2020

INVESTOR PRESENTATION
2 MARCH 2020

RESULTS FOR THE SIX MONTHS ENDED DECEMBER 2019

MILES DALLY

CHIEF EXECUTIVE OFFICER

HEADLINES – RESULTS FOR THE SIX MONTHS ENDED DECEMBER 2019

IMPROVED PERFORMANCE NOTWITHSTANDING A WEAK OPERATING ENVIRONMENT

Continued margin pressure amidst a **weak operating environment**

- **Muted economic growth** and subdued consumer demand
- **Exposed to challenges with state-provided services**, particularly water and electricity, impacting production efficiencies and costs

RCL FOODS **executes next phase in evolution to One Food business with restructure** of Consumer and Sugar & Milling divisions into a single Food division. Platform laid for sharpened strategic focus and synergy

Significant improvement in Sugar off a low base though significant challenges remain in the industry

Continued oversupply in poultry market. Progress in the Chicken industry masterplan, but anti-dumping measures yet to be implemented

Vector Logistics acquires Imperial Logistics South Africa's cold chain business (ICL) and enters into new agreements with a number of previous ICL customers

HEADLINES – RESULTS FOR THE SIX MONTHS ENDED DECEMBER 2019

NEXT PHASE IN EVOLUTION TO ONE FOOD BUSINESS

CONSUMER DIVISION

- CHICKEN
- GROCERY
- PIES
- BEVERAGES
- SPECIALITY

SUGAR & MILLING DIVISION

- MILLBAKE
- SUGAR
- ANIMAL FEED

FOOD DIVISION

- **CHICKEN** – Chicken + Animal Feed (EPOL)
- **GROCERIES** – Grocery + Pies + Beverages
- **BAKING** – Millbake + Speciality
- **SUGAR** – Sugar + Animal Feed (Molatek)

HEADLINES – RESULTS FOR THE SIX MONTHS ENDED DECEMBER 2019

24.1% GROWTH IN UNDERLYING HEADLINE EARNINGS DRIVEN LARGELY BY AN IMPROVED SUGAR RESULT

Revenue up 7.1% driven by good volume growth, particularly in Chicken and Sugar, and pricing improvements in Sugar

Underlying EBITDA up 11.1%

- Significant improvement in Sugar
- Consistent strong performance in Groceries
- Continued market oversupply and agricultural challenges impact Chicken
- Vector Logistics underlying EBITDA impacted by enablement costs of new business (Siqalo Foods and ICL)

Underlying HEPS up 23.8% driven by the improvement in EBITDA. HEPS down 2.7% - negatively impacted by IFRS 9 financial instruments adjustment and adoption of IFRS 16 Leases (with comparative not restated)

Cash generated by operations increased 20.8% driven by improved profitability

REVENUE	R14.2bn	7.1%	↑
EBITDA	R1.17bn	7.7%	↑
Underlying EBITDA	R1.0bn	11.1%	↑
HEPS	53.3c	2.7%	↓
Underlying HEPS	63.0c	23.8%	↑
CASH generated by operations	R842.8m	20.8%	↑

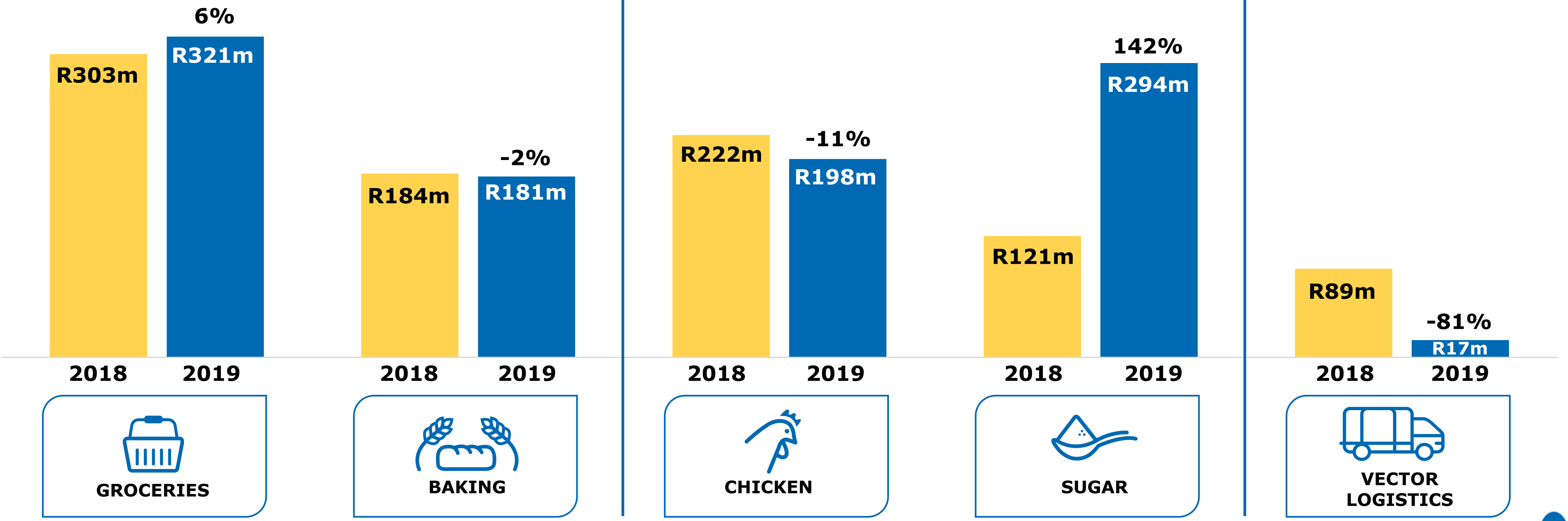
HEADLINES – RESULTS FOR THE SIX MONTHS ENDED DECEMBER 2019

UNDERLYING EBITDA & GROWTH (%) PER BUSINESS UNIT

Groceries continues good growth with strong Pet Food performance and growth of basket ahead of the market. Baking negatively impacted by lower Milling volumes and higher input costs.

Chicken impacted by continued market oversupply and breed/agricultural challenges. Significant improvement in Sugar off a low base, driven by higher market pricing, export volumes and cost savings.

Vector Logistics underlying EBITDA impacted by enablement costs of new business.



HEADLINES – RESULTS FOR THE SIX MONTHS ENDED DECEMBER 2019

Groceries: Sustained growth driven by strong Pet Food performance. Culinary basket grew ahead of the market, albeit volumes challenged by aggressive competitor activity and consumer pressure

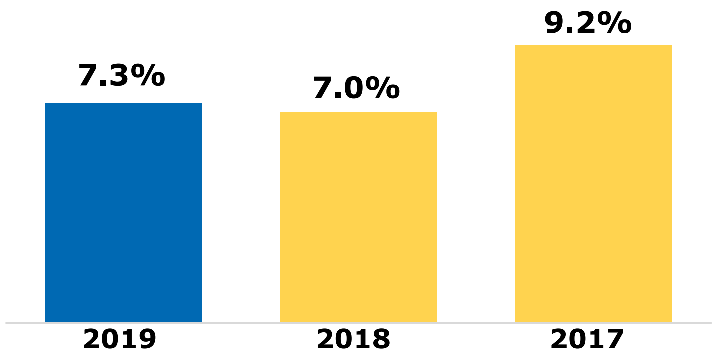
Baking: Milling impacted by lower volumes and rising input costs. Partially offset by a good turn-around in Speciality, benefitting from a well executed business restructure in F19

Chicken: Impacted by market oversupply induced pricing pressure, exacerbated by increased feed costs and agricultural challenges. Good progress on repositioning the business through investing in dedicated teams and revitalising the Rainbow brand, whilst focusing on cost competitiveness and agricultural challenges. Pleasing recovery in viennas and polony with good growth in market share

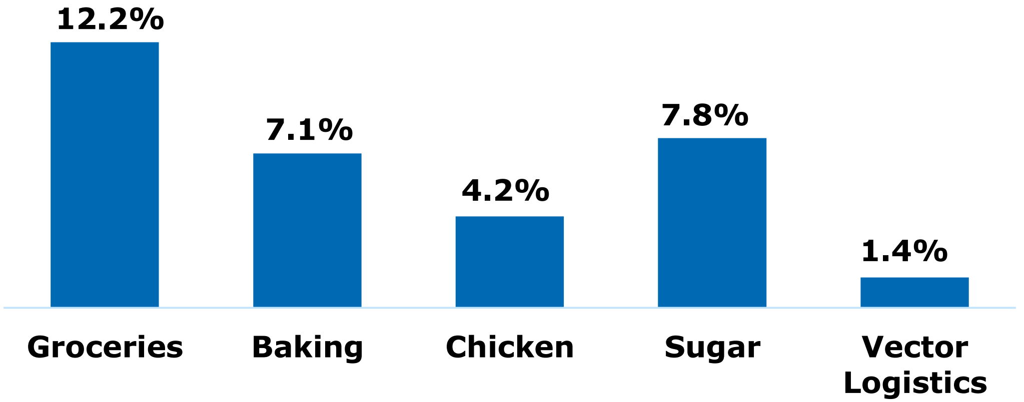
Sugar: Significant improvement in Sugar off a low base, driven by higher market pricing, higher export sales volumes and cost savings. Local volumes negatively impacted by "Sugar tax"

Vector Logistics: Underlying EBITDA impacted by enablement costs of new Imperial Cold chain customers post acquisition in period. Well positioned to synergise "duplicate" networks going forward

UNDERLYING EBITDA MARGIN SUMMARY (DEC)



DECEMBER 2019 UNDERLYING EBITDA MARGIN PER BUSINESS UNIT



HEADLINES – RESULTS FOR THE SIX MONTHS ENDED DECEMBER 2019

RCL FOODS SECURES A MINORITY SHAREHOLDING IN FOODS UNITED INCORPORATED

- **RCL FOODS secures a minority shareholding in Foods United Incorporated -** international entity with founding investor and controlling shareholder Blue Horizon Corporation AG, a leading investor in the plant-based food industry
- Pioneering vision to create a **vertically integrated plant-based food and beverage value chain,** ranging from farm to fork, at scale and at speed with global reach- in partnership with established platforms with demonstrated capability
- Represents good opportunity for RCL FOODS to progress its strategic imperative of **growing through strong brands - in the targeted and fast growing category of plant-based alternatives**
- Increasing demand for healthy, sustainable and responsibly-sourced alternative protein, coupled with RCL FOODS' unique farm-to-fork capability, **positions us well to leverage this opportunity further into the future**

blue horizon

fun foods united

www.bluehorizon.com

ROB FIELD

CHIEF FINANCIAL OFFICER

OPERATING ENVIRONMENT

- **GDP growth remains muted**, with low to negative growth reported over the period. **Food basket growth constrained at 0.3%*** for the industry for the 6 months to December 2019
- **Consumers benefitted from lower inflation rates** and **interest rate cuts,** but **producers' margins under pressure** in a highly competitive market
- **Chicken** imports decline over corresponding period, though **market remains oversupplied** due to **inadequate protection**
- **Local sugar industry remains in crisis** following **Health Promotion Levy (sugar tax)** implementation
- **Negative impact of water supply interruptions and load shedding** on production volumes, driving higher operating costs and inefficiencies

*Source: Ask'd – an independent company that specialises in providing benchmarks that measure industry growth and trends, company performance and consumer dynamics for a defined group, which represents the majority of food manufacturers

FINANCIAL SUMMARY

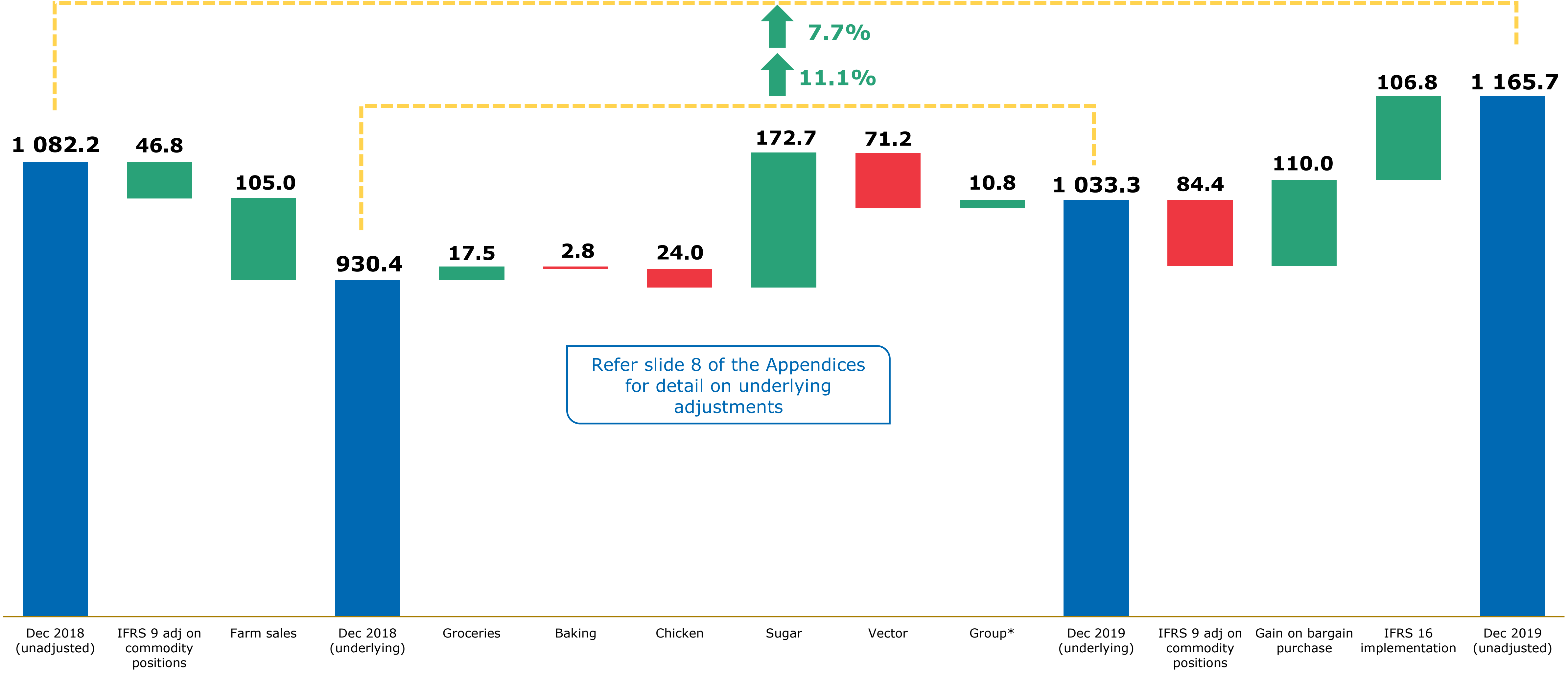
SUGAR IMPROVEMENT DRIVES GAINS IN REVENUE, EBITDA & UNDERLYING HEADLINE EARNINGS

INCOME STATEMENT		DEC 2019	DEC 2018	% VAR
Revenue	Rm	**14 210.2**	13 265.4	7.1
EBITDA	Rm	**1 165.7**	1 082.2	7.7
EBITDA margin	%	**8.2**	8.2	-
Net finance costs	Rm	**196.7**	139.1	41.4
Share of profits of JV's & associates	Rm	**144.4**	154.5	(6.5)
Effective tax rate (excl. JV's & associates)	%	**34.4**	29.1	5.3 ppts
Headline earnings	Rm	**463.6**	475.1	2.4
Headline earnings per share	cents	**53.3**	54.8	2.7
*Underlying headline earnings**	*Rm*	***547.7***	*441.4*	*24.1*
*Underling headline earnings per share**	*cents*	***63.0***	*50.9*	*23.8*
BALANCE SHEET & RATIOS				
Net working capital	Rm	**4 048.5**	3 212.0	26.0
Interest-bearing liabilities (excluding lease liabilities)	Rm	**2 668.2**	2 600.2	2.6
Cash generated by operations	Rm	**842.8**	697.5	20.8
Capex spend (inc. intangibles)	Rm	**437.1**	534.0	(18.1)
Return on invested capital	%	**(0.8)**	7.1	(7.9) ppts
Return on invested capital (excl. acquisition adjustments and Sugar impairment)**	%	**4.4**	11.0	(6.6) ppts
Interim dividend	cents	**15.0**	15.0	-

* Adjusted for material once-offs and accounting adjustments | **Excludes Foodcorp acquisition purchase price allocation for intangible assets, PPE and related amortisation, depreciation and tax as well as Sugar's impairment in H2 of 2019 financial year

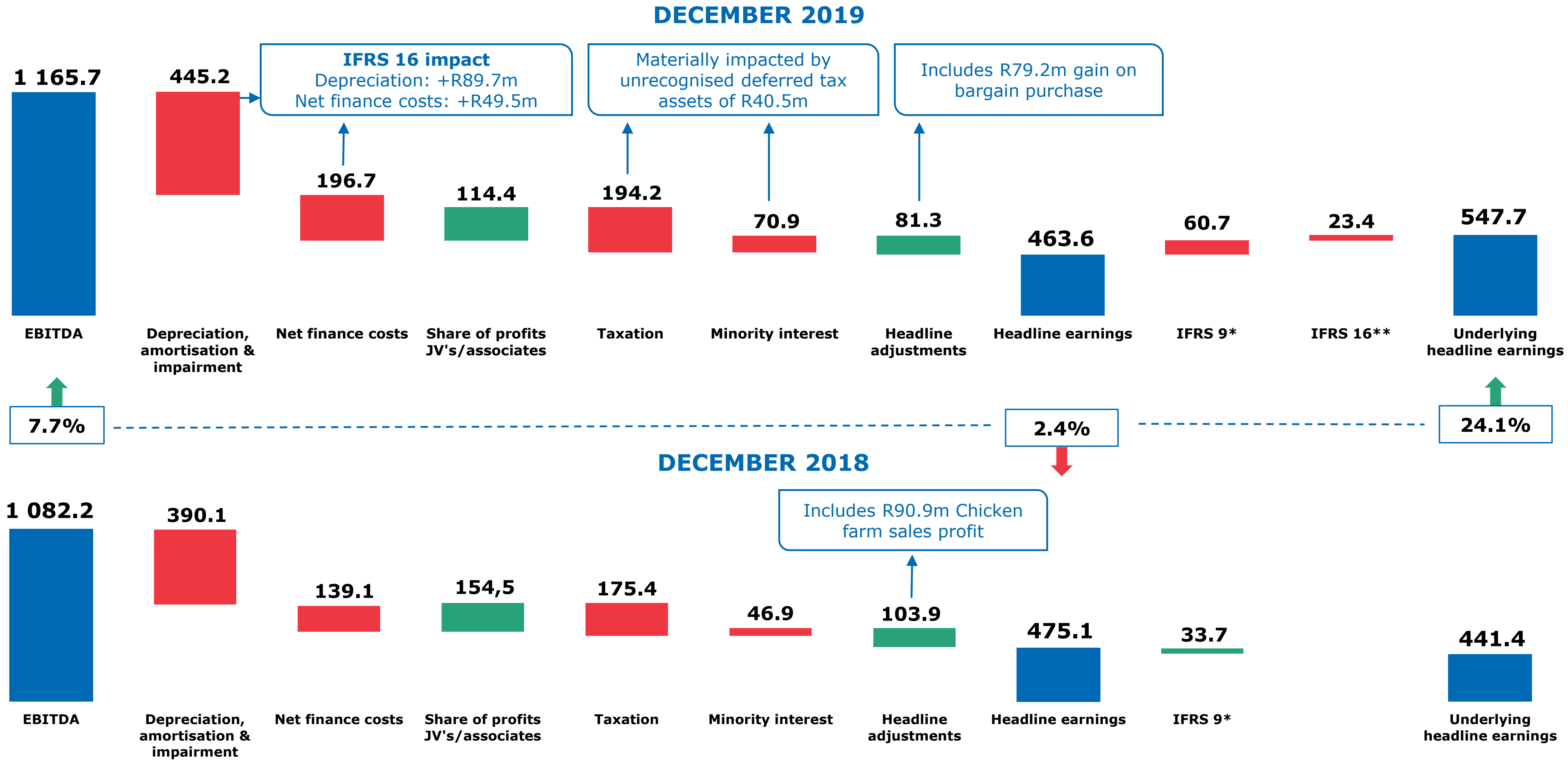
OPERATING RESULTS SUMMARY (Rm)

UNDERLYING EBITDA UP 11.1% DRIVEN BY SUGAR IMPROVEMENT



*Includes the profits of Matzonox (waste-to-value operation) and management fees earned from Siqalo Foods

HEADLINE EARNINGS WATERFALL (Rm)



* Relates to fair value adjustments on the Group's commodity raw material procurement positions. | ** The Group implemented IFRS 16 Leases from 1 July 2019 using the "simplified" transitional approach – without comparatives being restated

OPERATING RESULTS SUMMARY - UNADJUSTED

SEGMENTAL ANALYSIS – REVENUE AND EBITDA

REVENUE (Rm)	DEC 2019	DEC 2018	% VAR
Groceries	**2 637.6**	2 513.4	4.9
Baking	**2 545.9**	2 581.8	(1.4)
Chicken	**4 700.2**	4 486.7	4.8
Sugar	**3 778.1**	3 366.1	12.2
Vector	**1 273.9**	1 076.5	18.3
Group	**73.0**		
Sales between segments	**(798.5)**	(759.1)	
TOTAL	**14 210.2**	13 265.4	7.1

EBITDA (Rm)	DEC 2019	DEC 2018	% VAR
Groceries	**327.6**	337.1	(2.8)
Baking	**183.3**	189.8	(3.4)
Chicken	**134.3**	333.7	(59.8)
Sugar	**306.5**	121.3	152.7
Vector	**171.0**	88.5	93.2
Group	**43.0**	11.8	
TOTAL	**1 165.7**	1 082.2	7.7

EBITDA MARGIN (%)	DEC 2019	DEC 2018	VAR
Groceries	**12.4**	13.4	(1.0)
Baking	**7.2**	7.4	(0.2)
Chicken	**2.9**	7.4	(4.5)
Sugar	**8.1**	3.6	4.5
Vector	**13.4**	8.2	5.2
TOTAL	**8.2**	**8.2**	**-**

OPERATING RESULTS SUMMARY – UNDERLYING EBITDA

EXCLUDING MATERIAL ONCE-OFFS AND ACCOUNTING ADJUSTMENTS, UNDERLYING EBITDA UP 11.1% AND MARGIN IMPROVES 0.3%

UNDERLYING EBITDA (Rm)	DEC 2019	DEC 2018	% VAR
Groceries	**320.5**	303.0	5.8
Baking	**180.8**	183.6	(1.5)
Chicken	**198.1**	222.2	(10.8)
Sugar	**294.0**	121.3	142.4
Vector	**17.3**	88.5	(80.5)
Group	**22.6**	11.8	
TOTAL	**1 033.3**	930.4	11.1

UNDERLYING EBITDA (%)	DEC 2019	DEC 2018	VAR
Groceries	**12.2**	12.1	0.1
Baking	**7.1**	7.1	-
Chicken	**4.2**	5.0	(0.8)
Sugar	**7.8**	3.6	4.2
Vector	**1.4**	8.2	(6.8)
TOTAL	**7.3**	7.0	0.3

CASH FLOW SUMMARY

FREE CASH FLOW UP 45.6% TO R414.0M, DRIVEN BY INCREASE IN PROFITS AND LOWER CAPEX SPEND

Rm	DEC 2019	DEC 2018	% VAR
OPENING BALANCE*	**(110.4)**	1 263.4	(108.7)
Operating profit adjusted for non-cash flow items	**951.3**	827.0	15.0
Working capital changes	**(108.5)**	(129.6)	(16.3)
Capital expenditure	**(437.1)**	(534.0)	(18.1)
Proceeds on disposal of non-current assets and assets held-for-sale	**8.3**	121.0	(93.1)
Free cash flow	***414.0***	***284.4***	***45.6***
Net finance costs paid	**(146.6)**	(141.8)	3.4
Tax refunded/(paid)	**2.7**	(1.0)	370.0
Net dividends paid	**(48.2)**	(194.9)	(75.3)
Term-funded debt repayment		(502.0)	
(Payments**)/advances on other interest-bearing liabilities	**(65.9)**	23.8	(376.9)
Acquisitions	**110.0**	(101.5)	208.3
Other	**(8.5)**	7.2	(218.1)
Total cash movement for the period	***257.5***	***(625.9)***	***141.1***
CLOSING BALANCE*	**147.1**	637.5	(76.9)

*Net of overdrafts | ** Current period includes R106.8m related to payments on lease liabilities that would have been disclosed as part of operating profit prior to the IFRS 16 implementation

WORKING CAPITAL

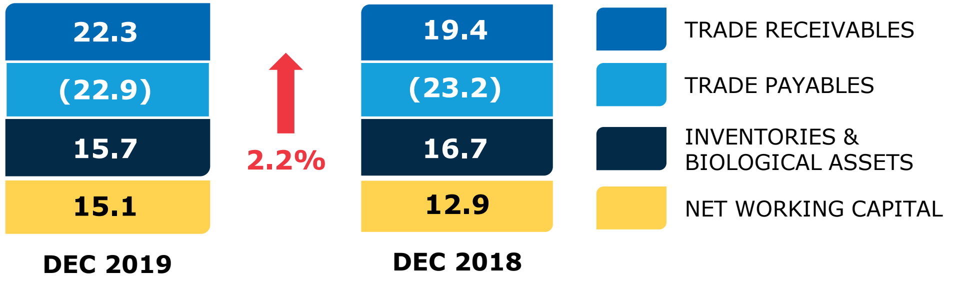
WORKING CAPITAL UP 26.0%, DRIVEN BY HIGHER RECEIVABLES

WORKING CAPITAL (Rm)	DEC 2019	DEC 2018	% VAR
Trade and other receivables	**5 985.6**	4 834.1	23.8
Inventories	**3 464.4**	3 478.4	(0.4)
Biological assets	**744.4**	697.4	6.7
Trade and other payables	**(6 145.9)**	(5 797.9)	6.0
Net	**4 048.5**	3 212.0	**26.0**

WORKING CAPITAL DAYS	DEC 2019	DEC 2018	VAR DAYS
Receivables days	**81**	71	10
Stock days	**75**	81	(6)
Payables days	**(109)**	(113)	(4)
Net	**47**	39	8
*Adjusted debtors days**	***44***	*44*	-

*Trade and other receivables include other receivables and prepayments of R816.7m (Dec 2018: R942.4m). Adjusted debtors days calculates the days off trade debtors only, and is based on the gross sales value made by Vector instead of the net revenue disclosed for accounting purposes, and has been adjusted to include a full 12 months of sales relating to the ICL new customers taken on 1 December 2019.

NET WORKING CAPITAL AS A % OF REVENUE



Net working capital has increased R836.5m (26.0%) and by 2.2% of revenue over the prior year. The increase was mainly due to a R1 151,5m increase in trade and other receivables, partially offset by a R348,0m increase in trade and other payables

The timing of the period end cut-off had a significant impact on receipts and payments and resulted in inflated trade receivables and trade payables in both years. On a net basis, the increase of R803.5m in trade and other receivables and payables was largely due to factors which arose in the 2019 financial year:

- The take-on of Siqalo Foods into the Vector principal network, which resulted in a net R399.0m increase in receivables
- A lower annual receipt of funding at the end of sugar industry season in March 2019 which reduced trade and other payables (R181.0m lower balance at December 2019);
- The prior year including the R62.0m retrenchment provision related to the exit from the Speciality prepared lines which was settled in the second half of the 2019 financial year; and
- R70.0m in proceeds receivable related to the Speciality prepared lines disposal included in the current December 2019 trade and other receivables balance

Biological assets increased R47.0m due to higher costs of day-old chicks and feed costs driving a higher valuation of live birds in Chicken

CAPITAL EXPENDITURE

CONTROLLED CAPEX SPEND, DOWN R96.9m

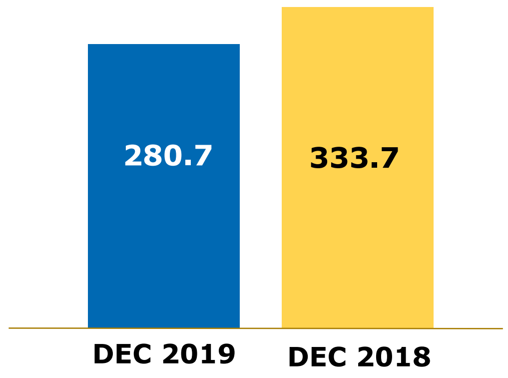
Capital expenditure (including intangibles) was **R437.1m** (Dec 2018: R534.0m)

Major spend items in the current period included:
- Construction of the Rustenburg waste-to-value plant which forms part of the Group's overall sustainability strategy (R100.6m);
- Expansion of the Pies production lines (R34.7m); and
- Investments in the Milling operations to support future growth (R18.9m)

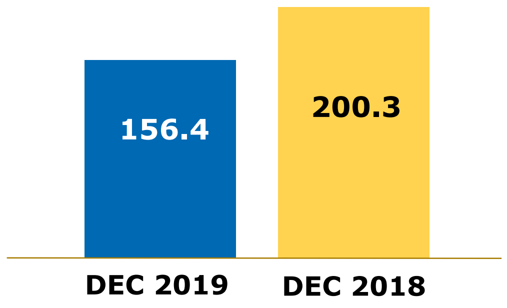
Capital commitments of **R887.7m** (Dec 2018: R829.9m)

Major items included in these amounts relate to:
- Spend required to optimise the Vector network post the acquisition of the ICL cold chain business (R265.5m);
- Completion of the Rustenburg waste-to-value plant and integration with the Rustenburg operations (R78.4m); and
- Further investments in the Milling operations (R55.5m)

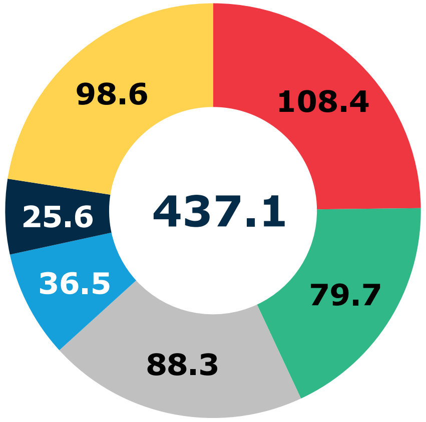
EXPANSION (Rm)



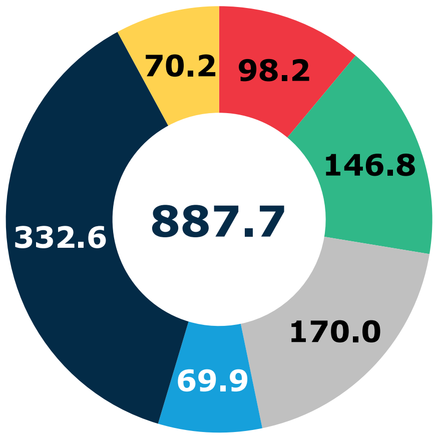
REPLACEMENT (Rm)



CAPITAL EXPENDITURE BY SEGMENT (Rm)



CAPITAL COMMITMENTS BY SEGMENT (Rm)



Groceries Baking Chicken Sugar Vector Group

DEBT PACKAGE

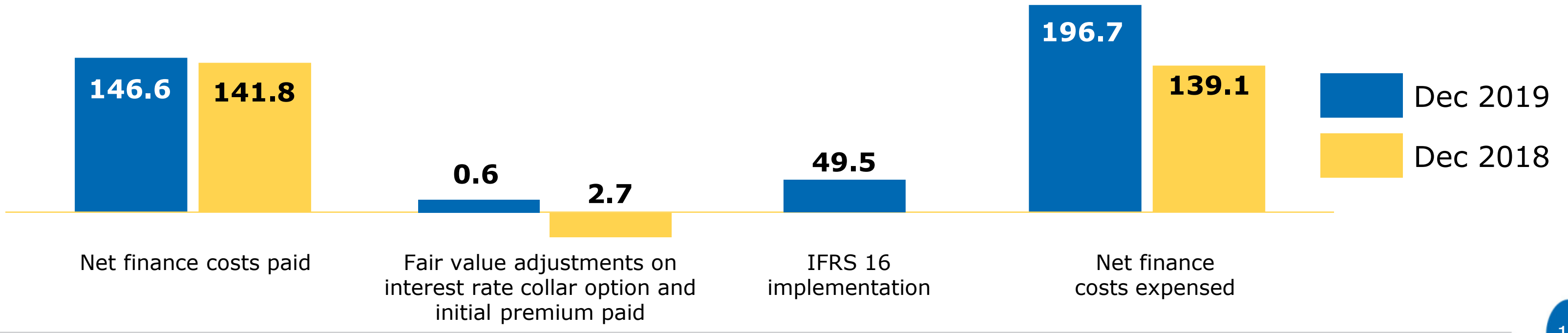
DEBT PACKAGE RESTRUCTURED IN DECEMBER 2018 AT LOWER INTEREST RATES
INTEREST RATE OF 3M JIBAR + MARGIN OF 1.5% TO 1.55% OVER 5 YEAR TERM

TERM	VALUE (Rm)	YEAR 1 (DEC 19)*	YEAR 2 (DEC 20)	YEAR 3 (DEC 21)	YEAR 4 (DEC 22)**	YEAR 5 (DEC 23)
5 year	837.50					
	RCF[1]: 837.50					
4 year	281.25					
	RCF: 281.25					
3 year	56.25					
	RCF: 56.25					
TOTAL	**2 350**					
Hedged %		**75%**	**75%**	**75%**	**75%**	**0%**

- Hedged 3M JIBAR (collar with a 7.0% floor & 8.5% cap)
- Unhedged
- Partial hedge (50%)

* Hedge commenced 1 April 2019
** Hedge ends 31 March 2022

NET FINANCE COSTS (Rm)



[1]Revolving credit facility

DEBT COVENANTS

RCL FOODS REMAINS WELL WITHIN COVENANT REQUIREMENTS

Required covenant ratios were revised on restructuring of the debt package in December 2018

COVENANT	REQUIRED	DEC 2019	JUNE 2019	DEC 2018
Senior leverage ratio (Net senior debt*/pre-IFRS 9 commodity adjustments HEBITDA)	<3.0	1.7	2.3	1.3
Senior interest cover ratio (pre-IFRS 9 commodity adjustments HEBITDA/senior net finance charges**)	>3.5	7.0	4.8	6.6

Covenant met Covenant breached

The restructured debt package has simplified compliance requirements and offers greater flexibility for borrowings

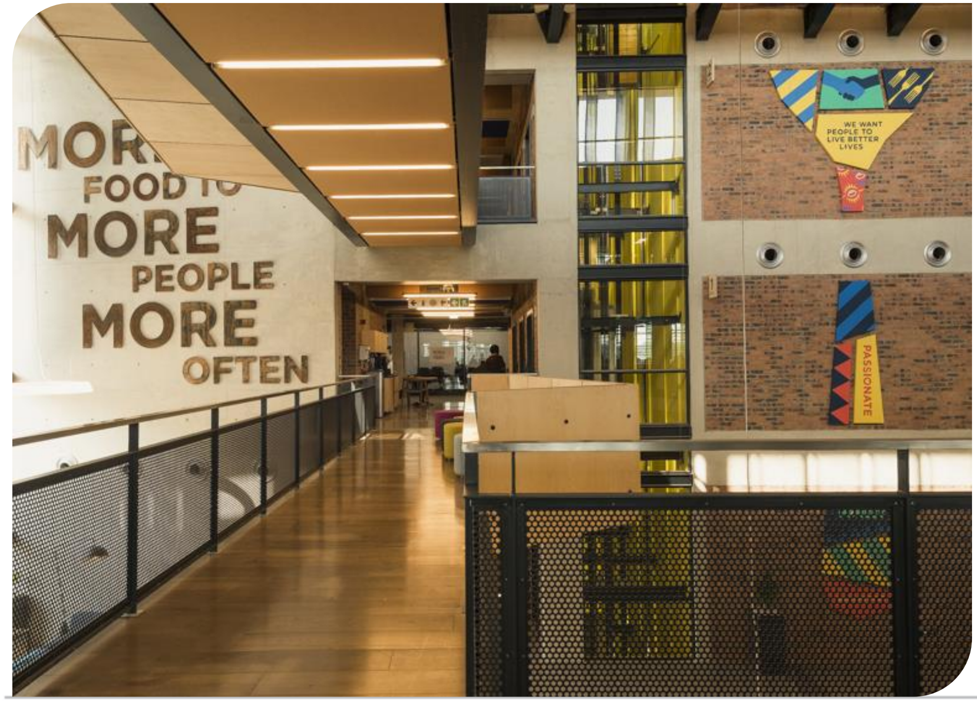
- Covenant requirements are fixed at 3.0 for the leverage ratio and 3.5 for the interest cover ratio over the entire 5-year term of the package
- The current package offers greater flexibility with respect to additional debt requirements. The Group has no external restrictions or limits for taking on additional subordinated unsecured debt should it be required, subject to compliance with the above covenants
- The required covenants per the term-funded debt agreement were set before the adoption of IFRS 16. As a result, the covenant calculations exclude the impact of IFRS 16

*Net senior debt: Total unsubordinated debt less cash and cash equivalents | **Senior net finance charges: Finance charges on unsubordinated debt less interest income

IMPACT OF IFRS 16

THE GROUP ADOPTED IFRS 16 'LEASES' USING THE "SIMPLIFIED" RESTATEMENT APPROACH. AS A RESULT THE DECEMBER 2018 RESULTS WERE NOT RESTATED

The table illustrates the impact on IFRS 16 on the December 2019 results



Rm	INCREASE/(DECREASE)
INCOME STATEMENT	
EBITDA	106.8
Depreciation and Amortisation	89.7
EBIT	17.1
Net finance costs	49.5
Profit before tax	(32.4)
Taxation expense	(9.0)
Profit after tax	(23.4)
Headline earnings	(23.4)
BALANCE SHEET	
Property, plant & equipment (ROU asset)	1 459.4
Deferred tax asset	4.4
Lease liabilities	1 525.5
Deferred tax liability	(6.2)
INVESTED CAPITAL	**1 470.0**
RETURN ON INVESTED CAPITAL (%)	**(0.3)**

PAUL CRUICKSHANK

FOOD DIVISION

CHIEF OPERATING OFFICER

OPERATIONAL REVIEW : FOOD DIVISION

REVENUE (Rm)	DEC 2019	DEC 2018	% VAR
Groceries	**2 637.6**	2 513.4	4.9
Baking	**2 545.9**	2 581.8	(1.4)
Chicken	**4 700.2**	4 486.7	4.8
Sugar	**3 778.1**	3 366.1	12.2
FOOD DIVISION SUB TOTAL	**13 661.8**	12 948.0	5.5
Vector	**1 273.9**	1 076.5	18.3
Group	**73.0**		
Sales between segments	**(798.5)**	(759.1)	
TOTAL	**14 210.2**	13 265.4	7.1
EBITDA (Rm)			
Groceries	**327.6**	337.1	(2.8)
Baking	**183.3**	189.8	(3.4)
Chicken	**134.3**	333.7	(59.8)
Sugar	**306.5**	121.3	152.7
FOOD DIVISION SUB TOTAL	**951.7**	981.9	(3.1)
Vector	**171.0**	88.5	93.2
Group	**43.0**	11.8	
TOTAL	**1 165.7**	1 082.2	7.7

OUR WINS FOR THE PERIOD

- **Organisational design** and **senior management restructure** complete
- **Overhead growth below inflation**
- **Load shedding** and **water supply challenges well managed**
- **Cost savings** in Sugar **delivered**
- Innovation and **channel** expansion **delivered a good Pet Food result**
- Chicken Agric **KPI focus gaining traction**
- **Speciality operating model redesign delivers** in line with expectation
- Flour **mill production process improved**
- **Diversification** of Chicken **customer base progressing well**

GROCERIES

OPERATIONAL REVIEW : FOOD DIVISION - GROCERIES

UNDERLYING EBITDA RESULT OF R320.5m, UP 5.8% ON LAST YEAR DRIVEN BY STRONG PET FOOD PERFORMANCE AND OPERATIONAL EXCELLENCE

GROCERIES	DEC 2019	DEC 2018	% VAR
REVENUE	**2 637.6**	2 513.4	4.9
Revenue excluding sundry sales	2 352.8	2 232.9	5.4
Sundry sales	284.8	280.5	1.5
EBITDA	327.6	337.1	(2.8)
*EBITDA margin %**	*13.9*	*15.1*	(1.2)
Underlying adjustments:			
IFRS 9 commodity adjustments	(5.0)	(34.1)	
Impact of implementation of IFRS 16	(2.1)		
UNDERLYING EBITDA	**320.5**	**303.0**	5.8
*Underlying EBITDA margin %**	***13.6***	*13.6*	

HEADLINES

- Despite a challenging trading environment, Groceries reflected strong volume growth within the Pet Food operating unit
- This together with tight cost control drove a pleasing underlying EBITDA growth of 5.8%

*Margin calculated on revenue excluding sundry sales

OPERATIONAL REVIEW : FOOD DIVISION - GROCERIES

GROCERY : CULINARY

- Our basket of **leading brands** came **under pressure** in the period under review due to **fierce competitor pricing** activity and **cheaper imported alternatives**

- The failure of the local peanut crop has resulted in a **significant increase in the price of peanuts** which has slowed demand. The business also faces pressure from **imported peanut butter** which **does not** currently **attract duties**, whilst raw peanuts do

- The business expects a **challenging year ahead** with **margins** potentially coming **under pressure** in order to protect volumes

- In addition to exciting innovation and range extensions, we leveraged our market leading **Rainbow brand** into the **Spices category,** laying the **foundation for future growth** in the Groceries portfolio

MARKET SHARE (VOLUME)	6mm Dec 2018	6mm Dec 2019
NOLA	50.9%	41.6%
"YUM YUM"	34.1%	26.1%
OUMA	46.5%	44.4%

Source : Aztec

OPERATIONAL REVIEW : FOOD DIVISION - GROCERIES

GROCERY : PET FOOD

- Our innovative technology in the **pet food** sector has enabled us to deliver **strong market share growth** across all our major brands through differentiating innovation, with total pet food **volumes up 15.1%** for the period
- Highlights for the period have been the Canine Cuisine specialised diet extensions, Ultra Cat and Catmor 2 in 1 Plus launches coupled with Optimizor's launch through a new Co-op distribution channel
- Despite substantial inroads already made, there is still **considerable opportunity** to **expand** RCL FOODS **footprint in this sector** going forward

MARKET SHARE (VOLUME)	6mm Dec 2018	6mm Dec 2019
Bobtail	33.4%	34.8%
Canine Cuisine	26.3%	33.7%
Feline Cuisine	10.3%	13.4%
catmor	61.6%	65.5%

Source : Aztec

OPERATIONAL REVIEW : FOOD DIVISION - GROCERIES

PIES

- **Well controlled costs** drove a **good Pies result** despite growing pressure on sales volumes which was further exacerbated by the inability to service baked pie demand in full post the Bakery fire in September 2018
- Our **baked pies** were however **relaunched in November** and the range has been well received
- Going forward we will be expanding our portfolio by driving further **exciting innovation** into the market **through the expansion** of our Pies **manufacturing facilities**

BEVERAGES

- **Water supply outages,** service level challenges **and increased competition** through new brands **adversely impacted** the **Beverages result**
- The business responded to the volume challenge by launching **new packaging extensions** in both our **Yogoboost** and Mnandi range during the period
- Despite short term measures taken to stem volume declines, the business is **reviewing it's longer term strategy** with specific focus on its core brands

BAKING

OPERATIONAL REVIEW : FOOD DIVISION - BAKING

UNDERLYING EBITDA OF R180.8m, DOWN 1.5% ON LAST YEAR MAINLY DUE TO VOLUME AND MARGIN PRESSURE IN MOST CATEGORIES

BAKING	DEC 2019	DEC 2018	% VAR
REVENUE	**2 545.9**	2 581.8	(1.4)
EBITDA	183.3	189.8	(3.4)
EBITDA margin %	*7.2*	*7.4*	(0.2)
Underlying adjustments:			
IFRS 9 commodity adjustments	5.3	(6.2)	
Impact of implementation of IFRS 16	(7.8)		
UNDERLYING EBITDA	**180.8**	**183.6**	(1.5)
Underlying EBITDA margin %	***7.1***	*7.1*	

HEADLINES

- Volume and margin challenges faced in Bread and Milling offset to a degree by a strong Speciality performance
- Margin declines were largely a result of our inability to recover cost push through price increases in a highly competitive market

OPERATIONAL REVIEW : FOOD DIVISION - BAKING

SPECIALITY

- Having disposed of the prepared category lines in the previous financial year, our Speciality operation has been **moved out of Groceries** and into the Baking business unit, **focusing exclusively** on the **Bakery category**
- A **clearer strategy** coupled with **tight cost control and operating efficiencies** has driven a **pleasing result** for the six months

MILLING

- Milling's result was **negatively impacted** by **lower volumes** on **maize** and related by-products, **premix margin erosion** as a result of inability to land price increases coupled with **higher production costs**
- In response to the volume decline on Maize we launched 5 Star Super Maize Meal which is aimed at **penetrating the Gauteng region** as well as focusing on **driving our popular Safari Braaipap**

OPERATIONAL REVIEW : FOOD DIVISION - BAKING

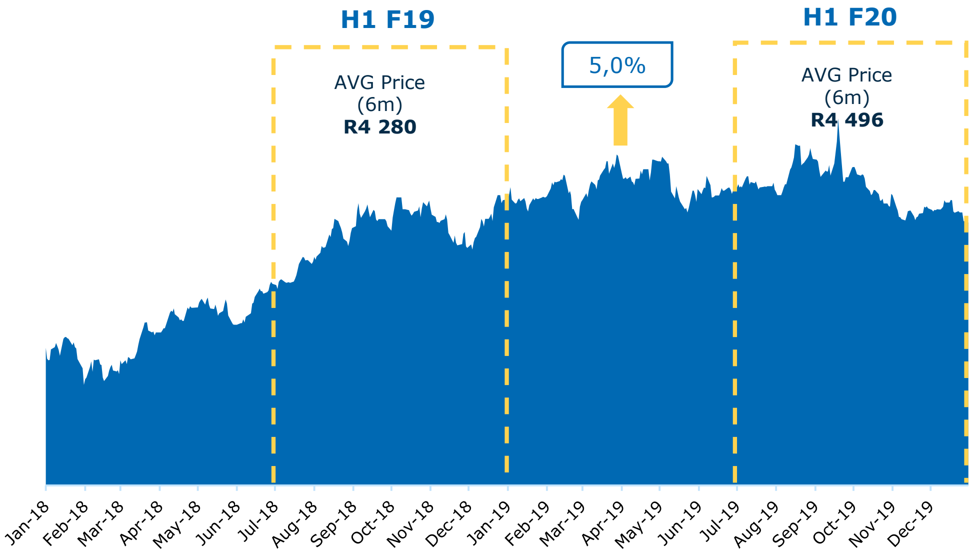
MILLING continued

- Flour mill **production reliability has improved** substantially although this remains a longer term focus area

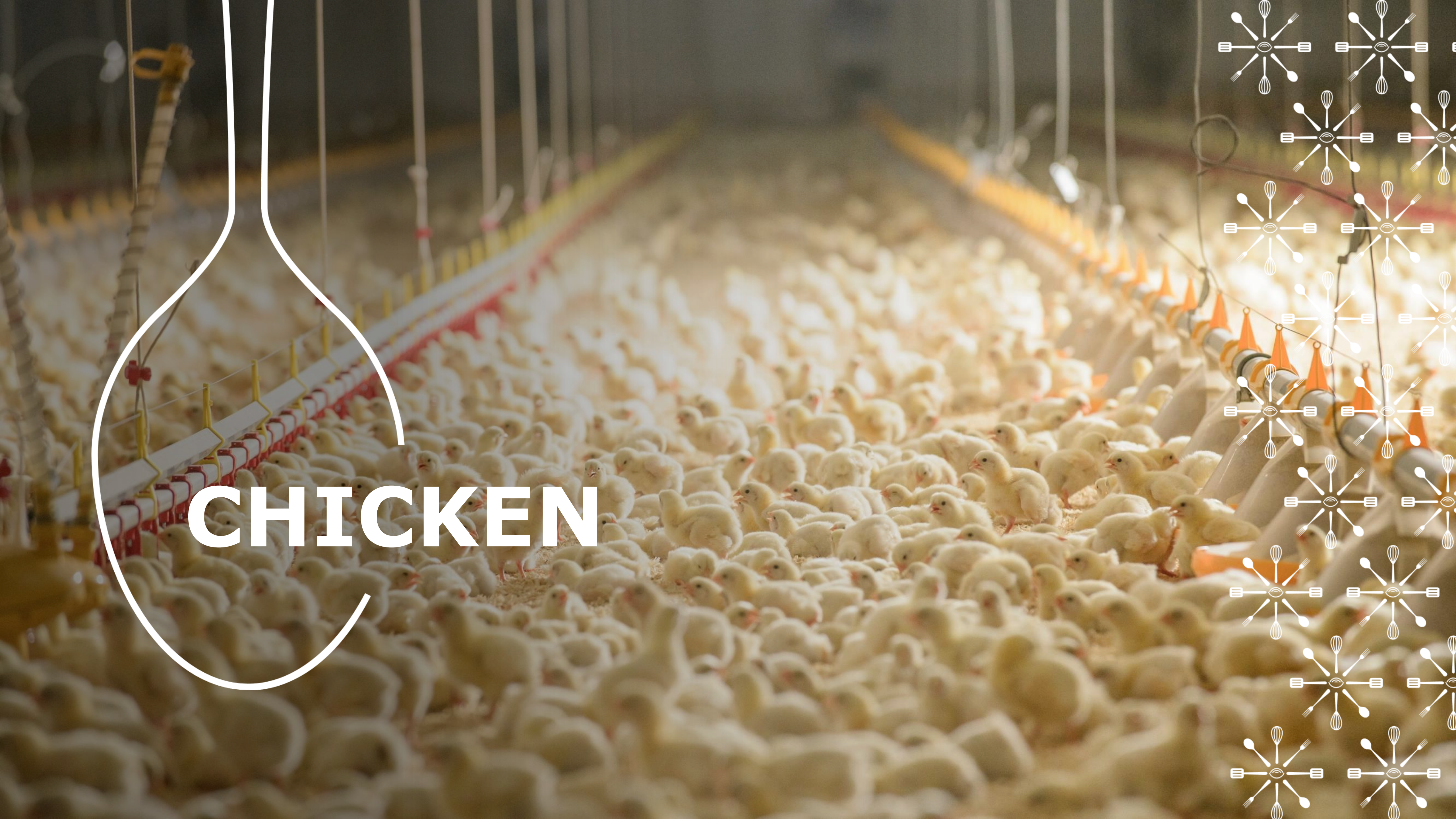
BREAD, BUNS AND ROLLS

- The Bread, Buns and Rolls category experienced **volume growth** in the **first quarter** of the financial year, but has **slowed more recently** due to **fierce price competition** across the market
- As a result, our **inability to fully recover input cost growth** through price increases, has placed **pressure on margins**
- In addition, our **Gauteng bakeries** have been **under pressure** due to **operational challenges** and **increased competitor activity,** and will be a critical focus area going forward

SAFEX WHEAT PRICE (R/Ton)



Source : Reuters


CHICKEN

OPERATIONAL REVIEW: FOOD DIVISION - CHICKEN

PRICING PRESSURE STEMMING FROM SUSTAINED MARKET OVERSUPPLY, RISING FEED COSTS AND AGRICULTURAL CHALLENGES, DRIVES A 10.8% DECLINE IN UNDERLYING EBITDA

CHICKEN	DEC 2019	DEC 2018	% VAR
REVENUE	**4 700.2**	4 486.7	4.8
Revenue excluding sundry sales	4 553.7	4 305.4	5.8
Sundry sales	146.5	181.3	(19.2)
EBITDA	134.3	333.7	(59.8)
*EBITDA margin %**	*2.9*	*7.8*	(4.9)
Underlying adjustments:			
IFRS 9 commodity adjustments	84.1	(6.5)	
Impact of implementation of IFRS 16	(20.3)		
Farm sales		(105.0)	
UNDERLYING EBITDA	**198.1**	**222.2**	(10.8)
*Underlying EBITDA margin %**	***4.4***	*5.2*	(0.8)

HEADLINES

- Continued oversupply in the poultry market due to sustained high levels of dumped imports placed selling prices under pressure in the retail/wholesale channel
- This was further exacerbated by lower volumes in the Food Partners' channel
- Feed pricing at continued high levels and agricultural challenges have negatively impacted our cost base

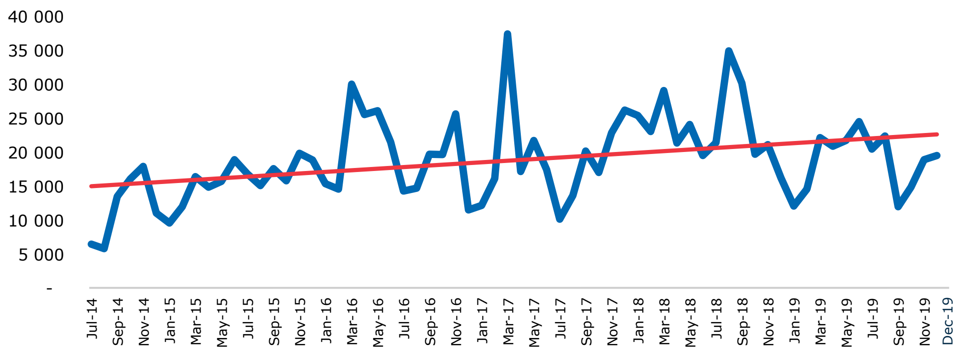
*Margin calculated on revenue excluding sundry sales

OPERATIONAL REVIEW: FOOD DIVISION - CHICKEN

CHICKEN

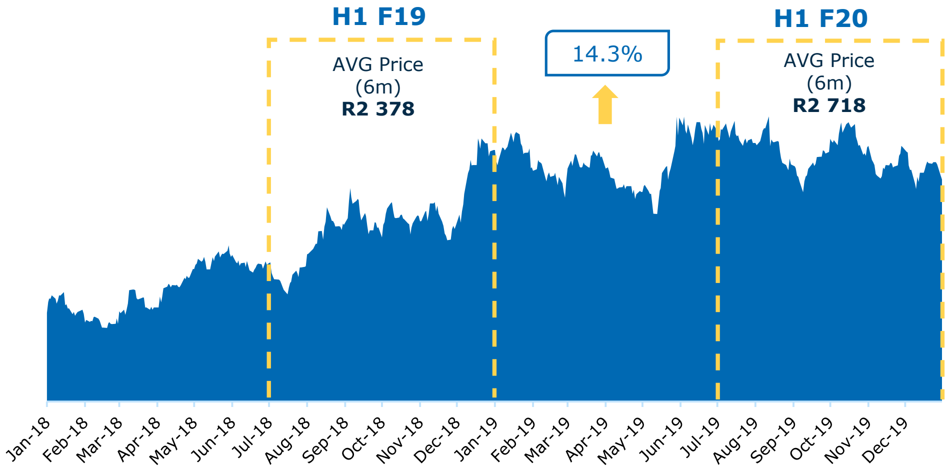
- **Volume reduction in recent years** has **negatively impacted** on **cost** absorption and **efficiencies** which prompted a review of the business strategy
- The operating unit is **focused on repositioning the business** across a range of initiatives
- Some of these include a **revitalisation of the Rainbow brand**, increasing **focus on cost competitiveness**, **addressing ongoing challenges in the agricultural space**, including the Cobb breed performance, as well as **strengthening our regional production** and **sales capability**
- In addition, we **remain supportive** of the industry's **"Chicken Master Plan"** which aims to contain **imports (still at high levels),** stimulate consumption of locally produced chicken and drive exports
- **New season maize prices** are **expected** to **reduce significantly** following a good planting season which could present welcome relief to an industry under immense pressure

IMPORTS : BONE-IN PORTIONS - TONS PER MONTH



Source : SAPA

SAFEX YELLOW MAIZE PRICE (R/Ton)



Source : Reuters

OPERATIONAL REVIEW: FOOD DIVISION - CHICKEN

CHICKEN continued

In our Added Value Retail category, the reintroduction of **viennas and polony** has prompted a **strong recovery in market share** and the new Simply Chicken ranges have been well received

ANIMAL FEED

The **recent restructure** has combined the grain-based animal feeds operations with Chicken which will **assist in driving alignment** with **Chicken's strategy** by delivering the lowest cost bird to the processing facilities

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Despite lower volumes, the business **focused on delivering price growth and optimising mix** which delivered a **strong result**

SUGAR

OPERATIONAL REVIEW: FOOD DIVISION - SUGAR

SUGAR IMPROVES ON THE BACK OF HIGHER MARKET PRICING AND COST CONTROL, UNDERLYING EBITDA UP 142.4% TO R294.0m

SUGAR	DEC 2019	DEC 2018	% VAR
REVENUE	**3 778.1**	3 366.1	12.2
EBITDA	306.5	121.3	152.6
EBITDA margin %	*8.1*	*3.6*	4.5
Underlying adjustments:			
Impact of implementation of IFRS 16	(12.5)		
UNDERLYING EBITDA	**294.0**	**121.3**	142.4
Underlying EBITDA margin %	***7.8***	*3.6*	4.2

HEADLINES

- Sugar delivered a substantially improved result, benefitting from higher raw export sales, a local market price increase as well as improved cost control
- Whilst there has been improvement, albeit off a low base, significant challenges remain in the industry

OPERATIONAL REVIEW: FOOD DIVISION - SUGAR

SUGAR

- The **local sugar industry** remains in **severe distress** due to long term **structural supply-demand imbalances** which were further exacerbated by the high level of imports in the prior year
- Whilst we have seen **some improvement, local demand remains muted** due to cash strapped consumers who were unable to absorb a price increase of 6.5% in November 2019 after a 19.5% increase in September 2018
- **Declines in consumption** were also brought about by the implementation of the **Health Promotion Levy (sugar tax)** which has necessitated a **sales mix shift** towards **lower margin raw export markets**
- Our goal has been to manage what is within our control, with particular **focus on reducing production costs and improving efficiencies,** both of which gained traction in the period
- RCL FOODS **supports** the development of a **sugar industry master plan** and therefore is working with all industry role players to review the sugar operating model to further reduce industry costs and find a longer term sustainable solution

OPERATIONAL REVIEW : FOOD DIVISION - SUGAR

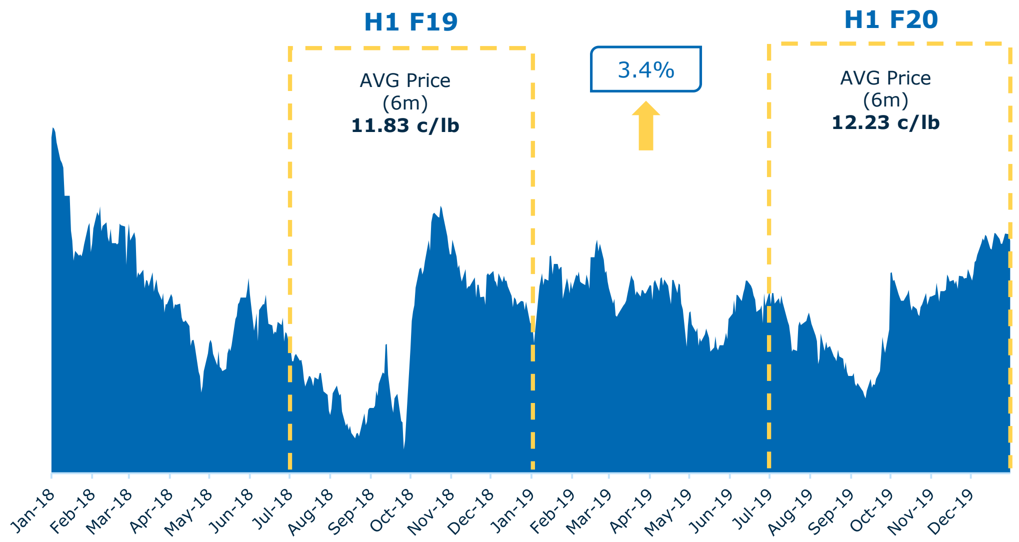
SUGAR continued

- **Diversification** into ethanol fuel and other cane-derived products, as well as other suitable crops is also **being explored** as this would **structurally reduce** the **amount of sugar** produced and assist in right-sizing the industry
- An **increase in world sugar prices** will hopefully benefit the industry in the **medium to longer term** but is unlikely to drive significant upside for the balance of the financial year

MOLATEK

- **High input costs** (particularly Molasses) made it increasingly difficult to fully recover cost push through pricing and as a result **margins came under pressure**
- However, despite lower margins, a shift to a **more favourable sales mix** weighted towards bags instead of bulk formats drove a **pleasing** end **result**

NO.11 WORLD SUGAR PRICE (RAW SUGAR)



Source : Reuters

FOOD DIVISION – KEY PRIORITIES

FOOD DIVISION PRIORITIES FOR SECOND HALF OF F20 FINANCIAL YEAR

STRATEGIC

- **Bed down** Food division **structure**
- Focused **reduction of Agricultural based costs** and increase efficiency (Chicken and Sugar)
- **Deliver on** already **approved investment** in capability and capacity
- Deliver **Sugar Diversification plan**
- **Step change** Gauteng **bakeries performance**
- **Develop** the **Beverage turnaround plan**
- **Revitalise** the **Rainbow brand**

OPERATIONAL

- **Mitigate impact** of electricity and water **utility supply challenges**
- **Support industry masterplan** advancement (Chicken and Sugar)
- Effectively **manage commodity** and **currency volatility**
- **Support innovation plan** and launch
- **Purpose fit cost base** for challenged consumer environment

CHRIS CREED

VECTOR

MANAGING DIRECTOR

OPERATIONAL REVIEW : VECTOR

REVENUE (Rm)	DEC 2019	DEC 2018	% VAR
Groceries	**2 637.6**	2 513.4	4.9
Baking	**2 545.9**	2 581.8	(1.4)
Chicken	**4 700.2**	4 486.7	4.8
Sugar	**3 778.1**	3 366.1	12.2
Food Division Sub Total	**13 661.8**	12 948.0	5.5
VECTOR	**1 273.9**	**1 076.5**	**18.3**
Group	**73.0**		
Sales between segments	**(798.5)**	(759.1)	
Total	**14 210.2**	13 265.4	7.1
EBITDA (Rm)			
Groceries	**327.6**	337.1	(2.8)
Baking	**183.3**	189.8	(3.4)
Chicken	**134.3**	333.7	(59.8)
Sugar	**306.5**	121.3	152.7
Food Division Sub Total	**951.7**	981.9	(3.1)
VECTOR	**171.0**	**88.5**	**93.2**
Group	**43.0**	11.8	
TOTAL	**1 165.7**	1 082.2	7.7

OPERATIONAL REVIEW : VECTOR

WATERSHED YEAR SEES VECTOR WINNING SIGNIFICANT NEW BUSINESS, BUT IMPACTED IN THE SHORT TERM BY INVESTMENT COSTS

VECTOR	DEC 2019	DEC 2018	% VAR
REVENUE	**1 273.9**	1 076.5	18.3
EBITDA	171.0	88.5	93.2
EBITDA margin %	*13.4*	*8.2*	5.2
Underlying adjustments:			
Gain on bargain purchase	(110.0)		
Impact of implementation of IFRS 16	(43.7)		
UNDERLYING EBITDA	**17.3**	**88.5**	(80.5)
Underlying EBITDA margin %	**1.4**	8.2	(6.8)

HEADLINES

- **Pleasing revenue performance** driven by Siqalo new business, the realisation of our customer aligned strategy by being awarded the Shoprite and Massmart frozen supply chain business and the December take-on of new principals
- EBITDA improves, however, **underlying EBITDA down** due to removal of the gain on bargain purchase as a result of acquisition of certain assets and obligations of the Imperial cold chain business (ICL) as well as the impact of IFRS 16 in the current period
- **Significant investment in new capacity and duplicated networks increase cost base in the short term** until integration of the network is achieved
- The **acquisition of ICL** infrastructure has secured a **positive outlook** on the future sustainability of **Vector**

PLEASING NEW BUSINESS IN LINE WITH CUSTOMER STRATEGY

The **customer strategy**, to offset the Chicken restructure, **focused on winning new business and cost optimisation**

The initiative has gained momentum with bolstered revenue performance as a result **of Siqalo new business** as well as having being **awarded** the **Massmart and Shoprite** retailer **frozen** networks, **reaffirming** our **customer aligned strategy**

Significant new principal business, as a **result of** the **integration of the ex ICL business** in December, further boosted revenue performance

CUSTOMER ALIGNED STRATEGY

Spur Steak Ranches – A taste for life | Nando's | Chicken Licken | Pick n Pay | Shoprite group of companies | Massmart

NEW PRINCIPALS

Astral | famous brands – You're in good company | Lancewood | Penny Wise Pies & Pastry | Atlantis Foods Holding | Magpie | Goosebumps Frozen Convenience | McCain | sovereignfoods – full of goodness | Fairview | Grainfield Chickens | Midland Group | Stetsons Butter

SIGNIFICANT INVESTMENT IN CAPACITY

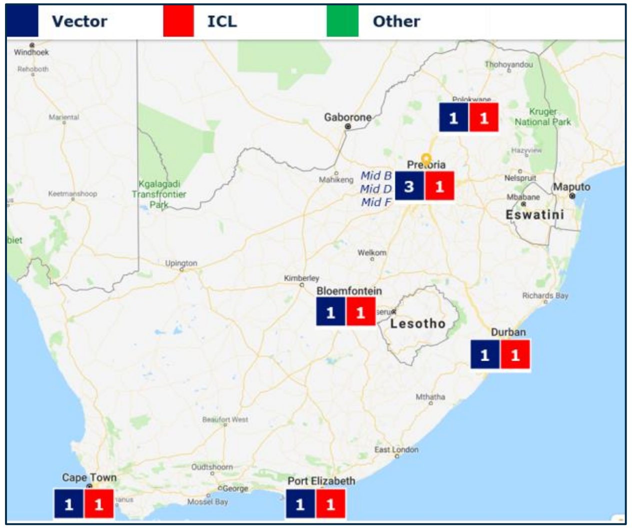
Capacity enablement for the **new business** and the **duplicated network** costs have **added costs** to the network and will continue for the next 9-12 months

The **synergised network**, once bedded down, **will unlock synergies of scale**, a **reduction** in the **cost** base and help **build** a **sustainable model** into the future

VECTOR & ICL SC NETWORK

2 separated networks serviced through:

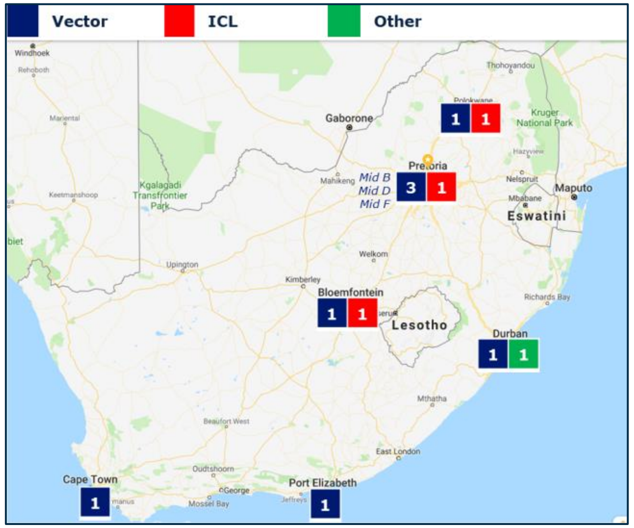
- **19 sites**
- **278+167 = 445 vehicles**



CURRENT
1 Dec 2019 interim consolidation

Semi combined networks serviced through:

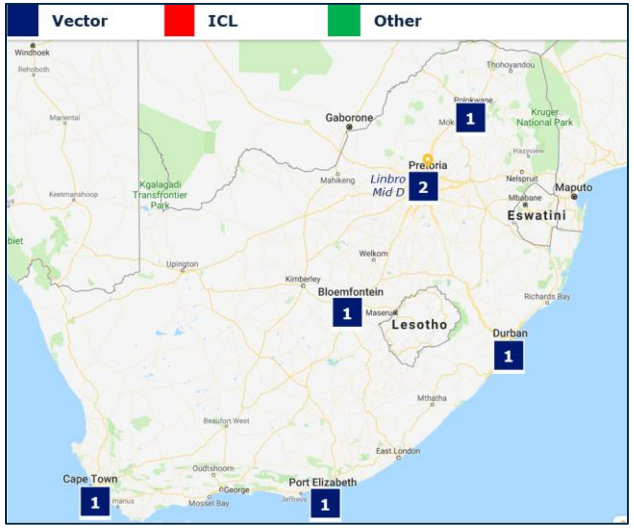
- **15 sites**
- **278+147= 425 vehicles**



FINAL NETWORK

Combined networks serviced through:

- **12 sites**
- **399 vehicles**



VECTOR GOING BEYOND

Growth in "other services" such as Primary Transport and Sales & Merchandising a **focus area** further improving our diversification and customer strategy

Further **leverage of digital platforms** through the investment in "Empty Trips" embedding this as a **foundation for** our **Primary Transport** business

A **positive contribution from our joint venture partners** in Senn Foods (Botswana) and L&A Logistics (Zambia) further enhances our network reach into Africa

In association with Vector Logistics, a Division of Of RCL FOODS Foods Ltd

The **acquisition of ICL** is **expected to deliver positive earnings**

KEY DELIVERABLES

KEY DELIVERABLES: SUSTAINABLE QUALITY OF EARNINGS

Groceries: Deliver brand extensions, capacity and innovation capabilities in progress. Sustain growth potential into the future

Baking: Deliver new category expansion plans and forward integrate Milling. Embed the turn-around in Speciality

Chicken: Deliver on identified opportunities in Agriculture whilst executing the plan to adapt Chicken to shifting market dynamics. Evaluate the impact of the anticipated industry master plan on local markets

Sugar: Amplify turn-around with continued focus on cost optimisation and diversification efforts to deliver a sustainable business model. Industry engagement will continue in parallel to deliver on the Sugar industry master plan

Vector Logistics: Settle new principals and customers enabled by the ICL acquisition. Deliver on significant synergy opportunities on enabling one network into the future

Continue journey of future proofing RCL FOODS:

- **Embed the new single Food division structure.** Maximise on platform created for sharpened intimacy and synergy
- **Maximise investment into plant-based alternatives** to unlock portfolio opportunities of scale into the future
- **Deliver Rustenburg waste-to-value project.** Continue delivery of Energy and Water roadmaps to self-sufficiency

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