PRESS RELEASE

SOLID UNDERLYING GROWTH AND STRONG CASH GENERATION AMIDST COVID-19 PANDEMIC

PERFORMANCE HEADLINES

- Solid revenue growth of 7.4%
- Reported and underlying EBITDA up (7.2% and 12.6% respectively) driven by a pleasing improvement in Sugar
- Strong cash generation
- COVID-19 impact most significant in Chicken and Vector Logistics
- Groceries continues to deliver a robust performance
- Continued stellar performance in the Pet Food category
- Vector Logistics acquires Imperial Logistics' cold chain business, however network consolidation delayed due to pandemic
- Reported earnings distorted by non-cash impairment amidst deteriorating macro-economic outlook

FINANCIAL HIGHLIGHTS

Revenue	R27,8 billion	up 7.4%
EBITDA	R1 636,0 million	up 7.2%
Underlying EBITDA*	R1 510,7 million	up 12.6%
Headline earnings	R114,2 million	down 65.4%
Headline earnings per share	13.0 cents	down 65.7%
Underlying headline earnings*	R450,4 million	up 47.1%
Underlying headline earnings per share*	51.4 cents	up 45.9%
Total dividend per share	25.0 cents	
Cash generated by operations	R 2 571,4 million	up 222.7%

** The underlying view of the results excludes material once-offs and accounting adjustments not comparable to the prior period.*

Durban, 31 August 2020*:* In a period of unprecedented hardship for South African consumers and the local economy, RCL FOODS leveraged the resilience of its diverse portfolio to deliver revenue growth of 7.4% for the twelve months to June 2020, and finished the year in a strong cash position. Underlying headline earnings increased 47.1% to R450,4 million, mainly driven by an improved Sugar result and a robust performance in Groceries. However, reported headline earnings decreased by 65.4% to R114,2 million (2019: R329,5 million), largely due to the material impact of the national COVID-19 lockdown in the last quarter of the financial year. Reported earnings per share were further distorted by a non-cash impairment of R1 506,3 million amidst a deteriorating macro-economic outlook.

The RCL FOODS Board has approved a final dividend per share of 10.0 cents (2019: 10.0 cents).

COVID-19 response and impacts

With the arrival of the COVID-19 pandemic and the associated lockdown in South Africa, RCL FOODS focused on three key imperatives: ensuring its' employees safety as they continued to work as essential service providers, keeping South Africans fed, and maintaining adequate cash and liquidity to sustain its operations.

With stringent additional safety protocols in place, confirmed through multiple successful Government audits at its facilities, the company was able to continue operating uninterrupted at near-normal levels, and order fulfilment ran smoothly despite an unprecedented surge in demand during the initial lockdown. Key to this was the commitment and adaptability of its 21 000 employees, united by a common Passion to provide "More Food to More People, More Often".

An immediate prioritisation of liquidity and a strong focus on cash preservation enabled the Group to operate with sufficient cash reserves to meet all obligations during the lockdown, without added risk or the need for cash injections.

Notwithstanding its mitigation efforts, RCL FOODS' performance was materially impacted by direct COVID-19 on-costs of R266,8 million. The lingering impact of the pandemic throughout the business, coupled with the deteriorating economy, resulted in a significant impairment being declared. The Chicken and Vector Logistics businesses were particularly hard hit by the lockdown due to the closure of Quick Service Restaurants (QSRs) for nearly two months, while Beverages and Pies were affected to a lesser extent, with volume decreases somewhat countered by increased volumes across the rest of the portfolio.

A resilient business

Notwithstanding the material impacts of the COVID-19 pandemic, the resilience of RCL FOODS' diverse portfolio saw cash generation by operations increasing 222.7% versus the prior year.

An improvement in underlying headline earnings was driven by far better results in Sugar, albeit off a low base, coupled with a solid performance in Groceries. These positives were partially offset by a decline in Chicken and Vector Logistics due to the lockdown.

A key factor in the Group's continued growth amidst the pandemic is the recent restructure of its Consumer and Sugar & Milling divisions into a single Food Division with four closely aligned business units (Groceries, Baking, Chicken and Sugar) to create a platform for further synergies, optimal resource allocation and a sharper focus.

"*The new structure was successfully embedded during the latter half of the financial year and quickly proved its worth in the focused and cohesive way in which we were able to manage the COVID-19 onslaught,"* said RCL FOODS CEO, Miles Dally*.*

Aided by its synergised structure, **the Food Division achieved a revenue increase of 6.1% during the period, with underlying EBITDA increasing 19.9%.** The reinvestment of senior talent behind key priorities is also delivering improved insight and accelerating turnaround initiatives in Chicken and Sugar.

Notwithstanding the impact of COVID-19, the **Groceries business unit performed well and made pleasing market share gains, with Pet Food being the star performer.** In a constrained economy, **RCL FOODS' total food staple basket grew 8.5% ahead of the industry** over the 12-month period, while Pet Food, Peanut Butter and Rusks all achieved volume growth. Pies and Beverages were negatively affected during the lockdown due to restrictions on the sale of hot food under level 5, coupled with reduced 'on-the-go' consumption.

In a context of fierce competitor activity, ongoing margin pressure and an oversupplied flour market, the Baking business unit achieved marginally higher revenue driven by increased volumes in Bread, Buns & Rolls – reaching record weekly bread sales of 4,9 million loaves during the lockdown. **While margin challenges in Bread and Milling affected Baking profitability, these were offset by double-digit growth in Speciality**, where a more profitable sales mix, improved efficiencies and volume growth in the ambient cake and bakery lines have contributed to a promising turnaround.

With the successful embedding of a new executive team and focused implementation of a revised strategic plan, **the Chicken business unit has laid the foundation for a turn-around, with agricultural efficiency being a key area of focus. Chicken operations were severely impacted by the closure of restaurants and fast food outlets under the lockdown**, resulting in considerable revenue loss, significantly higher stock holding and an increase in associated costs. Despite measures to reduce production volumes, a significant oversupply arose which has begun to lessen with the reopening of QSRs. Meanwhile, the external Grain-based Feed business improved its performance on the prior year, with good margin improvement.

"*We remain confident in our plans to restore margins to acceptable levels once the demand curve normalises, and we are hopeful that this will be supported through effective implementation of the Poultry Sector Master Plan which aims to stimulate local demand, boost exports and protect the local industry against dumping through trade measures*," the Group said.

The Sugar business unit (which includes the molasses-based Molatek Animal Feed business) delivered a significant improvement in profitability, albeit off a low base, with lower import volumes and increased local retail demand enabling a shift towards higher-priced local sales. The weaker exchange rate shielded the business against some of the decline in the international sugar price. Molatek results were impacted by the substitution of molasses for cheaper energy product, coupled with a reduction in demand post the lockdown.

"W*e have continued to focus on improving the competitiveness of our Sugar business, with the ambition of being the lowest cost producer in South Africa. We have progressed well against our strategy of becoming more operationally efficient and reducing our cost base in Sugar agriculture, while optimising and improving our mix*," said Dally.

Against this backdrop, the Group has commissioned a commercial study into potential diversification opportunities. This aligns with the intent of the new Sugar Industry Master Plan to ensure sustainability by diversifying the value chain into ethanol fuel and other cane-derived products, as well as suitable alternative crops.

For the Group's **Vector Logistics division**, the current financial period has been a watershed year. **Siqalo Foods was successfully taken on** in the first half of the year and the **cold chain business of Imperial Logistics South Africa (ICL) was acquired in the second half, driving pleasing revenue**

and earnings growth. The ICL transaction aligns with Vector Logistics' long-term customer-centric strategy and positions it to become the largest frozen logistics player in South Africa. The ICL assets and employees were successfully onboarded and new agreements with several previous ICL customers were entered during the period; however consolidation of duplicated networks was delayed due to COVID-19. This delay and the increase in costs associated with the ICL take-on contributed to a decline in Vector Logistics' underlying performance; however the greatest impact was the two-month shutdown of its Customer Secondary Distribution (CSD) business due to the closure of most of the food service industry during the lockdown.

Future-proofing the RCL FOODS business

The company has positioned itself to support global growth in plant-based foods through its acquisition of a minority shareholding in the LIVEKINDLY co. in January 2020. The new Swiss-based company, whose portfolio includes the well-known Fry Family Food Co., will partner with RCL FOODS to sell plant-based meat alternatives through its well-established platform. The partnership is also considering ways to extend the opportunity into the rest of Africa.

"*The investment represents a US dollar-based, global opportunity for RCL FOODS to grow its operations by including the targeted category of plant-based alternatives. This will allow us to augment our core Chicken protein offering, providing consumers with more choice and ultimately providing a widely affordable and sustainable protein alternative for a diverse and growing population*," said Dally.

Also contributing to RCL FOODS' resilience is its commitment to becoming an energy self-sufficient, waste-wise and waste-free business. Its newly-completed R330 million waste-to-value plant in Rustenburg produced its first power in June 2020, and will increase the Group's energy self-sufficiency by approximately 22% once fully commissioned. Water-saving initiatives continue to be implemented in the business, and the company has joined the SA Plastics Pact as part of its commitment to becoming waste-free.

Prospects

RCL FOODS expects tough economic conditions to continue, placing considerable pressure on consumers. "*Our primary focus for 2021 will be to reset our operations for growth and complete our portfolio review to lay the foundation for a future-ready portfolio shape that accommodates the post-COVID-19 environment*," said Dally.

COVID-19 impacts will continue to be felt in the Chicken business unit for the first half of the 2021 financial year, owing to its significant stock holding levels and the knock-on revenue impacts of its supply chain relief measures. However its progress with internal strategic initiatives, the confirmation of a higher import tariff and projected lower maize pricing all point to improving resilience in this part of the business. While it remains to be seen whether the revised import tariffs will be effective in stemming the flood of dumped chicken imports, import volumes have already reduced, supported by the devaluation of the Rand.

A price increase in South African sugar is imminent, which should have a further positive impact on Sugar operations. The Group will continue with its sugar diversification plans and pursue resolution of funding challenges in its community-based joint ventures.

"*We welcome the Master Plan proposals for poultry and sugar and are committed to meaningfully contributing to solutions to ensure the future viability of both industries*," the Group said.

Groceries will shift its short-term focus towards a value proposition for consumers and will continue to drive investment in its brands and efficiencies to drive volume and profit growth. Meanwhile, Vector

Logistics should benefit from increased volumes from Siqalo Foods and ICL customers, as well as significant cost reductions post its network synergisation.

"The diversity within our portfolio and the strength of our brands, aided by greater integration and focus within our restructured Food Division, are providing the necessary resilience to maintain a reasonable level of profitability and cash generation in uncertain times. With our strong, integrated platforms, customer and shared services capabilities and low gearing profile, we remain well-positioned to consider further strategic opportunities that may present themselves," Dally concluded.

Ends.

For further enquiries contact:
Stephen Heath (+27 (0) 87 36 28722; Stephen.Heath@rclfoods.com)

For further enquiries or to set up a media interview contact:
Michelle Copans: Aprio Strategic Communications, (+27 (0) 82 743 9962; michelle@aprio.co.za)

About RCL FOODS:

RCL FOODS produces over thirty of South Africa's much-loved brands including Rainbow chicken, Selati sugar, Supreme flour, Sunbake bread, Nola mayonnaise, Ouma rusks, Yum Yum peanut butter, Number One mageu, Bobtail and Catmor pet food, and Epol and Molatek animal feed. We are one of the top 100 companies listed on the JSE and have 21 000 employees at 230 operations across South and Southern Africa. Through our diverse portfolio of brands and private label products, our dedicated food service arm and our route-to-market supply chain specialist, Vector Logistics, we exist to provide "MORE FOOD TO MORE PEOPLE, MORE OFTEN". We do this by doing "that little MORE" to make a meaningful difference every day – creating a sustainable world of MORE.
Visit our website at: www.rclfoods.com