

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2008 AND CASH DIVIDEND DECLARATION

CONSOLIDATED INCOME STATEMENT

R'000	Six months ended 30 Sept 2008	Six months ended 30 Sept 2007	Year ended 31 March 2008
Revenue	3 326 724	2 871 448	5 955 327
Operating profit before non-recurring items, depreciation and amortisation	247 085	380 908	925 808
Feed claim recovery			40 000
BEE expense			(49 368)
Operating profit before depreciation and amortisation	247 085	380 908	916 440
Depreciation and amortisation	(72 324)	(65 211)	(136 426)
Operating profit	174 761	315 697	780 014
Finance costs	(1 428)	(1 144)	(2 566)
Finance income	13 768	14 604	34 248
Profit before taxation	187 101	329 157	811 696
Taxation	(61 789)	(118 630)	(272 730)
Profit for the period attributable to the equity holders of the company	125 312	210 527	538 966

HEADLINE EARNINGS

Profit for the period attributable to the equity holders of the company	125 312	210 527	538 966
Net asset impairment provision released		(1 914)	(11 170)
Loss/(profit) on disposal of property, plant and equipment	439	(300)	269
Headline earnings	125 751	208 313	528 065
Feed claim recovery			(28 400)
BEE expense			49 368
Adjusted headline earnings	125 751	208 313	549 033

CONSOLIDATED BALANCE SHEET

R'000	30 Sept 2008	30 Sept 2007	31 March 2008
ASSETS			
Non-current assets			
Property, plant and equipment	1 309 425	1 103 468	1 243 670
Goodwill	287 444	287 444	287 444
Deferred taxation		15 285	
	1 596 869	1 406 197	1 531 114
Current assets			
Inventories	680 622	482 122	521 945
Biological assets	436 219	336 451	369 224
Trade and other receivables	950 619	757 823	862 591
Derivative financial instruments	16 727	36 394	16 768
Taxation receivable	32 621		21 688
Cash and cash equivalents	379 967	556 624	509 894
	2 496 775	2 169 414	2 302 110
Total assets	4 093 644	3 575 611	3 833 224
EQUITY			
Capital and reserves	2 351 719	2 028 074	2 337 130
LIABILITIES			
Non-current liabilities			
Deferred taxation	240 174	186 876	240 041
Post-retirement medical obligation	84 138	78 647	80 862
	324 312	265 523	320 903
Current liabilities			
Trade and other payables	1 348 953	1 178 533	1 126 210
Provisions	41 622	41 025	43 251
Derivative financial instruments			1 394
Finance lease liability		176	177
Taxation payable	27 038	62 280	4 159
	1 417 613	1 282 014	1 175 191
Total liabilities	1 741 925	1 547 537	1 496 094
Total equity and liabilities	4 093 644	3 575 611	3 833 224

STATEMENT OF CHANGES IN EQUITY

R'000	Stated capital	Share-based payments	Retained earnings	Total
Balance at 1 April 2007	1 127 285	22 248	771 356	1 920 889
Profit for the period attributable to the equity holders of the company			210 527	210 527
Ordinary dividend paid			(139 202)	(139 202)
Employee share option scheme: Proceeds from shares issued	29 807			29 807
Value of employee services		6 053		6 053
Balance at 30 Sept 2007	1 157 092	28 301	842 681	2 028 074
Profit for the period attributable to the equity holders of the company			328 439	328 439
Ordinary dividend paid			(69 601)	(69 601)
BEE share-based payments charge		45 468		45 468
Employee share option scheme: Proceeds from shares issued				
Value of employee services		4 750		4 750
Balance at 1 April 2008	1 157 092	78 519	1 101 519	2 337 130
Profit for the period attributable to the equity holders of the company			125 312	125 312
Ordinary dividend paid			(127 859)	(127 859)
BEE share-based payments charge		1 716		1 716
Employee share option scheme: Proceeds from shares issued	7 405			7 405
Value of employee services		8 015		8 015
Balance at 30 Sept 2008	1 164 497	88 250	1 098 972	2 351 719

CONSOLIDATED CASH FLOW INFORMATION

R'000	Six months ended 30 Sept 2008	Six months ended 30 Sept 2007	Year ended 31 March 2008
Operating profit	174 761	315 697	780 014
Non-cash items	84 141	68 760	185 125
Operating profit before working capital requirements	258 902	384 457	965 139
Working capital requirements	(92 312)	(135 788)	(347 905)
Cash generated by operations	166 590	248 669	617 234
Net finance income	12 341	13 460	31 682
Taxation paid	(49 710)	(74 181)	(239 641)
Cash available from operating activities	129 221	187 948	409 275
Dividends paid	(127 859)	(139 202)	(208 803)
Net cash flows from investing activities	(138 517)	(112 051)	(310 509)
Net cash flows from financing activities	7 228	29 593	29 595
Net movement in cash and cash equivalents	(129 927)	(33 712)	(80 442)
Cash and cash equivalents at the beginning of the period	509 894	590 336	590 336
Cash and cash equivalents at the end of the period	379 967	556 624	509 894

SUPPLEMENTARY INFORMATION

Capital expenditure contracted and committed	72 231	188 045	94 165
Capital expenditure approved but not contracted	137 235	66 141	119 258
Contingent liabilities	49 830	53 802	50 078

STATISTICS

Ordinary shares in issue	(000's)	291 191	290 004	290 004
Weighted average ordinary shares in issue	(000's)	290 574	287 898	288 951
Diluted weighted average ordinary shares in issue	(000's)	290 574	293 136	292 028
Basic earnings per share	(cents)	43.1	73.1	186.5
Basic earnings per share – diluted	(cents)	43.1	71.8	184.6
Headline earnings per share	(cents)	43.3	72.4	182.8
Headline earnings per share – diluted	(cents)	43.3	71.1	180.8
Net asset value per share	(cents)	807.6	699.3	805.9
Ordinary dividends:				
Interim dividends declared/paid	(cents)	24.0	24.0	24.0
Final dividend paid	(cents)			44.0

SALIENT FEATURES

Revenue	↑ 15.9%	Operating profit	↓ 44.6%
Chicken realisations	↑ 15.4%	Headline earnings per share	↓ 40.2%
Feed cost	↑ 38.0%	Interim dividend maintained	

BASIS OF PREPARATION

The unaudited results have been prepared in accordance with IAS 34 (Interim Financial Reporting) and in compliance with the Companies Act of South Africa of 1973 and the Listings Requirements of the JSE Limited. The accounting policies are consistent with those of the previous financial period and comply with International Financial Reporting Standards (IFRS).

OVERVIEW AND MARKET CONDITIONS

The Group's results for the six months ended 30 September 2008 reflect a headline earnings decline of 39.6%.

South Africa's macroeconomic environment has continued to deteriorate with slower economic growth and higher interest and inflation rates. Household consumption growth has slowed further with consumer durables particularly hard hit. This slowing is understandable in the light of consumers' disposable income being impacted by both higher inflation and debt service costs as well as concerns about the spill-over effects of the current global financial crisis.

Feed raw material prices peaked at historically high levels during the past six months and remain exceptionally volatile. This together with the crude oil price and exchange rate volatility, uncertainty over the US crop size and the impact of the credit crisis on world markets has translated into significant challenges for raw material procurement. Despite these difficult market conditions Rainbow has consistently applied its feed raw material procurement strategy.

The local chicken market is estimated to have grown by 10% in the past twelve months to R17.7 billion.

Total chicken imports (excluding turkey and mechanically deboned meat) have decreased by approximately 42% to September 2008, largely due to the weakening of the rand and exporters diverting product into other more profitable markets. Chicken imports currently represent 5% of the local market.

The poultry industry's petition to oppose ITAC's proposed scrapping of the US anti-dumping tariff is ongoing.

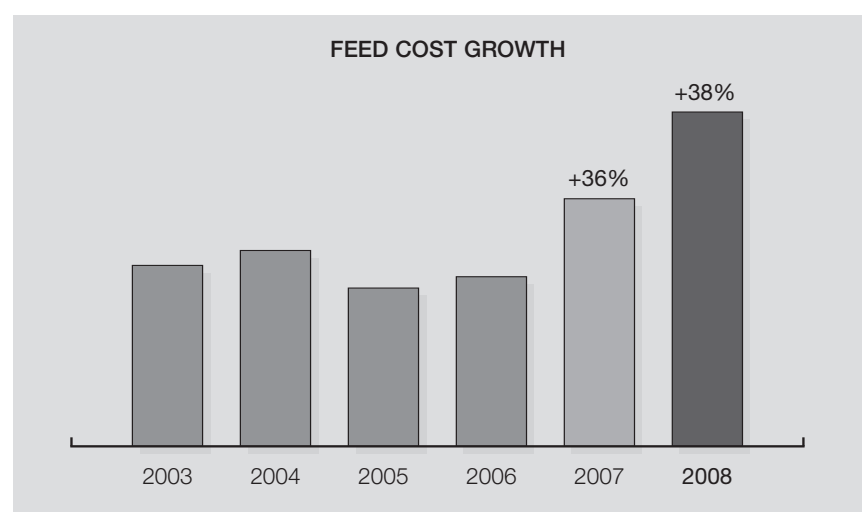
REVIEW OF OPERATIONS

Supply chain

Agricultural performance during the winter months improved on last year despite the higher than normal incidence of disease in the industry and the particularly cold winter experienced in some areas. This improvement can be attributed to the continued investment in upgrading facilities and good husbandry and bio-security practices. Rainbow remains focused on producing the right bird at the lowest cost.

Feedmilling operating costs have been well managed during the period, however, significant cost increases have been experienced in all commodity inputs. Sourcing reasonably priced raw materials will remain a challenge as it is anticipated that the volatility in the commodity markets will continue for the foreseeable future.

The graph below depicts the feed cost increases for the six-month periods ended 30 September since 2003, with significant increases having been experienced in the past two years.



In response to the input cost pressure, the agricultural and feed management teams have collaborated in challenging the current feed specification and where possible reformulated diets to derive a lower feed cost at an acceptable performance level.

The processing plants remain focused on delivering the required mix whilst ensuring costs are well contained. A number of opportunities have been identified that will further improve efficiencies, yield and product mix.

Rainbow's outbound supply chain has been further streamlined with the completion of the new plant-based cold storage facility at the Hammarsdale plant which Vector operates. In addition to the capacity benefit, process efficiency and integration improvements are anticipated with this change. Vector Primary Transport, which commenced as a new service offering in August 2007, delivered further financial benefits whilst reducing risk to Rainbow. New distribution contracts entered into during the period under review include Wimpy and FishAways.

Brands

Rainbow's focus on innovation, differentiation and communication continues to prove successful.

The Rainbow range of products can be classified as 'core' and 'added value'. A significant amount of work has gone into invigorating the core Rainbow products. This will serve to further entrench the existing consumer perceptions of offering better quality and consistency. Added value products, which now include Rainbow Viennas and Polonies, Rainbow Crumbed, Rainbow Grill and Braai as well as Farmer Brown Fully Cooked and Tenderbreasts, have shown tremendous growth and now contribute a meaningful percentage to total retail sales. A number of new launches across all ranges are planned for the second half of the financial year.

As anticipated, with the tighter economic conditions placing pressure on consumers' level of disposable income, the volume growth rate of the Rainbow FoodSolutions brand has slowed over this period. In response the FoodSolutions team have continued to focus on innovation and building strong relationships with key customers.

Rainbow's brand strategy has been effective in delivering an acceptable margin during a period of extreme input cost pressure.

IT infrastructure

Rainbow has made further progress with the implementation of its IT and Enterprise Resource Planning strategy. An increased focus has been placed on supply chain excellence and customer service initiatives. The leveraging of our IT systems remains a key enabler within the business with specific attention on the analysis of customer and product profitability.

Culture

For the past eighteen months Rainbow's entire leadership team have participated in a process called the "Good to Great" journey aimed at jointly defining Rainbow's strategy and aligning the business and its people behind the company vision of "Rainbow chicken at the heart of every meal". The journey has galvanised and empowered the leadership team, provided strategic clarity and given significant impetus to the strategic effort in the business.

FINANCIAL REVIEW

Revenue – Rm	2008	2007	%
Chicken	2 561.1	2 217.3	15.5
Other	765.6	654.1	17.0
Reported revenue	3 326.7	2 871.4	15.9

Chicken revenue for the six months was 15.5% higher than the same period of the previous year. Rainbow's average price realisation increased by 15.4% and despite four less trading days (3.1% impact) volumes were marginally higher.

Group revenue increased by 15.9% to R3.3 billion (2007: R2.9 billion).

The table below depicts headline EBIT after applying the impact of IAS 39 (Financial Instruments: Recognition and Measurement). As previously reported, reporting the financial effects of certain financial instruments used in the feed raw material procurement strategy introduces volatility to the Group's financial results. For this reporting period, the pre-taxation impact of applying IAS 39 on the Group's results is a negative impact of R52.9 million (2007: R31.5 million negative).

The decline in headline EBIT margin is in line with the forecast made at the previous year-end and reflects the 38.0% feed cost increase not being entirely recovered in chicken pricing.

	2008	2007	%
Headline EBIT (Rm)			
pre – IAS 39	228.1	344.7	(33.8)
post – IAS 39	175.2	313.2	(44.1)
Headline EBIT margin (%)			
pre – IAS 39	6.9	12.0	
post – IAS 39	5.3	10.9	

The effective taxation rate of 33.0% (2007: 36.0%) is lower as a result of the 1% reduction in the taxation rate and a lower STC charge on the reduced final dividend.

Net finance income decreased by R1.1 million due to the lower cash balances during the period.

Headline earnings decreased by 39.6% to R125.8 million (2007: R208.3 million) with diluted headline earnings per share reducing by 39.1% to 43.3 cents per share (2007: 71.1 cents per share).

Cash generated by operations decreased by 33.0% to R166.6 million (2007: R248.7 million) by virtue of the lower trading results and increased working capital investment. Inventories and receivables have been impacted by the higher feed costs, however, underlying days' cover is marginally improved on the previous year.

Capital expenditure was R139.6 million (2007: R116.4 million). A further amount of R72.2 million (2007: R188.0 million) has been contracted and committed, but not spent, whilst a further R137.2 million (2007: R66.1 million) has been approved, but not contracted. The Group continues to follow a policy of upgrading its facilities and funding normal levels of replacement capital expenditure from its own resources.

Return on equity on a 12-month rolling basis decreased to 20.7% (2007: 27.8%).

BEE TRANSACTION

Rainbow's BEE transaction was concluded on 30 July 2008 with the issue of the 15% shares to the consortium. As noted in the 2008 annual report, for accounting purposes the transaction is treated as an option and therefore does not impact the per share calculations. The only impact on Rainbow's results will be STC payable on dividends declared in respect of the 15% BEE shares.

PROSPECTS

Consumer spending is expected to continue to soften over the next six months as a consequence of the higher inflation and interest rate environment.

Maize and soya prices and the exchange rate are likely to remain volatile over the next few months. Prices are expected to remain at the current higher levels translating into significantly higher feed input costs than the 2008 financial year.

Other inflationary and supply pressures are likely to continue. As in the period to date, sales realisations are unlikely to fully recover all the anticipated production cost increases.

As a result earnings for the full year on a pre- and post-IAS39 basis are likely to be lower than 2008.

DIRECTORATE

Following the implementation of the BEE transaction, with effect from 31 July 2008, Gcina Zondi was appointed as a non-executive director.

CASH DIVIDEND DECLARATION

Notice is hereby given that on 19 November 2008 the Board declared an interim dividend (number 71) of 24.0 cents per ordinary share in respect of the six months ended 30 September 2008 (2007: 24.0 cents).

The salient dates of the declaration and payment of this dividend are as follows:

Last date to trade ordinary shares cum dividend	Friday, 9 January 2009
Ordinary shares trade ex dividend	Monday, 12 January 2009
Record date	Friday, 16 January 2009
Payment date	Monday, 19 January 2009

Share certificates may not be dematerialised or rematerialised between Monday, 12 January 2009 and Friday, 16 January 2009 (both dates inclusive).

For and on behalf of the Board

MH Visser
 Non-executive Chairman

M Dally
 Chief Executive Officer

Durban
 19 November 2008

Directors: MH Visser (Non-executive Chairman), M Dally (CEO)*, RH Field*, M Griessel JB Magwaza, MM Nhlanihla, DW Vale, G Zondi, DG Zwigelaar
 *Executive directors

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Sponsor: RAND MERCHANT BANK (a division of FirstRand Bank Limited)

Bankers: ABSA Bank Limited

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