Media Release

Headline: Tiger Brands Financial Results for the twelve months ended 30 September 2013

Key highlights

- Turnover up 19% to R27bn
- Operating profit down to R3.1bn
- Disappointing results from DFM
- Headline earnings per share 1,570 cents (1,781 cents excluding DFM)
- Final dividend of 555 cps

Tiger Brands today announced subdued results for the year ended 30 September 2013, due to difficult trading conditions in the South African economy and an operating loss incurred by Dangote Flour Mill of Nigeria (DFM). Peter Matlare, CEO of Tiger Brands, said “our performance was also driven largely by the trade-off between our ability to recover cost increases through appropriate pricing and the pressure on consumer’s spending ability”.

He added, “while our strategic journey towards building a sustainable platform for future growth continues, the results are disappointing and reflect a difficult transitionary phase as we reposition our domestic business and drive expansion in Africa.”

The group reported a 19.1% rise in group turnover to R27bn with reduced operating profit mainly due to a R389.2m operating loss in DFM, which included once-off retrenchment costs, and increased stock and bad debt provisions.

Headline earnings decreased by 7% to 1,570 cents per share, but would have increased by 5.4% to 1,781 cents per share if DFM is excluded. Income from associates increased by 23.9% to R515.1m due to solid earnings from Oceana, (in which Tiger Brands has increased its shareholdings to 41.9%) and a 10.1% foreign currency effect from offshore associates. Excluding DFM, operating income was in line with the prior year with a small decline in operating margin of 1.3%, mainly due to raw material, fuel and labour cost increases which were partially absorbed to drive volume recovery.

Matlare added, "in addition to DFM and Oceana, we acquired Mrs Ball's Chutney and some sugar confectionary trade marks from Mars, during the year. We were pleased with Carozzi's solid performance and dividends received now exceed the quantum of our original investment. "

Since purchasing a 63.35% interest in DFM in October 2012, its trading performance has been disappointing, and Tiger expects that it will take two to three years to align DFM with the group's standards and to deliver acceptable returns. Revenue growth and a meaningful improvement in the performance of the business through market gain and improvements in outbound logistics are key thrusts towards achieving the improvement in the business's financial performance. According to Matlare, "we remain confident that this acquisition, in one of the fastest growing economies in Sub-Saharan Africa, will meet expectations in the medium term."

The **Grains** segment contributed 53% of the operating profit. Despite contracting markets in the Bakery and Flour milling businesses, both managed positive volume growth, with the sorghum beverage market also recording good profit growth.

Groceries faced tough trading conditions with intense pricing competition and higher input costs. As a result the business has heightened its focus on cost containment and close management of price points. Full projected cost savings are expected to materialise in 2015.

Snacks and Treats, Beverages, Enterprise and Out of Home all produced pleasing growth. In order to improve efficiencies and generate cost savings the Beverage business has consolidated its three manufacturing sites into a single manufacturing plant at Roodekop which became operational in October 2013.

Operations across Africa delivered excellent growth across all key categories despite heightened competition and supply chain challenges. In addition, the International and Export businesses (excluding acquisitions) grew by 21.7% despite the need to maintain relative price points in key markets.

Looking forward, Tiger Brands expects trading conditions to remain challenging for the foreseeable future. In an environment of constrained consumer spending, competition will intensify and pressure on margins will persist. This will be exacerbated by rising fuel costs and volatile exchange rates. Premium brands will continue to be under pressure from the growing value sector. Matlare says that brand preference for Tiger Brands' products remains high and will be strengthened through increased investment and innovation.

"Despite the challenges facing us, which include the ongoing weakness in the domestic market with resultant increased competition from house-brands and other producers, and the difficulties associated with DFM, we believe that Tiger Brands is well-positioned for the year ahead ," concluded Peter Matlare.

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