Poultry integration & brand positioning

Presentation to Market Commentators
23 July 2013
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## Market information

<table>
<thead>
<tr>
<th>Listed</th>
<th>April 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year end</td>
<td>30 September</td>
</tr>
<tr>
<td>JSE ticker</td>
<td>ARL</td>
</tr>
<tr>
<td>Listed exchange</td>
<td>JSE Main Board / Consumer / Food and Beverages / Food Producers</td>
</tr>
<tr>
<td>Sub sector</td>
<td>Farming &amp; Fishing</td>
</tr>
<tr>
<td>Market cap</td>
<td>R3.9 billion – as at 18 July 2013</td>
</tr>
<tr>
<td>NAV</td>
<td>R41.14 per share (March 2013)</td>
</tr>
</tbody>
</table>

### Astral Share Price (Cents)
Astral at a glance – quick facts

- Largest producer of broiler chicks in South Africa
- Second largest in number of chickens processed
- Represented in 4 Southern African countries
- In excess of 11 000 full-time and contract employees
- 7 000 hectares of agricultural and industrial land
- 4 poultry processing plants
- 5 610 000 day old chicks hatched per week
- 4 350 000 broilers processed per week
- 1 300 000 tons of animal feed manufactured per annum
- 715 000 tons of maize used per annum
RSA poultry industry market share

- Local broiler production ≈ 19.5 million birds per week
Estimated broilers processed per week – 2013

- ASTRAL: 4,350
- Rainbow: 4,550
- Country Bird: 1,300
- Afgri: 1,120
- Sovereign: 1,000
- Tydstrum: 1,000
- Fouries: 850
- Henwill: 420
- CC Chickens: 350
- Grainfields: 300
- Kroons: 250
- Argyle Poultry: 180
- Spiff: 170
- Mike’s Chickens: 150
- Sterkfontein: 150
- Hatcheries: 3,300
- Imports: 3,100

Unit: ‘000
Astral segmental analysis - Revenue

- Poultry: 53%
- Feed: 43%
- Other Africa: 4%
Profit sensitivity (current market environment)

- Change in chicken selling price of R0.10 per kg
  ≈ R42 million pa

- Change in feed price of R100 per ton
  ≈ R65 million pa

- Change in processing yield of 1%
  ≈ R54 million pa

- Change in feed conversion of 1 point
  ≈ R18 million pa
Strategic alliances

Associates and partners

Key service providers
Astral’s integration
Astral versus Rainbow

**RAINFOW**
“Grown by design”

Hammarsdale  |  Rustenburg  |  Worcester

**Broiler Operations**

**Feed - Epol**

**Poultry Genetics – Cobb 500**

**Start: 1963**
Hammarsdale Processing Plant

**ASTRAL**
“Unbundling of agri-businesses”

**Start: 2001**
Non-aligned business units

- Earlybird Farm
  - JV 50:50
- Elite
  - JV 53:47
- Meadow
  - JV 80:20
- ROSS
  - JV 50:50
- NuTec
  - JV 65:35
- County Fair
  - JV 90:10
- CL Labs
  - JV 90:10
Integrated poultry producer

Grand parent operation

Breeding and broiler operations

Processing

Grand parent farms

Parent farms

Broiler farms

22 weeks 40 weeks 3 weeks
Rearing Laying Hatching

22 weeks 40 weeks 3 weeks
Rearing Laying Hatching

35 days
Growing

4 Processing plants

Standerton Olifantsfontein Camperdown Agter Paarl

Feed supply

Brands

National Chicks Earlybird County Fair

More than just feed

Integrated poultry producer

Earlybird
Great South African Chicken Every Day!

County Fair
Great South African Chicken Every Day!

Standerton
Olifantsfontein
Camperdown
Agter Paarl

Meadow
More than just feed

Integrated poultry producer

Earlybird
Great South African Chicken Every Day!

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Great South African Chicken Every Day!

Standerton
Olifantsfontein
Camperdown
Agter Paarl

Meadow
More than just feed

Integrated poultry producer

Earlybird
Great South African Chicken Every Day!

County Fair
Great South African Chicken Every Day!

Standerton
Olifantsfontein
Camperdown
Agter Paarl

Meadow
More than just feed
National and regional footprint
Poultry rearing cycle

Grand Parents
- Rearing: 22 weeks
- Laying: 40 weeks
- Hatching: 3 weeks

Parents / Breeders
- Rearing: 22 weeks
- Laying: 40 weeks
- Hatching: 3 weeks

Birds / Broilers
- Growing: 35 days
- Day-old chick to 1.8 kg

2½ years
Astral poultry production chain

1. Parent Rearing  1,1 million pullets per breeding cycle
2. Parent Laying  2,1 million breeders per breeding cycle
3. Egg Production  41,1 million eggs per broiler cycle  (81% Hatchability)
4. DOC to Broilers  32,2 million broilers on farm
5. Processing  4,35 million slaughtered per week
6. Storage
7. Distribution
8. Customer
9. Consumer
Operational overview
Ross Poultry Breeders are the sole distributor and supplier of Ross 308 parent stock to the South African poultry industry.

Sales revenue for Ross is split 74% to Astral operations and 26% to external customers.

Astral has a distribution and technical agreement with Aviagen Limited, a multi-national company that holds world-wide proprietary rights to the “Ross” brand.

The Ross 308 breed is world renowned for its superior broiler and broiler breeder performance.
Day-old broiler chick and hatching egg suppliers

- National Chicks based in South Africa and Swaziland is a day-old chick (DOC) and hatching egg supplier to Astral’s broiler operations (34% of sales) and independent non-integrated broiler producers in South Africa, Swaziland and Botswana.

- Tiger Chicks based in Zambia is a day-old chick supplier to independent non-integrated commercial and small-scale poultry producers.

- Mozpintos based in Mozambique is a day-old chick supplier to independent non-integrated small-scale poultry producers.
Integrated broiler operations

- Four full integrated broiler production, processing, distribution, sales and marketing operations

- Combined production capacity of 4,35 million processed broilers per week:
  - Earlybird Standerton – 1 700 000 birds per week
  - Earlybird Olifansteinein – 1 300 000 birds per week
  - County Fair Agter Paarl – 1 200 000 birds per week
  - Mountain Valley Camperdown – 150 000 birds per week
Animal feed

- The seven South African feed mill operations are located in Randfontein, Delmas, Welkom, Paarl, Port Elizabeth, Pietermaritzburg and Ladismith.

- Meadow Feeds produces approximately 1.3 million tons of complete animal feed per annum and is the market leader in South Africa with 50% of sales into the external market.

- Astral also has feed mill operations in Lusaka (Zambia) and Maputo (Mozambique).
Laboratory services

- Central Analytical Laboratories offers a diverse range of analytical services to the agricultural sector.

- CAL is an important part of Astral’s integration and an integral link in the Group’s quality control and traceability programs.

- Analysis of feed samples for the animal feed industry and water samples for various agricultural industries are undertaken.

- Sales revenue for CAL is split 50% to Astral operations and 50% to external customers.
Astral’s consumer brands
Astral’s consumer brands sales

Annual revenue of R6,1 billion
### Astral’s product line-up

<table>
<thead>
<tr>
<th>Category</th>
<th>Brands</th>
<th>Country Fair</th>
<th>Supa Star</th>
<th>Festive</th>
<th>Private Label</th>
<th>Food Service</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IQF</strong></td>
<td>85%</td>
<td>30%</td>
<td>80%</td>
<td>0%</td>
<td>0%</td>
<td>46%</td>
</tr>
<tr>
<td><strong>Fresh</strong></td>
<td>0%</td>
<td>39%</td>
<td>0%</td>
<td>97%</td>
<td>85%</td>
<td>51%</td>
</tr>
<tr>
<td><strong>Frozen</strong></td>
<td>4%</td>
<td>9%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>Low Value</strong></td>
<td>11%</td>
<td>12%</td>
<td>20%</td>
<td>0%</td>
<td>0%</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Value Added</strong></td>
<td>0%</td>
<td>10%</td>
<td>0%</td>
<td>3%</td>
<td>15%</td>
<td>0%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Chicken cuts

Poultry cuts

Consumer Brands

[Diagram showing various cuts of chicken and logos for Tender 'n Tasty Goldi, Festive, and County Fair]
Goldi – revenue contribution R3,4 billion

- The Goldi brand targets the mass markets both rural and urban in the lower to middle income group’s
- The products have good depth of distribution and reach the target market through Shoprite, Spar, Boxer, Pick ‘n Pay and local Spaza shops
- The brand has maintained loyal support in its target market
- This trusted brand presents a good value proposition
The County Fair brand targets the middle to upper income group’s.

The products reach the target market through Shoprite, Checkers, Spar, Boxer and Pick ‘n Pay.

The brand has developed strong equity in its target market.

This prime brand is dominant in the Western Cape market.

22% of sales
Supa Star – revenue contribution R0,2 billion

- The Supa Star brand targets the mass market in the lower to middle to income group’s.

- The products reach the target market through Shoprite and Boxer.

- The brand has presence in both the rural and urban markets.

- This trusted brand enjoys good demand in the Kwazulu-Natal market.

4% of sales
Festive – revenue contribution R0,1 billion

- The Festive brand targets the middle to upper income group’s
- The products are only available in a fresh chilled format
- This is an established brand distributed at present through Checkers and Spar
- This trusted brand has developed strong equity in markets where demand for a prime product is higher

1% of sales
Mountain Valley – revenue contribution R48 million

- The Mountain Valley brand is a relatively new brand in the Astral stable
- The products are only available in a fresh chilled format
- A new free range product line-up under this label has recently been launched country wide
- This brand targets the middle to upper income groups and is well established in Kwazulu-Natal
- This brand is available where demand for a prime product is high

1% of sales
Earlybird catering – revenue contribution R0.3 billion

The Earlybird food service lines are supplied to caterers where they are consumed within the middle to upper income group’s

This value added brand provides variety, convenience and good value

This brand has the potential to grow into a well known catering brand in South Africa

3% of sales
Dealer own brands – revenue contribution R0.5 billion

The private label brands target a wide consumer segment from the low to high income brackets.

These brands are supplied to retailers driving a “dealer own brand” strategy.

These products tend to have a lower cost route to market due to retailer distribution centres.
Further processed foods

County Fair
- Chicken Burgers
- Cheezy Burgers
- Light Chicken Breast Nuggets
- Crumbed Chicken Breast Steaks
- Chicken Breast Nuggets
Differentiate and value add

Great South African Chicken Every Day!

Great South African Chicken Every Day!

Great South African Chicken Every Day!
Sole supplier of chicken to Famous Brands & Spur

famous brands
You’re in good company

Spur Steak Ranches
A taste for life
Famous Brands restaurants
Spur franchises & restaurant chains

- Spur Steak Ranches
  - A taste for life
- Panarottis Pizza Pasta
- DoRego's
- John Dory's
  - Fish - Grill - Sushi
Market participation
Market participation

Volume by sector

Food Service 5%
Retail 44%
Wholesale 51%

Volume by category

Value added 3%
Low value 21%
Fresh 11%
Frozen 6%
IQF 59%
Astral distribution centres through The Cold Chain

<table>
<thead>
<tr>
<th>LOCATION</th>
<th>PALLET SLOTS</th>
<th>FLEET</th>
</tr>
</thead>
<tbody>
<tr>
<td>City Deep</td>
<td>3917</td>
<td>52</td>
</tr>
<tr>
<td>Cape Town</td>
<td>2781</td>
<td>22</td>
</tr>
<tr>
<td>Midrand</td>
<td>2524</td>
<td>28</td>
</tr>
<tr>
<td>Durban</td>
<td>3106</td>
<td>25</td>
</tr>
<tr>
<td>Polokwane</td>
<td>992</td>
<td>10</td>
</tr>
<tr>
<td>Port Elizabeth</td>
<td>1448</td>
<td>8</td>
</tr>
<tr>
<td>Klerksdorp</td>
<td>1852</td>
<td>14</td>
</tr>
<tr>
<td>East London</td>
<td>1189</td>
<td>7</td>
</tr>
<tr>
<td>Nelspruit</td>
<td>919</td>
<td>12</td>
</tr>
<tr>
<td>George</td>
<td>843</td>
<td>6</td>
</tr>
<tr>
<td>Bloemfontein</td>
<td>1095</td>
<td>12</td>
</tr>
<tr>
<td>Dundee</td>
<td>582</td>
<td>6</td>
</tr>
<tr>
<td>Truck Rentals</td>
<td>30</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>21 248</strong></td>
<td><strong>232</strong></td>
</tr>
</tbody>
</table>
Astral poultry consumer brand demand density
Other Africa developments
Growth in Africa

- Zambia – 2013 doubling capacity of breeder operation from 100,000 doc per week to 200,000 doc per week
- Mozambique – 2012 opening of new hatchery producing 65,000 doc per week with expansion to 90,000 doc per week in 2014
- Mozambique – 2013 construction of new broiler breeder sheds
- Investigating growth opportunities into East Africa
Poultry industry myths
<table>
<thead>
<tr>
<th>General market perception</th>
<th>Astral’s response</th>
</tr>
</thead>
</table>
| **1.** Do chickens grow so fast because they are injected with growth hormones? | ▪ No, definitely not!  
▪ No chickens produced by any of Astral’s poultry operations are injected, fed or in any way whatsoever subjected to hormones.  
▪ Desired growth and weight targets are obtained via a perfect combination of superior genetics, scientific nutrition and best farming practices - ethically applied.  
▪ Be assured, eating our chicken products is perfectly safe for you! |
| **2.** The antibiotics administered to chickens – do they remain in the meat and are they dangerous to our health? | ▪ No, not entirely true!  
▪ Antibiotics are administered when necessary through feed intake and under the strict guidance of a registered veterinary practitioner.  
▪ Our standard practice is to withdraw antibiotics from feed according to the manufacturers’ guidelines, at least five days prior to slaughter.  
▪ Additionally our independent laboratory tests of the livers and muscles of slaughtered chickens for traces of antibiotic residues. |
<table>
<thead>
<tr>
<th>General market perception</th>
<th>Astral’s response</th>
</tr>
</thead>
</table>
| Are chickens restricted from movement by being kept in small wire cages? | - Not true at all!  
- Our chickens are raised in large poultry sheds designed to keep them as comfortable as possible.  
- Disinfected floors are bedded with wood shavings, sunflower husks or wheat straw which allows them to scratch and move around as they please.  
- Unrestricted access to light, clean water and nutritious feed 24 hours a day. |
| Are chickens reared on a diet of maize only? | - Maize, the main energy source in a chicken’s diet, comprises approximately 50% of the feed ration.  
- Specially formulated protein ingredients, together with key vitamins and minerals, are added creating the perfect balanced diet - fed in the form of easily digested crumbles or pellets. |
<table>
<thead>
<tr>
<th>General market perception</th>
<th>Astral’s response</th>
</tr>
</thead>
</table>
| Are all chickens injected with water before being sold? | - No, not entirely true!  
- Our fresh chicken, never frozen, is 100% natural.  
- Excess moisture is removed from fresh chicken through an air-chilling process before being packed.  
- We do flavour enhance Individually Quick Frozen (IQF) portions with a water-based brine, to improve meat tenderness and succulence by means of a scientifically applied injection method. |
Brine marinade injection

To improve sensory and functional properties of meat:

**Sensory**
- Flavour
- Colour
- Succulence
- Tenderness

**Functional**
- Moisture holding capacity
- Cooked yield
Results from independent sensory evaluation

Mean Sensory Score: Thighs

Hedonic Scale

- Visual
- Smell
- Taste
- Juiciness

- Goldi
- Brazil
Results from independent sensory evaluation

Preference Test

Number of Participants

Preferred

Goldi
Brazil
What is in the brine formulation

In simple terms, water, sea salt, maize starch, seaweed and maize extracts and sugar. Brine comprises 97% water and 3% solids, of which sea salt is 2% and thickeners and sugar making up the remaining 1%

<table>
<thead>
<tr>
<th>Component</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>WATER</td>
<td>Potable water of drinking quality standard</td>
</tr>
<tr>
<td>SALT</td>
<td>Unrefined sea salt obtained through natural evaporation</td>
</tr>
<tr>
<td>STARCH</td>
<td>Maize starch used as a thickening agent</td>
</tr>
<tr>
<td>THICKENERS</td>
<td>Carrageenan, a natural carbohydrate extracted from seaweed</td>
</tr>
<tr>
<td></td>
<td>Xanthan gum is also a natural carbohydrate and produced from maize based glucose</td>
</tr>
<tr>
<td>SUGAR</td>
<td>Dextrose is a form of sugar extracted from maize and commonly used for flavouring, browning and improving texture in food</td>
</tr>
</tbody>
</table>
Injection equipment – Astral processing plant
Labelled salt levels in selected food products

<table>
<thead>
<tr>
<th>Food</th>
<th>Grams of salt per 100g</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yoghurt</td>
<td>0.118</td>
</tr>
<tr>
<td>Chocolate</td>
<td>0.223</td>
</tr>
<tr>
<td>Canned corn</td>
<td>0.422</td>
</tr>
<tr>
<td>Medium Fat Spread</td>
<td>0.625</td>
</tr>
<tr>
<td>Goldi IQF</td>
<td>0.702</td>
</tr>
<tr>
<td>Wheat Cereal</td>
<td>0.830</td>
</tr>
<tr>
<td>Pilchards</td>
<td>0.875</td>
</tr>
<tr>
<td>Biscuits</td>
<td>1.000</td>
</tr>
<tr>
<td>Canned Tuna</td>
<td>1.000</td>
</tr>
<tr>
<td>Baked Beans</td>
<td>1.115</td>
</tr>
<tr>
<td>Brown Bread</td>
<td>1.250</td>
</tr>
<tr>
<td>Tomato Sauce</td>
<td>1.313</td>
</tr>
<tr>
<td>Tomato Soup</td>
<td>1.318</td>
</tr>
</tbody>
</table>

Heart Foundation:

- > 1.5g per 100g is HIGH
- < 0.3g per 100g is LOW
Value proposition: cooked chicken on plate

IQF MIXED PORTIONS
(70% chicken : 30% brine)

- Retail Selling Price: R16.90 kg
- Cooked yield: 54.80 %
- Cooked meat: 548 g

= R30.80 kg

FRESH BRAAIPAK
(0% brine)

- Retail Selling Price: R31.99 kg
- Cooked yield: 75.60 %
- Cooked meat: 756 g

= R42.30 kg
## Value proposition of IQF frozen versus fresh on shelf

<table>
<thead>
<tr>
<th>VALUE PROPOSITION</th>
<th>IQF</th>
<th>Fresh</th>
<th>Fresh</th>
<th>Fresh</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mixed</td>
<td>Whole</td>
<td>Braaipak</td>
<td>Fillets</td>
</tr>
<tr>
<td>Meat / Fat &amp; Skin</td>
<td>Grams</td>
<td>489.70</td>
<td>785.70</td>
<td>785.70</td>
</tr>
<tr>
<td>Bones</td>
<td>Grams</td>
<td>214.30</td>
<td>214.30</td>
<td>214.30</td>
</tr>
<tr>
<td>Brine</td>
<td>Grams</td>
<td>296.00</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total content</td>
<td>Grams</td>
<td>1 000.00</td>
<td>1 000.00</td>
<td>1 000.00</td>
</tr>
<tr>
<td>Excl brine &amp; bone</td>
<td>RSP kg</td>
<td>34.50</td>
<td>31.81</td>
<td>40.72</td>
</tr>
</tbody>
</table>

*RSP = Retail Selling Price

Composition values can vary depending on product mix and bird size
Strategic focus
Strategic focus

“To be a best cost integrated poultry producer and grow the business organically through selective investments”
Thank You