating deleverage
- Higher trade investment to defend, grow share
- Higher distribution costs negatively impacts profitability
- Newly integrated Wellington’s business and the performance of the cereals portfolio weigh down profitability\(^1\)
- Defined basket value share gains from 24.1% to 24.5%

1 Source: Nielsen Trade Desk 6MM March 2019 value, including DOB, excluding Wellington’s
GROCERIES
Performance summary – 6 months ended 31 March 2019

**VOLUMES**

- **Driven by long life juice and Wellingtons**

- LLFJ: +14%
- Wellingtons: +10%
- Excluding Wellingtons: +5%

**EXTERNAL REVENUE**

- **R3.1b**
- +16%

- Low price inflation
- Higher trade costs

- Wellingtons adds 12.4%
- Organic growth of 3.8%
- Excluding Wellingtons: +4%

**OPERATING PROFIT**

- **R171m**
- -41%

- Strong long life fruit juice, Spreads performance
- Cereals and Wellingtons weigh on profitability
- Excluding Wellingtons: -28%

**OPERATING MARGIN**

- **5.6%**
- 2018: 11.0%

- Wellingtons contributes 2.1pp to margin dilution
- Excluding Wellingtons: 7.7%

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1. Company records. For comparability purposes only
GROCERIES
Cereals

- Volumes flat
- Negative sales mix resulting in lower margins
- Weet-Bix sales volume out grow 6.1%\(^1\) in TEG, although destocking regresses sales in by 6.2% (12% overall)
- Continuous customer price pressure on core cereals packs limit price inflation
- ProNutro achieves highest share in 3 years (+30%)
- Strong improvement in corn flakes profitability, volumes up 27%
- Pioneer basket value market share up 1.5 percentage points to 36.2%\(^1\)

\(^1\) Source: Nielsen Trade Desk 6MM March 2019
GROCERIES

Beverages

- Record market shares and double digit growth driven by long life juice
- LiquiFruit pack innovation well received
- Fruitree Still 2l lands well
- Juice operating margins widen 0.7 percentage points
- Lipton Ice Tea gains share while category demand remains soft
- Dilutables portfolio delivers marginal volume growth, driven by Wild Island
- Relaunch of Fruitree Squash, and rationalisation of balance of range complete
- Continued sugar reformulations reduce sugar tax burden further

1 Source: Nielsen Trade Desk 6MM March 2019
GROCERIES
Pioneer Foods Wellingtons

• Contributes to top line Revenue growth (+12.4%), strong lift in run rate for both condiments and frozen
• Performance of the business impaired by claims and costs associated with third party sales and distribution, now arrested
• Accelerated innovation, portfolio rationalization and improved procurement to enhance profitability
• Workstreams in place to further improve efficiencies and productivity
• Additional distribution gains expected off Pioneer Foods platform
GROCERIES
Balance of Portfolio

- Gross margin improvement sustained in snacks and spreads on lower volumes
- High vine fruit cost inflation likely to dampen demand
- Baking & desserts revenue grow only 2.2% disrupted by strong competitor pressure from low cost entrants and DOBs, pressuring margins
- John West sales accelerate as pipeline restored, and on-shelf presence improves
• Extreme retailer sensitivity to price inflation likely to continue
• Tight price point management essential
• Pricing stabilisation imperative
• Accelerated new channel focus on out-of-home, pharmaceuticals and L&T
• Better returns from moderated trade investment
• Turnaround strategy for Wellingtons ongoing
• Operating cost containment continued
• Innovation agenda for Summer executed
INTERNATIONAL
Performance summary – 6 months ended 31 March 2019

Nigeria growth mitigates volume loss
Southern African export markets lag

VOLUMES
0%

EXTERNAL REVENUE
+11%
R1.6b
Vine Fruit USD pricing drive sales inflation
Incremental benefit of Lizi’s and core UK business delivers

OPERATING PROFIT
+18%
R142m
Fruit pricing inflation lifts profitability
Excellent growth from the UK Business and Nigeria

OPERATING MARGIN
+0.5pp
9.0%
2018: 8.5%
UK and Fruit margin upliftment
Margin holds on balance of portfolio
INTERNATIONAL Consumer Exports

- Profitability held despite tough trading conditions in neighbouring markets
  - Zimbabwe remains a challenge and a drag on performance
  - Zambian currency depreciation impacts ability to recover cost push
- Strong double digit volume growth from other African markets and Asia
- Strategic market development effort gains traction
  - Regional diversification
  - Channel development (cash van and basket focus)
  - Shelf health and merchandising best practice as modern trade develops
- Tariff and non-tariff trade barriers on the rise
  - Benefits local producers
  - Impacts pricing and service levels
INTERNATIONAL Fruit Exports

- Lower 2018 vine crops in Turkey and USA drive USD selling price inflation
- Profitability further supported by the lower value stock carried in from the previous season
- SA vine crop on par with the prior year, however mix change with high value variants declining due to the drought
- Pricing on 2019 harvest experiences double digit inflation, fuelled by competition and higher USD pricing
- Current indications are that the Northern Hemisphere crop will be better, hence USD sales prices are coming off sharply
- Tree fruit crop, in particular apricots impacted by Western Cape drought
INTERNATIONAL
United Kingdom

- Good performance within a stagnant category and amidst Brexit uncertainty
- Profitability bolstered by
  - Lizi’s
  - Improved portfolio mix and pricing
  - Excellent operating cost management
- Solid innovation pipeline aids in growing branded and private label business
  - Formats catering to on-the-go breakfast occasion growth
  - Adult fruit snacking to target healthy snacking trends
- Continued pursuit of distribution gains
  - Convenience channel expansion to cater for changing consumption habits
  - Well positioned for discounter growth (Aldi, Lidl)
INTERNATIONAL
Nigeria

- Solid performance bolstered by sausage roll growth
- Nigerian GDP growth at 2.4% and food inflation at 13.5% defines constrained trading environment
- Price sensitive consumers continue to trade down
- Key focus areas
  - Pack, price architecture strategy to support growth
  - High frequency distribution model to deliver on freshness credentials
  - Route to market development with hubs and vehicles drive availability
- New bread plant construction in progress with commissioning planned for later this year
Trading conditions in neighbouring markets expected to remain challenging
• USD selling prices on vine fruit on the decline as expectations for an improved northern hemisphere crop set in
• Deliver on operating efficiencies to mitigate inflationary pressures
  o Labour costs
  o Manufacturing architecture
  o Production efficiencies and waste management
• UK traction expected to continue with the innovation focus
  o Brexit uncertainty remains
• Nigerian bakery to be commissioned
STRATEGIC FOCUS
AND OUTLOOK

TERTIUS CARSTENS
• Drive above market growth
  o Build and exploit alternative routes to market
  o Selective innovation
  o Demand management

• Continue to enhance competitiveness
  o Operating cost discipline
  o Process efficiency fixation
  o Logistics network and capability
  o SAP ERP future readiness

• M&A and geographic expansion
  o Lagos baking capacity renewal
  o Acquisitive vigilance remains
OUTLOOK

Playing into the wind

- No hiding from weak SA mid-term growth expectations
- Growth bias to remain top of agenda
- Input cost mitigation, improved price management critical
- Leadership in maize treasured
- Wheat to bread traction off investments encouraging
- Beverage momentum to be enhanced
- Exports facing more headwinds
- Pioneer Foods Wellingtons turnaround to continue
- Prudent capital investment for growth and efficiency
- Pioneer Foods values and operating culture
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