

OPERATIONAL REPORT (CONTINUED)

QUANTUM FOODS

Quantum Foods comprises three integrated business units: Nulaid (eggs and layer livestock); Tydstroom (broilers) and Nova Feeds (animal feed). The business also has broiler, layer breeding and commercial egg operations in Zambia and Uganda. Quantum Foods has, subsequent to year-end, been unbundled to shareholders and listed on the JSE as a separate entity.

Business environment

The business environment in both the broiler and egg industries suffered from record high feed prices driven by high maize and soybean meal prices, negatively impacting cost push. Broiler prices were negatively impacted by imports and high levels of domestic supply, coupled to muted consumer demand.

Performance overview

The business returned to profitability this year with operating profit of R22 million. Contribution from the African operations increased 55% year on year as a result of favourable market conditions in those geographies. The newly acquired egg business in Zambia, Mega Eggs, performed very well.

A decision was taken to change the business model in the Western Cape in that Quantum Foods has discontinued its abattoir operations and instead has contracted the sale of live broilers to a third party.

FINANCIAL PERFORMANCE

Revenue	Operating profit	Operating profit margin	Capital spend*
↑ R3 591m	↑ R22m	↑ 0.61%	↓ R45m
2013: R3 576m	2013: (R19m)	2013: (0.53%)	2013: R484m

* Including business combinations

PRODUCT CATEGORIES

Category	Price change	Volume change	Performance*
Eggs (Layers) The fully integrated commercial egg business comprises facilities for rearing laying hens, several laying farms and egg packaging and processing facilities. Eggs are distributed nationally in the retail, wholesale and informal markets under the established <i>Nulaid</i> brand.	+9%	-8%	Total industry <ul style="list-style-type: none"> Industry supply declined by 4.9% Favourable turn in the local egg pricing cycle Quantum Foods <ul style="list-style-type: none"> Deliberate volume decrease Continued strong penetration of <i>Nulaid</i>, which remains an icon brand in the local market
Broilers The <i>Tydstroom</i> business processes and markets a variety of fresh and frozen chicken meat products.	+4%	-10%	Total industry <ul style="list-style-type: none"> Industry supply increased by 0.7% Consolidation trend across the industry in the face of industry challenges Quantum Foods <ul style="list-style-type: none"> Industry under pressure from price increases led to a volume decline Executed the decision to exit abattoir business in the Western Cape
Animal feeds A range of value-added animal feed products is supplied to various agricultural industries.	+9%	+6%	Total industry <ul style="list-style-type: none"> Industry growth of 3.6% Quantum Foods <ul style="list-style-type: none"> Effective cost management led to decreased production cost per ton
African operations Quantum Foods operates broiler and layer breeder businesses in Zambia and Uganda, as well as a commercial egg business in Zambia.	N/A	N/A	Quantum Foods <ul style="list-style-type: none"> Positive performance in Zambia and strong full-year contribution from Mega Eggs Good performance in Uganda Ongoing investment in facilities to increase capacity

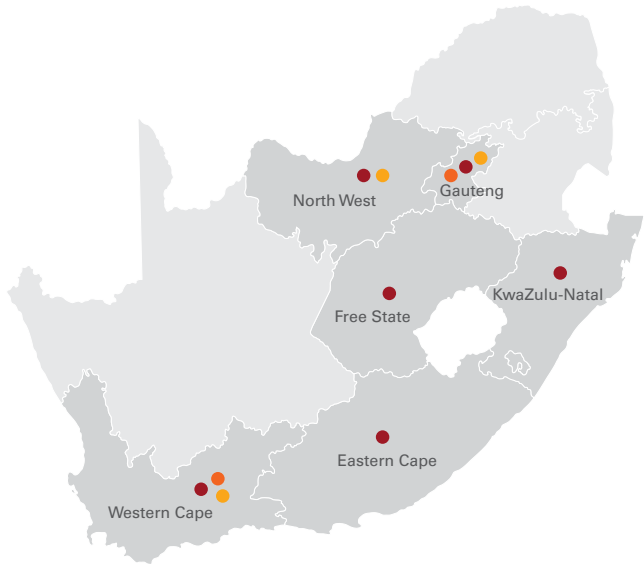
Source: SAPA (September 2014) and AFMA (March 2014)



OPERATIONAL REPORT (CONTINUED)

PRODUCTION FOOTPRINT

- 29 Nulaid sites
- 17 Tydstroom sites
- 3 Nova Feeds factories



SUSTAINABILITY PROGRESS

- Engagement with the NSPCA over animal treatment concerns at one of the cull depots led to improved systems and the establishment of a regular audit of all Nulaid facilities by the organisation.



More information on Pioneer Foods' sustainability approach, performance and prospects can be found on page 56.

OUTLOOK

The business will focus on entrenching itself as a separate entity following the unbundling from Pioneer Foods and separate listing on the JSE.

REVENUE CONTRIBUTION

- 31% Eggs
- 35% Broilers
- 30% Animal feeds
- 4% African operations

