



**SENS ANNOUNCEMENT**  
**SOVEREIGN FOODS**

23<sup>rd</sup> March 2010

**SOVEREIGN FOOD INVESTMENTS LIMITED**

Incorporated in the Republic of South Africa  
Registration Number 1995/003990/06  
JSE Code: SOV ISIN Number: ZAE000009221  
("Sovereign" or "the Company" or "the Group")

**TRADING STATEMENT AND BUSINESS UPDATE**

**1. Trading Statement**

Sovereign shareholders are advised that headline earnings per share ("HEPS") and earnings per share ("EPS") are expected to be between 27.6 and 33.7 cents per share ("cps") for the financial year ended 28 February 2010 ("FY10"), as opposed to the loss of 1.5 cps for the financial year ended 28 February 2009 ("FY09").

The financial information on which this trading statement is based has not been reviewed and/or reported on by the Company's auditors.

The results for the financial year ended 28 February 2010 are expected to be released on or about 6 May 2010.

**2. Business Update**

After a positive start to FY10, the Group experienced difficult trading conditions during the 6 months ended 28 February 2010 ("H2").

FY10 volumes are up 14% on FY09 and volumes in H2 are consistent with the volumes in the first half of FY10 ("H1"). Volumes have increased 81% in the 3 year period from the financial year ended 28 February 2007 to FY10.

During H2, poultry prices, which are normally higher in this period (which includes the festive period), were lower than in H1. Poultry prices in H2 were negatively impacted by, *inter alia*, generally higher import volumes, lower prices of imported poultry and softer consumer demand.

Although the Group's feed cost in H2 was in line with expectations, only a marginal benefit from the recent reductions in commodity prices has been experienced during FY10. The Group continues to be challenged by a less than optimal feed conversion ratio and this will be a major focus of management going forward.

Steep increases were experienced in non-feed costs in H2 and FY10, compared to both H1 and FY09, respectively. These increases have been due to external cost increases in respect of items such as electricity, fossil fuels and statutory wage rates. Furthermore, the Group has not as yet realised the improved efficiencies expected from the increase in size of the business. Management is pro-actively addressing these challenges and is committed to reducing the Group's non-feed costs to appropriate levels.

As a consequence of the unusual occurrence of three major corporate actions during FY10 (i.e. the proposed merger between Sovereign and AFGRI Limited's poultry and animal feeds businesses, the merger approach received from Country Bird Holdings Limited following its acquisition of a significant shareholding in Sovereign and the Company's rights issue), the Company incurred once-off costs pertaining to the various legal, statutory and regulatory, due diligence, advisory and related processes pertaining to these three corporate actions. These once-off costs had a negative impact on non-feed costs.

The rights offer undertaken in December 2009 ("the Rights Offer"), which raised R125.9m (before costs) of new equity for the Group, has strengthened the balance sheet considerably and gearing is now within the target range set by management prior to the Rights Offer. As a result of the Rights Offer, borrowing costs in H2 have declined from the levels experienced in H1, however, the full impact of the Rights Offer is only expected to be seen during the 2011 financial year.

Port Elizabeth  
23 March 2010

Sponsor  
One Capital