PIONEERFOODS

SINCE 1920

Condensed interim financial results

for the six months ended **31 March 2009**

PIONEER FOOD GROUP LIMITED Incorporated in the Republic of South Africa REGISTRATION NUMBER: 1996/017676/06
SHARE CODE: PFG ISIN CODE: ZAE000118279 "Pioneer Foods" or "the Company" or "the Group"

REVENUE	**R8.4 billion**	**↑ 20%**
OPERATING PROFIT (before items of a capital nature)	**R549 million**	**↑ 39%**
HEADLINE EARNINGS per ordinary share	**170 cents**	**↑ 18%**
INTERIM DIVIDEND per ordinary share	**36 cents**	**↑ 20%**

Group income statement

	Unaudited Six months ended 31 March 2009 R'm	2008 R'm	Audited Year ended 30 September 2008 R'm
Revenue	**8,374.2**	6,978.9	14,884.4
Cost of goods sold	**(6,188.4)**	(5,116.2)	(11,003.4)
Gross profit	**2,185.8**	1,862.7	3,881.0
Other expenses	**(1,637.0)**	(1,468.2)	(3,015.9)
Items of a capital nature	**(0.3)**	1.3	(19.4)
Operating profit	**548.5**	395.8	845.7
Investment income	**14.3**	15.9	31.5
Finance costs	**(124.7)**	(98.2)	(250.8)
(Loss)/profit from associated companies	**(0.3)**	0.6	0.7
Profit before income tax	**437.8**	314.1	627.1
Income tax expense	**(140.4)**	(90.0)	(174.4)
Profit for the period	**297.4**	224.1	452.7
Attributable to:			
Equity holders of the Group	**296.8**	223.6	452.2
Minority interest	**0.6**	0.5	0.5
	297.4	224.1	452.7

Headline earnings reconciliation

	Unaudited Six months ended 31 March 2009 R'm	2008 R'm	Audited Year ended 30 September 2008 R'm
Reconciliation between profit attributable to equity holders and headline earnings			
Profit attributable to equity holders of the Group	**296.8**	223.6	452.2
Items of a capital nature	**0.3**	(1.3)	19.4
Net loss/(profit) on disposal of property, plant and equipment	**0.7**	(0.4)	(1.7)
Net profit on disposal of investments	**(0.4)**	(0.9)	(1.2)
Impairment of property, plant, equipment and intangible assets	**–**	–	22.3
Tax effect on items of a capital nature	**(0.3)**	(0.1)	(3.3)
Headline earnings	**296.8**	222.2	468.3
Number of issued ordinary shares (million)	**201.2**	181.2	201.2
Number of issued treasury shares:			
– held by subsidiary (million)	**18.0**	18.0	18.0
– held by share incentive trusts (million)	**8.4**	8.4	8.6
Number of issued class A ordinary shares (million)	**12.0**	13.3	12.6
Weighted average number of ordinary shares (million)	**174.6**	154.3	160.2
Earnings per ordinary share (cents):			
– basic	**169.9**	144.9	282.3
– diluted	**166.4**	140.8	275.5
– headline	**169.9**	144.0	292.4
– diluted headline	**166.4**	140.0	285.3
Dividend per ordinary share (cents)	**36.0**	30.0	96.0
Dividend per class A ordinary share (cents)	**10.8**	9.0	28.8
Net asset value per ordinary share (cents)	**2,529.8**	2,417.8	2,437.6
Debt to equity ratio (%)	**32.0**	53.0	34.2

Group balance sheet

	Unaudited 31 March 2009 R'm	2008 R'm	Audited 30 September 2008 R'm
Assets			
Property, plant and equipment	**3,023.2**	2,787.5	2,942.7
Goodwill	**273.9**	283.7	269.6
Other intangible assets	**406.3**	414.8	409.9
Biological assets	**13.7**	9.8	11.9
Investments in and loans to joint ventures and associates	**44.3**	30.0	32.4
Available-for-sale financial assets	**25.0**	32.9	29.2
Trade and other receivables	**15.8**	8.4	12.3
Deferred income tax assets	**35.9**	27.4	36.2
Non-current assets	**3,838.1**	3,594.5	3,744.2
Current assets	**4,604.6**	4,270.5	4,297.0
Inventories	**2,263.9**	2,121.7	2,184.1
Biological assets	**148.8**	132.4	143.5
Derivative financial instruments	**12.0**	9.3	13.7
Trade and other receivables	**1,832.3**	1,786.6	1,690.8
Current income tax assets	**3.8**	31.3	39.2
Cash and cash equivalents	**343.8**	189.2	225.7
Total assets	**8,442.7**	7,865.0	8,041.2
Equity and liabilities			
Capital and reserves attributable to equity holders of the Group	**4,421.6**	3,741.7	4,256.8
Share capital	**20.1**	18.1	20.1
Share premium	**1,216.5**	733.1	1,216.5
Treasury shares	**(259.5)**	(250.3)	(260.0)
Other reserves	**(1.0)**	161.3	16.6
Retained earnings	**3,445.5**	3,079.5	3,263.6
Minority interest	**6.6**	6.0	6.0
Total equity	**4,428.2**	3,747.7	4,262.8
Non-current liabilities	**1,783.4**	663.7	1,758.8
Borrowings	**1,168.0**	156.2	1,181.3
Provisions for other liabilities and charges	**84.3**	77.4	78.3
Share-based payment liability	**19.9**	-	19.4
Derivative financial instruments	**58.3**	-	37.4
Deferred income tax liabilities	**452.9**	430.1	442.4
Current liabilities	**2,231.1**	3,453.6	2,019.6
Trade and other payables	**1,577.6**	1,402.3	1,485.4
Current income tax liabilities	**22.2**	21.4	18.4
Derivative financial instruments	**40.9**	8.6	16.3
Borrowings	**590.2**	2,021.1	499.3
Dividends payable	**0.2**	0.2	0.2
Total equity and liabilities	**8,442.7**	7,865.0	8,041.2

Group cash flow statement

	Unaudited Six months ended 31 March 2009 R'm	2008 R'm	Audited Year ended 30 September 2008 R'm
Net cash profit from operating activities	**711.3**	540.4	1,141.7
Cash effect from hedging activities	**38.5**	(34.8)	(140.5)
Working capital changes	**(154.4)**	(604.4)	(511.2)
Net cash generated/(utilised) by operations	**595.4**	(98.8)	490.0
Income tax paid	**(86.5)**	(127.6)	(178.3)
Net cash flow from operating activities	**508.9**	(226.4)	311.7
Net cash flow from investment activities	**(227.1)**	(363.7)	(648.9)
Property, plant, equipment and intangible assets			
– additions and replacements	**(198.0)**	(369.8)	(647.8)
– proceeds on disposal	**6.7**	6.2	25.1
Business combinations	**(33.8)**	–	(35.2)
Proceeds on disposal of and changes in investments and loans	**(16.3)**	(16.0)	(22.5)
Interest received	**13.5**	15.5	30.5
Dividends received	**0.8**	0.4	1.0
Net cash flow from financing activities	**(296.1)**	(55.2)	1,140.9
(Repayments of)/proceeds from borrowings	**(54.8)**	148.2	1,066.6
Ordinary shares issued	**–**	–	485.7
Treasury shares – share incentive trusts	**0.5**	(0.7)	(10.4)
Employee share schemes transactions	**(1.7)**	(2.3)	(1.5)
Interest paid	**(124.7)**	(98.2)	(250.8)
Dividends paid	**(115.4)**	(102.2)	(148.7)
Net cash and short-term borrowings from business combinations	**–**	–	2.8
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	**(14.3)**	(645.3)	806.5
Net cash, cash equivalents and bank overdrafts at beginning of year	**(79.0)**	(885.5)	(885.5)
Net cash, cash equivalents and bank overdrafts at end of year	**(93.3)**	(1,530.8)	(79.0)

Group statement of changes in equity

	Unaudited Six months ended 31 March 2009 R'm	2008 R'm	Audited Year ended 30 September 2008 R'm
Share capital, share premium and treasury shares	**977.1**	500.9	976.6
Opening balance	**976.6**	503.1	503.1
Movement in treasury shares	**0.5**	(0.7)	(10.4)
Ordinary shares issued	**–**	-	485.7
Employee share scheme – repurchase of shares	**–**	(1.5)	(1.8)
Other reserves	**(1.0)**	161.3	16.6
Opening balance	**16.6**	149.4	149.4
Transfers from retained earnings	**0.3**	0.7	0.9
Equity compensation reserve transactions	**5.7**	7.6	7.2
Conversion of foreign currency	**(12.7)**	18.2	9.8
Fair value adjustments to available-for-sale financial assets	**(4.0)**	(2.6)	(6.5)
Transfer to cash-settled liability	**–**	-	(28.2)
Hedging reserve	**(6.9)**	(12.0)	(116.0)
Retained earnings	**3,445.5**	3,079.5	3,263.6
Opening balance	**3,263.6**	2,956.7	2,956.7
Profit for the period	**296.8**	223.6	452.2
Dividends paid	**(115.4)**	(102.1)	(148.6)
Transfers to other reserves	**(0.3)**	(0.7)	(0.9)
Management share incentive scheme – disposal of shares	**0.8**	2.1	4.3
Employee share scheme – stamp duty on share transactions	**–**	(0.1)	(0.1)
Minority interest	**6.6**	6.0	6.0
Opening balance	**6.0**	5.8	5.8
Dividend paid	**–**	(0.3)	(0.3)
Profit for the period	**0.6**	0.5	0.5
Total equity	**4,428.2**	3,747.7	4,262.8

Group segment report

	Unaudited Six months ended 31 March 2009 R'm	2008 R'm	Audited Year ended 30 September 2008 R'm
Segment revenue			
Sasko	**4,468.6**	3,630.6	8,143.0
Agri Business	**1,341.7**	1,217.0	2,493.4
Bokomo Foods	**1,333.5**	1,221.6	2,539.4
Ceres Beverages	**1,356.5**	1,099.0	2,082.9
	8,500.3	7,168.2	15,258.7
Less: Internal revenue	**(126.1)**	(189.3)	(374.3)
	8,374.2	6,978.9	14,884.4
Segment results (Operating profit before items of a capital nature)			
Sasko	**365.1**	197.5	622.0
Agri Business	**40.8**	37.9	3.5
Bokomo Foods	**126.4**	118.4	239.4
Ceres Beverages	**80.9**	65.3	77.8
Unallocated	**(64.4)**	(24.6)	(77.6)
	548.8	394.5	865.1

Notes

1. Basis of preparation

The unaudited interim results of the Group for the six months ended 31 March 2009 have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS), the Listing Requirements of the JSE Limited and the requirements of the South African Companies Act, Act 61 of 1973, as amended. These interim condensed consolidated financial statements comply with the requirements of IAS 34 – Interim Financial Reporting.

2. Accounting policies

These interim condensed consolidated financial statements incorporate accounting policies that are consistent with those applied in the Group's annual financial statements for the year ended 30 September 2008, except for the following new or revised accounting standards and interpretations of those standards that the Group adopted:

IFRIC Interpretation 12 – Service Concession Arrangements (effective 1 January 2008)

IFRIC Interpretation 13 – Customer Loyalty Programmes (effective 1 July 2008)

IFRIC Interpretation 14 – IAS 19 – The limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective 1 January 2008)

The adoption of these new or revised standards and interpretations did not have a material impact on the Group results for the six months ended 31 March 2009.

3. Share capital

During the six months ended 31 March 2009 the following share transactions occurred:

Listed ordinary shares
No listed ordinary shares were issued or bought back.

Treasury shares held by the share incentive trusts
A net number of 151,020 ordinary shares of 10 cents each were sold.

Unlisted class A ordinary shares
During the period under review 637,560 class A ordinary shares of 10 cents each were bought back from employees that left employment of the Group, for an amount of R8,744.

4. Borrowings

No new borrowing arrangements were concluded during the period under review. Changes in borrowings reflect the repayments made in terms of agreements. Short-term borrowings fluctuate in accordance with changing working capital needs.

5. Post-balance sheet events

There have been no material events requiring disclosure after balance sheet date and up to the date of approval of these condensed financial statements.

6. Business combinations

No material business combinations occurred during the period under review.

7. Contingent liabilities

7.1 Complaint referrals by Competition Commission

In May 2008 Pioneer Foods (Pty) Ltd received a complaint referral by the Competition Commission for alleged restrictive practices in contravention of section 4(1)(b)(i) and section 4(1)(b)(ii) of the Competition Act of 1998 in the national bread market. This complaint referral is in addition to the one received in the previous financial year for alleged restrictive practices by the Western Cape bakeries. Due to the fact that both complaints relate largely to the same subject matter, the matters have been consolidated for hearing. It is expected that the Competition Tribunal's hearing of the complaints will commence during the second half of June 2009. Should Pioneer Foods not be successful in its defence, an administrative penalty may be imposed in terms of section 59 of the Competition Act. Independent legal advice indicates a reasonable chance of a successful defence by Pioneer Foods against all or some of the complaints. A liability for a penalty only arises if contraventions of the Act are ultimately proven. Accordingly, no provision has been made for the payment of an administrative penalty. The amount of an administrative penalty will be determined by taking into account the considerations listed in section 59(3) of the Competition Act, but may not exceed 10% of the annual turnover of Pioneer Foods in the financial year preceding the referral. In the meantime, in keeping with its commitment to good corporate governance, the board established a committee, consisting of mostly independent non-executive directors, to investigate all competition compliance related matters. External consultants are assisting the committee in this assignment. Management instituted a Competition Compliance Programme, which includes ongoing assessments of business practices and training of its employees in relation to the Act. A Competition Compliance Charter for the Group is also in the process of being developed.

7.2 Dispute with egg contract producers

As previously reported, claims were received from some contract producers for the alleged breach of the terms of specific supply agreements. Based on advice from the Group's legal advisors, management is convinced the Group will not incur any material liability in respect of this matter. Since the previous report, the claimants withdrew their particulars of claim to review same, resulting in the cancellation of the agreed date for arbitration. No revised claims have been received yet.

7.3 Guarantees

The Group issued guarantees of R148.5 million (30 September 2008: R158.4 million) at 31 March 2009, primarily for loans by third parties to contracted suppliers.

8. Audit

These results have not been audited or reviewed by the auditors.

Commentary

Results

Revenue increased by 20% to R8.4 billion for the six months to 31 March 2009 largely from increased sales prices compared to last year.

The Group's operating profit margin improved from 5.7% to 6.6% with operating profit improving by 39% to R549 million for the six months under review.

Cash profit from operating activities improved by 32% to R711 million and headline earnings by 34% to R297 million. Headline earnings per share increased by 18% to 170 cents per share with the weighted average number of shares in issue increasing by 20.3 million, mainly from the issue of 20 million shares in June 2008 following the rights offer.

Decreasing inflation since September 2008 limited the investment in working capital to R154 million compared to R604 million in the comparative period.

Fixed capital expenditure amounted to R198 million and was curtailed to essential additions and replacements given the uncertain economic outlook.

Group debt decreased by R41 million since September 2008 to R1,414 million which equates to 32% of equity.

Operational review

The Sasko segment achieved pleasing results. *White Star* super maize meal products achieved excellent sales volume growth at firm prices. Bread sales volumes were largely maintained and sales volumes of wheaten products, pasta and rice were lower.

Revenue increased by 23% to R4,469 million mainly as a result of increased sales prices to recover the substantially increased cost base of 2008. The operating profit margin improved to 8.2% as a result and can be sustained if current circumstances prevail.

Operating profit improved to R365 million from a low base last year impacted by delayed price increases and once off commissioning costs at the Bloemfontein and Port Elizabeth bakeries.

The Krugersdorp wheat mill capacity increase and efficiency upgrade was successfully completed at a cost of R85 million during the period under review.

The Agri Business segment increased revenue by 10% to R1,342 million and operating profit by 8% to R41 million. The egg business delivered a significant turnaround weighed down by a disappointing performance from the broiler business.

Tough trading conditions in the broiler business prevented a proper recovery of increased costs. Certain on-farm performances were disappointing and are being addressed. The animal feed business performed satisfactorily.

Revenue from the Bokomo Foods segment increased by 9% to R1,334 million. Operating profit increased by 7% to R126 million with the operating profit margin slightly down to 9.5% from 9.7%, confirming a remaining lag in cost recovery.

Sales volumes of breakfast cereal products were maintained at acceptable levels in the difficult economic climate. The new *Weet-Bix* facility is expected to be commissioned by September 2009 at a cost of R130 million.

The Heinz Foods (SA) joint venture performed satisfactorily. It acquired a frozen food facility in Gauteng in February 2009. This acquisition will address the capacity constraints of the current Western Cape based facility and should enable cost savings in distribution.

The Ceres Beverage segment performed well, specifically in the export business that benefited from good volume growth and the weaker rand in the period under review.

Double-digit growth in sales volumes from the *Pepsi* venture further contributed to a 23% growth in revenue from this business segment to R1,357 million for the reporting period. The operating profit margin improved slightly from 5.9% to 6.0% and operating profit increased by 24% to R81 million.

The business of Ceres Spring Water was acquired in November 2008 to enter the fast growing water category.

Prospects

A more stable food price environment is expected to contribute to an improved operational performance for the full year, though upward cost pressures persist.

The growth momentum for the full year is expected to be in line with that achieved in the first half, whilst dependent on the following assumptions:

- Sales volumes from maize meal products to remain at full production capacity
- Sales volumes from bread to be sustained
- Sales volumes from wheaten products to improve
- A much improved performance from the egg business over the corresponding second half of the previous year
- No profit contribution from the broiler business in the current financial year
- Lower raisin export volumes due to a substantially smaller crop
- Improvement in contribution from the fruit concentrate mixtures category

Dividend

The board approved an interim dividend of 36.0 cents (2008: 30.0 cents) per ordinary share, an increase of 20% to the declaration for the comparative period. The applicable dates are as follows:

Last date of trading cum dividend:	Friday, 26 June 2009
Trading ex dividend commences:	Monday, 29 June 2009
Record date:	Friday, 3 July 2009
Dividend payable:	Monday, 6 July 2009

An interim dividend of 10.8 cents (2008: 9.0 cents) per class A ordinary share, being 30% of the interim dividend payable to ordinary shareholders in terms of the rules of the relevant employee scheme, will be paid during July 2009.

Share certificates may not be dematerialised or rematerialised between Monday, 29 June 2009, and Friday, 3 July 2009, both days inclusive.

By order of the board.

HE Blanckenberg
Chairman

WA Hanekom
Managing Director

Paarl, 20 May 2009

GREYMATTER & FINCH # 4623

DIRECTORS: HE Blanckenberg (Chairman), JA Louw (Vice-chairman), WA Hanekom (Managing)*, LR Cronjé*, TA Carstens*, MT Swanepoel*, WA Agenbach, GD Eksteen, AE Jacobs, NS Mjoli-Mncube, AH Sangqu, AC Singleton, Dr FA Sonn, Dr MI Survé, AW Bester, JH van Niekerk (* Executive)
COMPANY SECRETARY: T Naidoo **E-MAIL:** tnaidoo@pioneerfoods.co.za **REGISTERED ADDRESS:** 32 Market Street, Paarl, 7646, PO Box 20, Huguenot, 7645, South Africa **TEL:** 021 807 5100 **FAX:** 021 807 5280 **E-MAIL:** info@pioneerfoods.co.za
TRANSFER SECRETARIES: Computershare Investor Services (Pty) Ltd, PO Box 61051, Marshalltown, 2107, South Africa **TEL:** 011 370 5000 **FAX:** 011 688 5219
SPONSOR: Barnard Jacobs Mellet Corporate Finance (Pty) Ltd, PO Box 62200, Marshalltown, 2107, South Africa **TEL:** 011 750 0207 **FAX:** 011 750 0607

For more information visit our website at **www.pioneerfoods.co.za**