2018

RCL FOODS LIMITED ("RCL FOODS" OR "GROUP") UNAUDITED GROUP FINANCIAL RESULTS AND CASH DIVIDEND DECLARATION

FOR THE SIX MONTHS ENDED DECEMBER 2017

SUMMARY
CONSOLIDATED RESULTS

FOR THE SIX MONTHS ENDED DECEMBER 2017

REVENUE
R12,8 billion
↓ 2.4%

HEADLINE EARNINGS
R644,7 million
↑ 56.9%

NORMALISED HEADLINE EARNINGS
↑ 35.3%

EBITDA
R1 201,0 million
↑ 33.4%

NET FINANCE COSTS PAID
R142,8 million
↓ 19.6%

INTERIM DIVIDEND
per share
15,0 cents
↑ 50.0%

KEY FEATURES

- Revised business model, lower feed prices and improved realisations drives Chicken improvement
- Sugar margins decline due to significant impact of imports
- Key Grocery brands sustain market shares
- Favourable commodity prices assist margins in Animal Feed
- Labour issues disrupt progress in Baking
- Reduced volume from Chicken business unit impacts Logistics result

ABRIDGED CONSOLIDATED UNAUDITED RESULTS

FOR THE SIX MONTHS ENDED DECEMBER 2017

FINANCIAL HIGHLIGHTS

		December 2017	December 2016	% change
Revenue	(R million)	**12 765,1**	13 085,5	(2.4)
EBITDA	(R million)	**1 201,0**	900,4	33.4
Headline earnings	(R million)	**644,7**	411,0	56.9
Headline earnings per share	(cents)	**74,5**	47,6	56.5
Normalised Headline earnings	(R million)	**644,7**	476,4	35.3
Normalised Headline earnings per share	(cents)	**74,5**	55,1	35.2
Interim dividend declared per share	(cents)	**15,0**	10,0	50.0
Net finance costs paid	(R million)	**142,8**	177,5	(19.6)
Cash (utilised)/generated by operations	(R million)	**(99,7)**	103,2	(196.6)

INTRODUCTION

RCL FOODS is a leading African food producer domiciled and listed in South Africa, and employs more than 20 000 people in operations across South Africa, Swaziland, Namibia, Botswana and Uganda. We manufacture a wide range of branded and private label food products which in South Africa are distributed through our own route-to-market supply chain specialist, Vector Logistics.

Resilient brands, continuous innovation, an ability to adapt to changing market conditions and strong relationships with longstanding customers have underpinned RCL FOODS' businesses in a constrained and challenging market. Good rainfalls and reduced prices for most soft commodity inputs allowed some margin recovery across RCL FOODS' business units.

RCL FOODS' headline earnings for the period ended December 2017 increased 56.9% to R644,7 million (H1 2017: R411,0 million) largely due to an improved result in the Chicken business unit. The prior period results included certain once-off costs, relating to the foreign exchange loss on settlement of the Zam Chick and Zamhatch options ("Zam options") and costs incurred in relation to the implementation of the revised Chicken business model. Excluding the above two items from the prior year base, headline earnings growth moderates to 35.3%.

The Group's pre-IAS 39 normalised EBITDA increased 16.7% to R1 185,0 million at a margin of 9.3% (H1 2017: R1 015,6 million at a margin of 7.8%). The Group's financial results were assisted by favourable trading conditions in the poultry market, which benefitted from lower feed input costs and higher chicken prices following lower levels of unprotected imports and the impact of Avian Influenza (*AI*) on supply. Animal Feed and Logistics, which are suppliers to Chicken, continued to feel the impact of reduced chicken volumes. Initiatives are underway to utilise this spare capacity and reduce the negative impact on profitability. The impact of the revised Chicken business model has been positive for the Group overall with the Chicken recovery far outweighing the compromise within Animal Feed and Logistics.

Within the Groceries cluster, good volume and margin improvements in Grocery and Pies, as well as an improved Speciality performance, was partially offset by a disappointing Beverages result. Lower commodity input costs drove gains in Animal Feed and Milling, with labour challenges negatively impacting Baking. Logistics' result declined over the prior period due to the reduced loads from the Chicken business unit following the restructure in H2 of the prior year.

Production volumes in the Sugar business unit showed a solid recovery stemming from an improved crop as the drought abated, however this was more than offset by lower industry prices due to the impact of significant import volumes during the period. The latter was caused by a period without appropriate import tariff protection, which has since been rectified by the Department of Trade and Industry. Excess world sugar supply remains, exerting continued downward pressure on pricing and creating opportunities for imports to the detriment of the local industry.

Material financial impacts over the current and prior period include:

- A positive IAS 39 adjustment associated with the Group's commodity raw material procurement strategy improved EBITDA by R16,0 million (R11,5 million post-tax) for the current period (H1 2017: R35,3 million negative adjustment, R25,4 million post-tax). The R51,3 million gain over the prior period is largely attributable to the unwinding of unfavourable maize positions held in the prior period.

The prior financial period included the following once-off adjustments:

- Impairments of R142,2 million (R102,4 million post-tax) in the Chicken business unit relating to redundant plant and equipment identified as part of the decision to reduce commodity Chicken volumes;
- The recognition of R51,9 million (R37,4 million post-tax) in restructuring costs and fair value adjustments on biological assets, also associated with the decision to reduce chicken volumes; and
- A foreign exchange loss of R27,9 million relating to the settlement of the Zam options.

INTRODUCTION CONTINUED

STRATEGIC PROGRESS

RCL FOODS has continued to pursue a variety of initiatives in line with its six long-term strategic thrusts. The Group has continued to grow its brands through consistent investment and innovation, which has sustained strong market share positions.

The development of tailored solutions in close co-operation with key customers continues to strengthen strategic relationships. Establishing a unifying culture whilst embedding one system and platform for doing business and leveraging information technology across all businesses is continuing. These initiatives continue to provide valuable information and insights to improve efficiencies and the way we do business. The focus under the current political and economic circumstances has been on domestic operations, rather than regional expansion. The long-term objective remains to pursue opportunities into Africa, albeit cautiously.

Driving sustainable business as a key business and social imperative over the last few years has gained even more prominence due to the current energy and water challenges in South Africa. Our ambition is to ultimately become an energy self-sufficient business and we have made good progress toward this goal in recent times. Our Waste-To-Value plant in Worcester, which is the largest of its kind in Africa, is converting waste product to provide 30% of the electrical energy needs of the site, while working towards reducing our water requirements from municipal sources by as much as 50%. The Chicken business unit has reduced water requirements by almost a quarter, through air-chilling instead of water-chilling chicken and dry cleaning practices rather than wet cleaning in operations, without compromising food safety. Several water-smart initiatives have been implemented in our Sugar business unit and the implementation of drip irrigation systems have resulted in a reduction of water requirements by as much as 10%. The Sugar business unit also generates electricity through bio-mass to service all its own requirements and has the capability to export to the national grid.

RCL FOODS FINANCIAL REVIEW

INCOME STATEMENT

RCL FOODS' revenue for the period ended December 2017 declined 2.4% to R12,8 billion (H1 2017: R13,1 billion), largely due to the reduced chicken volumes following the implementation of their revised business model. EBITDA increased by 33.4% to R1 201,0 million from R900,4 million, with the associated margin up 2.5% to 9.4% driven by the improvement in the Chicken business unit.

The table below shows EBITDA from a statutory perspective and adjusted for unrealised gains and losses on financial instruments (pre-IAS 39) used in the Group's commodity raw material procurement strategy. Reporting the financial effects of certain financial instruments used in the procurement strategy in terms of IAS 39 introduces volatility to the Group's financial results. For the period under review, the pre-tax impact on the Group's results of these unrealised positions is a positive impact of R16,0 million (H1 2017: R35,3 million negative).

	December 2017	December 2016	% change
EBITDA (R million)			
– Statutory	**1 201,0**	900,4	33.4
– Pre-IAS 39	**1 185,0**	935,7	26.6
– Pre-IAS 39 (normalised)*	**1 185,0**	1 015,6	16.7
EBITDA margin (%)			
– Statutory	**9,4**	6,9	2.5
– Pre-IAS 39	**9,3**	7,2	2.1
– Pre-IAS 39 (normalised)*	**9,3**	7,8	1.5

**Prior period results normalised for the material financial impacts listed above.*

The Consumer division's pre-IAS 39 EBITDA increased by 160.4% to R585,5 million (H1 2017: R224,9 million). Excluding Chicken, the remaining Groceries business units' pre-IAS 39 EBITDA increased by 12.4% to R295,4 million at a margin of 10.0% (H1 2017: 9.2%), largely due to improvements in Grocery and Pies.

The Sugar & Milling division's pre-IAS 39 EBITDA declined by 14.6% to R493,8 million (H1 2017: R578,2 million) at a margin of 7.0% (H1 2017: 7.6%). The decline was mainly due to the Sugar business unit as the impact of sugar imports in the local market resulted in volumes being channelled to the lower margin export markets.

The Logistics division's EBITDA decreased by 27.3% to R105,6 million (H1 2017: R145,2 million) at a margin of 10.5% (H1 2017: 13,7%), impacted by the Chicken business unit restructure, which resulted in reduced loads through the network.

TAX

The Group's effective tax rate for the period excluding joint ventures and associates was 28.1% (H1 2017: 30.7%). The prior period rate was largely impacted by the effect of the non-deductible foreign exchange loss resulting from the settlement of the Zam options.

RCL FOODS FINANCIAL REVIEW CONTINUED

STATEMENT OF FINANCIAL POSITION

During the period ended December 2017, the Group completed the acquisition of a 50% stake in Matzonox Proprietary Limited ("Matzonox") for R56,3 million, a waste-to-value operation based at our Worcester chicken site. Matzonox's main operations include the processing of waste water from the chicken plant to generate electricity and to reduce effluent charges and it forms part of the Group's overall sustainability drive. The Group has consolidated Matzonox from October 2017.

Property, plant and equipment was in line with the comparative period. For the six months since June 2017, property, plant and equipment increased R88,4 million, due mainly to the Matzonox acquisition, with other capital expenditures of R312,6 million being offset by depreciation charges of R322,5 million.

The increase in investment in associates is mainly due to the equity accounted earnings and an additional investment of R26,4 million in The Royal Swaziland Sugar Corporation Limited ("RSSC"), which was partially offset by dividends received during the period. The R26,4 million investment was for an additional 1.76% stake in RSSC, which continues to remain a profitable and strategic investment for the Group.

Net working capital (including biological assets) was largely in line with the comparative period. Inventories declined by R100,5 million due mainly to lower commodity prices. Biological assets decreased by R90,5 million as a result of the lower bird volumes in the Chicken business unit following the implementation of the revised business model in H2 of the prior year. Trade and other receivables increased by R190,6 million largely as a result of the timing of cash receipts from debtors over the festive period (compromised by the period end being followed by the New Year's day public holiday). Trade and other payables were largely in line with the prior period at R4,4 billion.

Cash on hand of R143,5 million was R30,7 million higher than the prior period despite the early repayment of the revolving credit facility component of the term-funded debt package in January 2017. An increase in operating profit (excluding non-cash items) of R236,4 million was offset by outflows of working capital mainly due to the timing of cash receipts from debtors, as mentioned above. Receipts of R575,0 million were received between the 2nd and 4th of January 2018.

Total interest-bearing liabilities have decreased by R527,0 million over the comparative period, largely due to the early repayment of the revolving credit facility portion of the term-funded debt package in January 2017.

CASH FLOW AND WORKING CAPITAL

Net working capital movements increased by R439,3 million over the comparative period, driven largely by the timing of cash receipts as mentioned above.

The cash outflow from investing activities includes capital expenditure of R317,8 million (which includes intangibles additions of R5,2 million), as well the investments in Matzonox and RSSC. The prior period included a receipt of R289,5 million related to the disposal of the Zambian operations.

The cash outflow from financing activities of R54,4 million relates to repayments of part of the external funding granted to the cane operators which operate in partnership with local communities.

Non-cash items of R234,2 million include *inter alia* the add back of depreciation, amortisation and impairment charges of R390,7 million as well as the deduction of the biological asset fair value adjustment of R214,2 million.

CAPITAL EXPENDITURE

Capital expenditure (including intangibles) for the period ended December 2017 was R317,8 million (H1 2017: R403,5 million).

The prior year included spend related to the upgrade of the pet food plant in the Grocery business unit and finalisation of the Thekwini site expansion in Logistics. Major spend items in the current period include amounts to restore the damaged Pongola silo and the replacement of irrigation equipment in the Sugar business unit, as well as replacements of key infrastructure across the rest of the Group.

An amount of R358,9 million (H1 2017: R354,6 million) has been contracted and committed, but not spent, whilst a further R318,1 million (H1 2017: R247,5 million) has been approved but not contracted. Major items included in these amounts relate to further spend required to restore the Pongola silo, investments in the ERP systems across the Group, replacements within the Logistics fleet, as well as cane replant and irrigation equipment replacements in the Sugar business unit.

REVIEW OF OPERATIONS

CONSUMER DIVISION

The Consumer division has had a strong six months' performance, which was pleasing considering the difficult trading conditions and weak consumer demand. The RCL FOODS Groceries basket outperformed the rest of the market in terms of volume growth, despite aggressive competitor activity. Ask'd Africa, an independent research institution, reported in its December 2017 analysis that volumes for the RCL FOODS Groceries basket grew by 7.1% for the six months ended December 2017, against the market basket growing by 1.7%. The last three months of the reporting period has indicated an even greater outperformance, with RCL FOODS Groceries volumes growing by 11.5%, relative to the market growing by only 3.9%.

Divisional revenue for the period decreased by 5.4% to R6,7 billion (H1 2017: R7,1 billion), while pre-IAS 39 EBITDA increased by 160.4% to R585,5 million (H1 2017: R224,9 million), mainly due to the improvement in the Chicken business unit, up R327,9 million, coupled with a R32,7 million increase within the Groceries cluster. The successful turnaround in Chicken together with lower input costs and improved IQF pricing increased the business unit's EBITDA by 867.4%. The remainder of the Consumer division also produced strong results with pre-IAS 39 EBITDA (excluding Chicken) increasing by 12.4% to R295,4 million. Pies performed exceptionally well and Grocery achieved pleasing growth in most categories. Speciality improved profitability through cost initiatives, despite a decline in revenue. Beverages had a very disappointing period with negative volume growth.

Modest market recovery is evident in the grocery market, where volumes have recently begun to increase after prior periods of steady declines across categories. Nevertheless, the market remains fiercely competitive and competition for market share is expected to intensify further.

There has been a relentless focus on reducing the cost base in Consumer, which has assisted margins, and will continue to be a big focus for the remainder of the year.

The current outbreak of Listeriosis, being a food-borne illness, has understandably led to some concerns amongst members of the public, especially considering that the source of the outbreak has not yet been identified. RCL FOODS' facilities are all Food Safety System Certification (FSSC) 22000 or ISO 22000 compliant and we have strict rules and regulations in place to mitigate all food safety risks, from the sourcing of raw materials to the processing and distribution of our products. That said, in the current context we are taking even greater steps than usual to safeguard our facilities by doubling our already stringent testing procedures.

CHICKEN

RCL FOODS initiated a new chicken business model in February 2017, which has been designed to curb commodity-driven consequential chicken categories and to provide less volatile, more consistent and sustainable returns throughout the cycle. These changes, which unfortunately led to job losses in the prior year, have already proven effective within a short period of time and combined with lower commodity input costs, have assisted in returning the business to profitability. Pre-IAS 39 EBITDA increased by 867.4% to R290,1 million (H1 2017: loss R37,8 million) and EBITDA margins improved from -0.9% to 7.7%. The significant recovery in profitability relative to the comparable period should be viewed in light of the improved operational performance and the impact of *AI* in the current period, as well as once-off charges in the previous period.

Reduced imports from the European Union during the period due to *AI* were quickly replaced by imports from Brazil. No solution or permanent measures have yet been proposed by government to restore the long-term sustainability of the South African chicken industry. There are, however, higher tariffs attached to the Brazilian imports, which have improved local pricing. Pricing was also assisted by the introduction of the injection cap in the prior year which limited the amount of brine that may be injected and levelled the playing field for domestic producers. The lower brining levels maintained by RCL FOODS, made the company a beneficiary of the new regulations. Domestic volumes reduced substantially due to the exit of producers that went into insolvency, as well as RCL FOODS' efforts to curb commodity chicken production, which reduced our chicken volumes by 18.6% year-on-year. This benefited supply conditions which, with improved pricing and lower feed input costs led to a recovery in the local poultry market.

AI took its toll through several outbreaks in South Africa. RCL FOODS lost approximately 5% of its breeding stock through domestic outbreaks, with the total financial impact of *AI* estimated at R58,0 million for the current period. While there have been no new confirmed cases of infections at commercial poultry farms since October 2017, it is expected that these outbreaks will become more prevalent and we remain vigilant through strict biosecurity and surveillance measures.

Volumes have begun to grow modestly in the Quick Service Restaurant (QSR) category as consumer spending has started to improve. The Rainbow Freezer to Fryer category continues to be the highlight, growing volumes and gaining market share, while the Polony and Vienna categories showed solid market share improvements.

GROCERIES

(Grocery, Beverages, Pies and Speciality)

Pre-IAS 39 EBITDA increased by 12.4% to R295,4 million (H1 2017: R262,7 million), with the EBITDA margin improving to 10.0% (H1 2017: 9.2%).

The Grocery business unit performed pleasingly, with market share gains in several categories, including Nola mayonnaise, dog food, cat food, and has maintained a strong market share in peanut butter. Canine Cuisine increased its market share by 78% over the past year. The positive result was assisted by the benefit of lower soft commodity input costs during the period. Innovation remains one of the most important aspects of the business. Grocery launched several new products recently, including Yum Yum sachets and the Nola squeeze bottle. The new, state-of-the art Pet Food plant has been commissioned and an exciting range of pet food products will be introduced to market shortly.

REVIEW OF OPERATIONS CONTINUED

A strong pipeline of other product innovations has been planned across a range of categories over the remainder of the financial year.

The recovery strategy for Pies has proven successful during the period. The business unit achieved good volume growth which, combined with a range of cost saving initiatives and reinvestment in customer growth plans, realised strong growth in profitability.

The Speciality business unit recovered well but remains a high focus area for RCL FOODS. The improved results were achieved through focused cost containment initiatives as well as an enhancement of the control environment.

The Beverages business unit delivered very disappointing results. Sluggish consumer demand and a cool summer led to reduced category consumption which negatively affected volumes. Competitor activity has been particularly fierce and RCL FOODS lost market share as a result. There is a strong focus on increasing volumes, to return the business unit to an appropriate level of profitability.

SUGAR & MILLING DIVISION

Sugar & Milling division's revenue declined 7.9% to R7,0 billion. Although the Milling operation's performance for the period was pleasing, the impact of the revised Chicken model, *AI* and the flow through impact of lower commodity prices on the Animal Feed business unit drove the decline in revenue. Pre-IAS 39 EBITDA was down 14.6% at R493,8 million (H1 2017: R578,2 million), and margins declined to 7.0% (H1 2017: 7.6%), mainly due to significantly lower sales realisations in the Sugar business unit, despite the improved sugar crop. Cost control has been a key focus area during the period.

SUGAR

Production volumes improved by 29.6% over the prior period post the recent drought. This improvement was in line with expectations and should continue to gradually recover, with restoration to pre-drought sugar volumes expected in the 2019 financial year. Dam levels are at acceptable levels to irrigate throughout winter which will position the business unit well to maintain the upward trend in sugar production.

An extended period of zero tariffs on sugar imports during the current period enabled significant imports into the market, including into bonded warehouses. This warehoused supply continues to filter into the market despite a more appropriate tariff now being in place. The substantial increase in imported supply at the same time as domestic production started to recover caused a change in mix with an increased exposure to the raw sugar export market. The latter trades at substantially lower prices to local refined sugar and resulted in a commensurate reduced realisation per ton of sugar. The global sugar market continues to face surpluses, particularly in the white sugar market. These surpluses are largely due to Brazil's production excesses and have resulted in steep price declines over the past year.

EBITDA decreased 27.0% to R210,7 million (H1 2017: R288,4 million).

The Health Promotion Levy – previously known as the tax on sugary beverages – is due to come into effect in April 2018. It provides for a levy of 2.1c/g of sugar in excess of 4g/100ml on sugary beverages. The ultimate impact of the levy on sugar volumes is difficult to forecast. Reduced sugar usage by the carbonated soft drinks and soft drinks sectors is likely and new formulations and reduced size offerings are being introduced into the market. Government has indicated that it would implement mitigating steps to protect the industry, and the details of these are awaited by participants.

ANIMAL FEED

The animal feed market is facing lower demand, both due to the reduction in herd sizes during the recent drought, as well as cash strapped farmers optimising cheaper on-farm raw materials like maize. The *AI* outbreak during the period has also negatively impacted broiler feed sales.

In addition to industry challenges, the internal volume reduction at RCL FOODS due to the revised Chicken model has had a significant impact on the business, and particularly at the Pietermaritzburg mill where internal volumes accounted for 50% of the business. The Pietermaritzburg mill has eliminated one of its three shifts in mitigation, actively sought to replace the lost volume with external customers and is pursuing other cost-saving measures.

Animal Feed has delivered a good result in the face of these challenging conditions aided by lower raw material prices and a relentless focus on costs. Despite a 26.7% decline in revenue due to the issues highlighted above, the Animal Feed business grew pre-IAS 39 EBITDA by 8.7% to R146,1 million (H1 2017: R134,4 million), a notable achievement.

The current focus remains on developing tailormade feed solutions to improve the on-farm profitability of customers. The diversified product basket contributed to the ability to absorb the challenges of the past year and further diversification remains a priority.

MILLBAKE (MILLING AND BAKING)

The MillBake business unit's results declined against the comparative period. Pre-IAS 39 EBITDA was R137,0 million, down 11.8% (H1 2017: R155,4 million).

Baking had a testing start to the current financial year. The operational turnaround in the Gauteng bakeries, production cost efficiencies and lower flour prices improved gross margins, but were tempered by a very competitive market and extended industrial action at the Rustenburg Baking operations. Total volumes were down 3.9% year on year. Increasing volumes remains a key focus and should be aided by the high quality of bread currently being produced. Extending the distribution network and further improving market service are both being prioritised to support volume growth.

REVIEW OF OPERATIONS CONTINUED

Excess capacity in the Milling industry remains a challenge, putting pressure on both volumes and margins. While the challenging fundamentals are expected to continue, pleasingly Milling has started to regain volumes in both maize and flour as a result of targeted interventions.

LOGISTICS DIVISION

Logistics generated revenue of R1,0 billion (H1 2017: R1,1 billion), down 4.7%, and EBITDA of R105,6 million (H1 2017: R145,2 million), a decline of 27.3%. The results, albeit significantly down on the prior year, reflect a performance that is in line with expectations given the changes to the Chicken business model.

In the prior reporting period, Logistics was awarded a key long-term contract by Pick n Pay which will partially offset the decline in Chicken volumes in F18 H2. Additional new business is also being pursued. Logistics implemented cost containment initiatives to help counter the reduction in volumes, including network redesign and hub and transport optimisation. These initiatives managed to reduce total costs by R10,2 million, or 1.1% over the period, despite inflationary increases in staff and transport related costs.

Foodservice revenue came under pressure with a slower than anticipated volume recovery at key customers and pricing pressure being experienced in some categories. This business stream nevertheless remains a solid performer and Vector remains a key enabler of volume growth for its customers over the longer term.

With the water scarcity in the Eastern and Western Cape top of mind, Logistics has continued its focus on prioritising its “going green” projects. These include the Peninsula water consumption reduction and alternative water sourcing project, which seeks to halve the Cape hub’s water consumption through investment into waterless (adiabatic) condensers and channelling grey water from the municipal treatment plant to the site, to provide for all non-human water needs.

EQUITY ACCOUNTED INVESTMENTS

Royal Swaziland Sugar Corporation (“RSSC”)

RCL FOODS’ Sugar business unit increased its shareholding in RSSC from 27.42% to 29.18% in December 2017. RSSC’s results for the six months ended December 2017 declined 14.4% to R119,4 million, mainly due to lower ethanol production and the impact of sugar imports into the South African Customs Union.

Senn Foods Logistics

Senn Foods Logistics is a joint venture to the Group based in Botswana. Senn Foods Logistics continued to deliver a sound performance with an after-tax profit contribution of R6,1 million (H1 2017: R5,6 million).

CASH DIVIDEND DECLARATION

The directors have resolved to declare an interim gross cash dividend (number 86) of 15,0 cents per share (H1 2017: 10,0 cents).

The dividend has been declared from income reserves. Dividend tax, at the rate of 20%, will amount to 3,0 cents per share and consequently shareholders, who are not exempt from dividend tax will receive a net dividend amount of 12,0 cents per share. The issued share capital as at 31 December 2017 is 935 826 671 shares. The company’s income tax reference number is 9950019712.

The salient dates of the declaration and payment of the interim dividend are as follows:

Last date to trade ordinary shares *cum* dividend	Tuesday, 17 April 2018
Ordinary shares trade *ex* dividend	Wednesday, 18 April 2018
Record date	Friday, 20 April 2018
Payment date	Monday, 23 April 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 18 April 2018 and Friday, 20 April 2018 (both dates inclusive).

PROSPECTS

We are cautiously optimistic that consumer spending has begun to improve, which should allow volumes to continue to recover from a low point. The poultry market continues to stabilise and Chicken is expected to continue its recovery. Groceries is ready to capitalise on the improved environment with a good pipeline of innovations to be rolled out over the next few months. Despite the recent tariff implementation, sugar imports remain a threat due to global surpluses and a strengthening rand. Millbake will continue to place focus on restoring volumes, although tough trading conditions are expected to persist. Animal Feed is expected to continue to benefit from lower commodity input prices and improved volumes as the impact of *AI* diminishes.

The recent political developments have been positive and provide optimism for growth within the South African economy. Markets have reacted favourably post the December political announcement, with rand strength and falling bond yields reflective of increasing investor confidence. Despite this, concrete plans and economic policies to revitalise our economy are yet to be enacted by government and the extent to which such plans can be implemented and their timeframe remain as uncertainties. We therefore expect the next six months to remain challenging.

Logistics' second half of the current financial year is expected to be an improvement over the corresponding period, which period already included the impact of reduced Chicken volumes. A continued focus on cost rationalisation and maintaining an appropriate cost base, coupled with new business opportunities, will deliver a more positive outlook for the remainder of the year.

We remain confident in our strategy and are making steady progress towards our goal of a diversified food portfolio, focused on adding higher margin, added value products and categories.

BASIS OF PREPARATION

The summarised consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), the information required by IAS 34 (Interim Financial Reporting), IFRIC interpretations, SAICA financial reporting guides and in compliance with the Companies Act of South Africa and the Listing Requirements of the JSE Limited, under the supervision of the Chief Financial Officer, Robert Field CA(SA). The accounting policies comply with IFRS and are consistent with those applied in the previous year, apart from the adoption of the amendments to IAS 7, IAS 12 and IFRS 12, which have not had an impact on the results.

The Group has reported on the retail calendar of trading weeks which treats each financial year as an exact 52-week period, incorporating trade from Monday to Sunday each week. This treatment effectively results in the loss of a day (or two in a leap year) per calendar year. These days are brought to account approximately every six years by including a 53rd week. The results for the period under review are for the period ended 31 December 2017, a 182-day period compared to a 184-day period in the previous financial period. The impact of the 2 fewer days in the current period is not considered material to an understanding of the results presented.

For and on behalf of the Board

JJ Durand
Non-executive Chairman

M Dally
Chief Executive Officer

Durban
Approved 23 February 2018 for release on SENS on 26 February 2018

Directors: JJ Durand (Non-executive Chairman), M Dally (CEO)*, HJ Carse, RH Field*, PR Louw, NP Mageza, DTV Msibi, MM Nhlanhla, RV Smither, GM Steyn, GC Zondi and CJ Hess**

** Executive Directors*
*** Appointed 23 February 2018*

Company secretary: JMJ Maher

Registration number: 1966/004972/06

JSE share code: RCL

ISIN: ZAE000179438

Registered office: RCL Foods Limited, Ten The Boulevard, Westway Office Park, Westville, 3629

Transfer secretaries: Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196

Auditors: PricewaterhouseCoopers Inc.

Sponsor: RAND MERCHANT BANK (a division of FirstRand Bank Limited)

Bankers: ABSA Bank Limited, First National Bank of Southern Africa Limited, Standard Bank Limited, HSBC Bank plc and Nedbank Limited

Website: www.rclfoods.com

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT

	31 December 2017 R'000	31 December 2016 R'000	2 July 2017 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	**5 808 672**	5 809 381	5 720 285
Intangible assets	**2 166 158**	2 229 186	2 222 912
Investment in joint ventures	**250 378**	216 538	227 366
Investment in associates	**624 985**	607 884	513 323
Deferred income tax asset	**6 247**	10 724	6 876
Loans receivable	**1 555**	1 555	1 555
Trade and other receivables	**54 315**	12 788	12 788
Goodwill	**2 658 493**	2 658 493	2 658 493
	11 570 803	11 546 549	11 363 598
Current assets			
Inventories	**3 185 222**	3 285 702	2 666 622
Biological assets	**618 670**	709 215	791 469
Trade and other receivables	**4 429 313**	4 238 687	3 452 331
Derivative financial instruments	**8 311**	2 052	1 339
Tax receivable	**60 722**	25 710	70 410
Loans receivable	**15 991**	15 330	17 200
Cash and cash equivalents	**426 475**	558 540	1 056 660
	8 744 704	8 835 236	8 056 031
Assets of disposal group classified as held for sale	**15 936**		88 685
Total assets	**20 331 443**	20 381 785	19 508 314
EQUITY			
Capital and reserves	**10 958 913**	10 221 640	10 386 753
LIABILITIES			
Non-current liabilities			
Deferred income	**64**	330	141
Interest-bearing liabilities	**3 073 147**	3 585 790	3 078 822
Deferred income tax liabilities	**1 241 562**	1 256 416	1 248 056
Retirement benefit obligations	**143 714**	142 394	136 668
Trade and other payables	**645**		3 157
	4 459 132	4 984 930	4 466 844
Current liabilities			
Trade and other payables	**4 354 880**	4 402 664	4 398 538
Deferred income	**5 067**	8 323	8 338
Interest-bearing liabilities	**177 634**	191 985	226 383
Derivative financial instruments	**13 752**	39 632	12 995
Current income tax liabilities	**79 047**	86 808	4 190
Bank overdraft	**283 018**	445 803	2 878
	4 913 398	5 175 215	4 653 322
Liabilities of disposal group classified as held for sale			1 395
Total liabilities	**9 372 530**	10 160 145	9 121 561
Total equity and liabilities	**20 331 443**	20 381 785	19 508 314

CONSOLIDATED INCOME STATEMENT

	Six months December 2017 R'000	Six months December 2016 R'000	Year ended June 2017 R'000
Revenue	**12 765 148**	13 085 486	24 950 655
Operating profit before depreciation, amortisation and impairment (EBITDA)	**1 200 984**	900 437	1 747 633
Depreciation, amortisation and impairment	**(390 714)**	(544 981)	(971 125)
Operating profit	**810 270**	355 456	776 508
Finance costs	**(161 446)**	(194 385)	(373 741)
Finance income	**18 385**	13 213	40 999
Share of profits of joint ventures	**23 011**	24 376	48 577
Share of profit of associates	**119 391**	139 338	109 516
Profit before tax	**809 611**	337 998	601 859
Income tax expense	**(199 659)**	(70 426)	(125 552)
Profit for the period	**609 952**	267 572	476 307
Attributable to:			
Equity holders of the company	**663 376**	321 713	515 657
Non-controlling interests	**(53 424)**	(54 141)	(39 350)
Headline Earnings			
Profit for the period attributable to equity holders of the company	**663 376**	321 713	515 657
Profit on disposal of property, plant and equipment	**(17 330)**	(10 415)	(3 423)
Gain on disposal of subisidiary			(4 512)
Insurance proceeds	**(7 493)**	(2 985)	(87 735)
Impairments	**6 180**	102 724	128 554
Headline earnings	**644 733**	411 037	548 541
	Cents	Cents	Cents
Earnings per share attributable to equity holders of the company			
Basic earnings per share	**76.7**	37.2	59.7
Basic earnings per share — diluted	**75.6**	37.1	59.2
Headline earnings per share	**74.5**	47.6	63.5
Headline earnings per share — diluted	**73.4**	47.4	63.0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months December 2017 R'000	Six months December 2016 R'000	Year ended June 2017 R'000
Profit for the period	**609 952**	267 572	476 307
Other comprehensive income			
Items that will not be reclassified to profit and loss			
Remeasurement of retirement medical obligations — net of tax			7 713
Share of associates other comprehensive income			(2 090)
Items that may be reclassified subsequently to profit and loss			
Cash flow hedges - net of tax	**5 173**	(1 635)	(9 194)
Currency translation differences	**(2 115)**	(3 455)	(11 651)
Other comprehensive income for the period — net of tax	**3 058**	(5 090)	(15 222)
Total comprehensive income for the period	**613 010**	262 482	461 085
Total comprehensive income for the period attributable to:			
Equity holders of the company	**666 434**	316 623	500 435
Non-controlling interests	**(53 424)**	(54 141)	(39 350)
	613 010	262 482	461 085

CONSOLIDATED CASH FLOW INFORMATION

	Six months December 2017 R'000	Restated* Six months December 2016 R'000	Year ended June 2017 R'000
Operating profit	**810 270**	355 456	776 508
Non-cash items	**234 199**	452 618	689 669
Operating profit before working capital requirements	**1 044 469**	808 074	1 466 177
Working capital requirements	**(1 144 200)**	(704 898)	827 506
Cash (utilised)/generated by operations	**(99 731)**	103 176	2 293 683
Net finance cost	**(142 754)**	(177 512)	(325 081)
Tax paid	**(122 991)**	(75 016)	(262 030)
Cash available from operating activities	**(365 476)**	(149 352)	1 706 572
Dividends received	**31 966**	28 004	93 522
Dividends paid	**(174 572)**	(130 664)	(217 147)
Cash outflows from investing activities	**(347 821)**	(66 107)	(486 322)
Cash (outflows)/inflows from financing activities	**(54 422)**	67 656	(406 043)
Net movement in cash and cash equivalents	**(910 325)**	(250 463)	690 582
Cash and cash equivalents at the beginning of the period	**1 053 782**	363 200	363 200
Cash and cash equivalents at the end of the period	**143 457**	112 737	1 053 782

** The prior year cash flow information has been restated for a reclassification between non-cash items and working capital requirements.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Stated capital R'000	Other reserves R'000	Common control reserve R'000	Share-based payments R'000	Retained earnings R'000	Controlling interest total R'000	Non-controlling interest R'000	Total R'000
Balance at 1 July 2016	10 023 804	25 517	(1 919 832)	434 863	1 403 502	9 967 854	78 402	10 046 256
Profit/(loss) for the period					321 713	321 713	(54 141)	267 572
Other comprehensive income for the period		(5 090)				(5 090)		(5 090)
Ordinary dividend paid					(129 598)	(129 598)	(1 066)	(130 664)
BEE share-based payments charge				8 800		8 800		8 800
Employee share option scheme:								
Proceeds from shares issued	4 733					4 733		4 733
Value of employee services				34 766		34 766		34 766
Exercise of employee share options				(4 733)		(4 733)		(4 733)
Balance at 31 December 2016	10 028 537	20 427	(1 919 832)	473 696	1 595 617	10 198 445	23 195	10 221 640
Profit for the period					193 944	193 944	14 791	208 735
Other comprehensive income for the period		(15 755)			5 623	(10 132)		(10 132)
Ordinary dividend paid					(86 481)	(86 481)	(2)	(86 483)
BEE share-based payments charge				8 800		8 800		8 800
Employee share option scheme:								
Proceeds from shares issued	13 153					13 153		13 153
Value of employee services				44 193		44 193		44 193
Exercise of employee share options				(13 153)		(13 153)		(13 153)
Balance at 2 July 2017	**10 041 690**	**4 672**	**(1 919 832)**	**513 536**	**1 708 703**	**10 348 769**	**37 984**	**10 386 753**
Profit/(loss) for the period					**663 376**	**663 376**	**(53 424)**	**609 952**
Other comprehensive income for the period		**3 058**				**3 058**		**3 058**
Ordinary dividend paid					**(173 030)**	**(173 030)**	**(1 542)**	**(174 572)**
Acquisition of subsidiary							**56 349**	**56 349**
BEE share-based payments charge				**8 800**		**8 800**		**8 800**
Employee share option scheme:								
Proceeds from shares issued	**4 058**					**4 058**		**4 058**
Value of employee services				**68 573**		**68 573**		**68 573**
Exercise of employee share options				**(4 058)**		**(4 058)**		**(4 058)**
Balance at 31 December 2017	**10 045 748**	**7 730**	**(1 919 832)**	**586 851**	**2 199 049**	**10 919 546**	**39 367**	**10 958 913**

SUPPLEMENTARY INFORMATION

		Six months December 2017 R'000	Six months December 2016 R'000	Year ended June 2017 R'000
Capital expenditure contracted and committed		**358 860**	354 612	155 492
Capital expenditure approved but not contracted		**318 138**	247 496	354 869
STATISTICS				
Statutory ordinary shares in issue (includes BEE shares)	(000's)	**935 827**	934 748	935 566
Ordinary shares in issue for accounting purposes	(000's)	**865 068**	863 989	864 807
Weighted average ordinary shares in issue	(000's)	**864 973**	863 844	864 167
Diluted weighted average ordinary shares in issue	(000's)	**877 802**	867 257	870 488
Net asset value per share	(cents)	**1 266.8**	1 183.1	1 201
Ordinary dividends per share:				
Interim dividend declared	(cents)	**15.0**	10.0	10.0
Final dividend declared	(cents)			20.0
Total dividends	(cents)	**15.0**	10.0	30.0

SEGMENTAL ANALYSIS

	Six months December 2017 R'000	Six months December 2016 R'000	Year ended June 2017 R'000
Revenue	**12 765 148**	13 085 486	24 950 655
Consumer	**6 687 574**	7 072 804	13 474 031
Sugar & Milling	**7 009 964**	7 613 006	14 467 407
Logistics	**1 006 514**	1 056 302	2 033 102
Sales between segments:			
Consumer to Sugar & Milling	**(57 694)**	(133 241)	(230 274)
Sugar & Milling to Consumer	**(1 369 834)**	(1 981 292)	(3 713 778)
Logistics to Consumer	**(496 675)**	(527 995)	(1 050 894)
Logistics to Sugar & Milling	**(14 701)**	(14 098)	(28 939)
Operating profit before depreciation, amortisation and impairment (EBITDA) — Pre IAS 39	**1 184 972**	935 716	1 780 010
Consumer	**585 457**	224 871	520 790
Sugar & Milling	**493 775**	578 233	1 054 144
Logistics	**105 641**	145 230	203 117
Unallocated group costs	**99**	(12 618)	1 959
IAS 39 Adjustment	**16 012**	(35 279)	(32 377)
Operating profit before depreciation, amortisation and impairment (EBITDA)	**1 200 984**	900 437	1 747 633
Depreciation, amortisation and impairment	**(390 714)**	(544 981)	(971 125)
Operating profit/(loss)			
Consumer	**423 903**	(113 196)	(7 404)
Sugar & Milling	**327 634**	382 986	669 184
Logistics	**69 274**	102 979	121 776
Unallocated group costs	**(10 541)**	(17 313)	(7 048)
Operating profit	**810 270**	355 456	776 508
Finance costs	**(161 446)**	(194 385)	(373 741)
Finance income	**18 385**	13 213	40 999
Share of profits of joint ventures	**23 011**	24 376	48 577
Sugar & Milling	**16 920**	18 795	38 628
Logistics	**6 091**	5 581	9 949
Share of profit/(loss) of associates	**119 391**	139 338	109 516
Sugar & Milling	**119 387**	139 504	110 590
Ugandan Operation	**4**	(166)	(1 074)
Profit before tax	**809 611**	337 998	601 859