

## The Rights Offer

### 1. Introduction and rationale

The Pioneer Foods announcements, dated 7 April 2008 and 15 April 2008, refer. In the announcement it was mentioned that the Board of Directors of Pioneer Foods (the "Board") had resolved to:

- proceed with an application for listing Pioneer Foods on the exchange operated by the JSE Limited ("JSE"); and
- follow the listing with a capital raising by means of a rights offer.

Shareholders are advised that the Company intends to proceed with a renounceable rights offer for an amount of up to R500 million (the "Rights Offer"). The Board believes that this will give all existing shareholders an equal opportunity to participate in the capital raising. Net proceeds from the Rights Offer will be used by the Company to repay debt and so create debt capacity which will, at an appropriate time, be utilised to fund part of Pioneer Foods' planned capital expenditure programme in the next two years, necessary to meet the rising consumer demand for the Company's basket of products. Specifically, the proceeds will be used to fund capacity expansions in the milling, baking, cereal and beverage businesses.

### 2. Terms of the Rights Offer

The Rights Offer will be for a total of 20 000 000 new Pioneer Foods ordinary shares ("Rights Offer Shares") in the ratio of 10.28251 Rights Offer Shares for every 100 shares held at the close of trade on Friday, 23 May 2008, at an issue price of 2 500 cents per Rights Offer Share. If fully subscribed, the Rights Offer will raise R500 million before expenses.

### 3. Underwriting and undertaking to follow rights

The Rights Offer has been underwritten by Zeder Investments Limited ("the Underwriter") to a maximum amount of R360 million. In addition, Kaap Agri Limited and Mooresburgse Koringboere (Proprietary) Limited, both shareholders of Pioneer Foods, have irrevocably undertaken to follow their rights up to a minimum of R100 million and R28.35 million respectively in respect of the Rights Offer. All suspensive conditions relating to the underwriting agreement between the Company and the Underwriter have been fulfilled.

### 4. Regulatory approvals

The Issuer Services Division of the JSE has approved the listings of:

- 20 000 000 renounceable (nil paid) letters of allocation ("LAs"); and
- 20 000 000 Rights Offer Shares to be issued pursuant to the Rights Offer.

The South African Reserve Bank has granted approval for the Rights Offer.

The form of instruction in respect of the Rights Offer was registered by the Registrar of Companies, appointed under the Companies Act No. 61 of 1973, on Friday, 9 May 2008.

### 5. Salient dates and times

	2008
Last day to trade in Pioneer Foods ordinary shares in order to participate in the Rights Offer (cum entitlement)	Friday, 16 May
Listing of and trading in the letters of allocation on the JSE commences at 09:00 on	Monday, 19 May
Pioneer Foods ordinary shares commence trading ex-rights on the JSE at 09:00 on	Monday, 19 May
Record date for the Rights Offer	Friday, 23 May
Rights Offer opens at 09:00 on	Monday, 26 May
Certificated shareholders will have their letters of allocation credited to an electronic account held at the transfer secretaries on	Monday, 26 May
Dematerialised shareholders will have their accounts at their Central Securities Depository Participant ("CSDP") or broker credited with their entitlement on	Monday, 26 May
Interim results released on SENS before 09:00 on	Tuesday, 27 May
Interim results published in the press on	Wednesday, 28 May
Last day for trading letters of allocation on the JSE	Friday, 6 June
Listing of Rights Offer shares and trading therein on the JSE commences on	Monday, 9 June
Rights Offer closes at 12:00, on (Payment to be made and form of instruction lodged by certificated shareholders at the transfer secretaries) <sup>(1)</sup>	Friday, 13 June

	2008
Record date for the letters of allocation	Friday, 13 June
Rights Offer Shares issued and posted to shareholder in certificated form on or about	Tuesday, 17 June
CSDP or broker accounts in respect of holders of dematerialised shareholders will be updated with Rights Offer Shares and debited with any payments due on	Tuesday, 17 June
Results of Rights Offer announced on SENS	Tuesday, 17 June
Results of Rights Offer published in the press	Wednesday, 18 June

#### Notes:

- CSDPs effect payment on a delivery versus payment method in respect of qualifying shareholders holding dematerialised shares.
- Pioneer Foods shareholders may not dematerialise or re-materialise their Pioneer Foods ordinary shares between Monday, 19 May 2008 and Friday, 23 May 2008, both days inclusive.

### 6. Documentation

A circular to Pioneer Foods shareholders, setting out full details of the Rights Offer, will be posted to shareholders on or about Monday, 26 May 2008. A form of instruction in respect of the LAs will be enclosed with the circular for use by Pioneer Foods shareholders who have not dematerialised their Pioneer Foods shares.

### 7. Pro forma financial effects

The unaudited *pro forma* financial effects set out below are the responsibility of the Board and have been prepared to assist Pioneer Foods shareholders in assessing the impact of the Rights Offer on the earnings per share ("EPS"), headline EPS ("HEPS"), net asset value ("NAV") and tangible NAV ("TNAV") per share. Due to the nature of these *pro forma* financial effects, they are presented for illustrative purposes only and may not fairly present the Company's financial position, or the results of its operations after the Rights Offer.

#### Pro forma financial effects

	Audited before the Rights Offer <sup>(1)</sup>	Pro forma adjust- ments	Unaudited pro forma after the Rights Offer	%
				change
EPS (cents) <sup>(2)</sup>	330.7	(19.9)	310.8	(6.0)
Diluted EPS (cents) <sup>(2)</sup>	320.5	(18.2)	302.3	(5.7)
HEPS (cents) <sup>(2)</sup>	328.4	(19.6)	308.8	(6.0)
Diluted HEPS (cents) <sup>(2)</sup>	318.2	(17.9)	300.3	(5.6)
NAV per share (cents) <sup>(3)</sup>	2 338.6	9.3	2 347.9	0.4
TNAV per share (cents) <sup>(3)</sup>	1 887.9	61.0	1 948.9	3.2
Ordinary shares in issue ('000) <sup>(4)</sup>	154 331	20 000	174 331	13.0
Weighted average number of ordinary shares in issue ('000) <sup>(4)</sup>	153 059	20 000	173 059	13.1
Diluted weighted average number of ordinary shares in issue ('000) <sup>(4)</sup>	157 946	20 000	177 946	12.7

#### Notes and assumptions:

- Extracted from the published audited consolidated results of Pioneer Foods for the year ended 30 September 2007.
- For the purposes of calculating EPS and HEPS it was assumed that:
  - the Rights Offer was effected on 1 October 2006;
  - interest has been calculated at an average call rate of 9.24% per annum;
  - taxation has been taken into account on the adjustments at the applicable tax rates.
- For the purposes of NAV per share and TNAV per share it was assumed that:
  - the Rights Offer was effected on 30 September 2007;
  - the net proceeds of the proposed Rights Offer amounting to R484 million were utilised to partially settle call loan facilities;
  - transaction costs of R16 million are assumed to have been paid on 30 September 2007 and have been written off against share premium.
- The number of shares in issue and the weighted number of shares, excluding treasury shares, have been adjusted with the 20 million shares issued at R25 per share in terms of the Rights Offer.

Paarl  
9 May 2008

#### Investment bank and transaction sponsor



#### Independent sponsor



#### Legal advisors



#### Reporting accountants



#### Underwriter



#### Corporate advisor to underwriter

