OPERATIONAL REVIEW

GRAINS*

PERFORMANCE SUMMARY

- ✔ Maize recovers in the second half to deliver positive full year result
- ✔ Consumer-centric innovation: Albany Xtra loaf, Tinkies mini value pack and Golden Cloud carrot cake mix
- ✔ Revenue in Other Grains increases to R4,5 billion
- ✔ Fatti's & Moni's gains market share
- ✘ Adverse bread category dynamics persist; Albany holding its premium; focus on volume share recovery
- ✘ Sorghum-based products experienced difficult year

STRATEGIC OUTLOOK

Our vision is to remain a leader in Milling and Baking. Our identified priorities over the medium term are to lead innovation and continue to build on our brand purpose that effectively differentiates Albany, while focusing on enhanced supply chain efficiencies. We will also be investing in maintaining superior route-to-market execution. In other segments of Milling and Baking we will seek to differentiate the brands, strengthening their visibility as tasty, quality nutrition, with strongholds developed and maintained in targeted geographies. In the ready-mix category, we aim to continue to lead the market, while driving value propositions through innovation. In Other Grains, we will maintain our market leadership through differentiated communication, purpose-driven campaigns and targeted pricing, while expanding into adjacent products and categories and innovating to capitalise on growing trends in health and wellness, on-the-go, convenience and value. This will be supported by realising further manufacturing and supply chain efficiencies by improving overall equipment effectiveness and maintaining improved quality-management practices.

FINANCIAL HIGHLIGHTS

+5%
REVENUE
R14,6 billion
(2020: R13,9 billion)

+11%
OPERATING INCOME
R1,4 billion
(2020: R1,2 billion)

OPERATING MARGIN
9,4%
(2020: 8,9%)

Revenue increased by 5% to R14,6 billion, reflecting price inflation of 10%, while overall volumes declined by 5%. Our ability to pass through some input cost inflation, combined with cost savings across the segment, resulted in operating income increasing by 11% to R1,4 billion and the operating margin expanding to 9,4% from 8,9% in the prior year.

After a strong start to the year, **Milling and Baking** experienced a challenging second half, driven predominantly by Bakeries and Sorghum-based products. Revenue from Milling and Baking increased by a muted 2%, as average price inflation of 8% was mostly offset by an overall volume decline of 6%. Operating income declined by 9% to R1,0 billion.

Maize enjoyed a strong recovery in the second half. Despite a year-on-year volume decline, primarily due to increased in-home consumption last year, margins improved in the second half, resulting in a positive performance for the year. The wheat-to-bread value chain continued to experience margin compression because of adverse category dynamics, with deep discounting in the market remaining prevalent. Higher selling prices were more than offset by the impact of reduced volumes. In addition to higher than expected electricity and fuel costs, lost sales and increased expenses caused by the civil unrest in KwaZulu-Natal, further negatively impacted performance. Sorghum-based products experienced a particularly difficult year as a result of higher conversion and distribution costs, which was compounded by lower sales volumes as competition intensified.

* *Excludes civil unrest*

Revenue in **Other Grains** increased by 13% to R4,5 billion, comprising price inflation of 15% and an overall volume decline of 2%. Despite the impact of the civil unrest on the Rice business, its timely return to normal operations helped to ensure that it sustained its strong first half performance. As a result, the Rice business delivered a strong year-on-year improvement, underpinned by higher selling prices and sound cost management. Following muted revenue growth in the first half, Pasta volumes benefited as consumer behaviour favoured the category. Improved demand coupled with strong in-store execution resulted in Fatti's & Moni's gaining market share. Although growth in its core oats offering was sustained in the second half due to a successful winter campaign, an adverse mix impacted Jungle's overall second half performance. Nonetheless, Jungle achieved a pleasing full-year performance.

Price increases coupled with improved efficiencies resulted in operating income in Other Grains increasing significantly to R353 million (2020: R114 million).