



Press Release

ESKOM'S PLANNED POWER CUTS TO THE LEKWA LOCAL MUNICIPALITY TO SEVERELY IMPACT ASTRAL'S OPERATIONS WITH DIRE CONSEQUENCES

12 January 2017: Astral Foods Limited (Astral), a leading Southern African integrated poultry producer, was forwarded a copy of a letter issued by Eskom to the Lekwa Local Municipality (Standerton, Mpumalanga) on 10 January 2017 notifying the municipality of interruptions to the bulk electricity supply to the municipality commencing on 23 January 2017 as a result of outstanding payments to Eskom. The scheduled disconnection times will interrupt Astral's feed and poultry operations in the municipal district, with the further risk that should the electricity debt situation not improve, then upon 15 calendar days' notice Eskom will disconnect the electricity supply entirely and indefinitely to the municipality. What could further compound an already volatile situation is a report that Finance Minister Gordhan indicated that National Treasury will act against municipalities which have failed to settle their debt to Eskom, which could take the form of withholding national grants to non-paying municipalities.

Chris Schutte, CEO of Astral, said: "We regard the notification of the power interruptions and potential disconnection of electricity supply to Astral's largest feed milling and poultry processing operations, as a catastrophe. A major part of Astral's operations is the livestock business, thus any form of power cuts have a severe impact on the continuous supply chain of the integrated business, with dire consequences. It must be pointed out that poultry farming requires feed, water and ventilation to be available to the birds at all times. The poultry processing plant which consumes large amounts of electricity requires continuous supply to run the operation as it operates on a continuous cycle with electricity required to operate machinery and refrigeration. The implications of the on-going power cuts cannot be mitigated and will directly lead to bird welfare issues, business interruption costs and the loss of finished product in the cold chain. The magnitude of this decision has far reaching impacts on the community, livestock and food security at a national level."

Astral is the largest client of the Lekwa Local Municipality and relies on uninterrupted supply of both electricity and water to its operations. To date, Astral is a fully paid-up client with the municipality and legal action against the parties responsible for placing Astral in this calamitous position will be taken.

Given the size of Astral's Goldi processing plant and the Meadow Feeds mill in the town (the largest feed mill on the continent), as well as the majority of Astral's broiler farms located in the Standerton region, makes Astral the largest employer in Standerton. If Eskom follows through with permanent power cuts to the municipality, it will lead to substantial job losses which will adversely impact the local community. Astral operations in the region provide employment for 4,115 people.

Should permanent power cuts be implemented as outlined by Eskom in their correspondence, Astral will be left with 11.5 million chickens that they will not be able to feed on a daily basis. The animal welfare impact will be catastrophic leading to unprecedented large scale euthanasia of the birds.

Schutte concluded: "We are currently interacting with various parties to discuss the far reaching implications of the planned Eskom power disconnection to the municipality, and the potential economic, social and animal welfare consequences. We acknowledge that Eskom has the right to receive payment for the supply of electricity, but we have paid for the delivery of essential services from the local municipality and are appalled that we find ourselves in this untenable situation."

Contact: **Astral Foods Limited**
Chris Schutte (CEO)
Andy Crocker (MD Meadow Feeds)
Tel: (011) 991-6000

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Company background

Astral Foods Limited (Astral), a leading South African integrated poultry producer, with key activities in animal feed pre-mixes, manufacturing of animal feeds, broiler genetics, production and sale of day-old chicks and hatching eggs, with integrated breeder and broiler production operations, abattoirs as well as sales and distribution of various key poultry brands. The brands in the Astral stable include:

- County Fair
- Festive
- Goldi
- Earlybird
- Mountain Valley
- Ross Poultry Breeders
- National Chicks
- Meadow Feeds
- Tiger Animal Feeds (Zambia)
- Tiger Chicks (Zambia)
- Meadow Feeds (Mozambique)
- Mozpintos (Mozambique)
- CAL Labs
- Provimi SSA