Results for the six months ended 31 December 2014

Investor Presentation: 19 February 2015

Salient features
six months ended 31 December 2014

	Actual 31 Dec '14	Pro forma 31 Dec '13	Actual 31 Dec '13
REVENUE	R12.0bn	R11.6bn	R8.7bn
HEBITDA	R1 196m	R889m	R688m
HEBITDA margin	9.9%	7.7%	7.9%
HEPS	70.0 cents	46.8 cents	4.8 cents

Continuing operations

Salient features

six months ended 31 December 2014

- New business model and better industry conditions delivered **improved results for Rainbow**
- **TSB** results included for the **first time** in the interim period
- Increased margin for **TSB** on the back of lower imports
- **Foodcorp** performance – Grocery and Beverage **good**, Baking **improving**, Milling and Pie **depressed** and Speciality impacted by **industrial action**
- Vector impacted by **industrial action**
- Disposal of Foodcorp's **Fishing division** approved in January 2015
- **Debt restructuring** impacted positively on headline earnings and cash flows
- As reported in the 2014 year end results announcement, RCL Foods entered into a number of **corporate transactions** in the **previous reporting period**

  These **corporate transactions** had a material impact on the six month period to 31 December 2013 which necessitated the publishing of **pro-forma results** in order to provide shareholders with a better understanding of the underlying performance of the Group

Strategic overview

Operational restructure

- RCL Foods was historically structured around its statutory companies, namely, Foodcorp, Rainbow, TSB and Vector
- In line with the Group's strategy of operating with a "one company" mindset, the Board resolved to restructure the Group into the logical business clusters of Consumer, Sugar & Milling and Vector, effective 1 January 2015

Consumer	Sugar & Milling	Vector
 **Scott Pitman** Managing Director	 **John du Plessis** Managing Director	 **Chris Creed** Managing Director
Rainbow and Foodcorp's Grocery, Beverage, Pie and Speciality divisions	TSB, Rainbow's Feed division Epol and Foodcorp's Milling and Baking divisions	Standalone business ultimately responsible for Group-wide route to market

Recap of our strategy

RCL Foods' ambition is to build an African food business of scale with compelling brands and a sustainable value chain that delivers to consumer and customer needs

We will double our business in five years, whilst driving steady and sustainable improvement in operating margin

Categories	**Markets**
Core: Optimise SA, build ROA*	Accelerate SA
Added value: Accelerate SA, build ROA	Build ROA

Grow through strong brands

Partner with strategic customers

Optimise value chain

Right people, right organisation

**ROA- Rest of Africa*

Progress against 5 year goals

Strategic thrusts	Strategic goals 2015-2020
Category and market focus	Accelerate South Africa (SA): Maximise (profit) in core categories; Accelerate (growth & profit) in added value categories
	Build Rest of Africa (RoA): Build core (priority 1) and added value (priority 2) categories
Grow through strong brands	Invest behind brands, grow key markets and our shares by driving penetration, consumption and innovation
	Acquire new brands enabling entry into new strategic growth categories
Partner with strategic customers	Partner with strategic customers, retail and business to business, driving common growth & profitability ambitions
	Deliver best in class customer service and build brands through customers
Optimise value chain	Maximise growth opportunities; optimise resources and costs
	Leverage our unique route to market capability with Vector Logistics
Right people, right organisation	Develop talent, build leaders and create the right organisation to enable our growth ambition
	Drive performance focus and accountability to ensure delivery of results in line with our ambition

3 key focus areas in H1 F2015

Strategic thrusts	Current focus	Highlight	Progress
Category and market focus	New business model for chicken	**7.6%** EBITDA margin 6 months Dec 2014	Chicken pre IAS39 EBITDA margin improved from 3.6% (6months Dec 2013) to 7.6% (6months Dec 2014)
Optimise value chain	Maximise opportunities across the group	**R35m** Savings realised in 6 months to Dec 2014	Strategic sourcing continues to deliver significant savings in addition to the R98 million achieved in the 2014 financial year
Right people, right organisation	Implement the right organisation	**NEW** Organisational structure announced	New organisation comprises 3 focused divisions (Consumer, Sugar & Milling, Vector) supported by centralised Group functions where appropriate

Financial review

six months ended 31 December 2014

Statutory		31 Dec '14 Actual	31 Dec '13 Pro forma	% var	31 Dec '13 Restated
Revenue	Rm	**12 029.3**	11 595.2	3.7	8 669.5
Headline EBITDA	Rm	**1 195.5**	889.3	34.5	688.3
Headline EBIT	Rm	**859.8**	576.3	49.2	443.0
Effective tax rate (excluding JV's & associates)	%	**30.6**	30.1	0.5	50.1
Headline earnings continuing operations	Rm	**601.6**	399.0	50.8	27.4
Cash generated by operations	Rm	**616.7**			857.5
Net cash and investment in money market	Rm	**1 353.0**			2 357.7
Headline earnings per share continuing operations	Cents	**70.0**	46.8	49.6	4.8
Dividend declared	Cents	**15.0**			
Capex spend	Rm	**345.5**			184.0
NAV per share	Cents	**1 152.6**			1 145.1
Pre-IAS 39					
Headline EBITDA	Rm	**1 084.8**	855.2	26.9	654.2
Headline EBITDA margin	%	**9.0**	7.4	1.6	7.5

RCL FOODS

Key financial issues

Replacement of bridging loan subsequent to reporting period

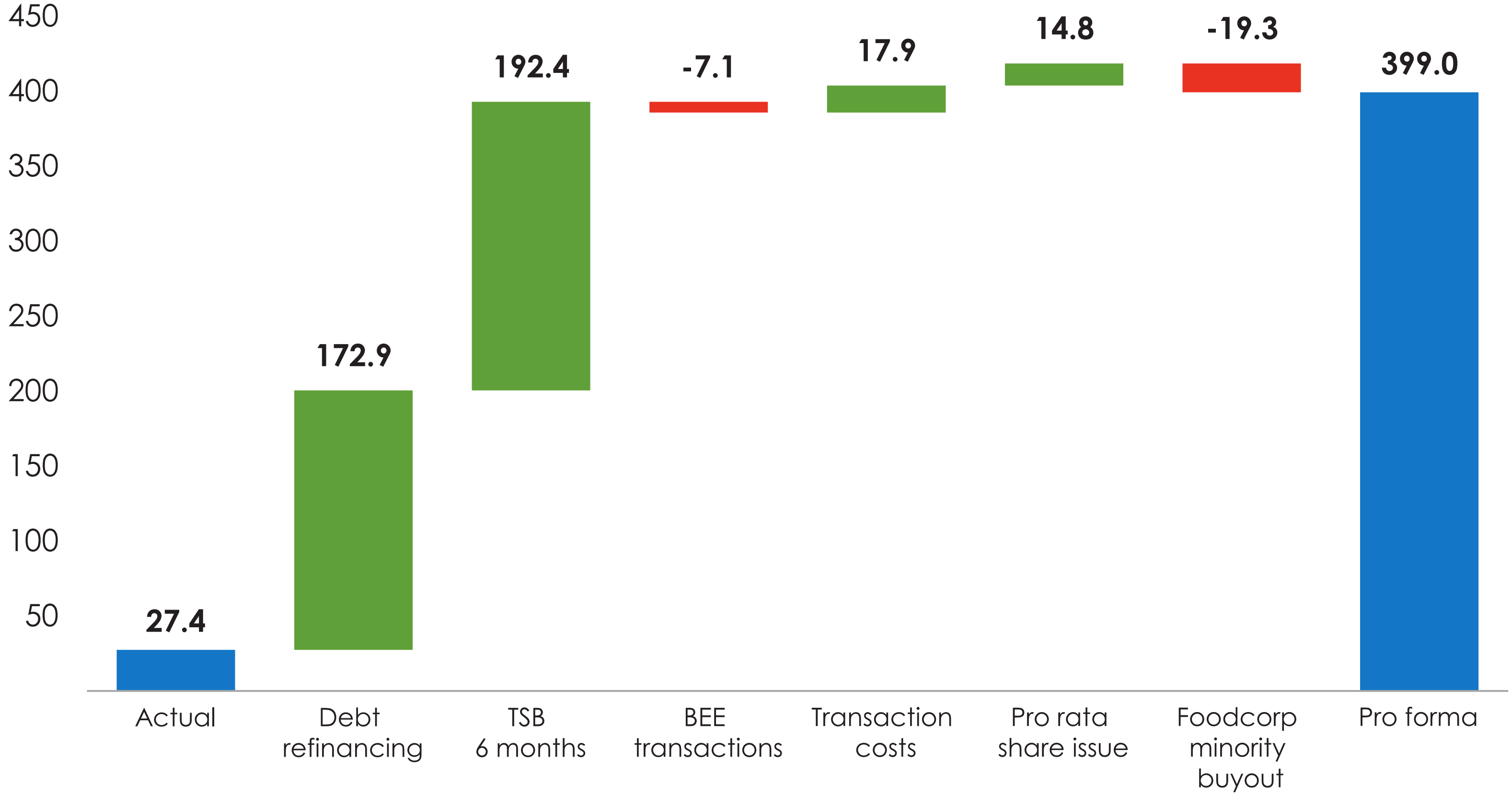
- In November 2014, RCL Foods commenced a process to replace the R4.5 billion bridging loan facility with a more appropriate debt structure
- This process was completed in January 2015 with cash flow expected end of February 2015

Pro-forma results

- RCL Foods' 31 Dec '13 interim results were materially affected by corporate activity in the previous financial year (as detailed in the June 2014 results announcement) and as such, a set of pro-forma results have been published
- By assuming that all corporate activity had taken place on 30 June 2013, the pro formas represent a normalised income statement and a better reflection of the underlying performance of the Group
- Pro forma adjustments
  - 100% of Foodcorp's results to be included
  - Six months of TSB's results to be included
  - A normalised funding cost line by assuming rand based debt which removes the impact of foreign currency losses and the bond redemption
  - The inclusion of the recurring IFRS 2 charge relating to the new BEE scheme and exclusion of the charge relating to the old scheme
  - New shares to be in issue for the full six months; and
  - Transaction costs associated with the corporate activity to be excluded

Key financial issues

Headline earnings from continuing operations – reconciliation between actual and pro forma results for the six months ended 31 December 2013



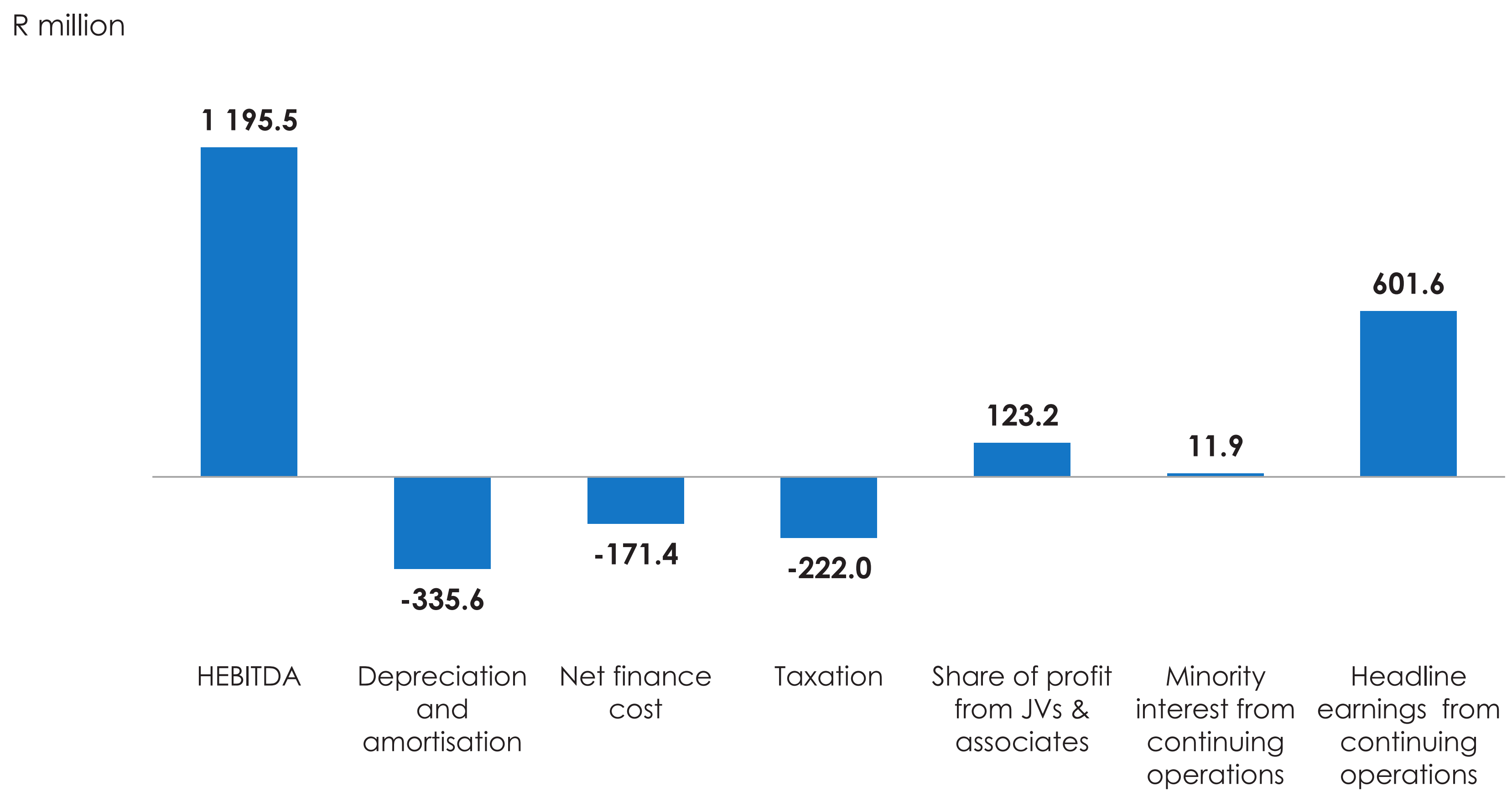
Financial review

General operating environment

- General economic environment in South Africa remains challenged
  - Labour unrest
  - High unemployment
  - Depreciating currency
  - Pedestrian growth of the SA economy
- All adding pressure on already stretched consumers
- Relief expected from reductions in fuel price
- Improved supply/demand balance in chicken and sugar markets

Financial review summary

Reconciliation of HEBITDA to headline earnings for the six months ended December 2014



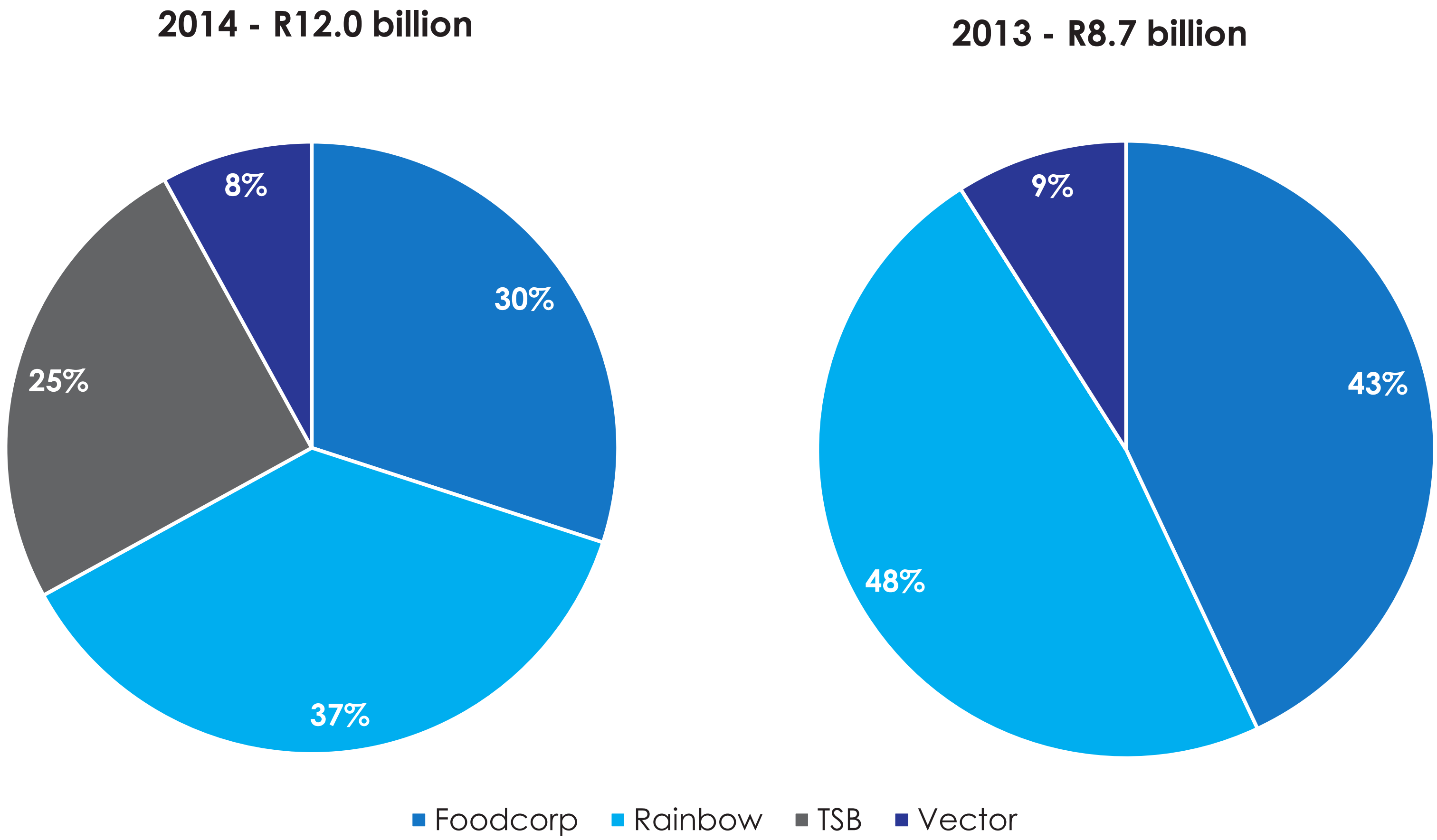
Financial review: operating results summary

Segmental analysis – Revenue

Revenue (Rm)	6 months 31 Dec '14 Actual	6 months 31 Dec '13 Pro forma	% var	6 months 31 Dec '13 Restated
Foodcorp	**3 786.5**	3 862.9	(2.0)	3 862.9
Rainbow	**4 629.4**	4 413.6	4.9	4 413.6
TSB	**3 219.5**	2 939.3	9.5	-
Vector	**986.7**	861.4	14.5	861.4
Sales between Segments				
Foodcorp to Rainbow	**(44.5)**	(19.2)		(19.2)
Rainbow to Foodcorp	**(36.3)**	(16.1)		(16.1)
TSB to Foodcorp	**(26.5)**	(13.6)		-
TSB to Rainbow	**(2.4)**	-		-
Vector to Foodcorp	**(49.9)**	(10.1)		(10.1)
Vector to Rainbow	**(425.9)**	(422.9)		(422.9)
Vector to TSB	**(7.4)**	-		-
Total	**12 029.3**	11 595.2	3.7	8 669.5

Financial review: operating results summary

Segmental contribution to revenue



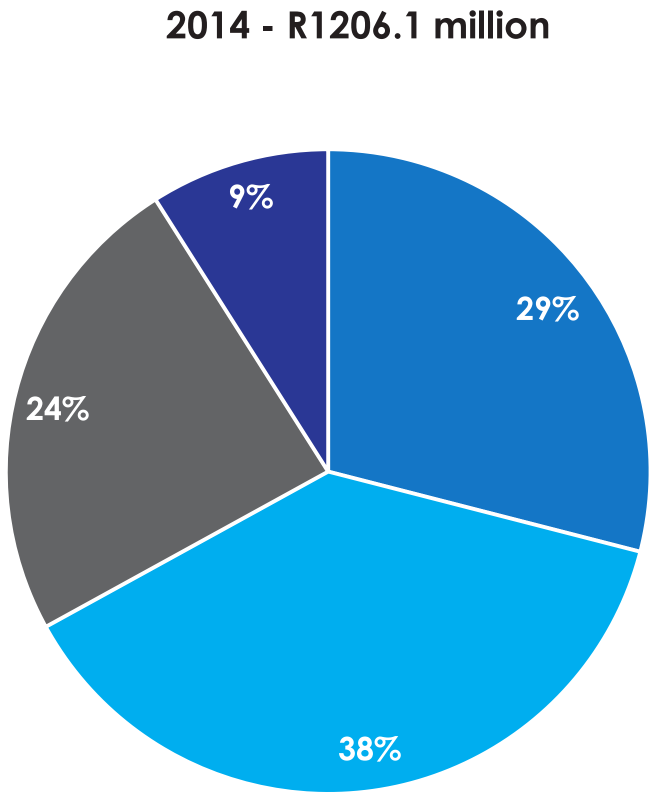
Financial review: operating results summary

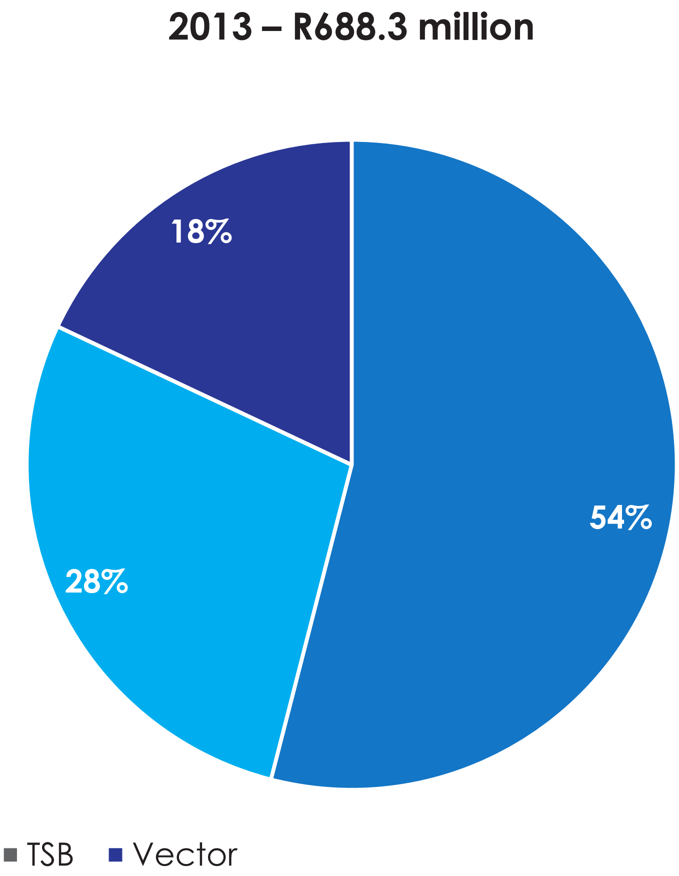
Segmental analysis – EBITDA

EBITDA (Rm)	**6 months 31 Dec '14 Actual**	6 months 31 Dec '13 Pro forma	% var	6 months 31 Dec '13 Restated
Foodcorp	**344.3**	373.4	(7.7)	376.1
Rainbow	**463.2**	189.7	144.2	191.3
TSB	**290.7**	203.9	42.6	-
Vector	**110.5**	123.4	(10.5)	124.2
Unallocated group costs	**(2.7)**	(1.4)	(92.9)	(3.3)
Total	**1 206.1**	889.0	35.7	688.3
EBITDA Margin				
Foodcorp	**9.1%**	9.7%	(0.6)	9.7%
Rainbow	**10.0%**	4.3%	5.7	4.3%
TSB	**9.0%**	6.9%	2.1	-
Vector	**11.2%**	14.3%	(3.1)	14.4%
Total	**10.0%**	7.7%	2.3	7.9%
Rainbow pre-IAS 39				
EBITDA	**352.5**	155.6	126.6	157.2
EBITDA Margin	**7.6%**	3.6%	4.0	3.6%

Financial review: operating results summary

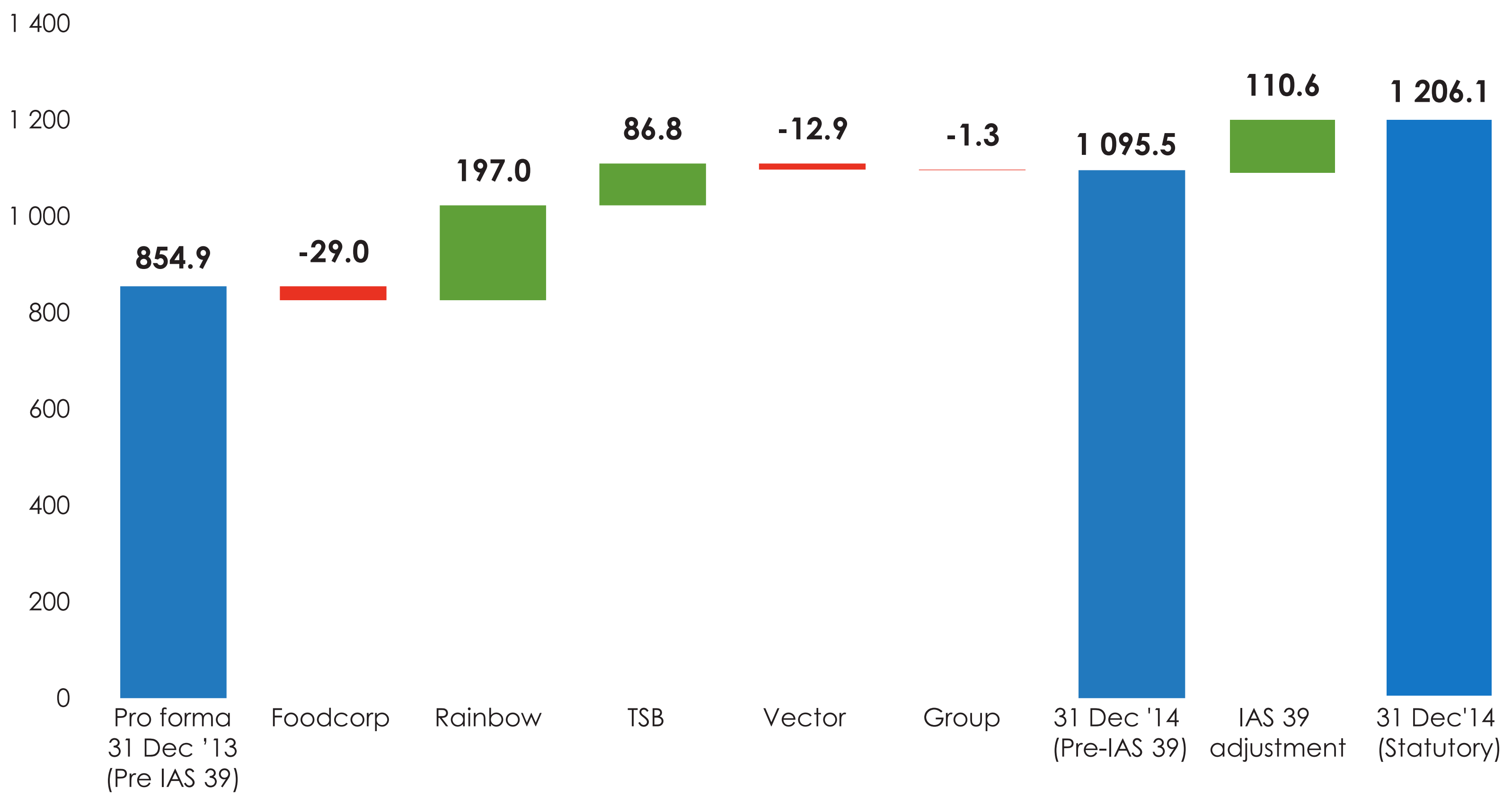
Segmental contribution to EBITDA





Financial review: operating results summary

Segmental contribution to EBITDA improvement



RCL FOODS

Financial review: cash flow summary

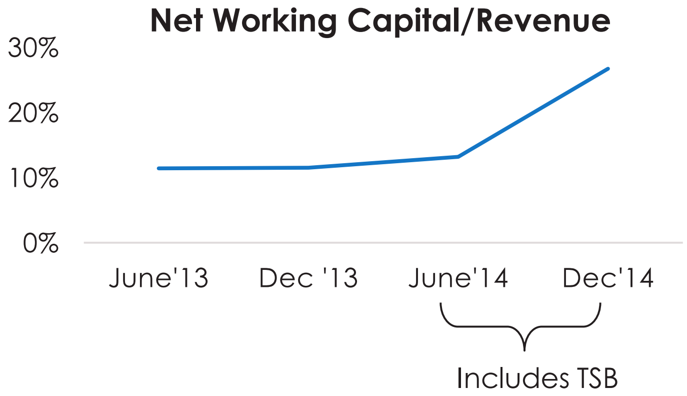
	6 months 31 Dec '14 Actual	6 months 31 Dec '13 Restated
Opening balance (including money market investment and net of overdraft)	**1 472.7**	2 763.2
Operating profit adjusted for non-cash flow items	**1 311.7**	690.6
Working capital movement	**(695.0)**	166.9
Net finance cost paid	**(164.4)**	(201.8)
Tax paid	**(105.1)**	(30.4)
Capital expenditure (including intangibles)	**(345.5)**	(184.0)
Additional investment in joint venture/subsidiary	**(45.8)**	(520.7)
Proceeds on disposal of PP&E	**15.3**	7.0
Interest-bearing liabilities	**(28.9)**	(506.1)
Dividends received	**21.9**	-
Dividends paid	**(172.6)**	-
Issue of shares	**2.6**	5.0
Discontinued operation - net cash inflows	**86.1**	37.7
Proceeds on disposal of preference share investment	**-**	130.3
Closing balance	**1 353.0**	2 357.7

Financial review

Working capital movement (Rm)

	31 Dec '14 Actual	31 Dec '13 Restated
Net	**(695.0)**	166.9
Trade payables	**256.8**	706.8
Inventory and biological assets	**(620.7)**	(81.2)
Trade receivables	**(331.1)**	(458.7)

- Working capital was negatively impacted by the higher inventory levels that TSB maintains to cover their off crop period (January to March)



Financial review

RCL Foods' capital expenditure programme directed at Foodcorp and TSB

Rm	31 Dec '14	31 Dec '13
Total expenditure	**345.5**	184.0

- Foodcorp expenditure amounts to R114.7 million with major capital expenditure relating to the solvent extraction plant in the Grocery division
- TSB expenditure amounted to R88.2 million for the six months being largely attributable to the expansion of the Molatek operations and ongoing feasibility spend in Massingir
- Capex within Rainbow remains limited to necessary replacement items
- R147.1 million has been contracted and committed, but not spent
- A further R153.3 million has been approved, but not contracted

RCL FOODS

Operational review – Foodcorp

FOODCORP

Revenue (Rm)	6 months 31 Dec '14 Actual	6 months 31 Dec '13 Pro forma	% var	6 months 31 Dec '13 Restated
Foodcorp	3 786.5	3 862.9	(2.0)	3 862.9
Rainbow	4 629.4	4 413.6	4.9	4 413.6
TSB	3 219.5	2 939.3	9.5	-
Vector	986.7	861.4	14.5	861.4
Sales between Segments	(592.8)	(481.9)	(23.0)	(468.4)
Total	12 029.3	11 595.2	3.7	8 669.5
EBITDA (Rm)				
Foodcorp	344.3	373.4	(7.7)	376.1
Rainbow	463.2	189.7	144.2	191.3
TSB	290.7	203.9	42.6	-
Vector	110.5	123.4	(10.5)	124.2
Unallocated Group costs	(2.7)	(1.4)	(92.9)	(3.3)
Total	1 206.1	889.0	35.7	688.3

The opportunity

- RCL Foods sees strong future growth potential in the previously Foodcorp brands
- Drive innovation in existing brands and categories and expand into new brand categories
- Being part of RCL Foods enables greater product innovation and investment in new opportunities
- Opportunity to harness the selling, distribution and credit management synergies across the Group

Operational review – Foodcorp

Foodcorp has had a disappointing trading performance, albeit in tough trading conditions and industrial action

- Net revenue from continuing operations decreased by 2% to R3.8bn impacted by a seven week strike in the Speciality division (R70.3m lost turnover with R21m profit impact) as well as poor trading performance from the Milling division
- EBITDA was below expectation at R344.3m (31 Dec '13 PF: R373.4m), translating into a margin of 9.1%
- Substantial work has been performed on the future strategies of each of the divisions to enable focus over the next 18 months whilst the overall RCL Foods restructure is completed
- RCL Foods sees significant upside into the future in both margin and volume across all of Foodcorp's brands and categories

RCL FOODS

Operational review – Foodcorp

FOODCORP

Grocery division performed well despite a very competitive environment

Food	Brands	Category position 2014	Category share 2014
Peanut butter	YUM YUM, OUMA, NOLA, MONATI, Bobtail For Strong South African Dogs, catmor, Dogmor, ULTRA DOG, CANINE CUISINE	1	43.5%
Rusks		1	36.0%
Mayonnaise		2	39.2%
Sorghum		2	26.3%
Dry Dog food		1	44.8%
Dry Cat food		1	28.3%

- Some volume declines in Grocery have been experienced as the Foodcorp brands have held price despite competitor price activity
- Nola grew margins as a result of the above as well as from improved plant efficiencies
- Pet food volumes have been negatively impacted by the product recall in July which translated into low service levels as stock cover was completely eroded. The recall related to contaminated maize from a supplier and regular tests have been introduced to prevent reoccurrence
- Costs and production yields remain well managed, and future margin growth possibilities in most categories are expected

Source: AC Nielsen 6mma December 2014, Aztec 6mma December 2014

RCL FOODS

Operational review – Foodcorp

FOODCORP

Beverage division continues to perform well especially in the recently launched Smooth range

Food	Brands	Category position 2014	Category share 2014
Beverages		**1**	**70.0%**

- Mageu No1 is a traditional brand
- Volume across the Mageu brand has held up well and the margin has improved due to the growth of the successful premium Smooth sub brand
- Significant opportunity exists to enter into new categories to drive future growth

Source: BMI

RCL FOODS

Operational review – Foodcorp

FOODCORP

Pie division has been under volume pressure, much of it self inflicted

Food	Brands	Category position 2014	Category share 2014
Pies	Pieman's	1	30.0%

- The overall pie category is in decline
- A new business model to restore profitability and growth has been developed and is in the process of implementation
- Significant opportunities exist for a wider, better branded range of pies and adjacent categories

Source: BMI

Operational review – Foodcorp

Speciality, the division supplying Woolworths, performance was severely impacted by a seven week strike costing R21m

- Performance was significantly impacted by lost volume as the Bronkhorstspruit plant was shut down for seven weeks
- A short-term contingency plan has been put in place to mitigate against such action in future
- A step changed growth and efficiency manufacturing blueprint has been put in place with Woolworths which will enable Speciality to produce world leading products and drive Woolworths' 2020 strategy
- A number of synergies and opportunities within the broader RCL Foods have also been identified

Operational review – Foodcorp

Milling and Baking

Food	Brands	Category position 2014	Category share 2014
Flour	Supreme	**4**	**14.0%**
Bread	SUNBAKE	**4**	**6.0%**
Maize	SUPER A1, 5 STAR	**5**	**2.8%**

Milling

- Flour sales volumes were under pressure during the first half of the year, a positive was the high consistency in the flour quality albeit at a marginal premium cost
- A highlight was the successful delivery of the Supreme Top Baker initiative
- Trading conditions are expected to remain highly competitive during the second half of the financial year which is likely to keep margins under pressure

Baking

- Improved performance in Baking
- Competitors continue to focus on increasing market share in areas where Sunbake has a strong market presence

Source: AC Nielsen 6mma December 2014, Aztec 6mma December 2014

RCL FOODS

Operational review – Rainbow

RAINBOW

Revenue (Rm)	6 months 31 Dec '14 Actual	6 months 31 Dec '13 Pro forma	% var	6 months 31 Dec '13 Restated
Foodcorp	3 786.5	3 862.9	(2.0)	3 862.9
Rainbow	4 629.4	4 413.6	4.9	4 413.6
TSB	3 219.5	2 939.3	9.5	-
Vector	986.7	861.4	14.5	861.4
Sales between Segments	(592.8)	(481.9)	(23.0)	(468.4)
Total	12 029.3	11 595.2	3.7	8 669.5
EBITDA (Rm)				
Foodcorp	344.3	373.4	(7.7)	376.1
Rainbow	463.2	189.7	144.2	191.3
TSB	290.7	203.9	42.6	-
Vector	110.5	123.4	(10.5)	124.2
Unallocated Group costs	(2.7)	(1.4)	(92.9)	(3.3)
Total	1 206.1	889.0	35.7	688.3
Rainbow pre-IAS 39 EBITDA	352.5	155.6	126.5	157.2

The opportunity

- Consumption and long-term volume growth trends expected to continue
- Rainbow's new business model is delivering strongly
- Focus on value-added products and strategic customers driving an improved mix
- Industry margins improved but not yet restored to acceptable levels
  - Tariffs and anti-dumping protection are key
  - Commodity price volatility and rand weakness remain a risk
- Rainbow remains supportive of Government's intended cap on injection

Operational review – Rainbow

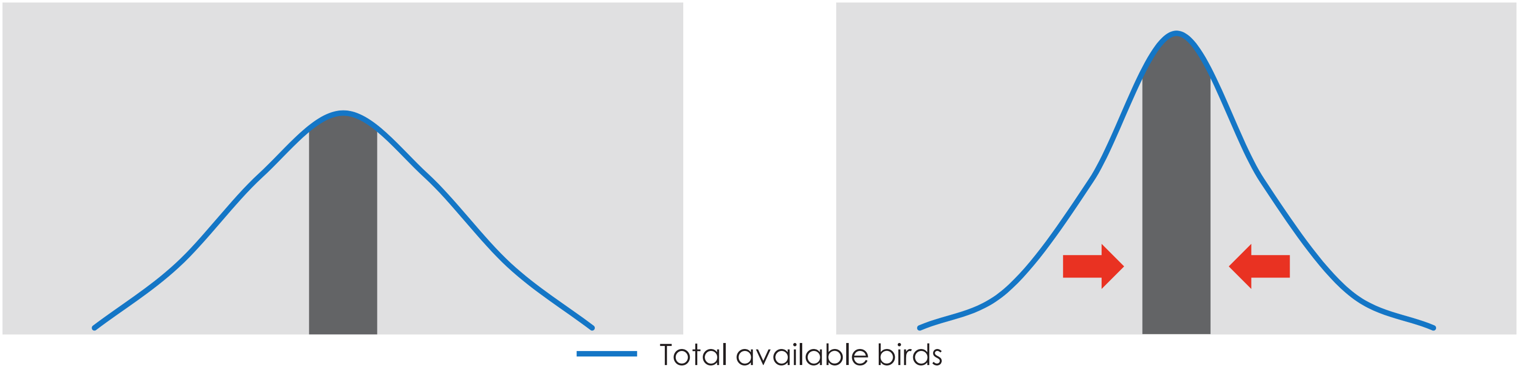
Rainbow's new business model is delivering more profitable, consistent results

- Rainbow's pre-IAS 39 EBITDA, at R352.5m, is significantly up on the R155.6m for the comparable period
- Changes effected by the new business model

1. **Inputs**

– Total volumes were reduced by 9% to align with profitable demand and eliminate loss making lines

– Breakthroughs were made in the bird weight bell curve, allowing Rainbow to produce a greater proportion of birds in the QSR weight range



– Cost containment and efficiency initiatives across the agricultural and processing operations resulted in production costs (excl feed) being lower than the comparable period

Operational review – Rainbow

Rainbow's new business model is delivering more profitable, consistent results

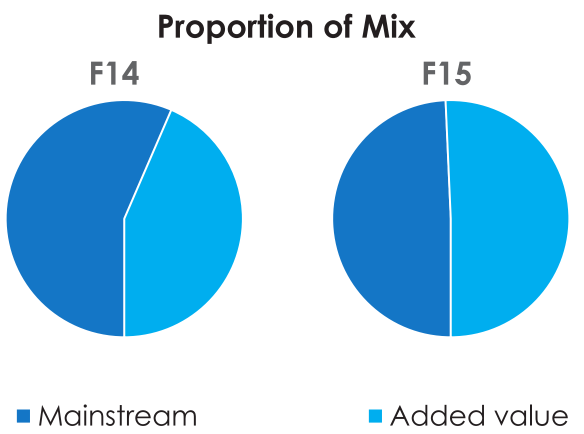
- Changes effected by the new business model | Continued

  2. Outputs

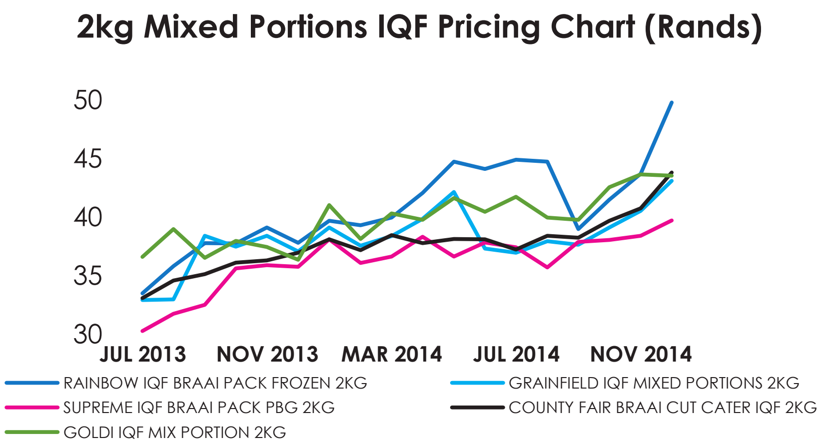
  – Less absolute volume reduced exposure to unprofitable lines e.g. IQF volume down by 40%

  – Lower volume in commodity type lines meant Rainbow could grow mainstream prices ahead of the market

  – Rainbow's capacity to increase volume is retained should the industry revert to a sustainably profitable level in mainstream chicken, e.g. IQF



Source: Internal data



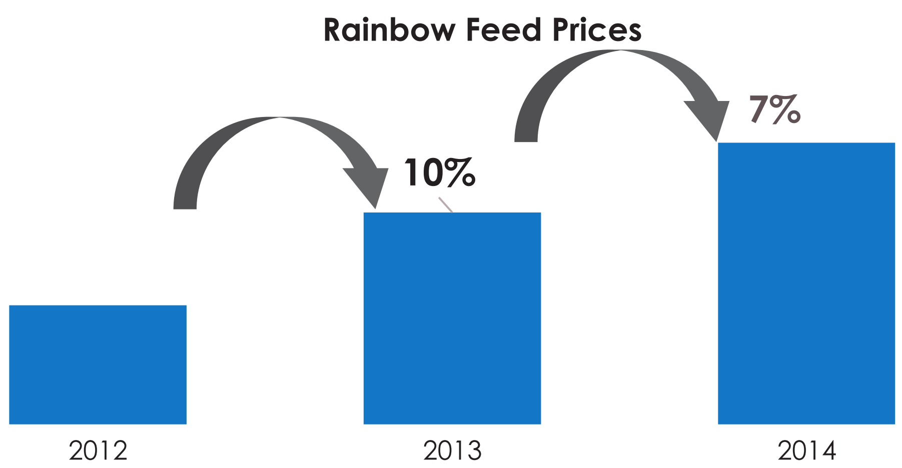
Source: Nielsen

Operational review – Rainbow

RAINBOW

Despite record crops both locally and internationally, commodity prices were volatile and remained high, with Rainbow's total feed cost (R/ton) increasing by 7% Y-o-Y

- Whilst local maize prices have softened from historic highs, decreases are less pronounced period on period
- Rand weakness continues to adversely affect imported feed components
- Rainbow has specifically invested in feed diet to enhance bird performance

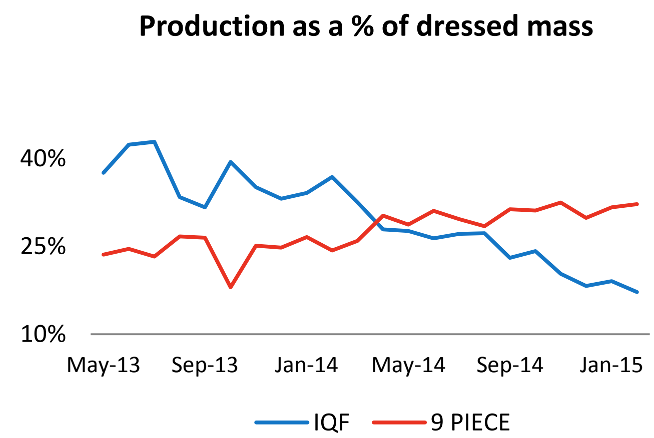


Source: Internal data

Operational review – Rainbow

Food Solutions

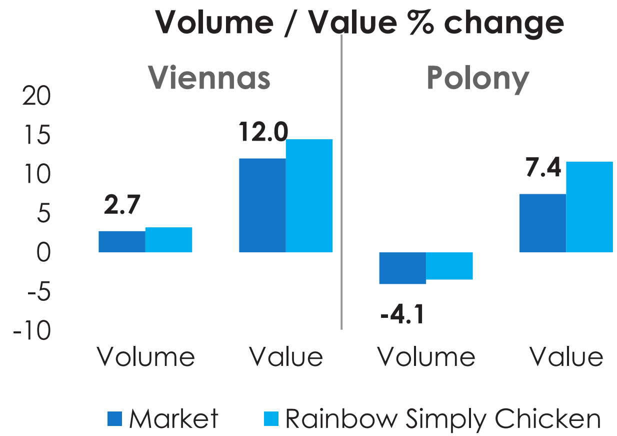
- Rainbow has won a greater share of QSR business and has delivered strong growth across the QSR customer base, generating a significantly better mix in the process
- Rainbow's step changed ability to produce more QSR weight range birds from the same flocks, will mean less agriculture capex going forward



Operational review – Rainbow

Retail

- Simply Chicken added value ranges, on the back of processed meat industry scares in South Africa and the EU, have grown strongly in profit contribution
- The Simply Chicken positioning and consumer insight remains powerful, and is being built on in the media at the moment

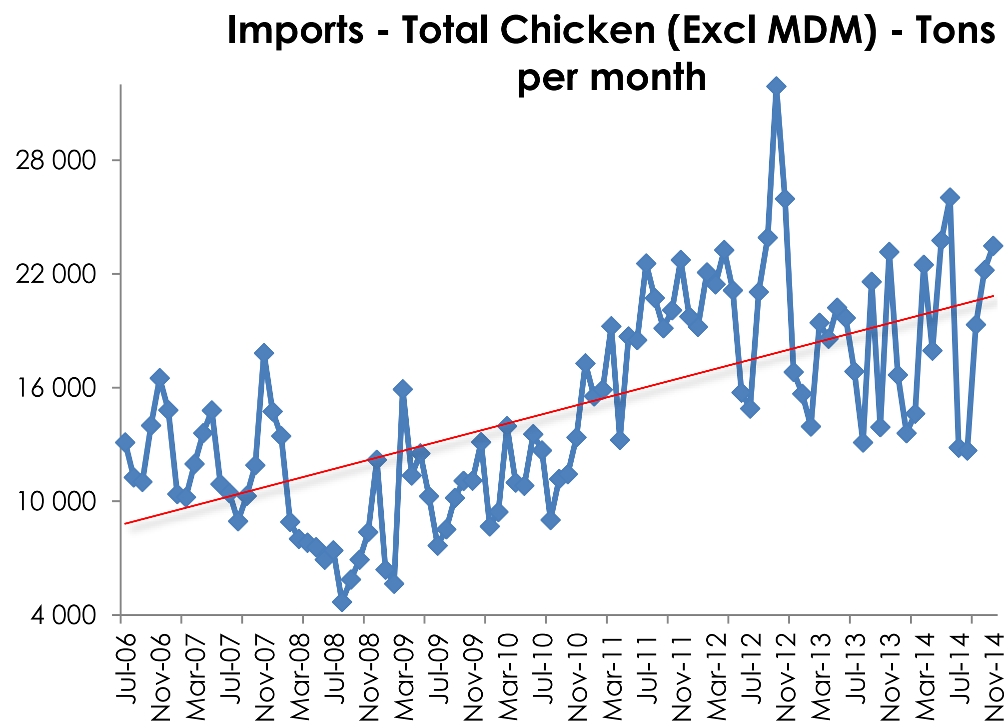


Source: Nielsen

Rainbow – Market changing factors update

Trade remedies

- Dti implemented a tariff on bone-in portions in August 2013, which affected non EU countries
- Subsequent to year-end, the Dti implemented interim anti-dumping duties against key EU countries effective until 1 January 2015, whilst they complete their research and a decision is reached on permanent duties
- The discovery of Avian Influenza (AI) in Germany, the Netherlands and United Kingdom has extended the restrictions, effectively banning imports from affected countries for the moment
- The implications of the Agoa trade agreement for the chicken industry are currently being negotiated. Minister Davies is working in close conjunction with the Chairman of SAPA to deliver an equitable result



Source: SAPA

Rainbow – Market changing factors update

Injection cap

- Rainbow remains supportive of Government's intended 15% cap on injection although no updates on the scheduled implementation date have been provided
- Rainbow's stance, because of its strategy of building consistent brands that consumers demand, has been to inject lower than the industry for years (despite the relative financial penalty)
- Rainbow welcomes the leveling of these playing fields which is in consumer interests

Operational review – TSB

Revenue (Rm)	6 months 31 Dec '14 Actual	6 months 31 Dec '13 Pro forma	% var	6 months 31 Dec '13 Restated
Foodcorp	3 786.5	3 862.9	(2.0)	3 862.9
Rainbow	4 629.4	4 413.6	4.9	4 413.6
TSB	3 219.5	2 939.3	9.5	-
Vector	986.7	861.4	14.5	861.4
Sales between Segments	(592.8)	(481.9)	(23.0)	(468.4)
Total	12 029.3	11 595.2	3.7	8 669.5
EBITDA (Rm)				
Foodcorp	344.3	373.4	(7.7)	376.1
Rainbow	463.2	189.7	144.2	191.3
TSB	290.7	203.9	42.6	-
Vector	110.5	123.4	(10.5)	124.2
Unallocated Group costs	(2.7)	(1.4)	(92.9)	(3.3)
Total	1 206.1	889.0	35.7	688.3

The opportunity

- Significant growth potential into Africa with huge diversification potential
- Greenfield sugarcane development project in the Massingir District of Mozambique

Operational review – TSB

Results for the six months ended 31 December 2014

- EBITDA of R290.7 million which translates into a margin of 9.0% (31 Dec '13 PF: 6.9%)
- Sugar tariffs increased from \$358 to \$566 per ton, causing a significant decrease in sugar imports
- Lower imports translated into increased domestic sales at better than export prices and margins
- TSB raw sugar production increased 10% to 450 000 tons (31 Dec '13: 409 000 tons)
- Molatek's expansion project successful – sales volumes increased 22% to 171 000 (31 Dec '13: 140 000)

RSSC

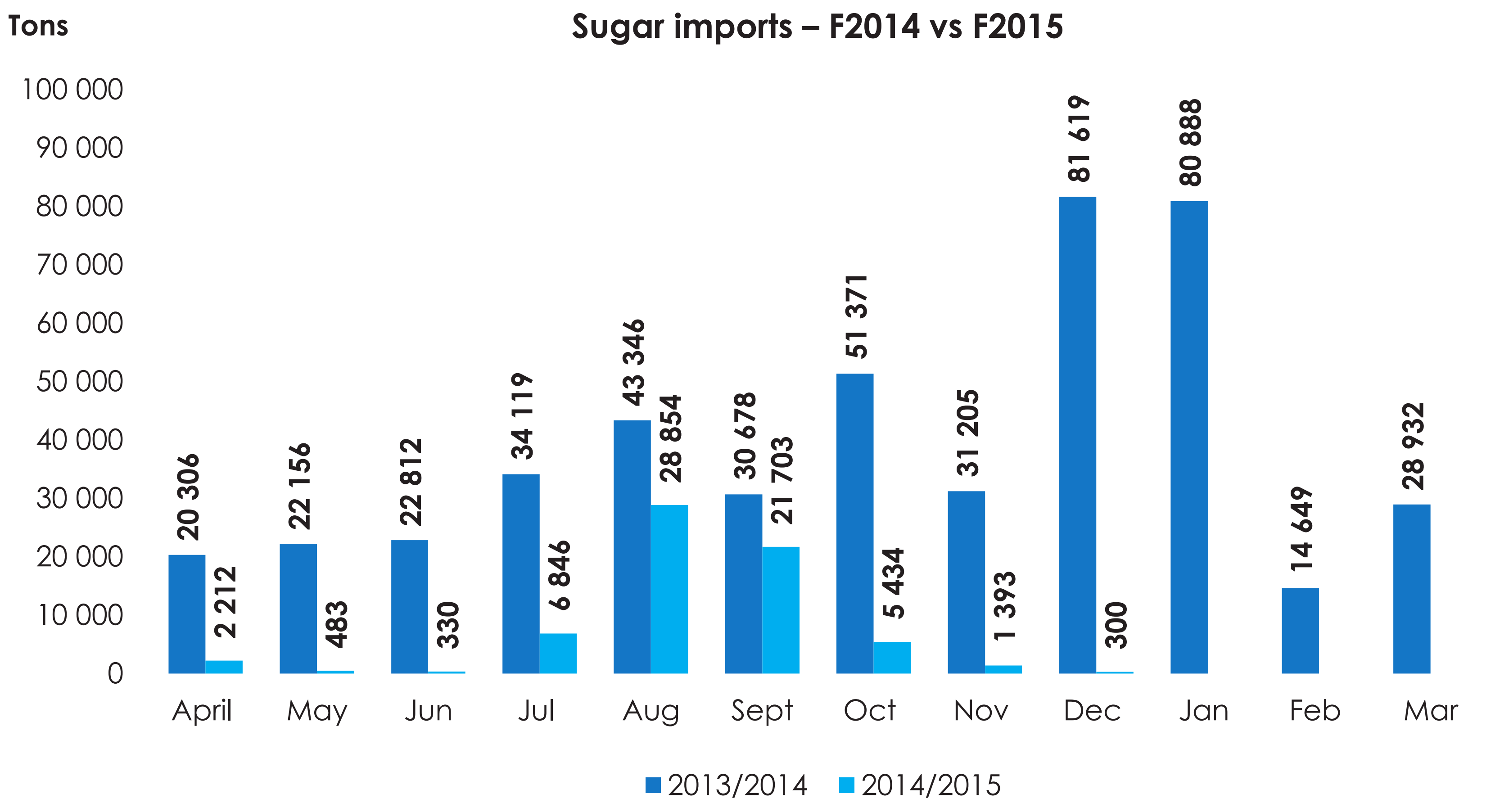
- Equity accounted earnings for the period increased from R102.1m (31 Dec '13 PF) to R104.7m

Operational review – TSB

Massingir

- Massingir is TSB's proposed greenfield expansion in Mozambique. Feasibility studies are substantially completed.
- A final decision on the project likely by June 2015
- R77.4m of setup costs relating to the project are currently recorded as work in progress with a further R21.9m budgeted for the remainder of 2015

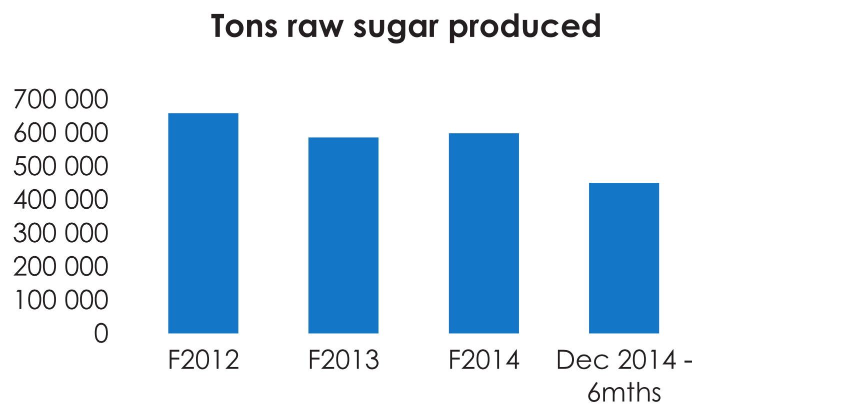
Operational review – TSB

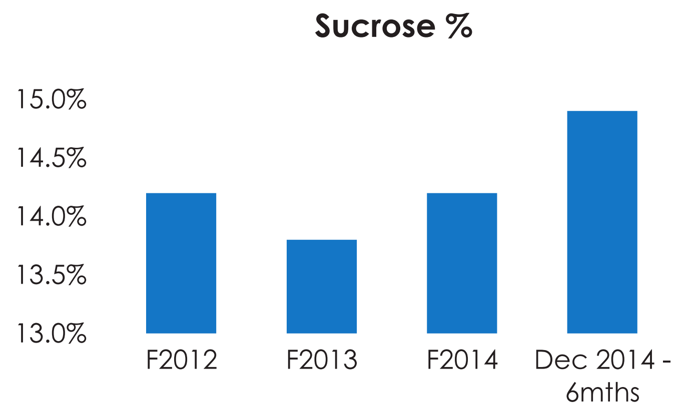


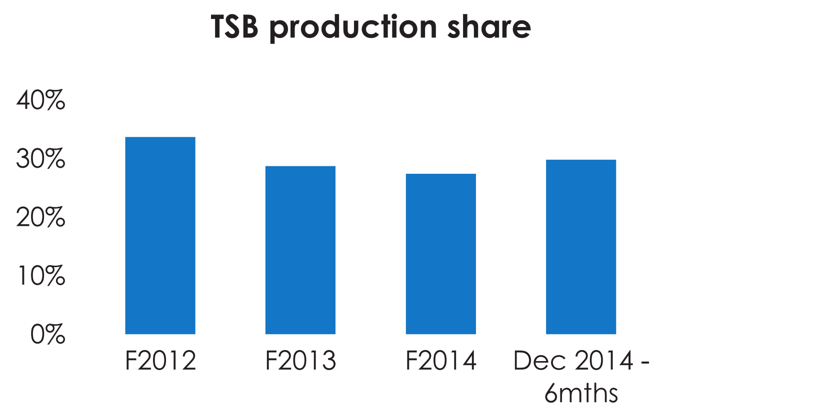
Source: SASA

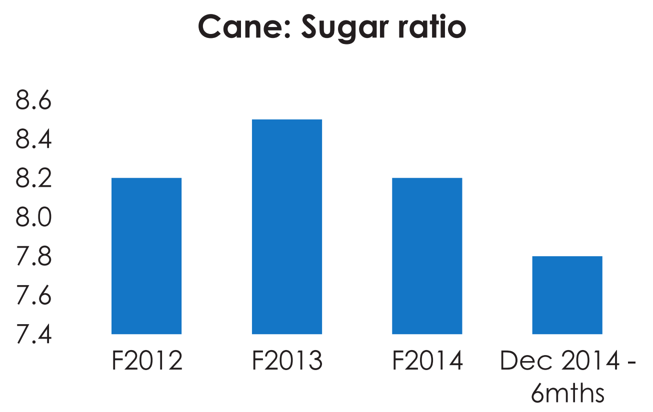
Operational review – TSB

TSB Agronomic Dashboard









RCL FOODS

Operational review – Vector

vector

Optimisation of outbound supply chain

Revenue (Rm)	6 months 31 Dec '14 Actual	6 months 31 Dec '13 Pro forma	% var	6 months 31 Dec '13 Restated
Foodcorp	**3 786.5**	3 862.9	(2.0)	3 862.9
Rainbow	**4 629.4**	4 413.6	4.9	4 413.6
TSB	**3 219.5**	2 939.3	9.5	-
Vector	**986.7**	861.4	14.5	861.4
Sales between Segments	**(592.8)**	(481.9)	(23.0)	(468.4)
Total	**12 029.3**	11 595.2	3.7	8 669.5
EBITDA (Rm)				
Foodcorp	**344.3**	373.4	(7.7)	376.1
Rainbow	**463.2**	189.7	144.2	191.3
TSB	**290.7**	203.9	42.6	-
Vector	**110.5**	123.4	(10.5)	124.2
Unallocated Group costs	**(2.7)**	(1.4)	(92.9)	(3.3)
Total	**1 206.1**	889.0	35.7	688.3

The opportunity

- Opportunity to leverage Vector's business model and skills into the ambient area within Foodcorp and TSB Sugar
- Significant investment in new capacity will facilitate higher volumes and improved operational efficiency (c.R14 bn value of goods moved through Vector system annually)
- Well positioned for future growth

Operational review – Vector

Pleasing growth in revenue

Good growth in Foodservice industry boosted volumes

Burger King expands store footprint

Sea Harvest joined the Vector network late in F14

Revenue growth up 14.6% to R986.7m

- Second sales and merchandising structure operational
- Sea Harvest not in the comparative base
- Expansion of Burger King store footprint
- Growth in the Foodservice industry

Operational review – Vector

Expansion and industrial action impact cost

Second sales and merchandising structure implemented

Eskom to Increase Electricity Prices as Load Shedding Continues

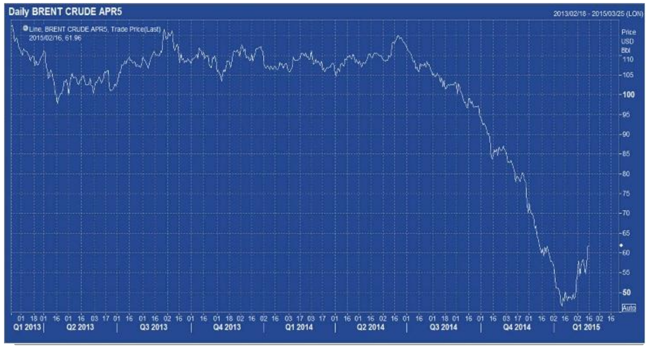
By Oliver Ngwenya | 2015-01-18 16:59 Business

Eskom CEO, Tsediso Matona at the press conference. Image: The Sunday Times.

Consumers of electricity are to brace themselves for more tariff increases in the next few years and they must also know that the evil that is load shedding will stay with them for a long time to come, at least another three to five years. This was the main message in a press briefing given by Eskom CEO, Tshediso Matona on Thursday.

Speaking on the need for load shedding, Matona said that the haphazard way in which the parastatal had been run in the last seven years had resulted in a desperate need for maintenance, which, if not done

Electricity tariffs increase and will continue to do so

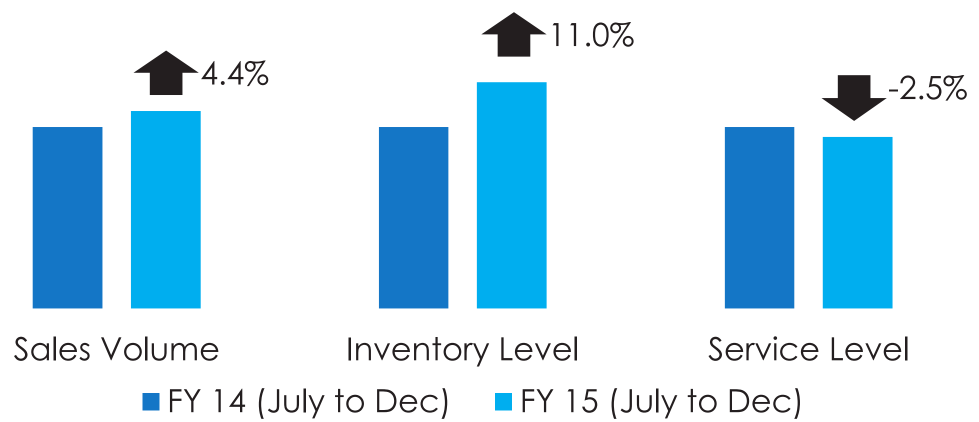


Fuel prices remained high during the first half of F15 with delayed pump price reductions and a weak Rand

- EBITDA decreased by 11.0% to R110.5 million largely due to the industrial action at the Midrand campus (R20.2m incurred in an effort to maintain service levels). Excluding that impact, EBITDA would have grown by 5.9%.
- Second sales and merchandising unit employing > 1 000 new staff and higher wage settlements resulted in a substantial increase in the cost base
- High electricity and fuel costs continue to impact the distribution sector although some benefit from fuel price reductions is expected during the second half of the year

Operational review – Vector

Operational efficiency



11% increase in inventory levels

- ✓ New business (Sea Harvest not in comparative base, growth in Burger King store footprint)
- ✓ To alleviate the impact of industrial action

Operational efficiency

- Year on year volume growth increased by 4.4% whilst average inventory levels increased by 11%, mainly to accommodate new business and to alleviate the impact of the industrial action
- Service levels declined by 2.5% as a result of supply constraints experienced with certain major principals

Prospects

- Operational improvements implemented across different businesses should continue to contribute positively
- Second half of the financial year is a seasonally lower profit period, especially as relates to Rainbow and TSB
- Sustainable improvement in consumer spending is unlikely: the impact of this is pervasive across all RCL Foods' segments
- Poultry industry's application for long-term anti-dumping duty protection and the timing of government's regulation of injection remain as uncertainties
- TSB has sufficient irrigation resources for the forthcoming sugar season
- Positive outlook for Vector with CSD and new customer growth anticipated
- RCL Foods continues to explore opportunities in strategic growth markets in the food sector in South Africa and sub-Saharan Africa in line with its long-term aspirations

Appendices

Strategic overview

RCL Foods in context

Rupert Family

- RICHEMONT
- Remgro Limited
- REINET INVESTMENTS S.C.A.

Food, Liquor & Home care	Banking	Healthcare	Insurance	Industrial	Infrastructure	Media & Sport
RCL FOODS, DISTELL, Unilever	FIRSTRAND, RMB HOLDINGS	MEDICLINIC	RMI HOLDINGS, Discovery, OUTSURANCE, MMI HOLDINGS	TOTAL, kth, AIR PRODUCTS	GRINDROD LIMITED, SEACOM, WISPECO Aluminium	e, CRYSTAL BROOK DISTRIBUTION, W.P. RUGBY, BLUE BULLS

Strategic overview

Africa opportunity – 2050

Population will more than double to 2 billion, **22% of world's population**

Workforce will become the largest in the world, **25% of the world's workers**

Potential to become an agricultural power house with **60% of the world's available farmland**

1 in every 4 people in sub-Saharan Africa lacks adequate food for a healthy life style

Food demand is predicted to increase by 50% by 2030 and **70% by 2050**

RCL FOODS

Strategic overview

What differentiates us?

Portfolio of leading consumer brands	• Leading market position in many categories • Best known brands that span staples to top-end, value-added offerings • Emerging middle-class displays strong brand loyalty
Unique, integrated business mode	• Own the route to market through integrated outbound supply chain • Strategic customer relationships • World-class technology and systems delivering a highly efficient distribution service
Significant platform for expansion	• The transformational acquisitions of Foodcorp and TSB Sugar have established a business of significant size and scale with diversification to counter cyclicality • Opportunity to realise synergies (distribution, sourcing, IT systems, funding) across the Group
Positioned to deliver on the African opportunity	• RCL Foods is currently pursuing a number of projects in sub-Saharan Africa in addition to the greenfield sugar cane project in Mozambique • Extensive research and analysis to identify suitable investment opportunities against very specific criteria
Experienced management team with strong operational track record	• Management team has extensive knowledge and experience in the SA food industry • Delivered steady, through-the-cycle revenue growth (11% CAGR since 2000) • Depth of management with experienced senior management at every business segment level
Support of a highly regarded strategic shareholder	• Remgro is a highly regarded investment holding company with substantial size and influence • Adds value by providing strategic guidance and financial support • An investment partner of choice

Foodcorp overview

Foodcorp is a leading manufacturer of quality branded and private label food products

- Product range includes
  - Peanut butter, pet food, mayonnaise, edible oils, breads, bakery products and wheat flour
  - Certain traditional SA products such as rusks, sorghum meal, mageu and white maize meal
- It manufactures and sells a wide range of quality convenience ready to eat products including pies, a range of products, speciality breads and cakes for Woolworths and other retailers
- Foodcorp positions products to appeal to the mass consumer market, representing approximately 70% of the total South African population
- Foodcorp supplies most products nationally to major retail and wholesale outlets
  - Including Shoprite-Checkers, Woolworths, Pick 'n Pay, Spar and Walmart-Massmart, independent retailers, forecourts and the food services industry
- Managed under six larger production units
  - Grocery division, Milling division, Baking division, Pie division, Beverage division and Speciality division

Operational review – Foodcorp

FOODCORP

Brand investment results in Foodcorp's core brands enjoying leading market positions

Food	Brands	Category position 2014	Category share 2014	Foodcorp growth 2014	Market growth 2014
National focus					
Dry Dog food		1	44.8%	-10.1%	-2.1%
Dry Cat food		1	28.3%	7.9%	8.5%
Peanut butter		1	43.5%	-0.8%	13.1%
Beverages		1	70%	0.4%	N/A
Rusks		1	36.0%	7.7%	4.9%
Pies		1	30%	-2.7%	-1.2%
Mayonnaise		2	39.2%	-0.8%	4.8%
Sorghum		2	26.3%	-10.1%	-4.9%
Flour		4	14%	-6%	2%
Private label	Largest single supplier to Woolworths				
Regional focus					
Bread		4	6%	-13.3%	-0.9%
Maize		5	2.8%	-8%	3%

Eight Foodcorp brands enjoy either #1 or #2 category positions in their segments
Source: AC Nielsen 6mma December 2014, Aztec 6mma December 2014,BMI 6mma 2013 (Beverages)

Foodcorp: Grocery and Pie Divisions

Grocery

The Grocery Division consists of a portfolio of well recognised brands with **market leading positions**

Includes a wide range of grain and edible oil based products, sorghum, peanut butter, rusks, a range of pet foods, as well as salad dressings, dips and spreads

Brands

Pie

The **Pie Division produces a range of high quality, predominantly meat pies under the Piemans brand** that are sold in these formats: frozen unbaked, frozen baked and chilled baked

Brands

Foodcorp: Beverage and Milling divisions

Beverage

The Beverage Division produces a **maize-based health drink** under the Mageu No 1, Smooth, Phuzimpilo and Mnandi brands

Brands

Milling

The Milling Division operates **the largest single site flour mill in southern Africa** and a maize mill, both based at the same site in Pretoria

Brands



Foodcorp: Baking and Speciality divisions

Baking

The Baking Division is the **fourth largest bakery group in the country**, operating seven bakeries and **distributing its products in five of the country's provinces**

Brands

Speciality

The Speciality Division produces a range of superior ready to eat products, including speciality breads, **mainly for Woolworths**

The product range includes sandwiches, muffins, desserts, snack foods, scones, rye breads, cake products, pastries and croissants

Brands

Rainbow: Complex business chain

Integrated supply chain from "farm to fork"

GP operation | **Agriculture** | **Processing**

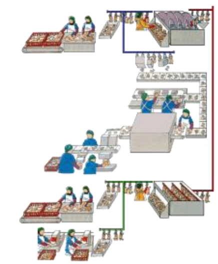
Grandparent chicks → **Grandparent farms**: Rearing 21 weeks → Laying 40 weeks → Hatching 3 weeks → **Parent farms**: Rearing 21 weeks → Laying 40 weeks → Hatching 3 weeks → **Broiler farms**: Growing 34 days → Broilers → Processing 4 plants + 2 FP plants

COBB EUROPE

- World's oldest pedigree broiler breed
- Located in Carolina and East London to ensure optimal bio-security

- 3 broad agricultural regions
  - Northern, KZN, W Cape

Epol THE PERFECT BALANCE



Feed supply

- 5 feed mills producing 1.1m tons pa
- Around 80% of production to Rainbow

Consumers ← **Brands** ← **Customers** ← **Distribution**

The consumer is at the heart of our business

RAINBOW

Grade A Quality, Grade A Taste

They taste so good 'cos they eat so good

RAINBOW Food Solutions

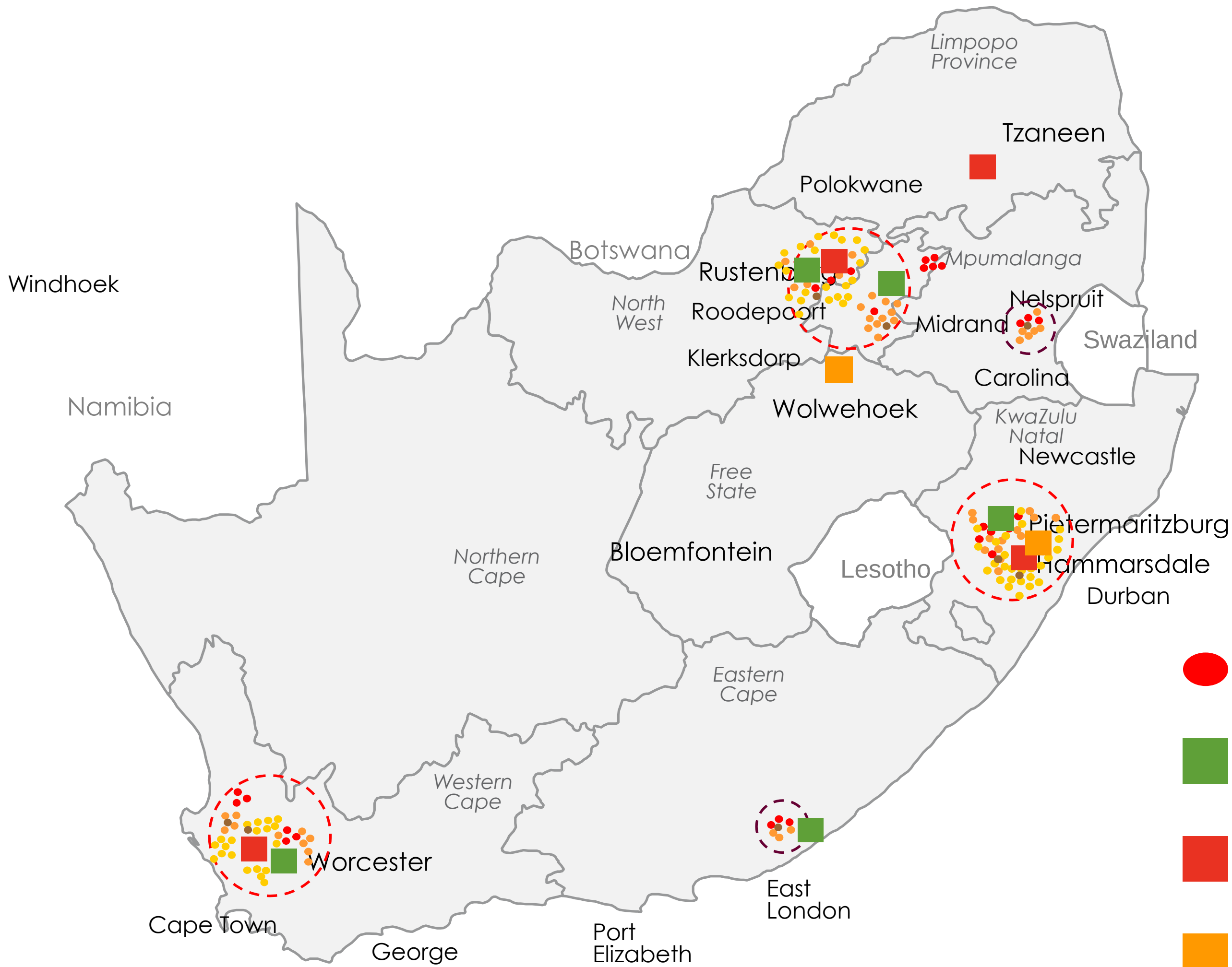
FARMER BROWN farm fresh chickens

The Chicken Experts

Foodservice | Retail | Wholesale

vector

Rainbow – Infrastructure



209 rearing, laying and broiler farms and hatcheries
30m birds on the ground

5 feed mills
1.1m tons per year

4 primary processing plants
nearly 250m birds per year

2 further processed plants
27,000 tons per year

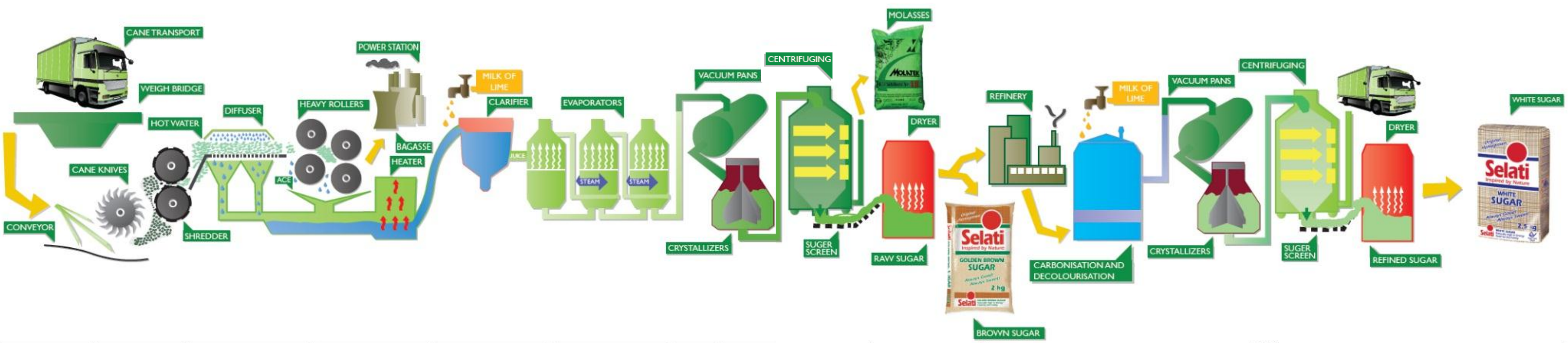
Operational review – TSB

Mill	Mill	Established	Tons sugar produced	Notes
Nkomazi	Malalane	1968	189 000	*Nkomazi produces approximately 490 000 tons of sugar per year*
	Komati	1993	250 000	
Pongola	Pongola	1954	163 000	*Pongola produces approximately 135 000 tons of sugar per year*

Malalane Mill

Operational review – TSB

HOW **SELATI SUGAR** IS MADE



1

1.CANE PREPARATION

The sugar cane is delivered by road to the mills where it is weighed and off-loaded directly into the production stream. It moves through the preparation area where cane knives cut it into smaller pieces. These smaller pieces are then fed into a shredder that converts all the cane into a finely chopped fibre, hereby exposing the sweet sucrose bearing cells.

2

2.JUICE EXTRACTION

From here the chopped fibre moves through a diffuser. A diffuser is a large vessel where hot water is sprayed onto the moving bed of chopped cane and the sucrose is leached out of the cane (like a teabag in a tea cup!). After passing through the diffuser, the remaining sucrose bearing moisture is extracted from the chopped cane through a milling process where the cane passes through heavy rollers that squeeze out the remainder of the juice. The fibre discharged from the mill is called bagasse and is the main source of fuel for the boilers that produce steam and electricity required by the sugar production process. TSB also uses the excess bagasse for the production of animal feeds.

3

3.CLARIFICATION & EVAPORATION

After extraction, mixed juice consisting of water, sucrose and a few other impurities, is heated and milk of lime is added to neutralise the acids which then form a precipitate that is settled out in the clarifiers. The clarified juice is pumped into the evaporators, a series of vessels arranged so that each one has a greater vacuum than the preceding one. During the process the excess water is removed and the juice solids are concentrated.

4

4.CRYSTALLISATION

During the next stage, crystallisation is achieved by further evaporating the water in large vacuum pans. When the water has evaporated, the sugar reaches concentrated levels. Seed crystals are added and they act as nuclei that grow into larger sugar crystals. This crystal mixture and the surrounding mother liquor are known as massecuite. From the vacuum pans the mother liquor passes through crystallisers, additional sugar is exhausted from the mother liquor and deposited into the crystals.

5

5.RAW SUGAR

The sugar crystals now have to be separated from the mother liquor. The mixture is fed into centrifuges, where a rotating perforated basket spins at high speed spinning out the mother liquor, now called molasses. The raw sugar crystals are retained in the basket. The raw sugar now passes through a drier before been dispatched into the sugar bin or the refinery. The molasses is also used by the animal feed plant, Molatek at the Malalane Mill.

6 - 7 - 8

6.REFINING

At the refinery, the light brown coloured raw sugar is turned into pure white refined sugar through a refining process that entails the re-melting of the raw sugar crystals.
The re-melted crystals pass through a decolourisation process. After re-crystallisation the sugar is colourless.

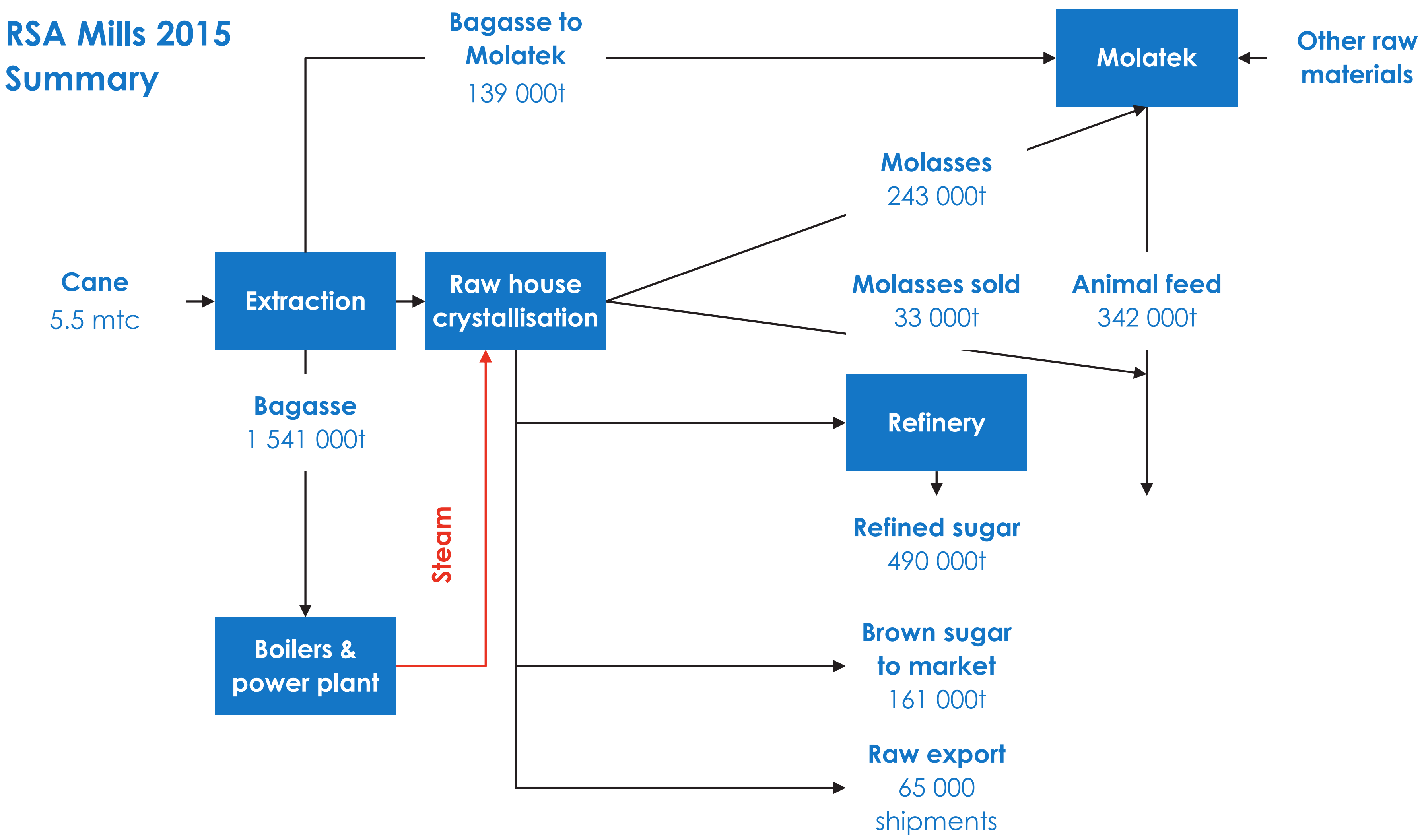
7.PACKAGING

From the refinery the sugar moves either to the sugar silo or to the packaging operation. Here, the sugar is packed in commodities ranging from a 5gm sachets to bulk one ton bags for the industrial market. In addition to white refined sugar, TSB also produces a range of brown speciality sugars, including Selati Muscovado and Demarara, as well as white icing snow and white caster sugar, which are all packaged at the plant.

8.DISPATCH

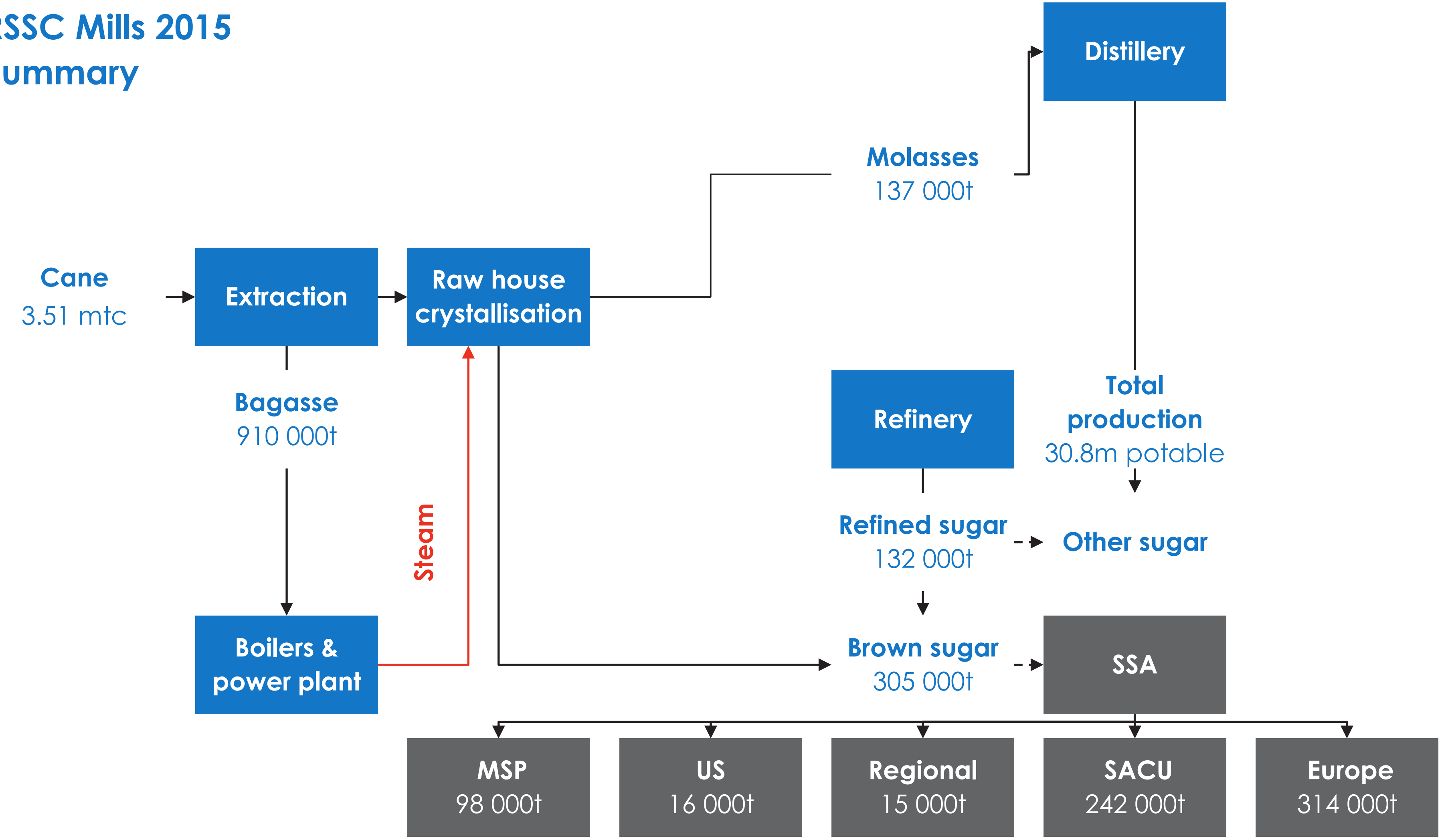
The packaged sugar is housed in huge sugar stores from where it is dispatched by road and rail to customers all over South Africa. TSB prides itself on the efficiency of its sugar dispatch system, where client satisfaction and timely response are the key words.

Operational review – TSB



Operational review – TSB

RSSC Mills 2015 Summary



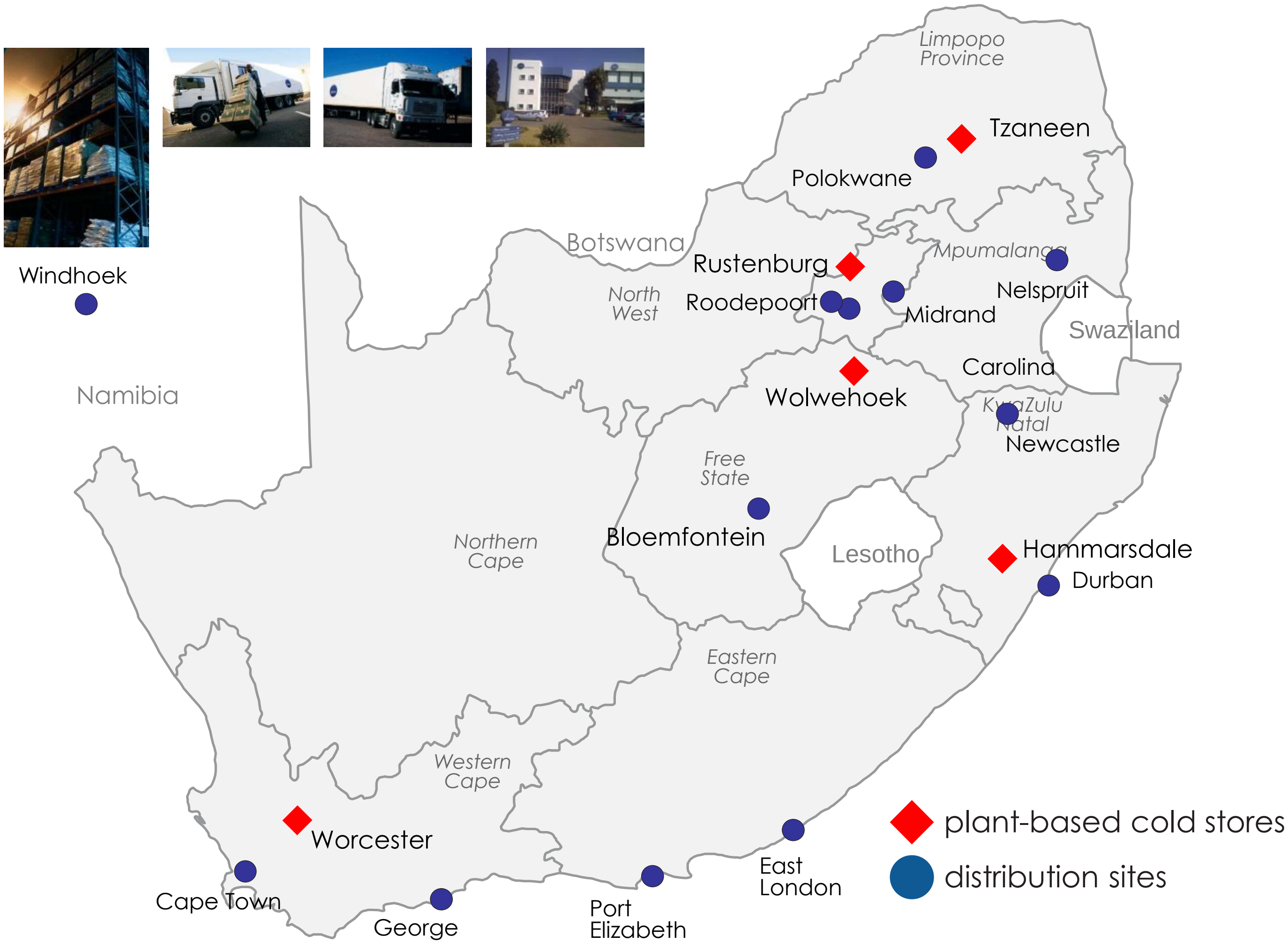
Operational review – TSB

Royal Swaziland Corporation | 27.42% Shareholding

RSSC Key Parameters	Metric	2014/15 season
Area harvested	Ha	19 566
Cane – Estate	Tons	2 115 390
Cane – Outgrowers	Tons	1 390 319
Cane total	Tons	3 505 709
Sugar 96 Pol	Tons	471 208
Ethanol	Litres	30 518 000

Operational review – Vector

Infrastructure



Vector infrastructure

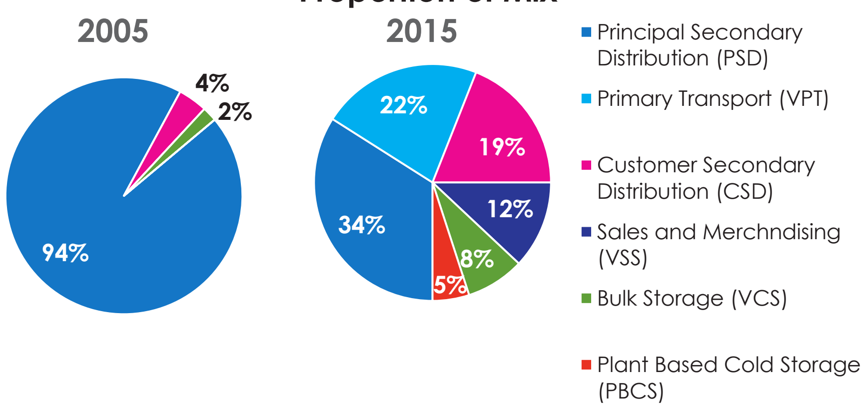
- National footprint including Windhoek
  - 5 plant-based cold stores
  - 16 distribution sites
  - Capacity 106 424 pallets
  - Employees 4 541
  - Customer Drop Points 7 000
  - 235 000 cases delivered daily (61m cases pa)
  - Tonnage 632 000 tons pa
  - Fleet of 392 vehicles (primary 120 / secondary 372)
  - ISO 22000 and ISO 22002 accreditation for all Warehouses
  - ISO 14001 and OHSAS 18001 across Peninsula, Midrand, Thekwini and Roodepoort

Operational review – Vector

Services

Manufacturers (PBCS)	Primary Warehousing (VCS)	Primary Transport (VPT)	Principal Secondary Distribution (PSD)	Customer Secondary Distribution (CSD)	Trade Solutions (VTS)	Credit & Information Management
2008 Plant Based Cold Stores	2002 Primary Warehousing	2007 Primary Transport	1966 Secondary Warehousing & Transport	2001 Secondary Warehousing & Transport	2004 call centres, sales and merchandising 2015 second structure	2001 Debtors and information management

Proportion of Mix



In December 2004 Rainbow acquired the Vector business which comprised 94% Principal Secondary Distribution; Since then:

- Vector manages the entire Rainbow Outbound Supply Chain
- Vector now offers a fully integrated and cost effective outbound supply chain to customers and principals
- The business is more balanced and diversified with service offerings covering the full outbound supply chain

Operational review – Vector

Customers

Customer Secondary Distribution (CSD)

- Vector is contracted by the customer to deliver their full basket of products directly to the outlets

Principals

Principal Secondary Distribution (PSD)

- Vector is contracted by the principal to deliver to all retailers, wholesalers and general trade
- McCain has elected to move just over half of its volume out of the network during the second half of F15. Vector is currently readying the network for the take-on of new business in the second half of F15