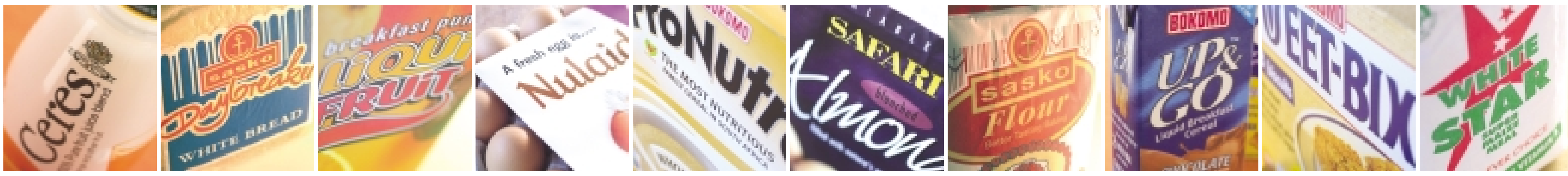
PIONEERFOODS
SINCE 1920

2005 Interim Report for the six months ended 31 March 2005

Registration Number 1996-017676-06

Revenue +12% • Operating Profit +15% • Headline Earnings +5% • Dividend +20%



Group Income Statement

	Unaudited six months ended 31 March 2005 R'm	2004 R'm	Audited year ended 30 September 2004 R'm
Revenue	**4 179,7**	3 745,7	7 641,3
Operating profit before depreciation	**368,5**	313,6	726,8
Depreciation	**(109,7)**	(88,1)	(181,5)
Operating profit before exceptional items	**258,8**	225,5	545,3
Exceptional items	**20,5**	31,9	13,7
Operating profit after exceptional items	**279,3**	257,4	559,0
Investment income	**18,1**	23,6	40,8
Finance charges	**(40,1)**	(26,3)	(60,3)
Loss from associated companies	**–**	(4,0)	(3,8)
Net profit before taxation	**257,3**	250,7	535,7
Taxation	**(78,9)**	(76,7)	(168,0)
Net profit after taxation	**178,4**	174,0	367,7
Attributable to minority shareholders	**(3,3)**	(3,4)	(7,8)
Net profit for the period	**175,1**	170,6	359,9
Number of issued ordinary shares (million)	**183,2**	183,2	183,2
Weighted average number of ordinary shares (million)	**159,6**	169,5	170,0
Headline earnings per ordinary share (cents)	**97,7**	87,3	207,6
Dividend per ordinary share (cents)	**19,6**	16,4	54,6
Reconciliation between net profit and headline earnings			
Net profit for the period	**175,1**	170,6	359,9
Exceptional items	**(20,5)**	(31,9)	(13,7)
Profit on sale of property, plant and equipment	**(3,7)**	(45,0)	(45,9)
(Profit) / loss on disposal of investments and subsidiary	**(6,4)**	0,9	(0,4)
Impairment of property, plant and equipment	**–**	–	2,3
Goodwill (written back) / written off	**(10,4)**	12,2	30,3
Tax effect on exceptional items	**1,4**	4,3	1,1
Exceptional items of associated companies	**–**	5,0	5,1
Minority interest in exceptional items	**–**	–	0,5
Headline earnings	**156,0**	148,0	352,9

Group Balance Sheet

	Unaudited 31 March 2005 R'm	2004 R'm	Audited 30 September 2004 R'm
Assets			
Property, plant, equipment and intangible assets	**1 559,5**	1 078,5	1 250,2
Investments and loans	**39,9**	38,0	47,2
Deferred taxation	**26,3**	34,0	27,4
Non-current assets	**1 625,7**	1 150,5	1 324,8
Current assets	**2 478,9**	2 584,6	2 337,9
Stock	**1 076,9**	1 272,5	1 012,2
Biological assets	**88,9**	55,8	56,2
Investments	**159,7**	141,1	150,1
Accounts receivable	**906,8**	877,0	847,2
Cash and cash equivalents	**246,6**	238,2	272,2
Total assets	**4 104,6**	3 735,1	3 662,7
Equity and liabilities			
Capital and reserves	**2 005,7**	1 877,8	2 031,4
Minority interest	**4,7**	34,9	37,4
Non-current liabilities	**275,7**	398,3	231,5
Long-term liabilities	**101,3**	306,8	135,3
Deferred taxation	**174,4**	91,5	96,2
Current liabilities	**1 818,5**	1 424,1	1 362,4
Accounts payable, provisions and shareholders for dividend	**974,0**	877,1	881,5
Short-term portion of long-term liabilities	**210,8**	38,9	207,2
Bank overdraft and short-term loans	**633,7**	508,1	273,7
Total equity and liabilities	**4 104,6**	3 735,1	3 662,7

Group Segmental Analysis

	Unaudited six months ended 31 March 2005 R'm	2004 R'm	Audited year ended 30 September 2004 R'm
Segment revenue			
Staple foods	**3 115,7**	3 023,8	5 962,4
Branded products	**1 052,0**	708,0	1 657,6
Unallocated	**97,7**	87,7	175,8
	4 265,4	3 819,5	7 795,8
Less: Internal revenue	**(85,7)**	(73,8)	(154,5)
	4 179,7	3 745,7	7 641,3
Segment results			
Staple foods	**165,8**	169,3	425,8
Branded products	**86,5**	65,7	144,8
Unallocated	**6,5**	(9,5)	(25,3)
	258,8	225,5	545,3

Group Cash Flow Statement

	Unaudited six months ended 31 March 2005 R'm	2004 R'm	Audited year ended 30 September 2004 R'm
Cash profit from operating activities	**370,4**	312,6	723,1
Changes in hedging reserve	**10,3**	(13,6)	(12,8)
Working capital changes	**(54,8)**	(335,0)	(70,3)
Cash generated / (utilised) by operations	**325,9**	(36,0)	640,0
Interest received	**7,5**	11,7	19,0
Interest paid	**(40,1)**	(26,3)	(60,3)
Dividends received	**10,6**	11,9	21,8
Dividends paid	**(60,8)**	(48,7)	(76,3)
Tax paid	**(84,5)**	(113,0)	(164,4)
Net cash flow from operating activities	**158,6**	(200,4)	379,8
Net cash flow from investment activities	**(398,3)**	(149,6)	(461,0)
Property, plant, equipment and intangible assets – additions and replacements	**(289,2)**	(140,5)	(455,1)
– proceeds on disposal	**4,8**	58,1	78,9
Net acquisition of subsidiaries	**(118,1)**	(210,4)	(212,3)
Net of proceeds on disposal of and movement in investments and loans	**4,2**	143,2	127,5
Net cash deficit	**(239,7)**	(350,0)	(81,2)
Net cash flow from financing activities	**(145,9)**	(175,6)	(176,1)
Net decrease in cash and cash equivalents	**(385,6)**	(525,6)	(257,3)

Group Statement of Changes in Equity

	Unaudited six months ended 31 March 2005 R'm	2004 R'm	Audited year ended 30 September 2004 R'm
Share capital and premium	**610,6**	737,8	731,3
Opening balance	**731,3**	746,7	746,7
Shares issued	**–**	1,2	1,2
Treasury shares bought back	**(120,7)**	(10,1)	(16,6)
Non-distributable reserves	**7,6**	(1,8)	(2,9)
Opening balance	**(2,9)**	8,7	8,7
Transfers from distributable reserves	**(0,7)**	0,5	0,7
Conversion of foreign currency	**2,5**	(3,0)	(5,4)
Valuation reserve on market value of shares	**1,5**	1,5	2,5
Hedging reserve	**7,2**	(9,5)	(9,4)
Distributable reserves	**1 387,5**	1 141,8	1 303,0
Opening balance	**1 303,0**	1 020,4	1 020,4
Derecognition of negative goodwill	**24,2**	–	–
Net profit	**175,1**	170,6	359,9
Dividend	**(60,8)**	(48,7)	(76,6)
Transfers to non-distributable reserves	**0,7**	(0,5)	(0,7)
Acquisition equity adjustment	**(54,7)**	–	–
Total equity	**2 005,7**	1 877,8	2 031,4

COMMENTARY

The Group's performance for the first six months was satisfactory. Revenue increased by 11,6% to R4,2 billion, while operating profit increased by 14,8% to R258,8 million. Improved sales volumes and sustained operating margins in existing businesses, along with positive contributions from the new acquisitions of the last 18 months, mainly contributed to this growth. The more moderate increase in headline earnings of 5,4% to R156 million, is mainly due to the increased finance charges on the capital invested in these acquisitions. The larger increase in headline earnings per share of 11,9%, however, is due to the reduced weighted average number of ordinary shares in issue after a substantial share buy-back during the period under review.

Net interest bearing debt increased to R699 million, mainly the result of the new expansions and investments. The debt to equity ratio weakened from 16,9% to 34,9% since September 2004, but is still acceptable given the sizeable investments in expanding the Group. The board's confidence in the Group's strong cash flow to finance these expansions, is supported by the healthy 18,5% increase in cash profit to R370,4 million. The investment in working capital increased by R54,8 million, but if the effect of the new acquisitions is eliminated, R78 million would have been released from working capital. This is mainly the result of the material decrease in the market price of maize.

The Sasko division performed acceptable under difficult trading conditions. Declining wheat and maize prices resulted in continued downward pressure on final product prices, a challenge in maintaining profit margins. Maize meal products, however, posted an improved performance due to a more favourable maize procurement position. Sales volumes and market share in maize and wheaten products were largely maintained, while good growth in bread sales volumes was achieved, especially in the value added and branded product ranges. Accolade Trading, acquired in October 2004, was successfully integrated into the division. This acquisition significantly increased the Group's market share in the highly competitive rice market. Sales of rice under the *Spekko* brand and dried vegetables under the *Imbo* brand are expected to benefit from utilising the Group's national distribution infrastructure.

The Agri division could not maintain the exceptional profitability levels achieved in the previous year. As expected, downward pressure on egg prices resulted in decreased profits. In spite of these weaker results, the division still achieved satisfactory returns on capital employed. The integration of *Golden Lay*, which was acquired in October 2004, was successfully completed during the period under review. This acquisition has significantly increased the Group's market share in the egg industry in Gauteng and KwaZulu-Natal.

The Bokomo Foods division experienced continued volume growth in breakfast cereal products to the extent that additional production capacity will be commissioned in the future. The integration of the newly acquired businesses of *Moir's* and *Kwality Biscuits* into the Bokomo Foods division progressed well and has already made a contribution to the division's results.

The S.A.D division achieved an improved performance for the period under review. The negative effect of the relatively strong rand on exports was to a large extent absorbed by increased sales prices in dollar terms, while local sales volumes showed excellent growth.

The corrugated board business, Craft Box Corrugated, performed very well. Apart from increased sales volumes, significant improvements in waste control resulted in improved profit margins.

Ceres Fruit Juices, in which shareholding was increased from 75% to 100% in December 2004, also performed well. Excellent local and export volume growth was achieved for the past six months, with a substantial contribution from new products recently launched. Export margins were, however, under pressure due to the strong rand.

Results from businesses in the other African countries are below expectations, but an improved performance is expected for the rest of the year.

The joint venture, Heinz Foods (SA), performed satisfactory with sales of *Heinz Ketchup* growing according to expectations. The frozen foods business, *Today's*, a part of the joint venture, performed exceptionally well.

EXPANSIONS AND INVESTMENTS

Buy-back of shares – In October 2004, 12,1 million shares were bought from Senwes Limited for R120,7 million, or R10 per share. This buy-back represents 6,6% of the shares in issue and will be held as treasury shares. Since the reporting period, the Group also bought back 7,1 million shares from Afgri Limited for R89,1 million, or R12.50 per share. This buy-back represents 3,9% of the shares in issue, of which 5,1 million are held as treasury shares and 2,0 million shares were cancelled. The Group now holds 10% of the shares in issue as treasury shares in a subsidiary. The purpose of these buy-backs is to utilise the shares for a future black economic empowerment transaction.

Frucon Beverages – This acquisition was made in April 2005 and will provide access to the fruit concentrate mixtures category for Ceres Fruit Juices. Brands such as *Daly's*, *Caribbean*, *Wild Island* and *Super Fruit* will be added to the product range. Access to the coffee and tea category has also been created through the *Importers*, *Teeco* and *Southall's* brands.

Marmite, Bovril and Maizena – These brands were also acquired in April 2005 from Unilever South Africa. Pioneer Foods' brand ownership is valid for South Africa and Southern African countries such as Botswana, Lesotho, Swaziland, Namibia and Mauritius (the latter being only for Bovril). The *Marmite* and *Bovril* brands were incorporated within the S.A.D division and will boost S.A.D's presence in the spreads category. The *Maizena* brand was incorporated within the Bokomo Foods division.

Belso Cereals – In April 2005 Belso Cereals was acquired by Bokomo Foods (UK) Limited. This business in Peterborough, UK, specialises in muesli breakfast products and competes in the UK and Scandinavian markets. Apart from expanding the product range of Bokomo Foods (UK) in the breakfast cereal category, recovery of fixed cost of this UK based company will be enhanced.

THE FUTURE

The immediate challenge to the Group is to finally bed down the acquisitions made over the past 18 months. Since October 2003 about R800 million was spent in expanding the Group. The board is positive that each one of these acquisitions fits logically into an existing division and management structure and that this will ensure optimal integration of, and contribution by, these businesses. The Group's strong cash flow will be further enhanced by these additions and will ensure that net debt levels are sustained within acceptable ratios.

The ability to not only maintain, but also grow sales volumes at reasonable margins in a low inflation environment, will determine the ultimate performance for the full year. Results will also be influenced by the effectiveness of the incorporation of the newly acquired businesses.

A moderate growth in earnings is expected for the full year and an increase in total dividends is foreseen.

DIVIDENDS

An increased interim dividend of R36 million (2004: R30 million) is declared, an increase of 20%. This represents 19,6 cents per share (2004: 16,4 cents per share). The dividend is payable on 20 July 2005 to all shareholders registered on 17 June 2005.

By order of the board

H E Blanckenberg	**W A Hanekom**
Chairman	**Managing Director**

Paarl, 24 May 2005
Website: http://www.pioneerfoods.co.za

6013|Citigate