

# GROUP AT A GLANCE

## Geographic footprint

Pioneer Foods operates out of South Africa and exports to 80 countries across the globe. Primary export markets include:

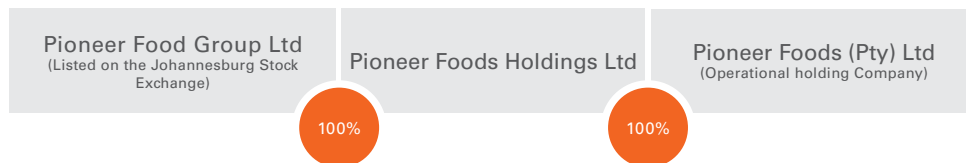


## Group operational structure

Pioneer Foods is a leader in the food and beverages industries in Southern Africa. The Group has operations in South Africa and two other African countries and sells its products around the world. The Group's core business is the production, distribution, marketing and

selling of a diverse range of food, beverages and related products.

The Group in its current form (after the merger between Sasko and Bokomo) was established in 1997 and listed on the Johannesburg Stock Exchange ("JSE") in 2008.



The Group operates a number of world-class production facilities producing a range of products that are loved in most homes. The Pioneer Foods brand portfolio includes some of the most recognisable and best loved brand names in South Africa, including the seven power brands *Weet-Bix*, *Liqui-Fruit*, *Ceres*, *Sasko*, *Safari*, *Spekko* and *White Star*.

Sasko was renamed as Essential Foods, while Bokomo Foods and Ceres Beverages were consolidated into a single management structure as Groceries. The international portfolio is a well-

established business with an existing presence and long-standing relationships in core export markets. This business was reorganised as a stand-alone business, Pioneer Foods International (PFI), effective from 1 October 2014. The formation of PFI is indicative of the strategic focus to drive growth outside of South Africa.

Quantum Foods was unbundled from Pioneer Foods in October 2014 and is listed as a separate entity on the JSE.

# 2014

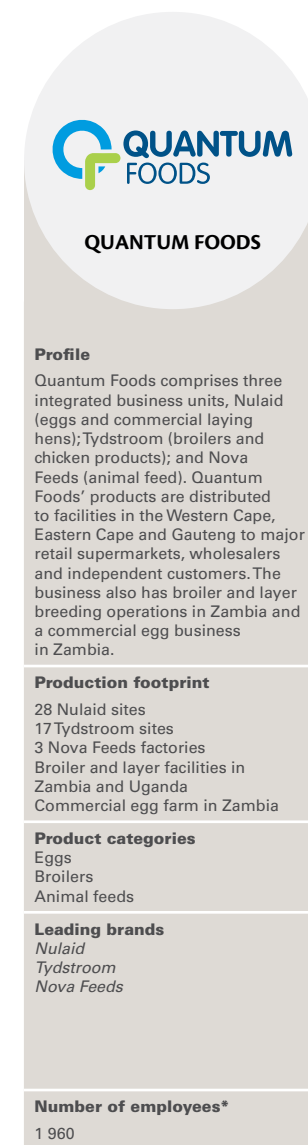
	ESSENTIAL FOODS	GROCERIES	QUANTUM FOODS
Revenue	R10 928m	R7 069m	R3 591m
Operating profit	R1 075m	R735m	R22m
Profit margin	9.8%	10.4%	0.6%

## GROUP AT A GLANCE (CONTINUED)

### Divisional overview

More detail on the operating environment, performance and prospects of each division can be found in the operational reports beginning on page 40.

## The Pioneer Foods brand portfolio includes some of the most recognisable and best loved brand names in South Africa



Following a change in IFRS requirements on joint venture reporting, the joint ventures are not included in this table. Joint ventures are equity-accounted and comparatives have been restated.

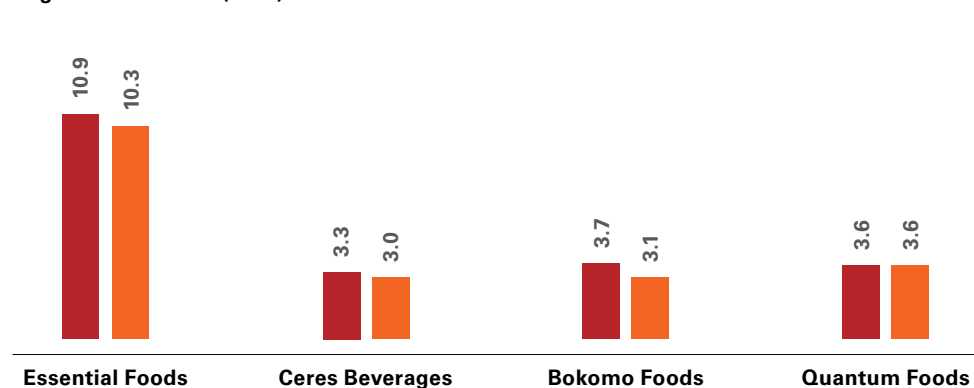
\* Permanently employed by wholly-owned South African operations.

## GROUP AT A GLANCE (CONTINUED)

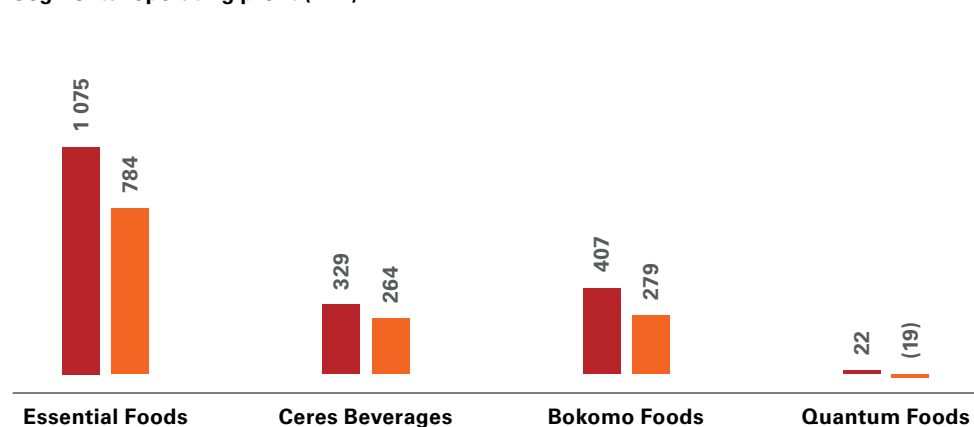
### Segmental results

- 2014
- 2013

#### Segmental revenue (R'bn)



#### Segmental operating profit (R'm)



### Global context

The global food and beverages industry is characterised by challenges and opportunities consequent to changing consumer behaviour due to globalisation, the environmental crisis, individualisation, the digital effect, demographic change and technical convergence. With local and international agricultural materials as key inputs, the industry is exposed to the interconnected impact

of shifts in weather patterns, commodity demand and supply cycles as well as volatile exchange rates. This combination of variables in a subdued global economy creates an environment of intense competition where companies must manage rising input costs and curtail margin compression, while remaining appealing to the consumer.

Trends	Challenges	Opportunities
Globalisation	<ul style="list-style-type: none"> <li>Exchange rate volatility threatening stability in international export and import dynamics</li> <li>Growth in consumer activism around social and environmental impact of companies</li> <li>Product selection based on topical issues, such as genetically modified organisms ("GMOs"), traceability and food labelling</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate and flexible protection structures between countries to find mutually beneficial solutions</li> <li>Stringent cost management to leverage favourable conditions and limit impact of rising costs</li> <li>Lateral collaboration and strategic selection of export growth markets</li> <li>Product innovation, industry collaboration and responsible resourcing across the value chain</li> </ul>
Individualisation and demographic change	<ul style="list-style-type: none"> <li>Socio-economic and political volatility in certain geographies</li> <li>Rising cost of living</li> <li>Increasing unemployment limiting consumer spending</li> <li>Nutritional value and product information of growing importance to health-conscious consumers</li> </ul>	<ul style="list-style-type: none"> <li>Stringent cost management to expand margins and restrain price increases</li> <li>Potential to differentiate based on sustainability performance and improving the lives of consumers</li> </ul>
Environmental crisis	<ul style="list-style-type: none"> <li>Declining availability of resources such as water, fuel and electricity</li> <li>Increased priority to reduce energy usage and carbon footprint</li> <li>Increased frequency of extreme weather patterns</li> <li>Range of variables causing fluctuating and unpredictable commodity prices</li> </ul>	<ul style="list-style-type: none"> <li>Management strategies that make environmental and business sense</li> <li>Seeking and implementing commercially viable energy reduction initiatives</li> </ul>
The digital effect and technical convergence	<ul style="list-style-type: none"> <li>Increasing digitisation of product channels, communication and marketing</li> <li>Interconnectivity outstripping data protection capability</li> </ul>	<ul style="list-style-type: none"> <li>Reduced costs associated with e-communications and greater platform for reputational traction</li> <li>Investment in IT infrastructure to protect company and customer data</li> </ul>