



Annual Results presentation  
for the year ended 30 September 2013



- **Business Overview**
- **Poultry Industry Trends**
- **Financial Overview**
- **Industry Matters**
- **Prospects**
- **Q & A**





## ***Business Overview***

*Poultry Industry Trends*

*Financial Overview*

*Industry Matters*

*Prospects*

**Q & A**

# THE PERIOD IN PERSPECTIVE



- The past twelve months to end September 2013 reflect one of the worst trading periods experienced by the poultry industry

## Financial Indicators

- Revenue

4%

- Operating profit

43%

- Earnings per share

26%

- Headline earnings per share

44%

- Key factors that negatively impacted the business:
  - **Record high poultry imports** in October and November 2012 culminating in excessive industry poultry stock levels
  - **Depressed sales** in December 2012 followed by intense retail promotional activity and price discounting in January and February 2013
  - The impact of the **US drought** in 2012 impacted local Safex maize prices with poultry feed costs peaking in January to March 2013
  - Extreme **drought conditions in the North West** region of SA reduced the 2013 local maize crop
  - The **Rand depreciated** by 20% for the period under review against the US Dollar negating any benefits of lower CBOT corn prices during 2H2013

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## THE PERIOD IN PERSPECTIVE



- **Violent strike action** at Earlybird Olifantsfontein and County Fair resulted in a direct cost of R37 million in 1H2013
- Astral's balance sheet remains healthy with a **net debt to equity ratio** of 15% (30 September 2012: 7%)
- The Group's integrated **best cost business model** proved its value with the business remaining profitable despite an industry that is generally making losses
- Good performances from the **Feed** and **Other Africa** divisions have contributed positively to the Group's earnings
- The **sale of 25%** of Astral's interest in **Nutec** was successfully concluded with proceeds amounting to R64 million



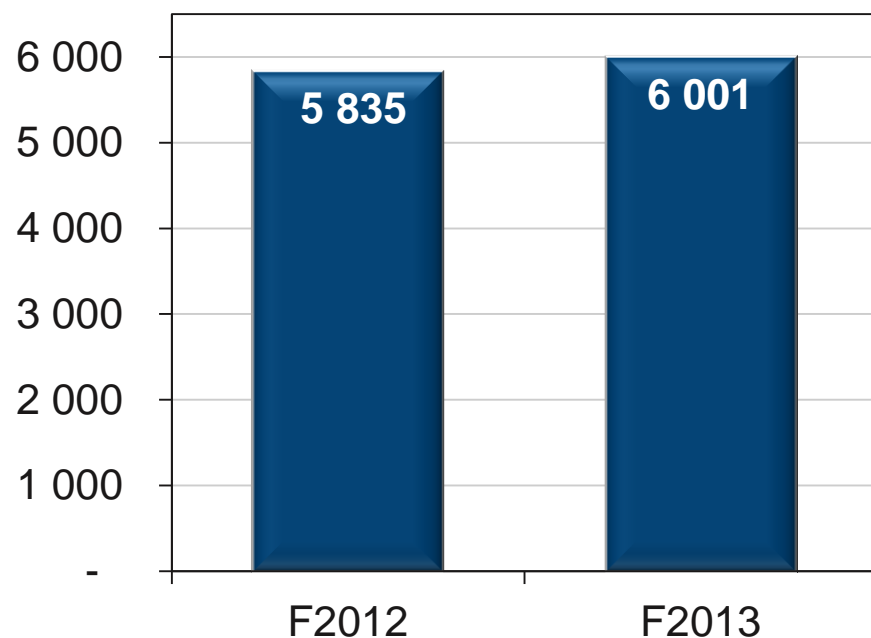


## ***Poultry Division***

# POULTRY DIVISION - OVERVIEW

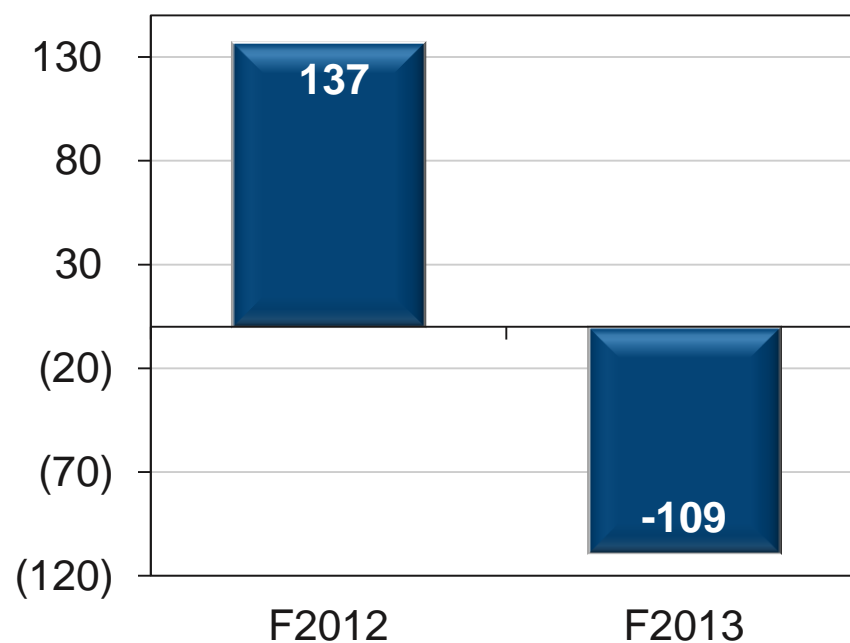


(Revenue - R million)



- Revenue up 2.8%
- ✦ Broiler volumes down 5.4%
- ✦ Broiler realisations up 8.4%

(Operating profit - R million)



- Operating loss
- ✦ Profit margin negative
- ✦ Feed costs up 14.1%



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## POULTRY DIVISION - OVERVIEW

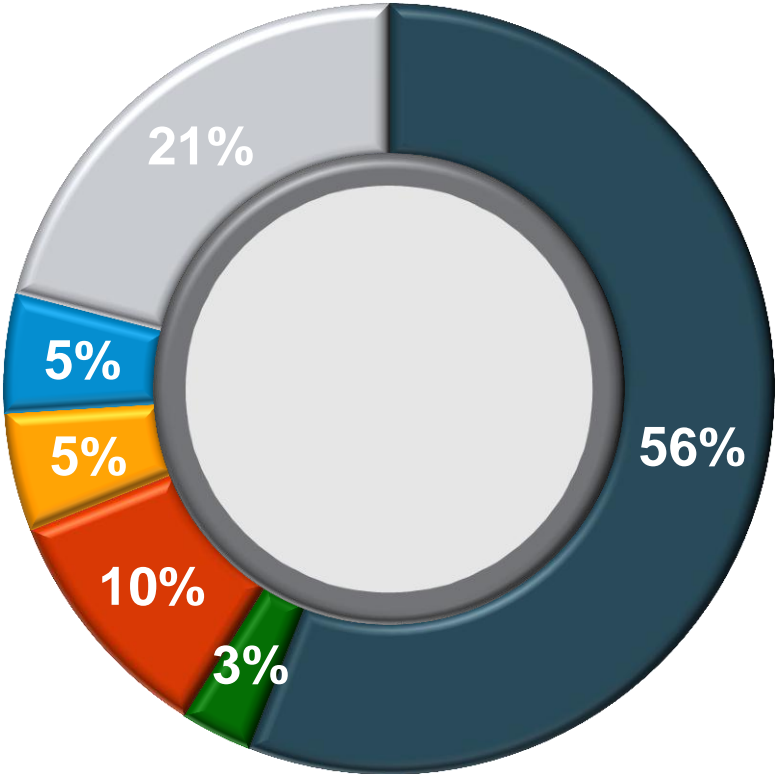


- Average broiler feed prices increased year-on-year by R563 per ton (up 14%)
- Broiler selling prices increased year-on-year by 8.4%
- Record levels of poultry imports in November 2012  $\approx$  8 million birds per week
- Record high poultry stock levels in December 2012
- Planned broiler production cutbacks on back of poor sales  $\approx$  5%
- Below cost promotional activity on IQF from January to March 2013
- Continuing negative impact of above inflation energy cost increases  $\approx$  up 11%

# POULTRY DIVISION – SALES

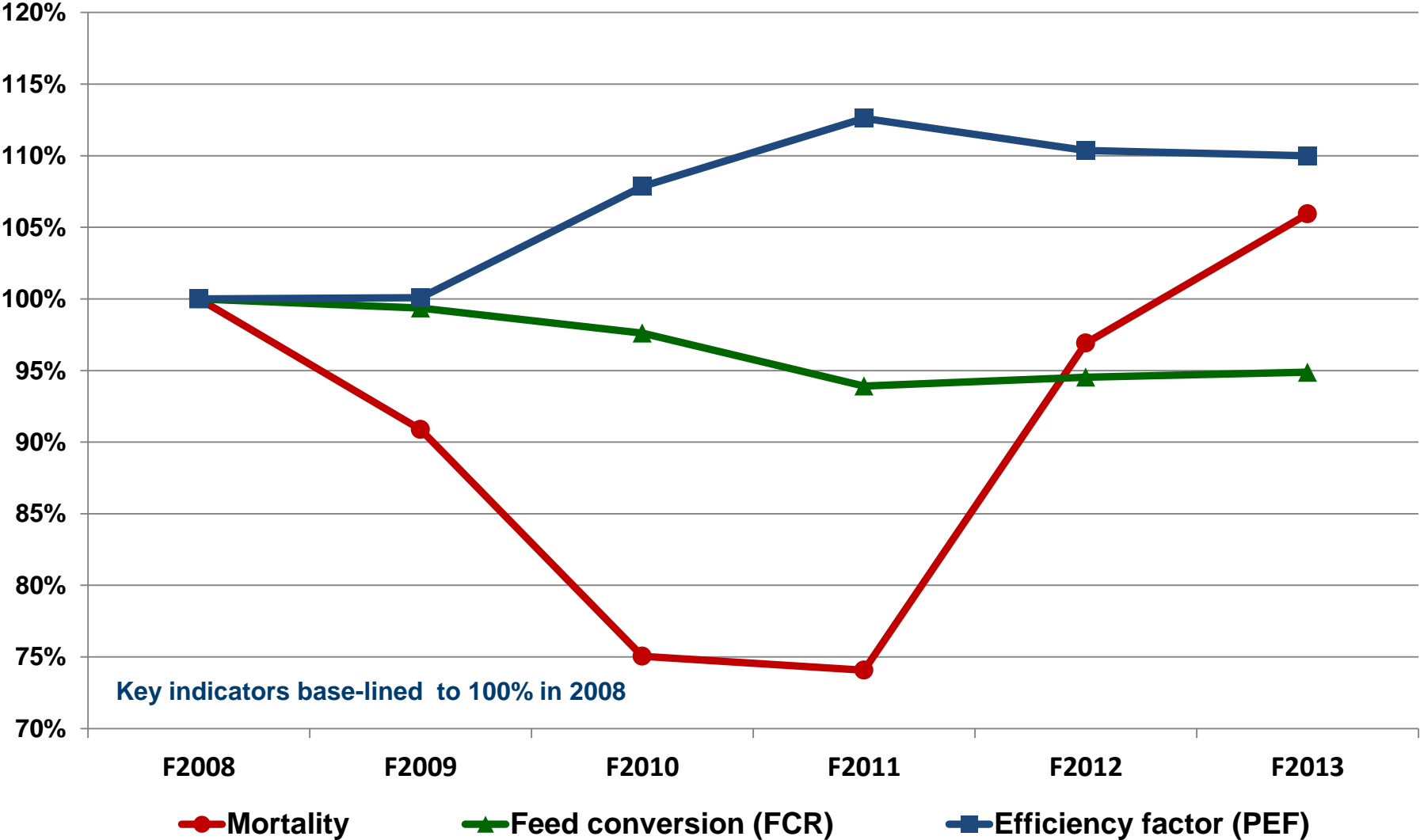


## Product Mix

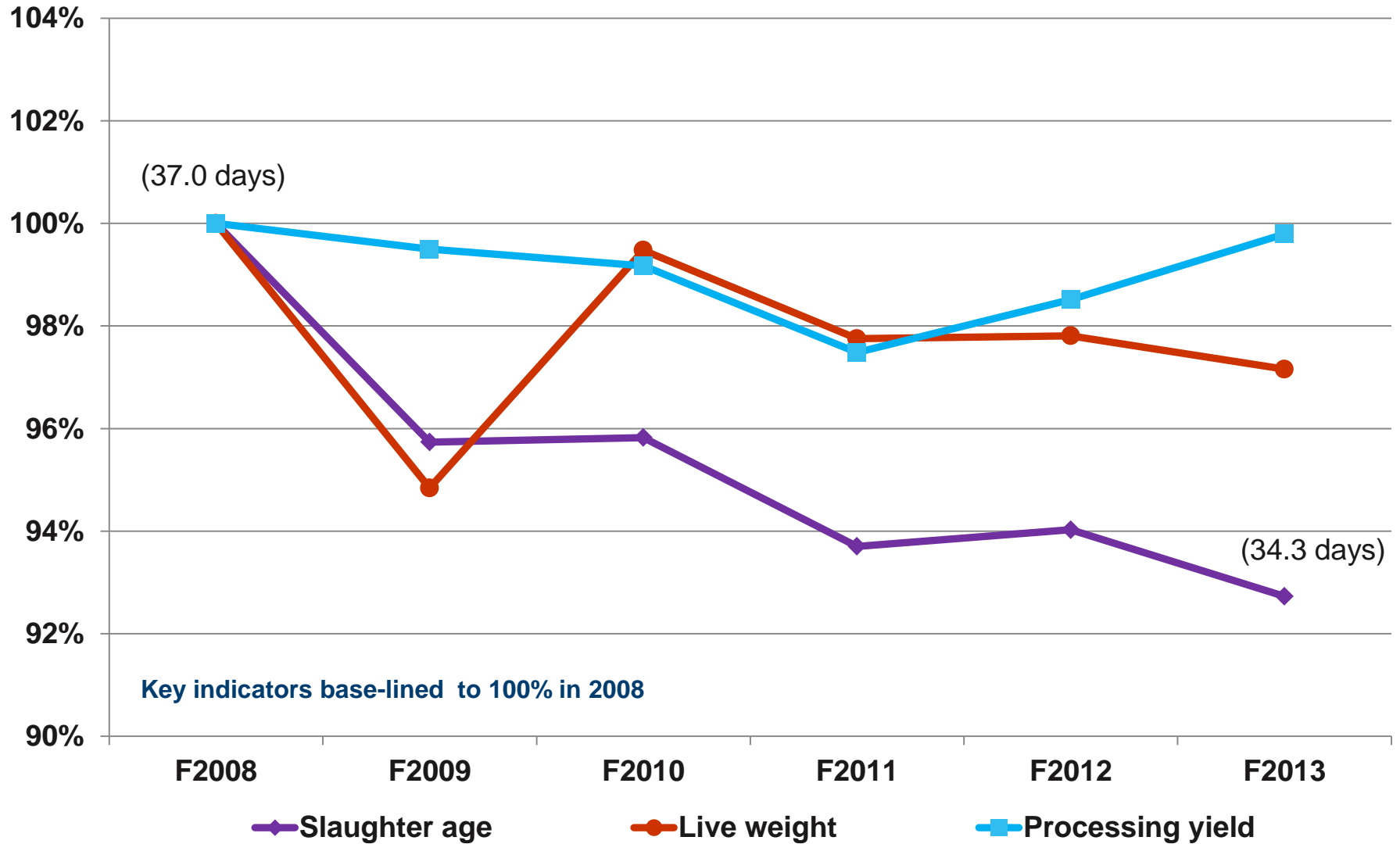


- IQF Mixed Portions
- IQF Single Portions
- Fresh
- Value Added
- Frozen
- Tertiary

# BROILER PRODUCTION PERFORMANCES



# BROILER PRODUCTION PERFORMANCES



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## POULTRY DIVISION - PROSPECTS



- Projected **lower feed costs** in comparative first half reporting period
- Broiler production **efficiency improvements** expected to continue
- Continued **realignment** of poultry production capacities to reduce costs
- Reduced heating / energy costs at County Fair with **LPG replacement project**
- SAPA's application for investigation into **EU dumping** of poultry accepted by ITAC



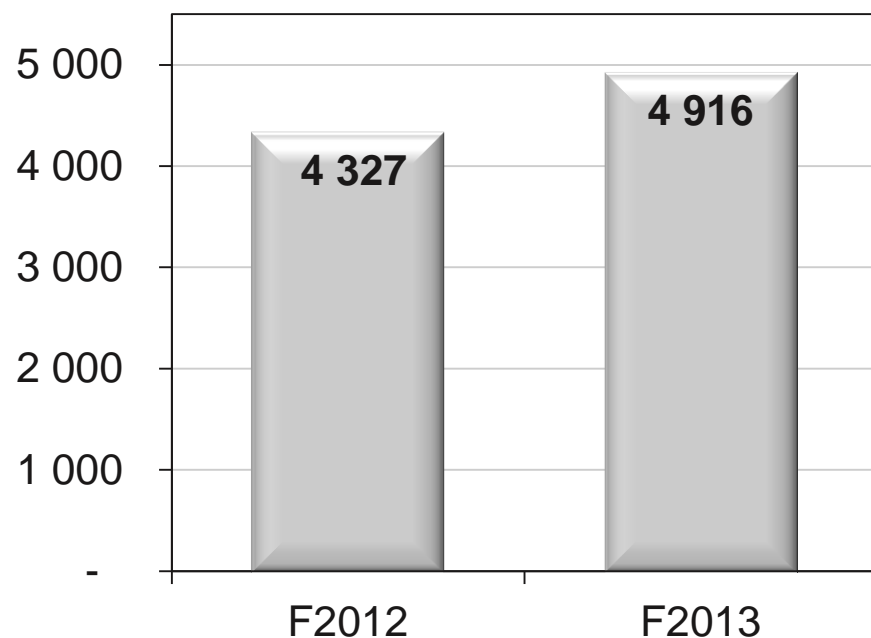
## *Feed Division*



# FEED DIVISION - OVERVIEW

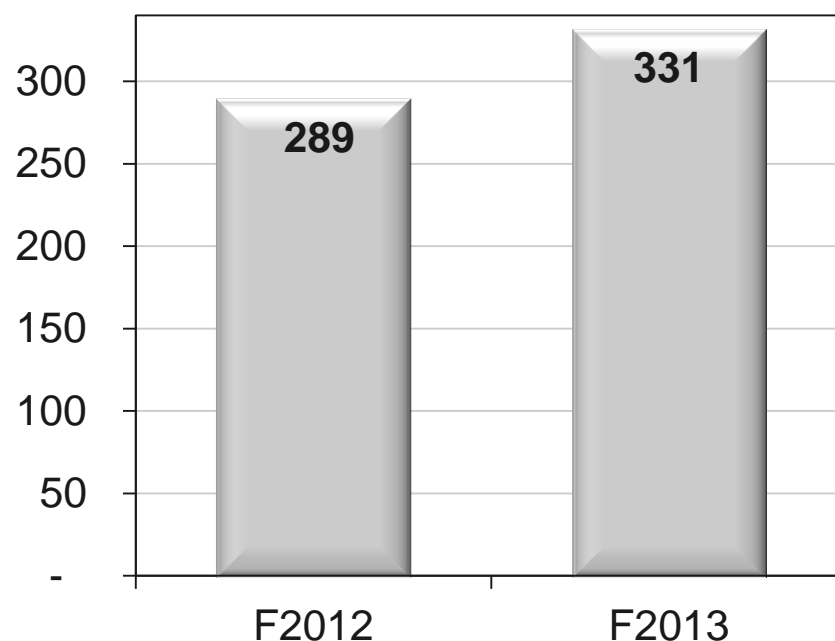


(Revenue - R million)



- Revenue up 13.6%
- ✦ Volumes up 1%
- ✦ Realisations up 13.3%

(Operating profit - R million)



- Operating profit up 14.7%
- ✦ Profit margin 6.7% (unchanged)
- ✦ Rand / ton margin increase

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## FEED DIVISION - OVERVIEW

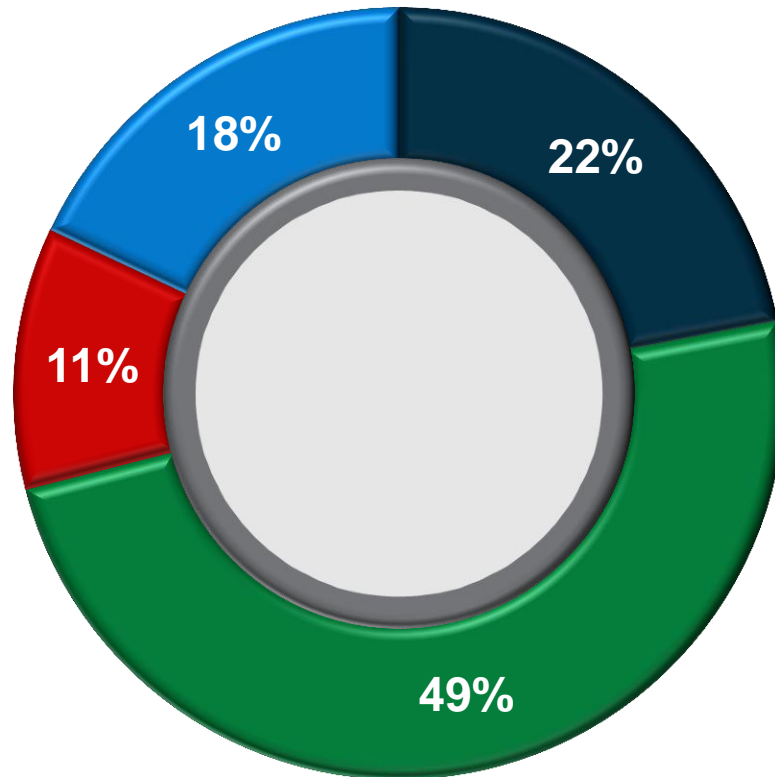


- Lower in-house feed volumes (down 3%) due to lower broiler placements
- External feed volumes increased by 4%
- Rand per ton margin increased on prior year despite a competitive landscape
- The division has shown good cost control for the reporting period
- Inflationary costs were successfully recovered from the market
- Maintained an acceptable level of credit risk

# FEED DIVISION – SALES



## Meadow Feeds - Sales Mix



■ Dairy   ■ Poultry Integrated   ■ Poultry External   ■ Other

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## FEED DIVISION - PROSPECTS



- Projected **lower maize plantings** in new season
- **Normal rainfall** could lead to 12,6 million ton crop in 2014
- **External feed sales drive** to continue in the face of lower internal volumes
- Continued focus to implement new **cost saving technologies**
- Focus on **Rand per ton margins** to continue
- **New Standerton feed mill** margin contribution in 2H2014

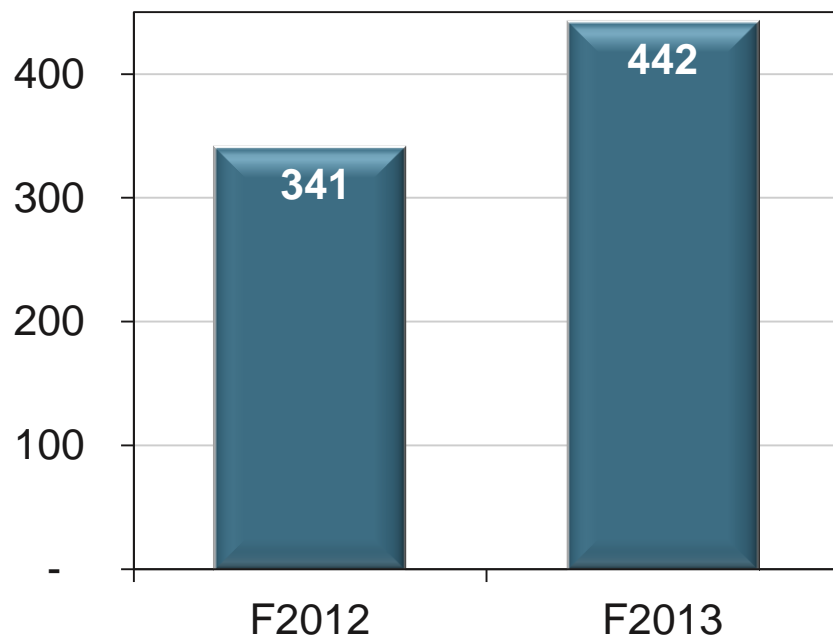


## *Other Africa Division*

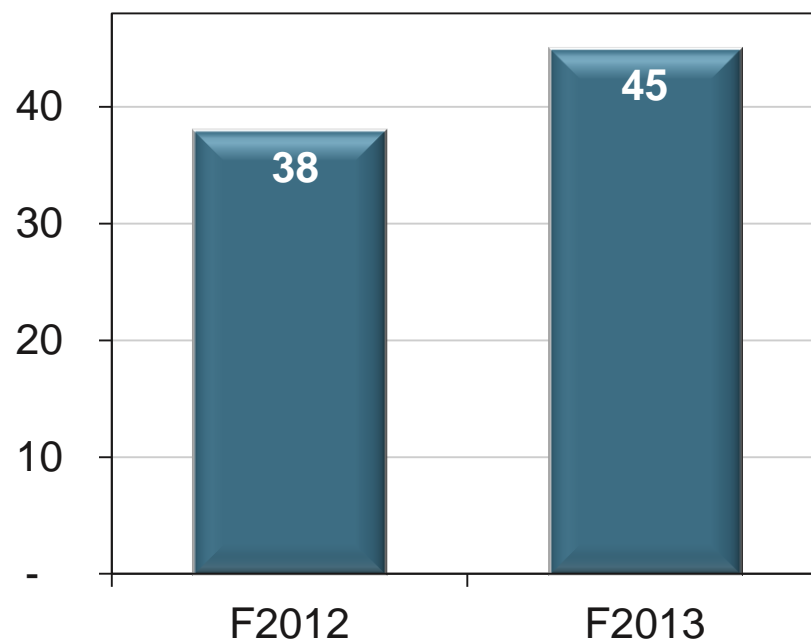
# OTHER AFRICA DIVISION - OVERVIEW



(Revenue - R million)



(Operating profit - R million)



- Revenue up 29.5%
- ✦ Volumes up 14.2%
- ✦ Realisations up 13.4%

- Operating profit up 19.5%
- ✦ Profit margin 10.2%
- ✦ New Moz hatchery included



### **Zambia**

- Feed sales from Tiger Animal Feeds increased by 17% year-on-year through a recovery in the small scale farming sector
- Feed mill efficiencies have improved with the replacement of ageing process equipment
- The double up of the Tiger Chicks broiler breeder and hatchery operation has progressed well with completion scheduled by end 2013

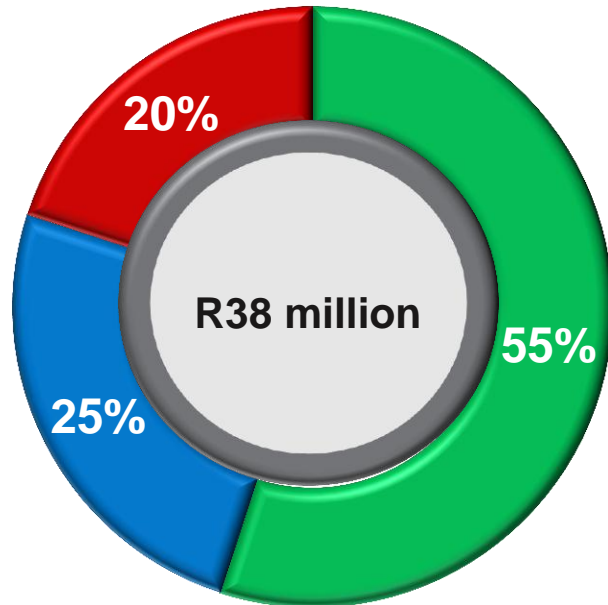
### **Mozambique**

- The new Mozpintos broiler hatchery was commissioned in 1H2013 and is running at capacity and turning out good results
- The construction of six new broiler breeder houses for Mozpintos has commenced and is scheduled for completion in early 2014

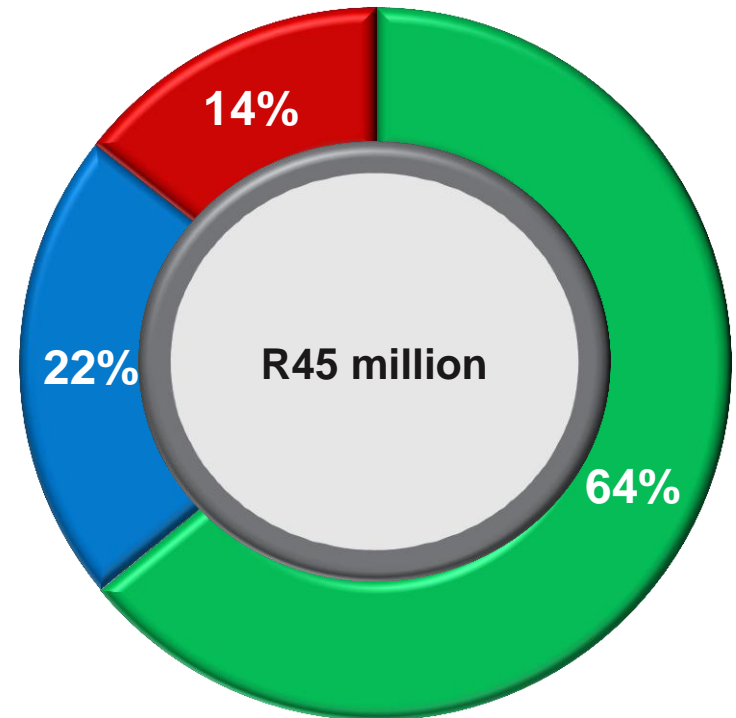
# OTHER AFRICA DIVISION PROFIT SEGMENTATION



## F2012 Country PBIT Contribution



## F2013 Country PBIT Contribution



■ Zambia ■ Mozambique ■ Swaziland

### Zambia

- Tiger Animal Feeds **holds good maize and soya positions** into the new financial year
- Increased sales of day old chicks from the **double up of the hatchery** and broiler breeder operation will be realised in December 2013
- The continued expansion of **feed and day old chick outlets** will improve product availability and competitive feed prices direct to farm

### Mozambique

- The **new broiler breeder houses** will be commissioned during 2014 supplying the hatchery with hatching eggs thereby replacing imported eggs
- Expanding into **further feed and day old chick outlets** will improve market penetration and sales



*Business Overview*

***Poultry Industry Trends***

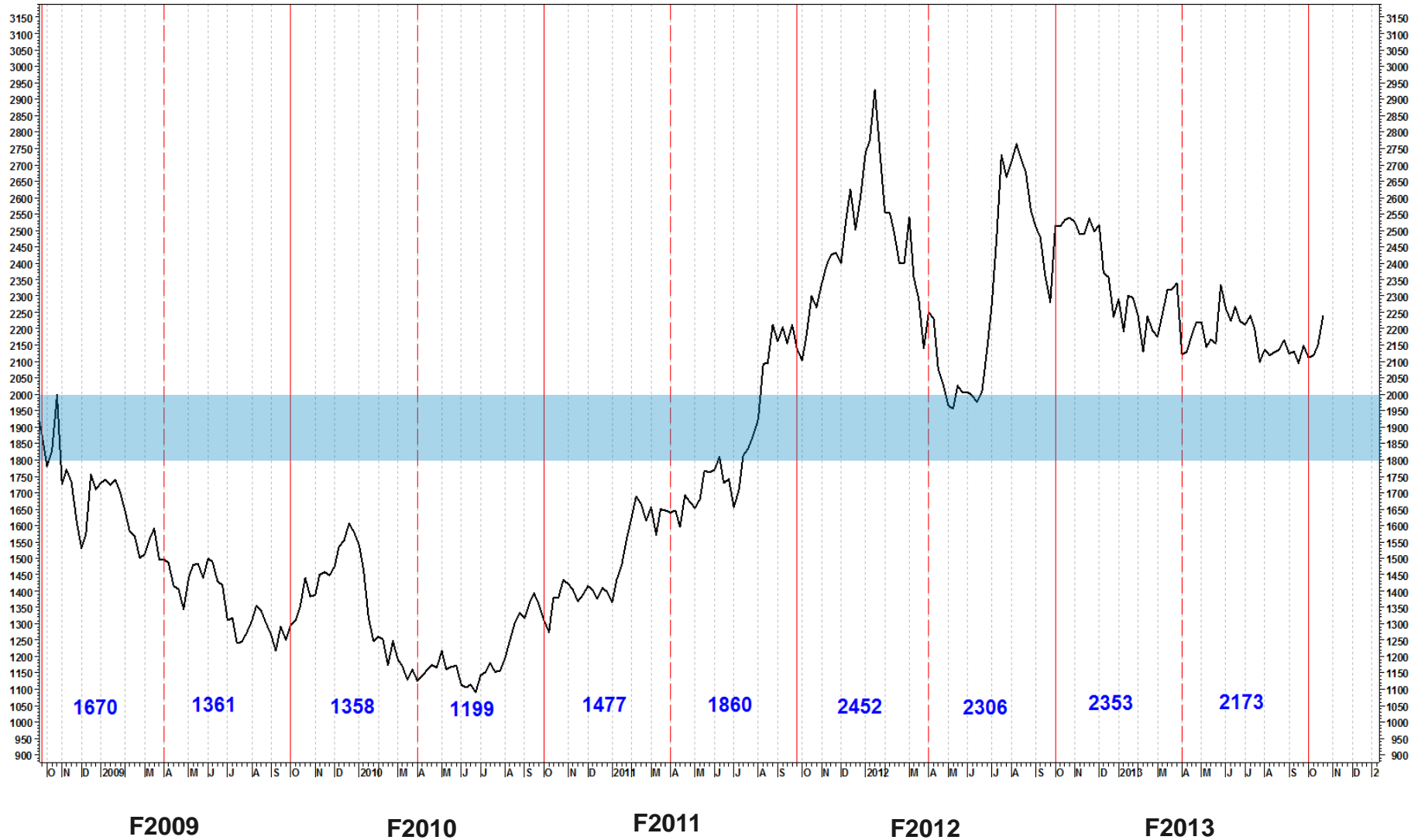
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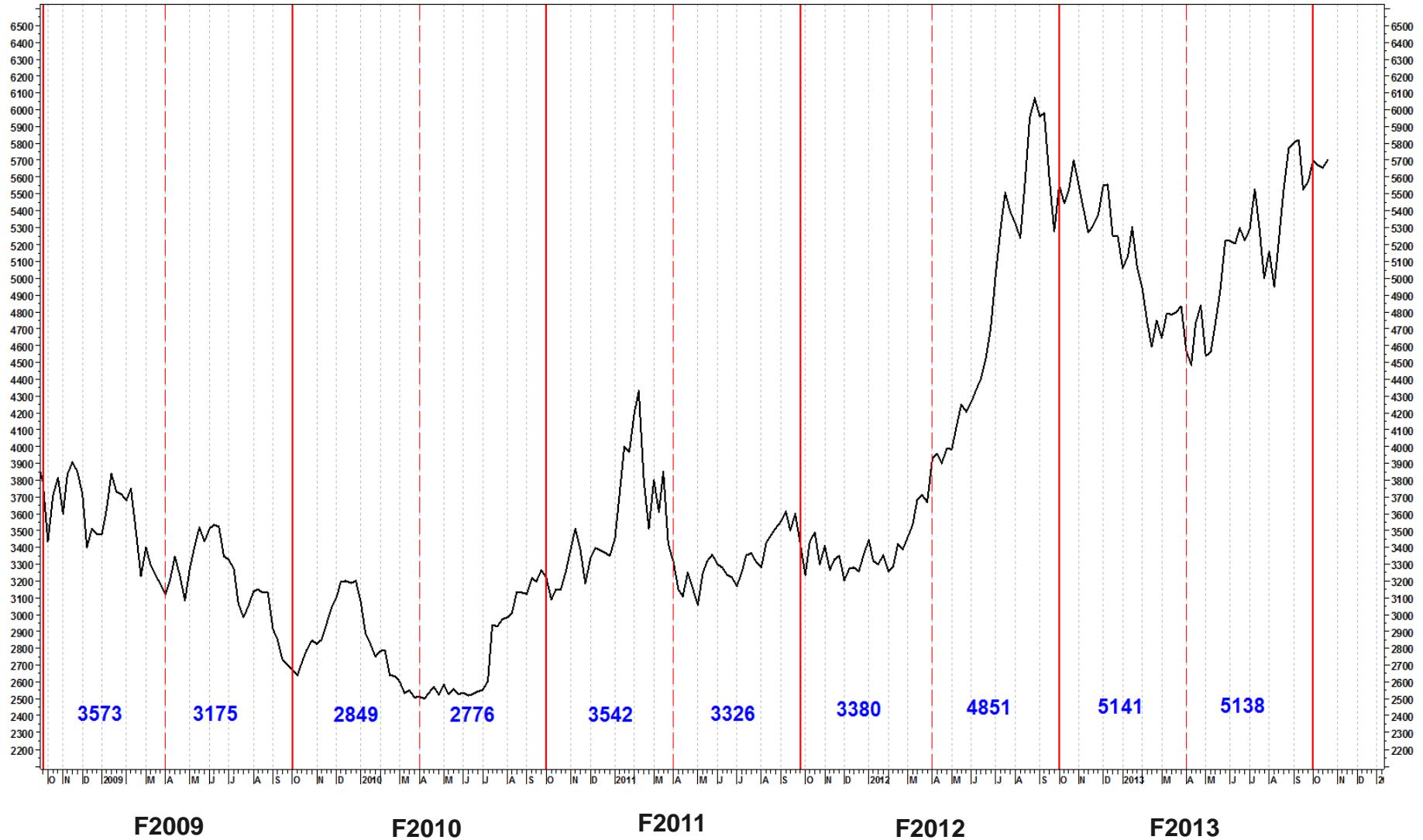
**Q & A**

# SAFEX YELLOW MAIZE PRICE



Source: CJA Strategic Risk Brokers

# SAFEX SOYA BEANS PRICE



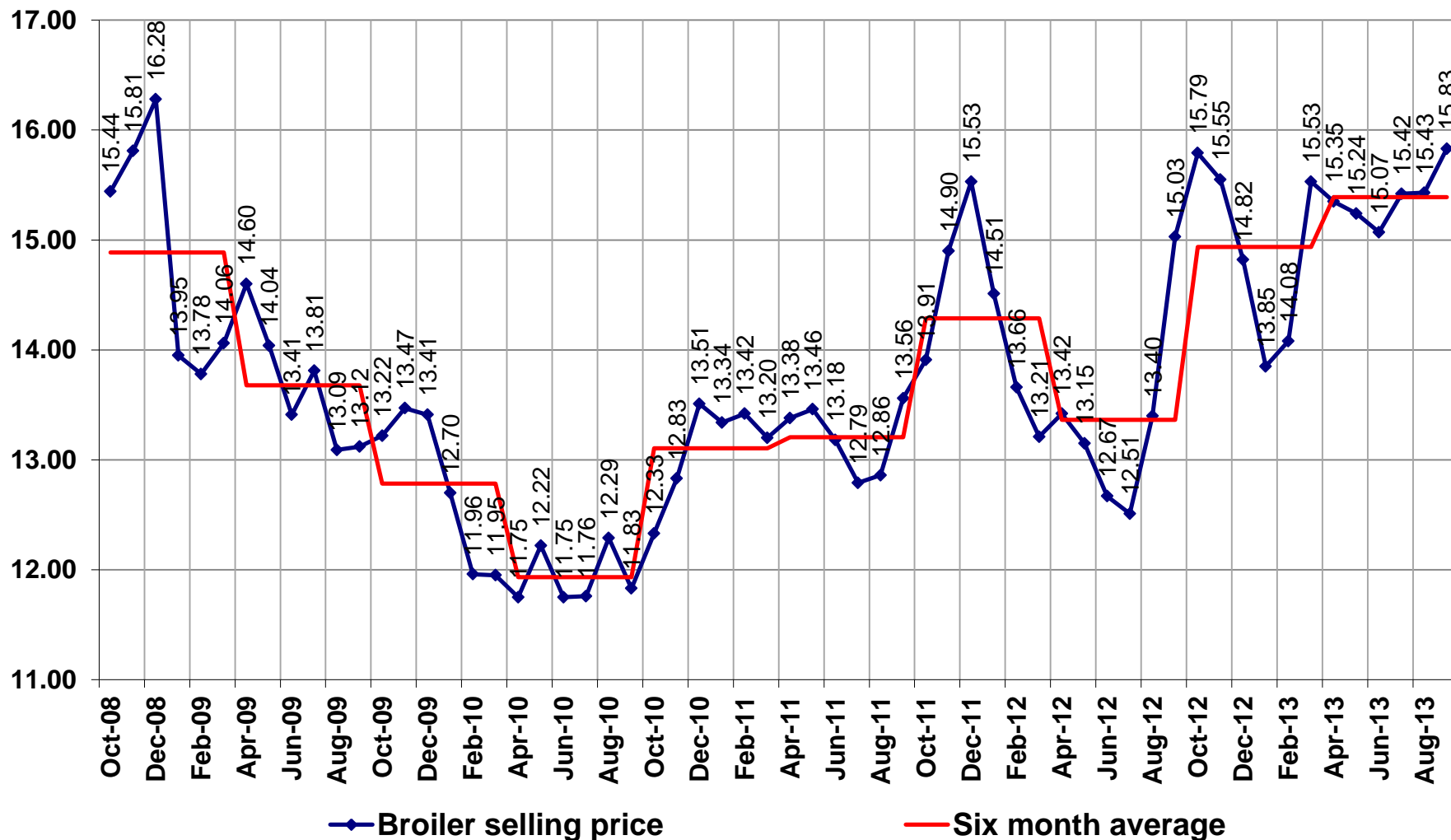
Source: CJA Strategic Risk Brokers



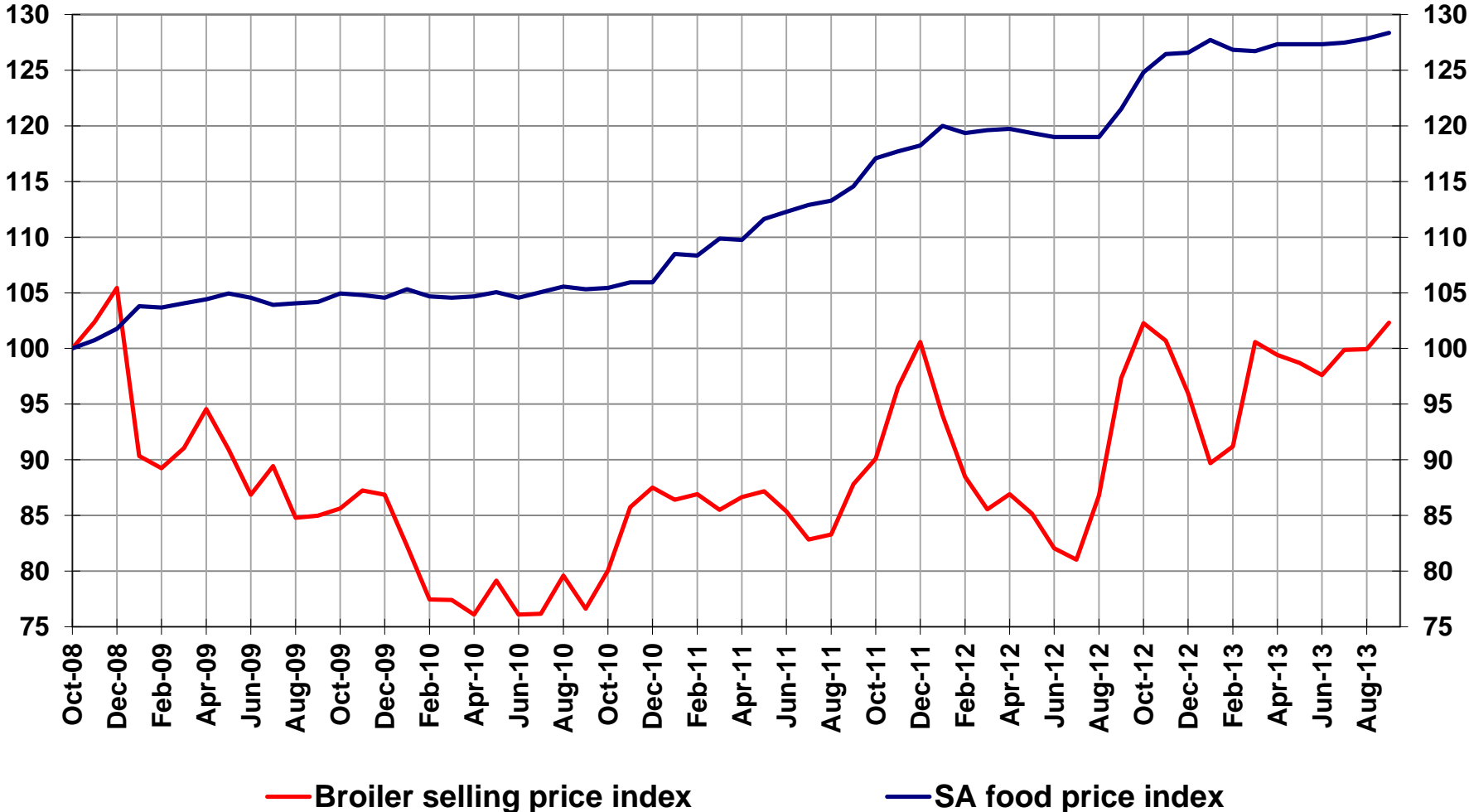
# INDUSTRY BROILER SELLING PRICES



Rand per kilogram

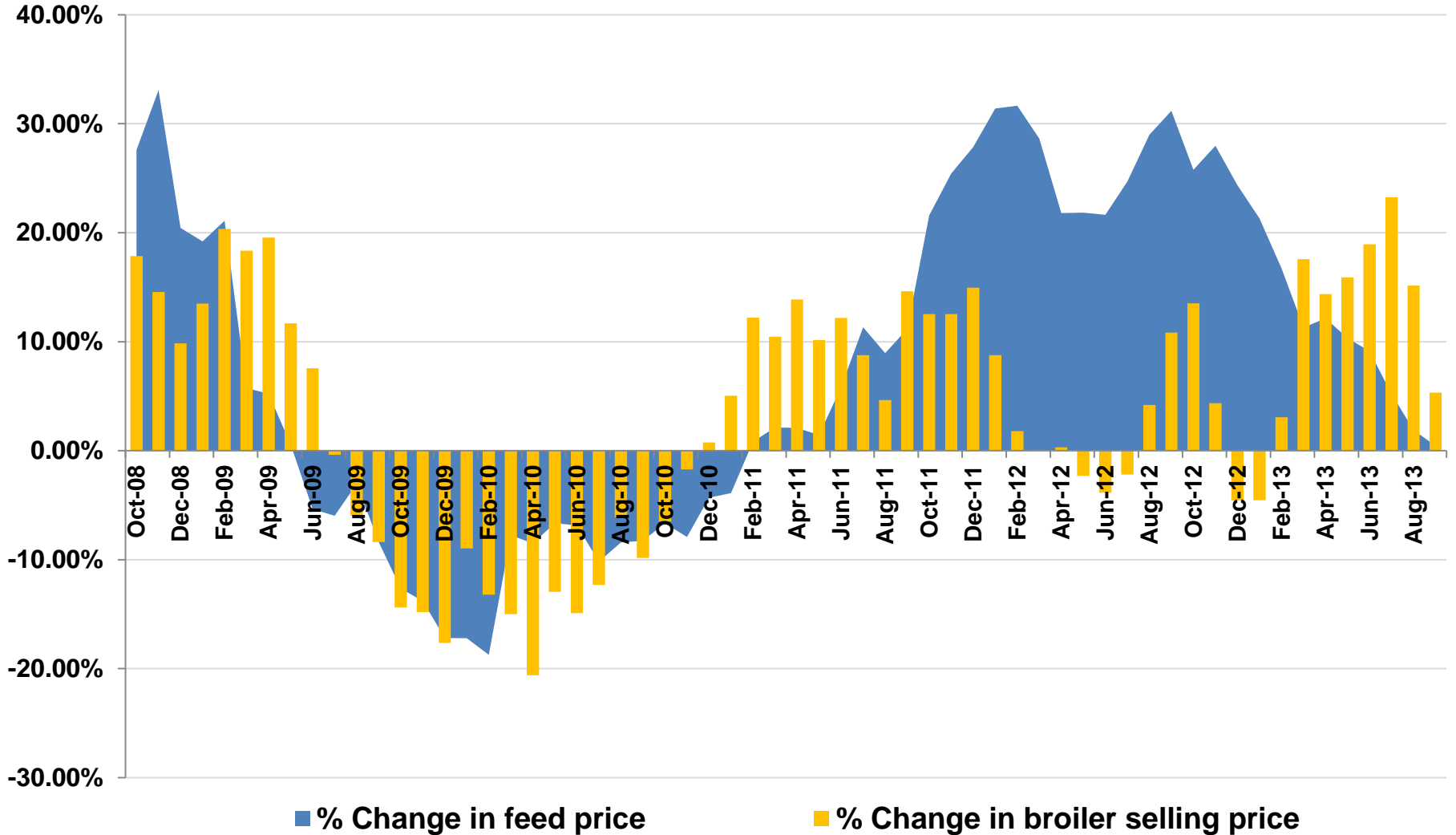


# BROILER PRICE vs FOOD PRICE INFLATION



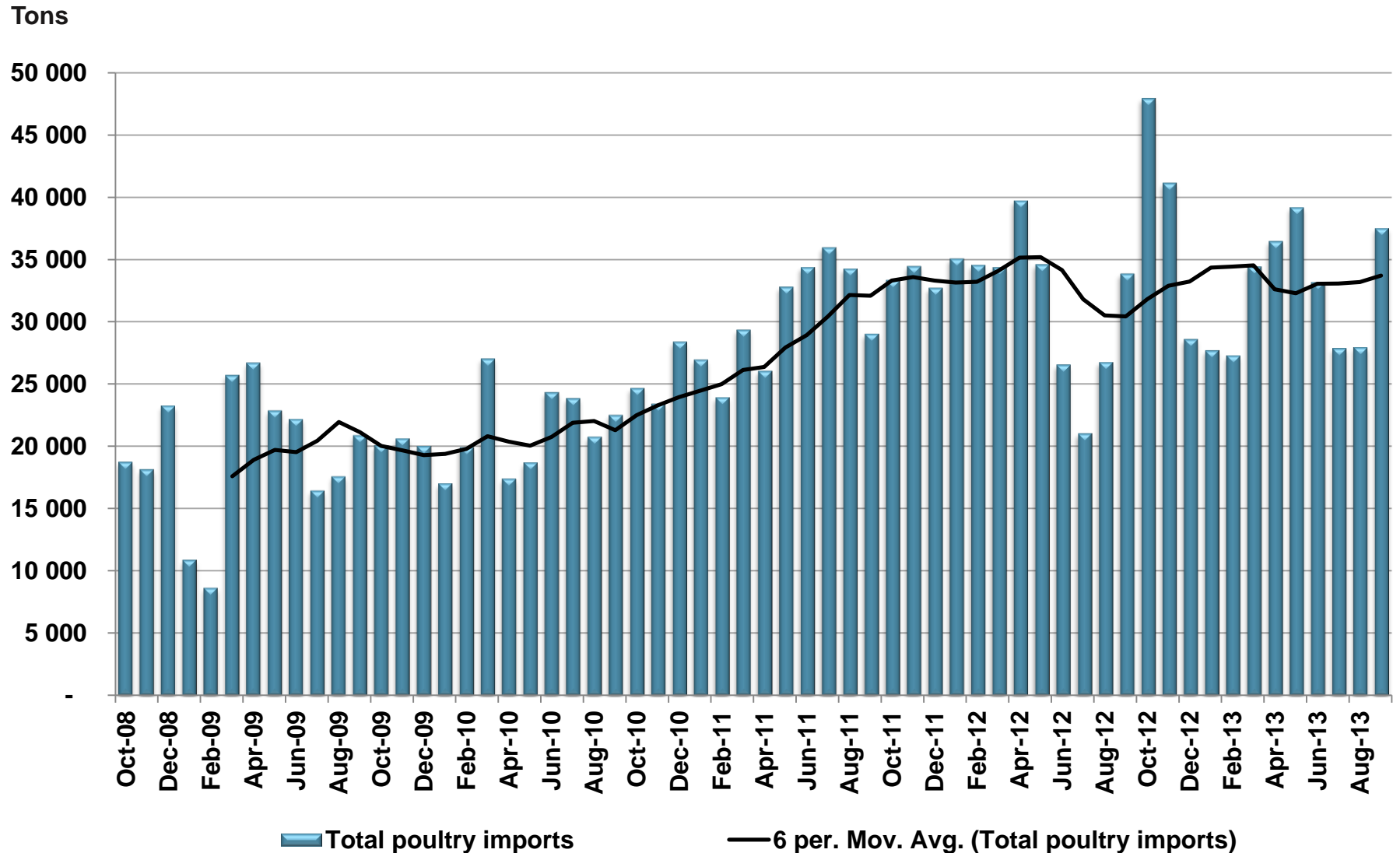
Source: SAPA & CJA Strategic Risk Brokers

# CHANGE IN BROILER SELLING PRICE VS FEED PRICE



Source: SAPA & Own Data

# POULTRY IMPORTS PER MONTH

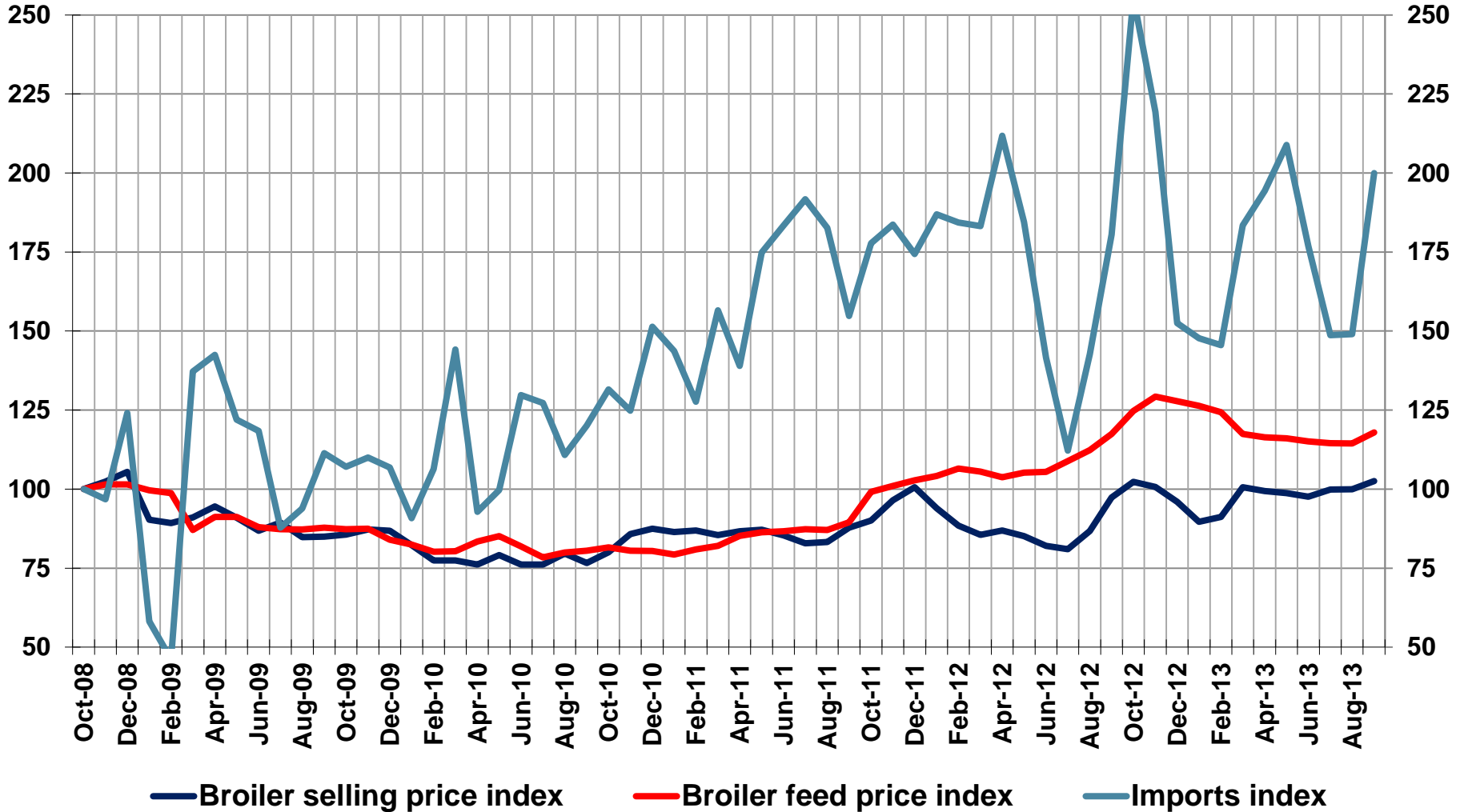


Source: SAPA

# BROILER PRICE vs FEED PRICE vs IMPORTS



Index



Source: CJA Strategic Risk Brokers & SAPA



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# ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

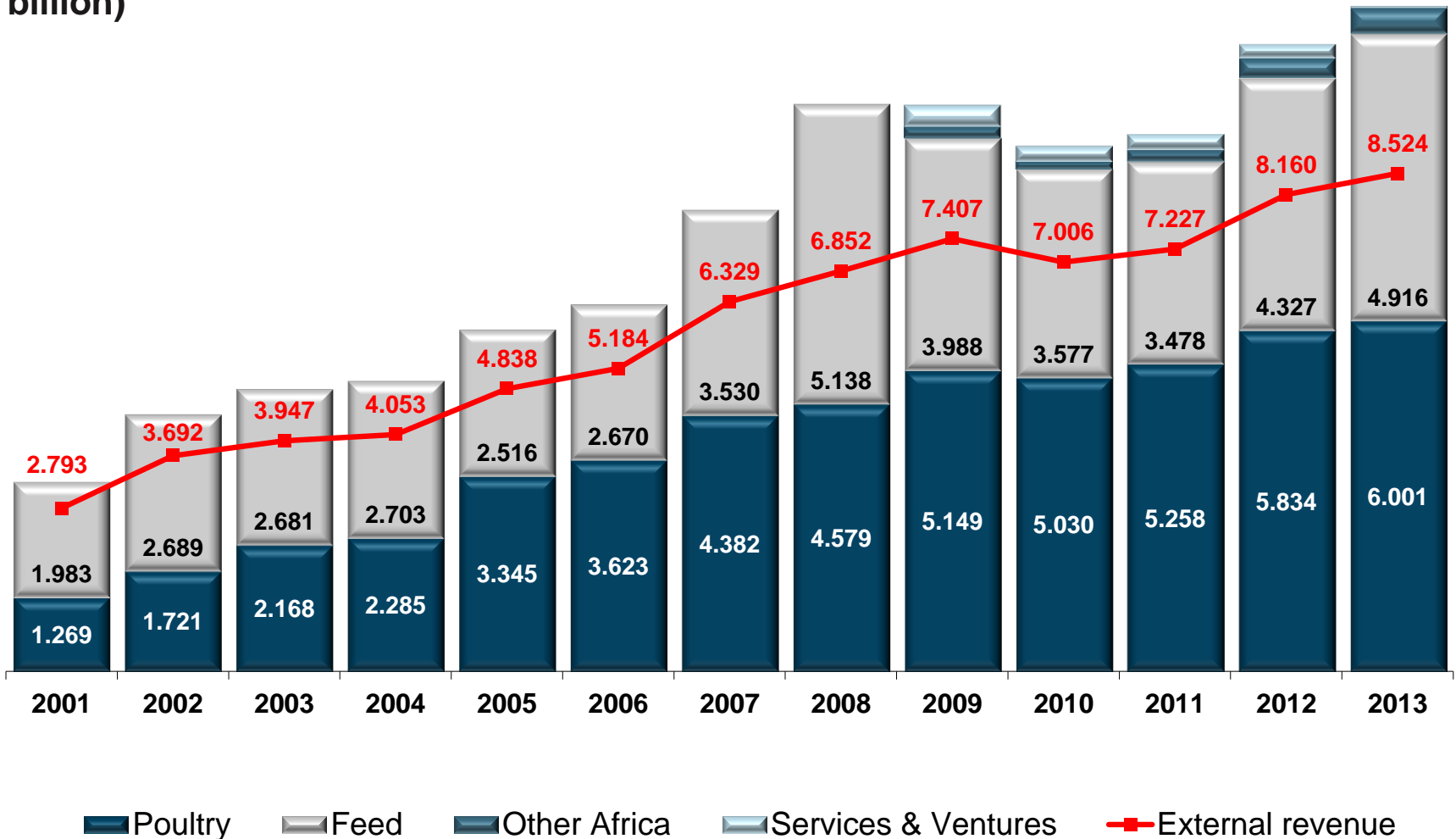


Year ended 30 September	2013 R million	2012 R million	% change
Revenue	8 524	8 160	
Operating profit	272	477	
<i>Operating profit margin</i>	<b>3.2%</b>	5.8%	
Profit on sale of business unit	79	36	
Profit before interest and tax	351	513	
Net finance costs	(27)	(18)	
Share of profit of associates	3	-	
Profit before tax	327	495	
Tax	(80)	(163)	
Profit for the period	247	333	
Headline Earnings	169	300	
EPS – Cents	641	865	
HEPS – Cents	443	787	

# GROUP ANNUAL REVENUE



(R billion)

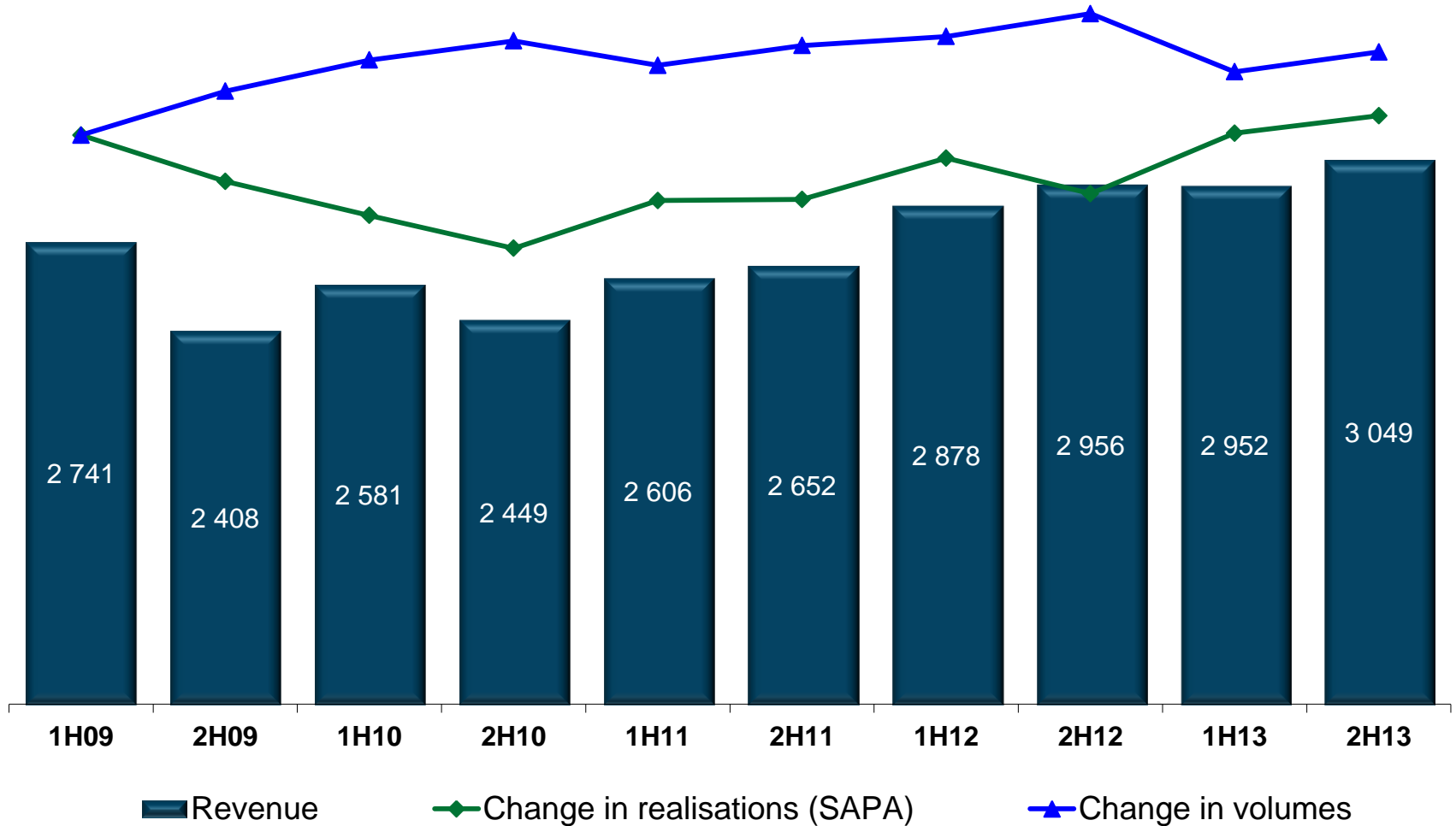




# POULTRY – ANNUAL REVENUE



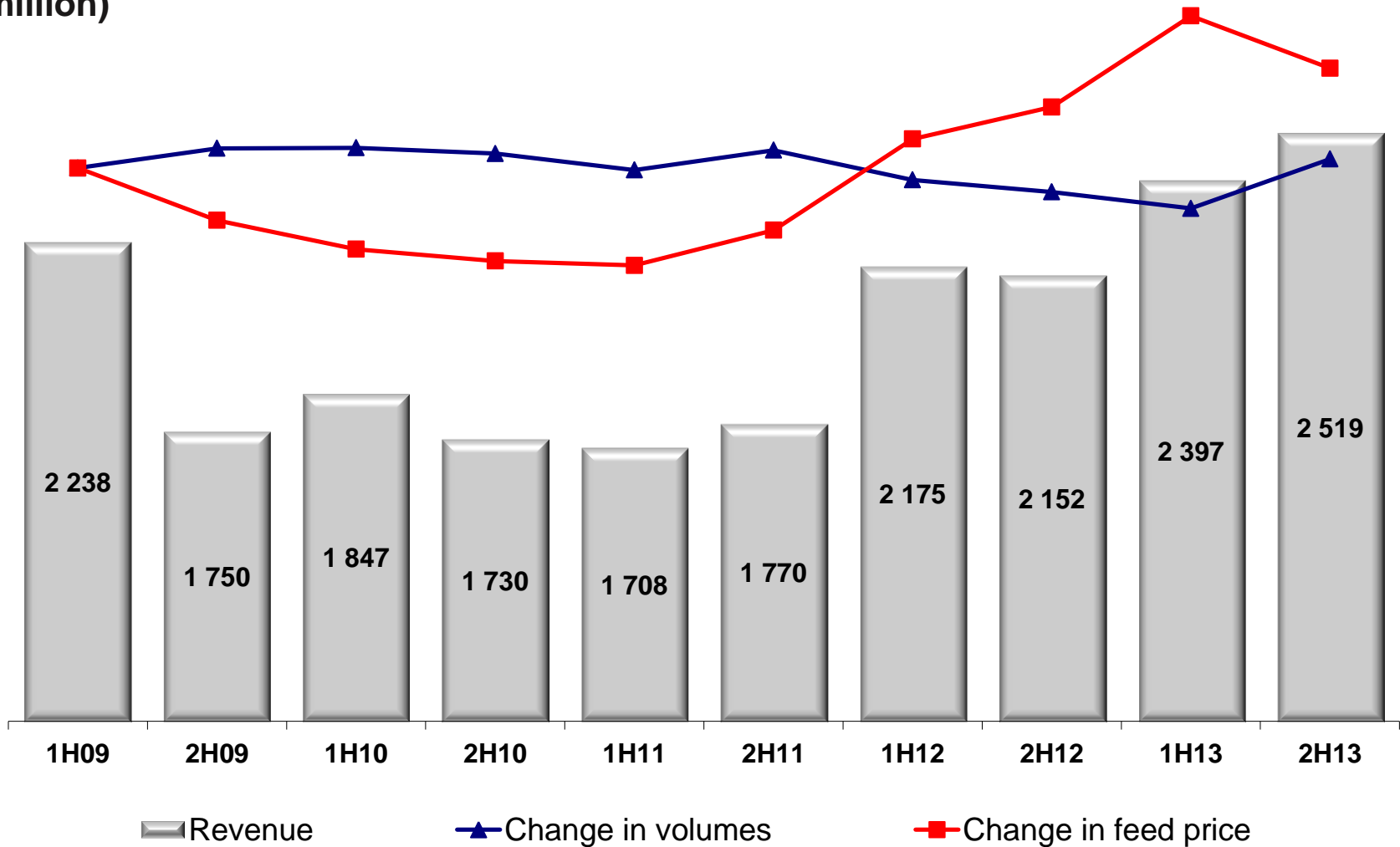
(R million)



# FEED – ANNUAL REVENUE



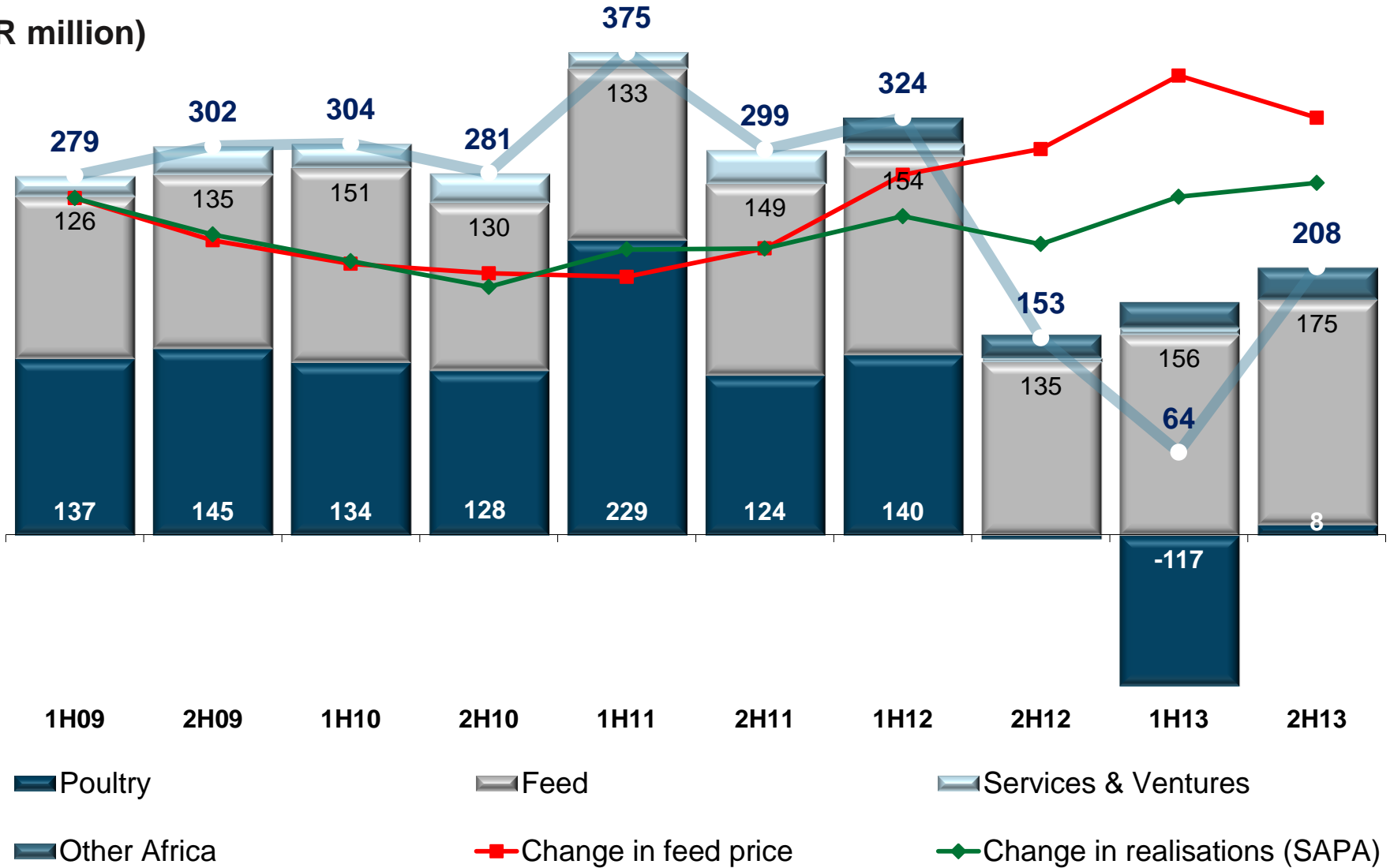
(R million)



# GROUP ANNUAL OPERATING PROFIT



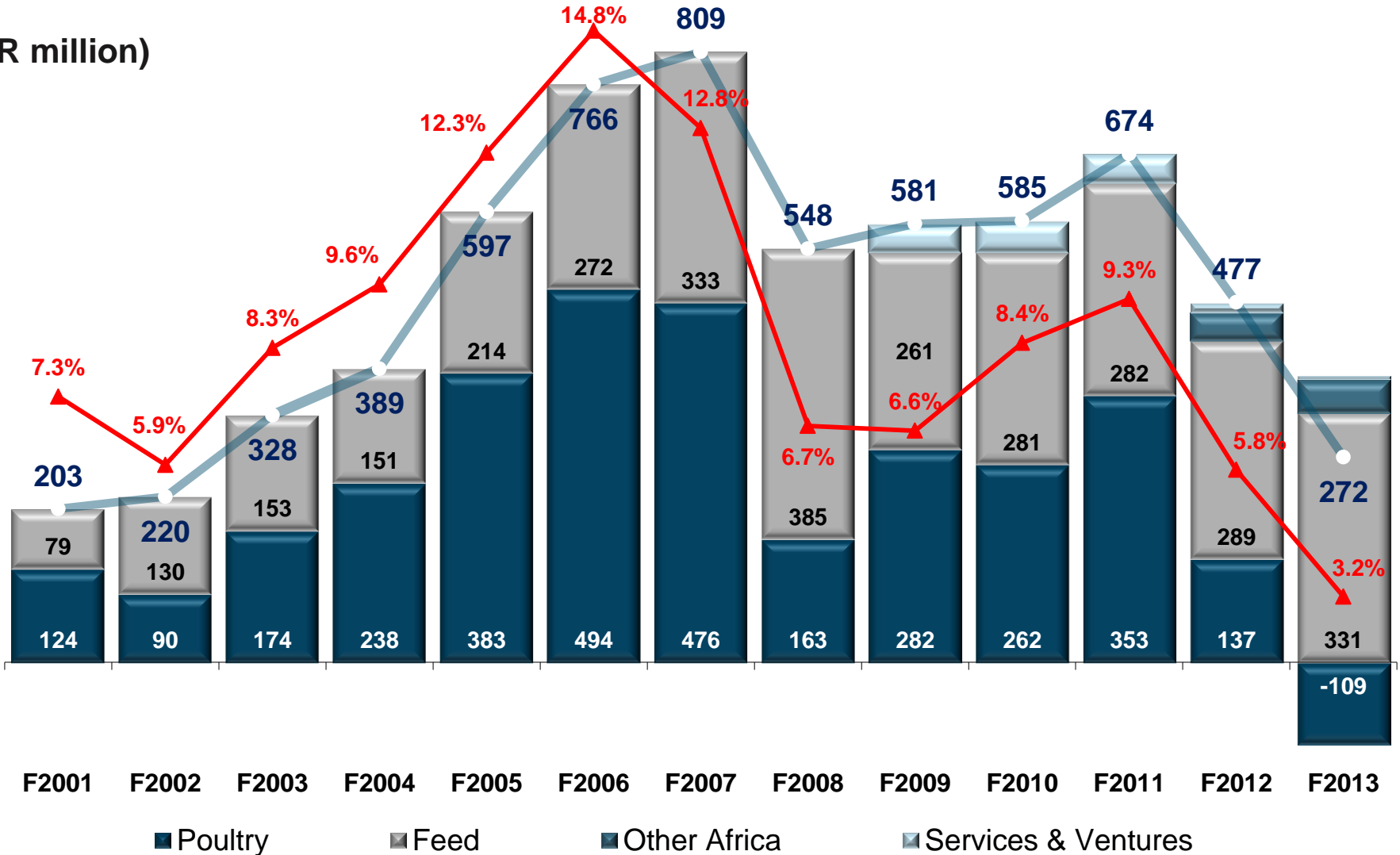
(R million)



# GROUP ANNUAL OPERATING PROFIT



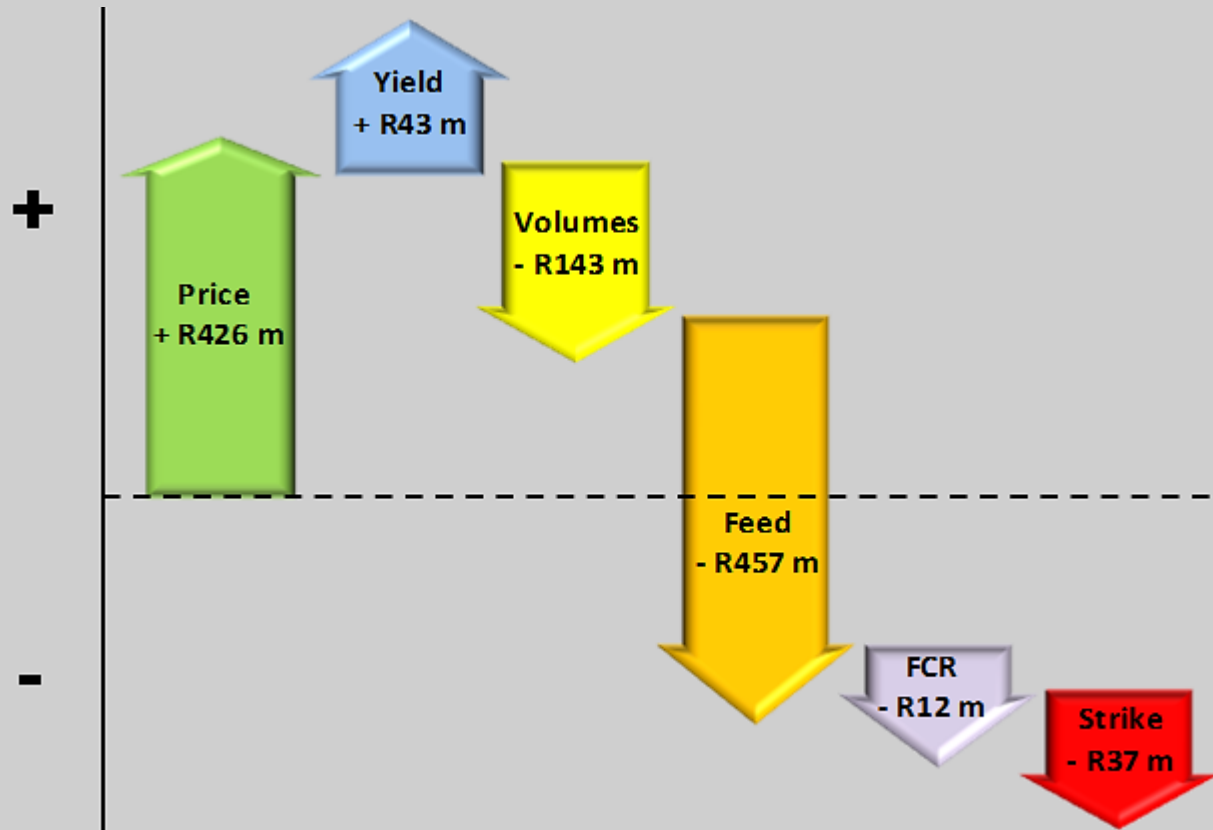
(R million)



# POULTRY DIVISION PROFIT IMPACT



Impact of poultry selling price, yield, poultry sales volumes, feed price, FCR and industrial action on the Poultry Division's profitability



## POULTRY DIVISION PROFIT SENSITIVITY



<b>Movement in Key Indicator</b>	<b>Annual PBIT Impact (R million)</b>
Poultry selling price – 10 cents per kg	42,3
Poultry feed cost – R100 per ton	65,3
Poultry processing yield – 1%	54,5
Feed conversion ratio – 1 point	17,4

# ABRIDGED STATEMENT OF FINANCIAL POSITION



At 30 September	2013 R million	2012 R million	% change
Non-current assets	2 016	1 840	↑ 10%
Net working capital	486	333	↑ 46%
Current assets (excl. cash)	1 845	1 648	↑ 12%
Current liabilities (excl. borrowings)	(1 359)	(1 315)	↑ 3%
Non-current liabilities (excl. borrowings)	(511)	(502)	↑ 2%
Assets held for sale (net)	-	31	
Net assets	1 991	1 702	↑ 17%
Net debt	263	106	↑ 148%
▪ Structured debt	185	28	
▪ Cash and cash equivalents	78	78	
Equity	1 728	1 596	↑ 8%
Total	1 991	1 702	↑ 17%

# CASH FLOW



For the year ended 30 September	2013 R million	2012 R million	% change
Cash operating profit	388	597	↓ 35%
Working capital requirement	(151)	(119)	
	237	478	↓ 50%
Tax paid	(67)	(142)	
Net interest paid	(27)	(18)	
Capital expenditure	(241)	(211)	
Finance received - loans	155	-	
Other cash flow items	(3)	-	
Cash flow before financing activities	54	207	↓
Dividends paid	(128)	(324)	
Movement in cash equivalents	(74)	(117)	
Disposals (PPE and investments)	57	87	
Opening balance	(61)	69	
Closing balance	(78)	(61)	↓ 28%

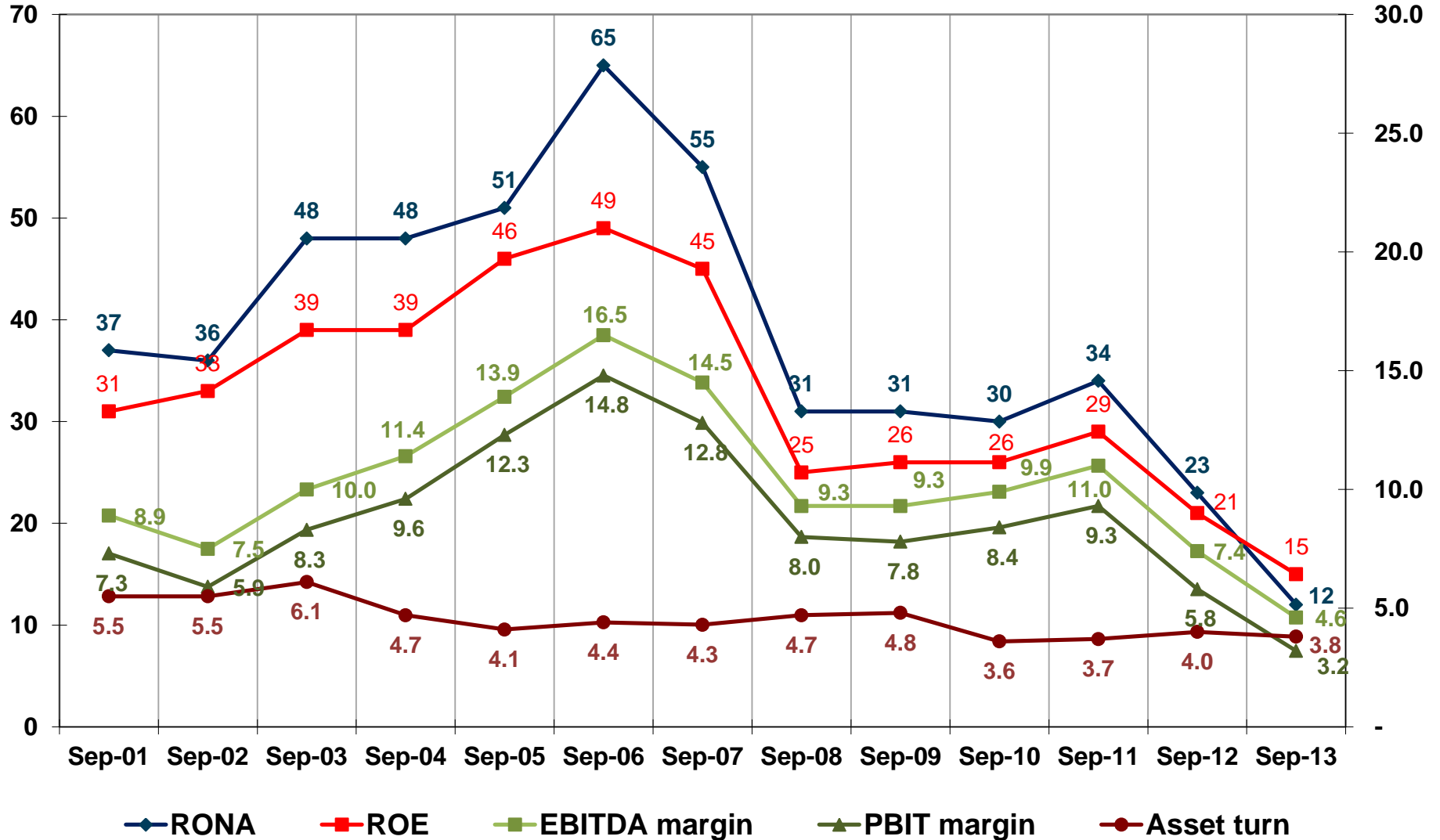


# CAPITAL EXPENDITURE

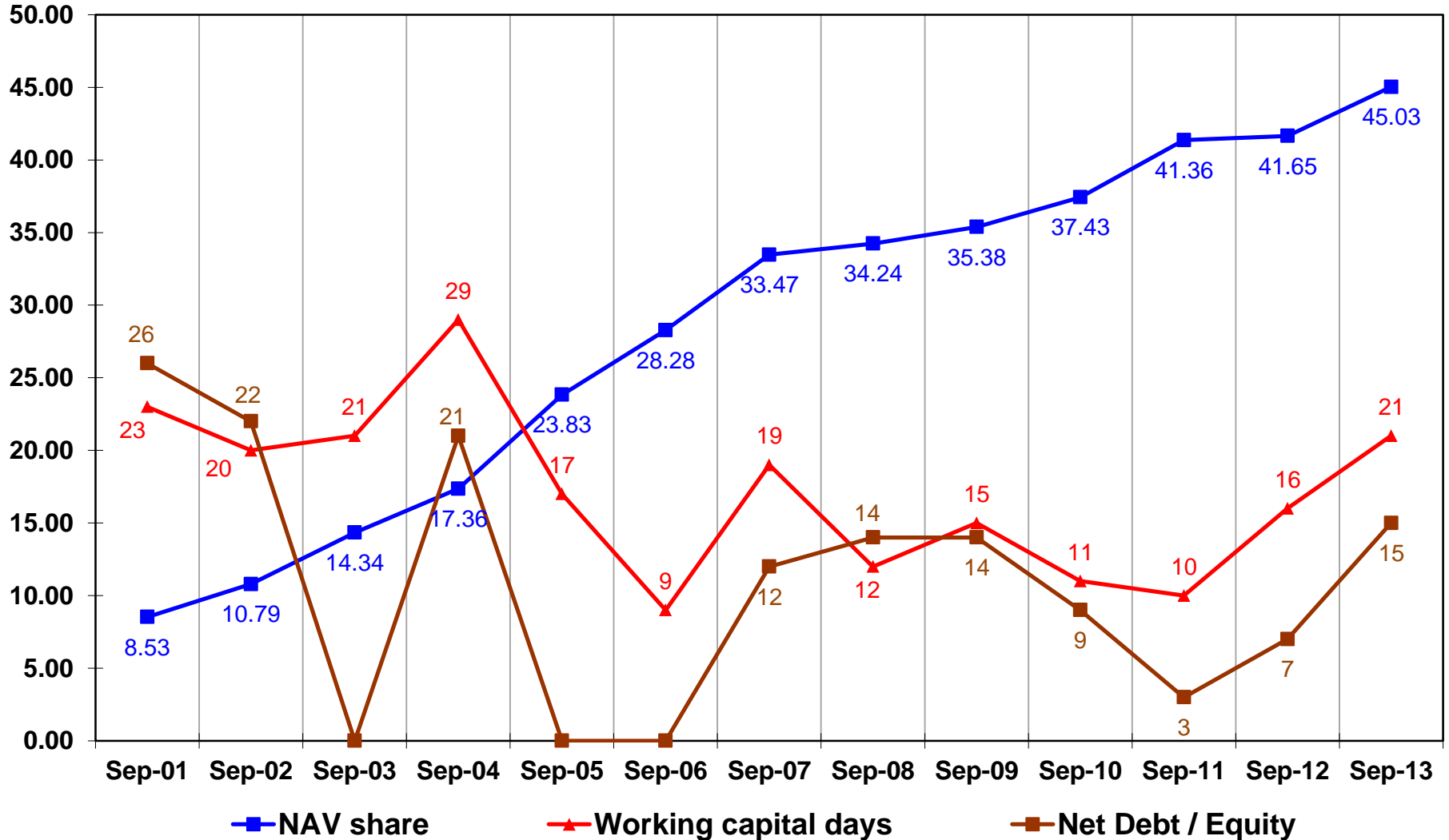


Year ended 30 September	2013 R million	2012 R million
Depreciation	123	119
<ul style="list-style-type: none"> <li>▪ Replacement capex</li> <li>▪ Expansion capex - other                             <ul style="list-style-type: none"> <li>- new feed mill</li> </ul> </li> </ul>	73 32 136	106 100 -
Total capex spent	241	211
Commitments <ul style="list-style-type: none"> <li>- other</li> <li>- new feed mill</li> </ul>	111 69	
Total spent and committed	415	

# KEY FINANCIAL RATIOS



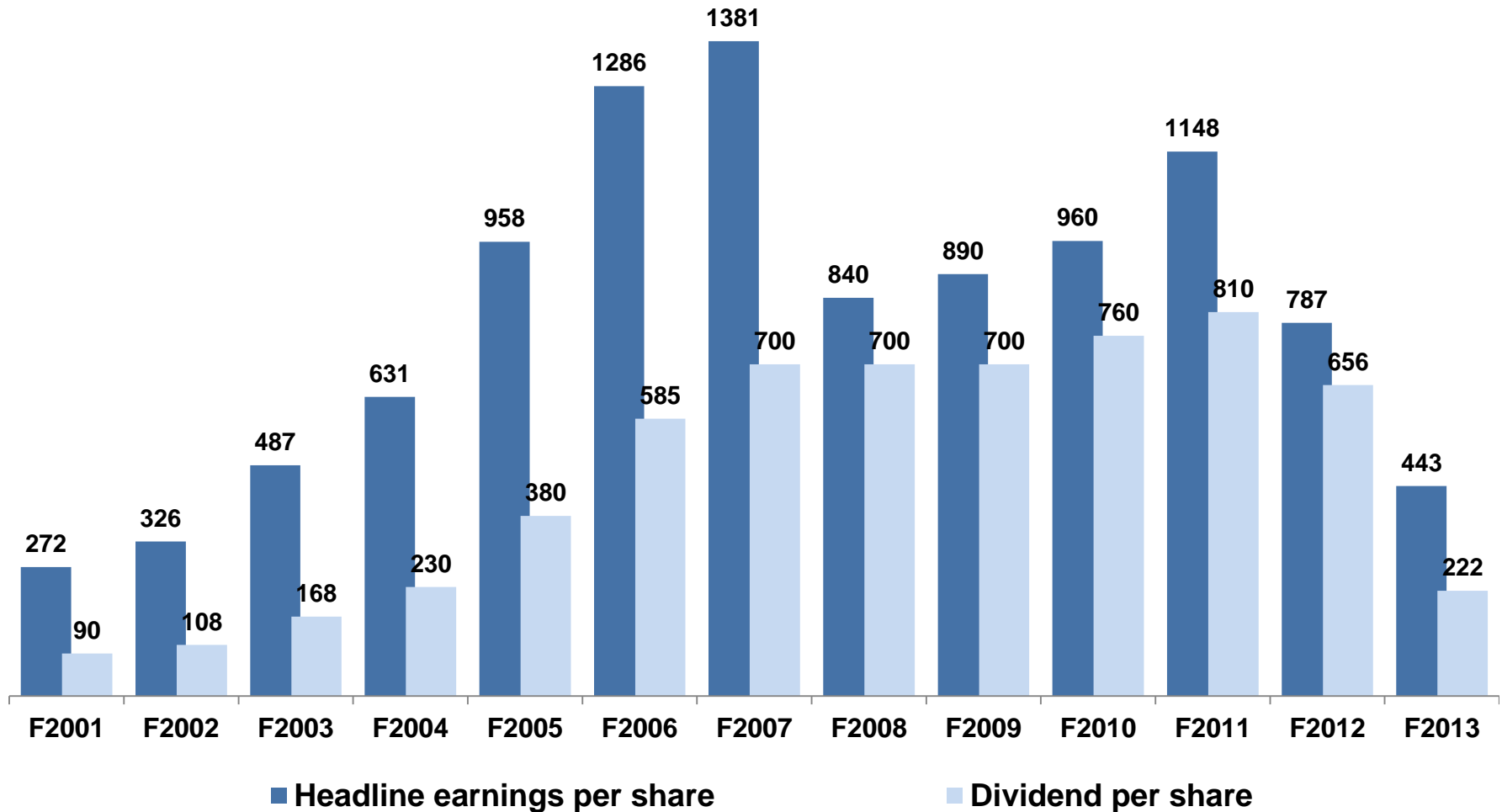
# KEY FINANCIAL INDICATORS



# HEADLINE EARNINGS PER SHARE & DIVIDEND PER SHARE



(Cents per share)





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**Q & A**

- On 30 September 2013 a revised General Rate of Duty was introduced on all imported poultry products (EU exempt)
- The new tariffs will go some way in correcting the “uneven playing field” that has existed for some time and severely damaged the local industry
- Proposed brining levels of 8% by DAFF unresolved and both SAPA and individual company submissions have been made in this regard
- Astral supports the requirement for regulatory control around brining, however reducing the level to 8% will lead to excessive poultry price increases
- ITAC accepted an application from SAPA into alleged dumping of poultry products from the EU after the industry showed evidence of financial harm



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<b>Positive</b>	<b>Negative</b>
<ul style="list-style-type: none"><li>▪ Implementation of a revised General Rate of Duty (which excludes the EU) on poultry imports</li></ul>	<ul style="list-style-type: none"><li>▪ Lower maize plantings for the new season are projected</li></ul>
<ul style="list-style-type: none"><li>▪ Projected lower feed costs in 1H2014 over the comparable period in F2013 to benefit downstream poultry production costs</li></ul>	<ul style="list-style-type: none"><li>▪ Lack of pricing power of the poultry industry due to the continued oversupply of chicken</li></ul>
<ul style="list-style-type: none"><li>▪ Earnings contribution from the new Standerton feed mill in the latter half of F2014</li></ul>	<ul style="list-style-type: none"><li>▪ Uncertainty over the 8% chicken brining levels as indicated by DAFF</li></ul>
<ul style="list-style-type: none"><li>▪ Growth from the other African operations is expected to continue</li></ul>	<ul style="list-style-type: none"><li>▪ Escalating zero-rated EU poultry imports pose a threat</li></ul>





**“Astral’s strategy is to be the best cost integrated poultry producer in selected African countries”**





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## ***Additional Information***

- Strike action (1H2013)
  - ✦ Earlybird Olifantsfontein (Processing) – 9 week strike
  - ✦ County Fair (Farms) – 8 week strike
  - ✦ Direct cost of both strikes – R37 million
  - ✦ In both instances the strikes were settled at a 0% increase in wages
  
- Wage settlements (2H2013)
  - ✦ All current annual wage negotiations concluded
  - ✦ Certain wage agreements for a two to three year period



# NEW STANDERTON FEED MILL



- Construction work commenced in November 2012
- Equipment installation commenced in August 2013
- Full feed production by May 2014
- Budgeted cost of R197 million
- DTI Manufacturing Investment Programme Grant – R30 m approved October 2013
- Earnings contribution to the Group for F2014 estimated at R20 m



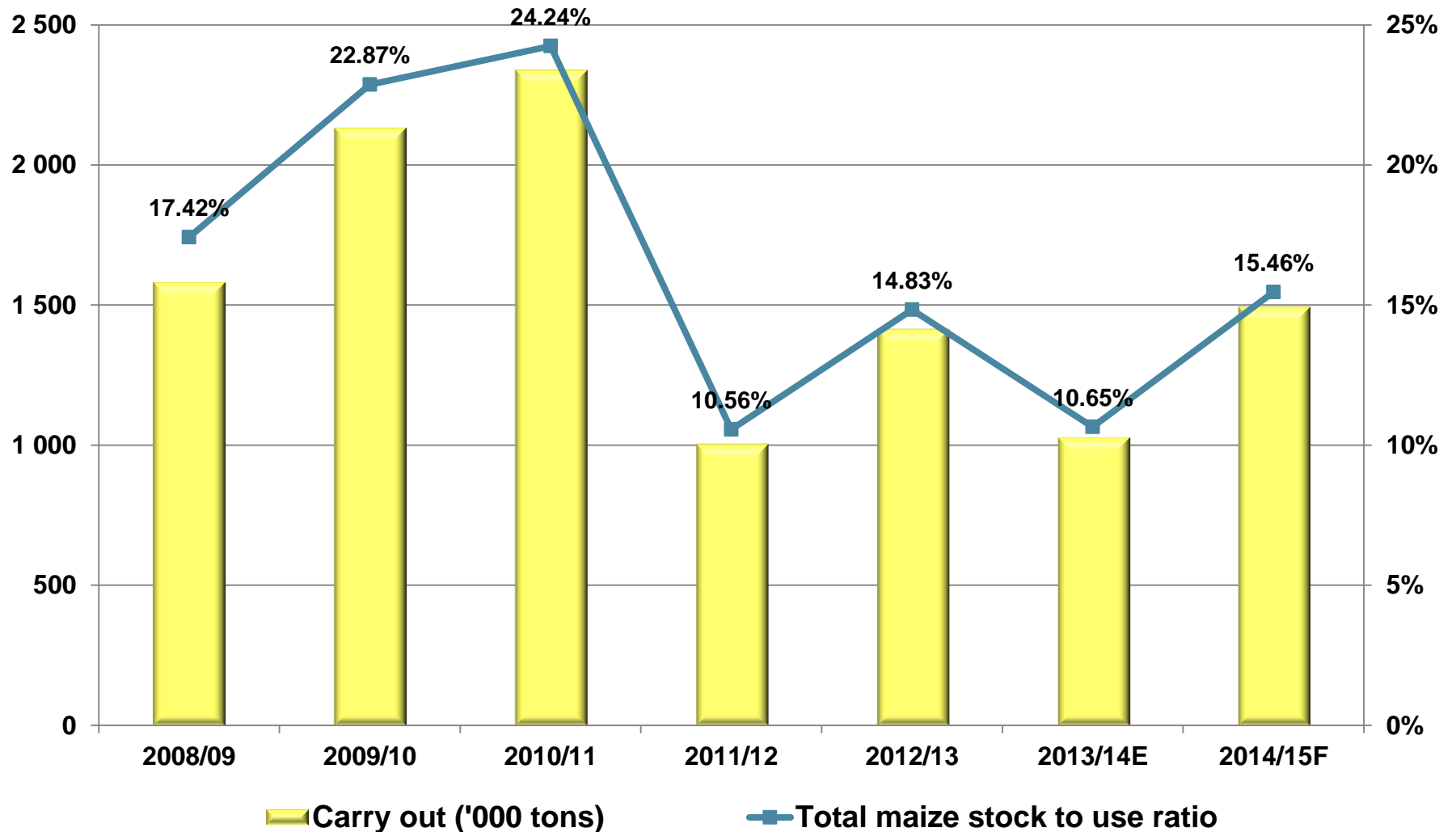
# SOUTH AFRICA - TOTAL MAIZE SUPPLY & DEMAND



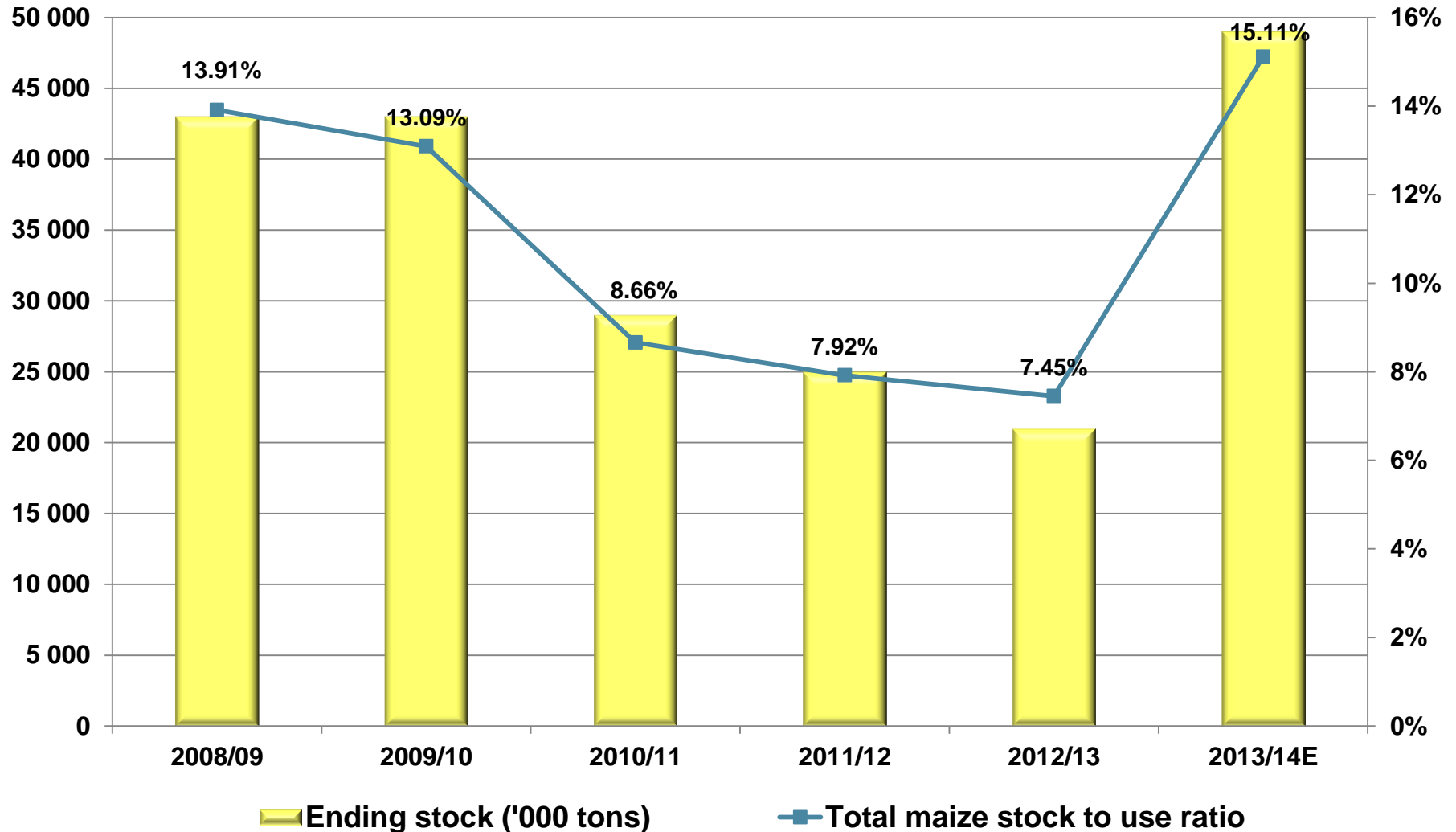
<i>Marketing year (May to April)</i>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14E</b>	<b>2014/15F</b>
<i>'000 tons</i>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimate</b>	<b>Forecast</b>
<b>Carry In (1 May)</b>	1 049	1 584	2 134	2 340	994	1 416	1 030
<b>Crop Estimate</b>					12 121	11 723	12 567
<b>Sagis Delivery</b>	11 891	11 629	12 015	10 325	11 929	11 304	12 132
<b>Minus early deliveries</b>	0	0	0	0	0	0	0
<b>Imports</b>	27	27	0	422	11	0	0
<b>Total Supply</b>	12 967	13 240	14 150	13 087	12 933	12 720	13 163
<b>Domestic Usage Food</b>	4 523	4 478	4 515	4 492	4 499	4 656	4 695
<b>Domestic Usage Feed</b>	4 011	4 101	4 271	4 343	4 378	4 391	4 393
<b>Gristing, withdrawn &amp; released</b>	562	755	866	692	674	624	584
<b>Total Domestic Usage</b>	9 096	9 334	9 652	9 527	9 551	9 670	9 672
<b>Exports &amp; Sundries</b>	2 287	1 772	2 158	2 554	1 966	2 019	1 995
<b>Plus early deliveries</b>	0	0	0	0	0	0	0
<b>Carry Out (30 Apr)</b>	1 584	2 134	2 340	1 006	1 416	1 030	1 496
<b>No of days usage</b>	64	83	88	39	54	39	56
<b>STU</b>	17.42%	22.87%	24.24%	10.56%	14.83%	10.65%	15.46%

Source: CJA Strategic Risk Brokers

# RSA MAIZE CARRY OUT AND STOCK TO USE RATIO

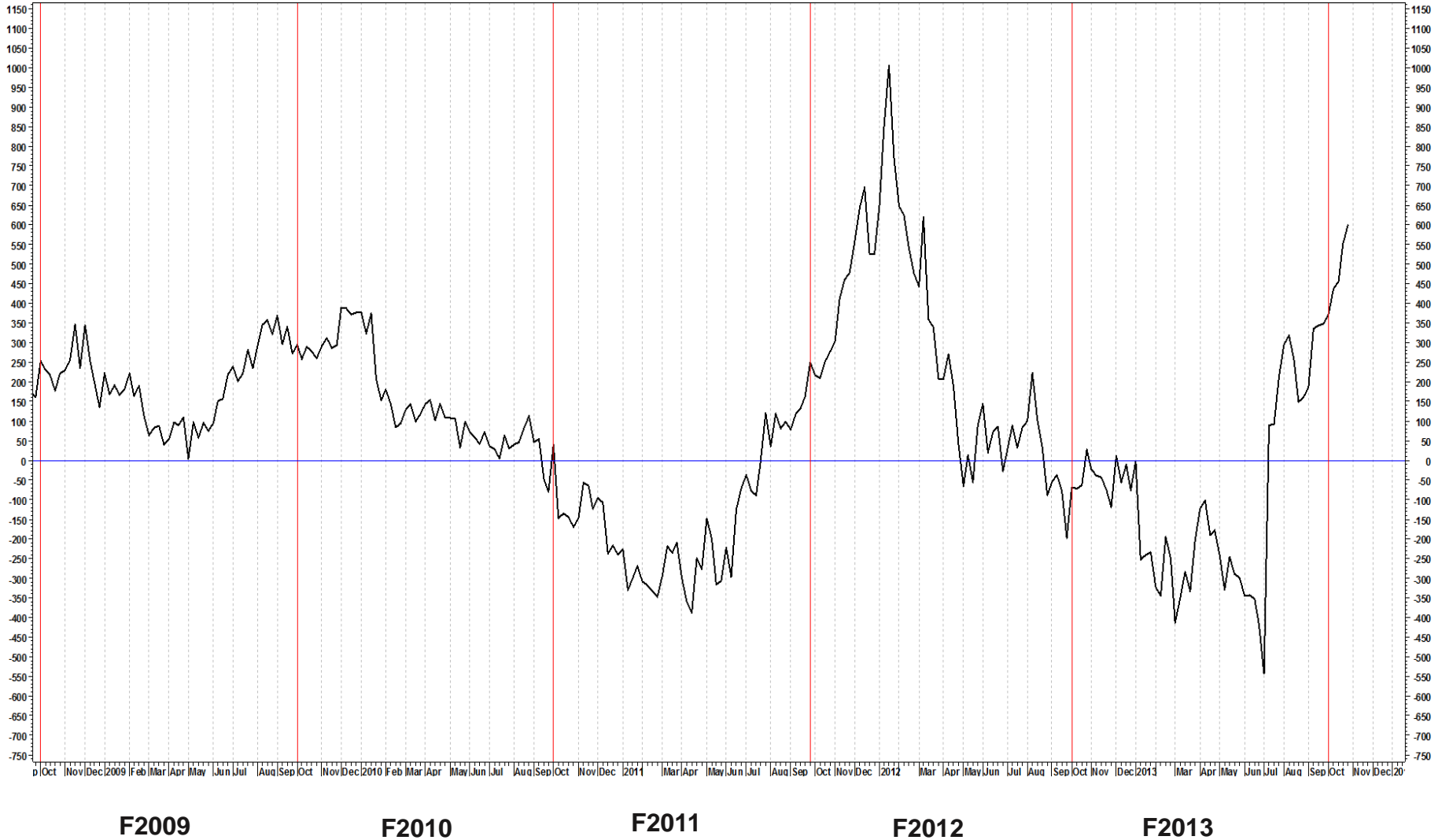


# US CORN END STOCKS AND STOCK TO USE RATIO





# SAFEX YELLOW MAIZE vs CBOT CORN IN RAND TERMS



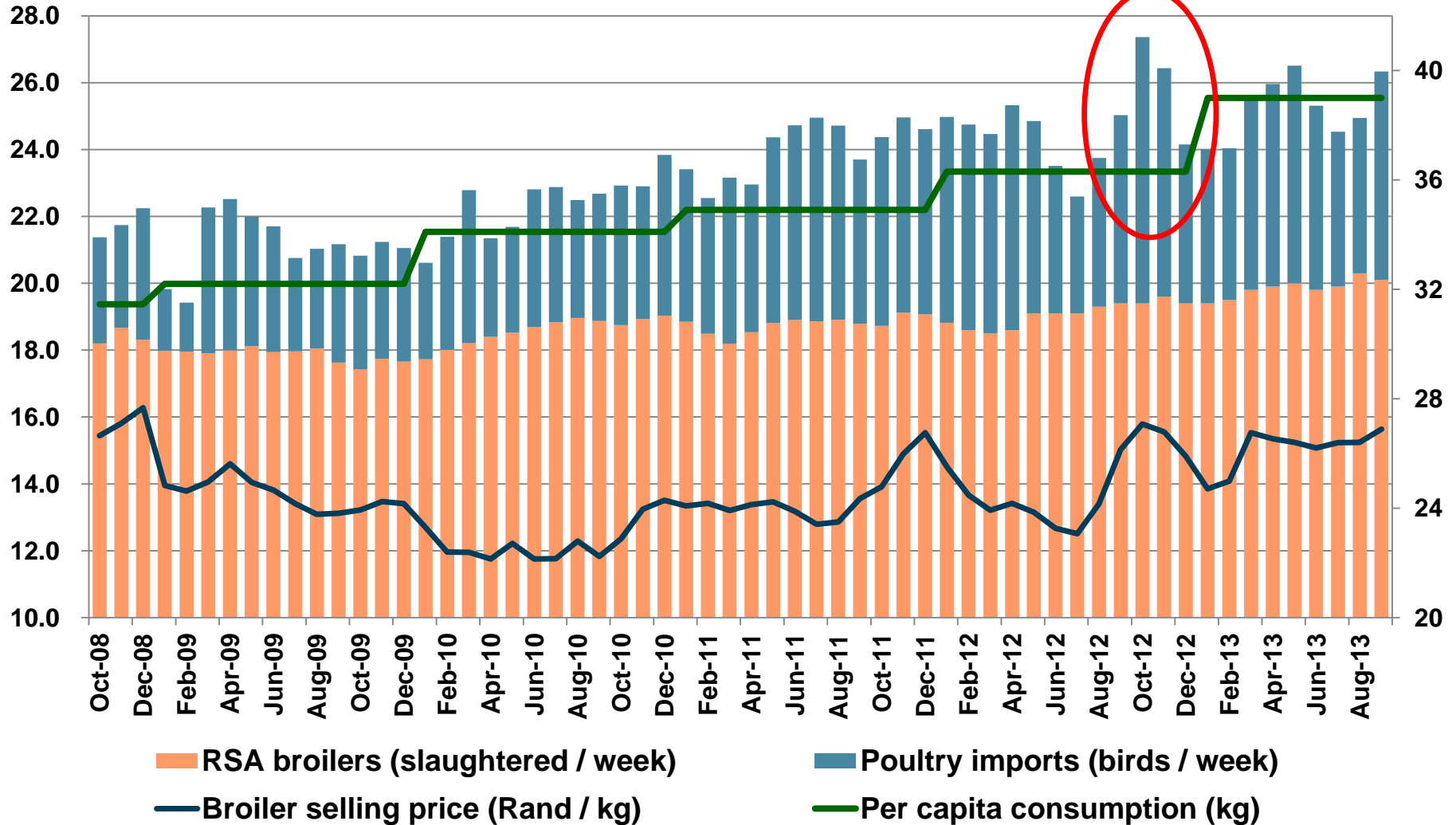
Source: CJA Strategic Risk Brokers

# LOCAL BROILER PRODUCTION, IMPORTS & PER CAPITA CONSUMPTION

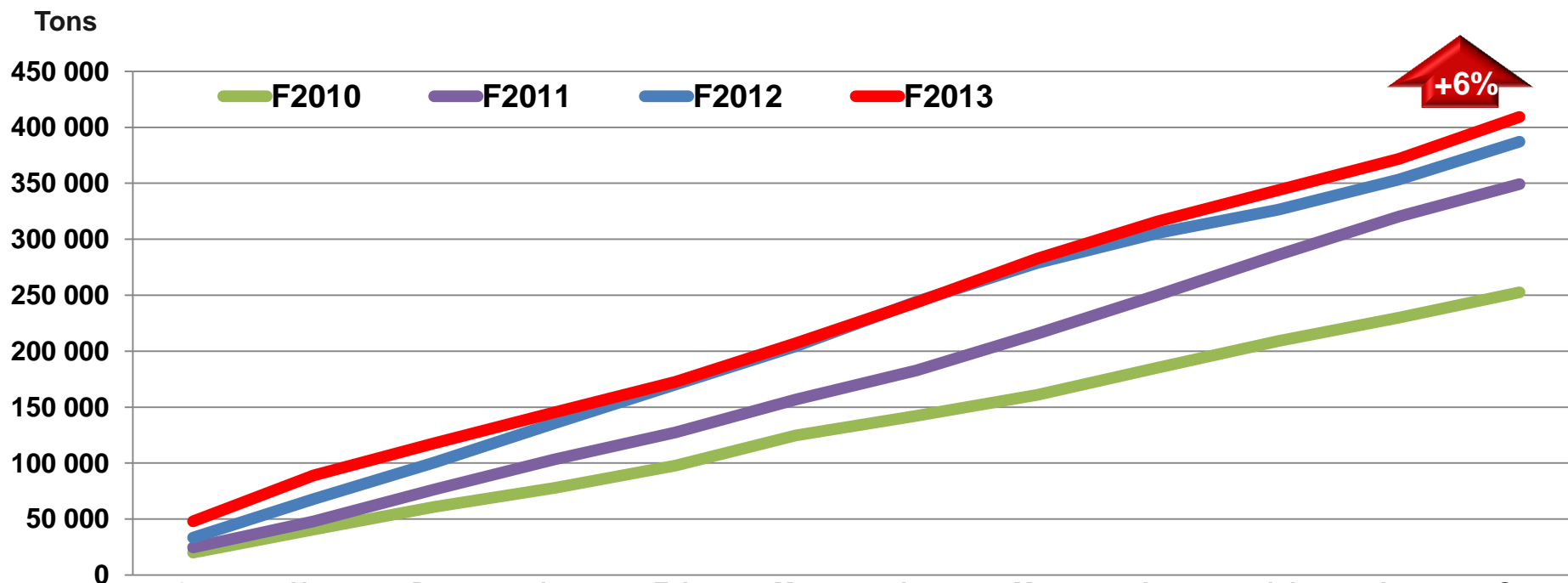


Million birds per week / Rand per kg

kg



# TOTAL POULTRY IMPORTS (CHICKEN, TURKEY, MDM)



	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
F2010	20 093	40 735	60 774	77 813	97 763	124 813	142 226	160 940	185 290	209 164	229 951	252 485
F2011	24 684	48 108	76 511	103 474	127 429	156 795	182 871	215 684	250 081	286 051	320 321	349 364
F2012	33 348	67 819	100 540	135 614	170 194	204 560	244 296	278 914	305 472	326 520	353 296	387 173
F2013	47 942	89 095	117 712	145 426	172 727	207 148	243 623	282 813	316 007	343 903	371 865	409 383

F2012	33 348	34 471	32 721	35 074	34 580	34 365	39 736	34 618	26 558	21 048	26 776	33 877
F2013	47 492	41 153	28 617	27 714	27 301	34 421	36 475	39 190	33 194	27 896	27 962	37 518
% Var	43.8	19.4	-12.5	-21.0	-21.0	0.2	-8.2	13.2	25.0	32.5	4.4	10.7

Source: SAPA

# IMPACT OF NEW POULTRY IMPORT TARIFF CODES



Product	August 2013 FOB Price R/kg	Upliftment charge - 10% R/kg	Cost at previous duty R/kg	Cost at revised duty R/kg	Difference R/kg
<b>Chicken Carcasses</b>	4.09	4.50	5.71	5.89	0.18
<b>Whole Birds</b>	14.15	15.57	19.77	28.33	8.56
<b>Boneless Cuts</b>	23.04	25.34	26.61	28.39	1.77
<b>Offal</b>	7.23	7.95	10.10	10.34	0.24
<b>Bone-in Portions</b>	14.25	15.68	17.88	21.47	3.60

# BRAZIL & EUROPE PRODUCT COST BENCHMARK



Ex BRAZIL - November 2013					
FROZEN LEG QUARTERS BULK PACKED					
CIF DBN US\$ per ton	TON	1 600.00	1 600.00	1 600.00	SA COST
R/\$ exchange rate	R\$	9.00	9.50	10.00	
Rand per ton	TON	14 400.00	15 200.00	16 000.00	20 540.00
Rand per kg	KG	14.40	15.20	16.00	20.54
Duty per kg	KG	37%	37%	37%	-
Clearance costs	KG	0.50	0.50	0.50	-
<b>COST INTO STORAGE</b>	<b>KG</b>	<b>20.23</b>	<b>21.32</b>	<b>22.42</b>	<b>20.54</b>
Storage	KG	0.50	0.50	0.50	-
Distribution	KG	0.60	0.60	0.60	0.69
Financing	KG	0.60	0.60	0.60	0.62
<b>TOTAL COST</b>	<b>KG</b>	<b>21.93</b>	<b>23.02</b>	<b>24.12</b>	<b>21.85</b>

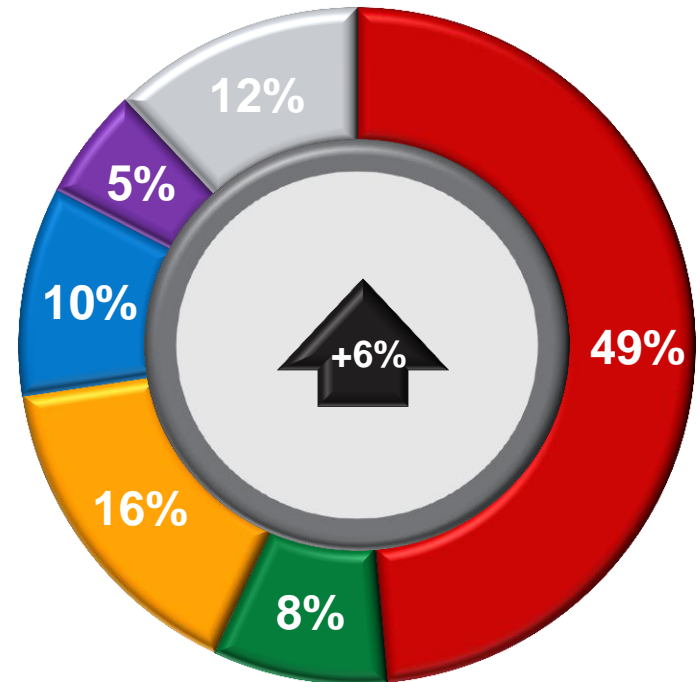
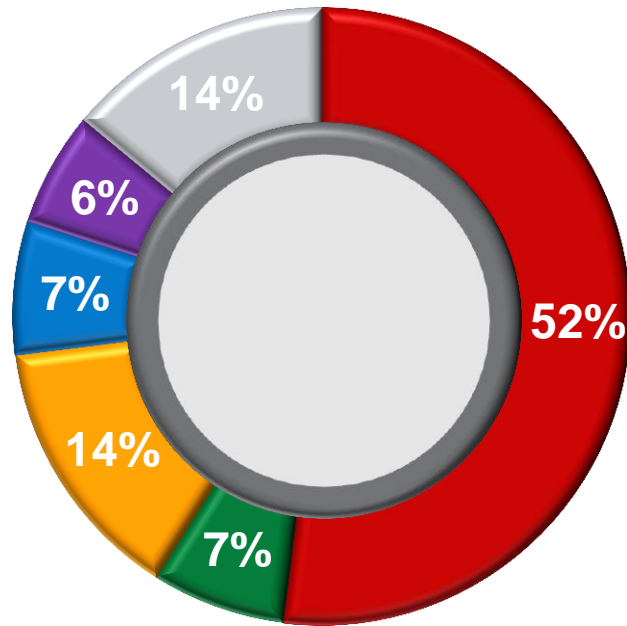
Ex EUROPE - November 2013					
FROZEN LEG QUARTERS BULK PACKED					
CIF DBN US\$ per ton	TON	1 630.00	1 630.00	1 630.00	SA COST
R/\$ exchange rate	R\$	9.00	9.50	10.00	
Rand per ton	TON	14 670.00	15 485.00	16 300.00	20 540.00
Rand per kg	KG	14.67	15.49	16.30	20.54
Duty per kg	KG	0%	0%	0%	-
Clearance costs	KG	0.50	0.50	0.50	-
<b>COST INTO STORAGE</b>	<b>KG</b>	<b>15.17</b>	<b>15.99</b>	<b>16.80</b>	<b>20.54</b>
Storage	KG	0.50	0.50	0.50	-
Distribution	KG	0.60	0.60	0.60	0.69
Financing	KG	0.60	0.60	0.60	0.62
<b>TOTAL COST</b>	<b>KG</b>	<b>16.87</b>	<b>17.69</b>	<b>18.50</b>	<b>21.85</b>

# TOTAL POULTRY IMPORTS – COUNTRY SPLIT



2012

2013 YTD

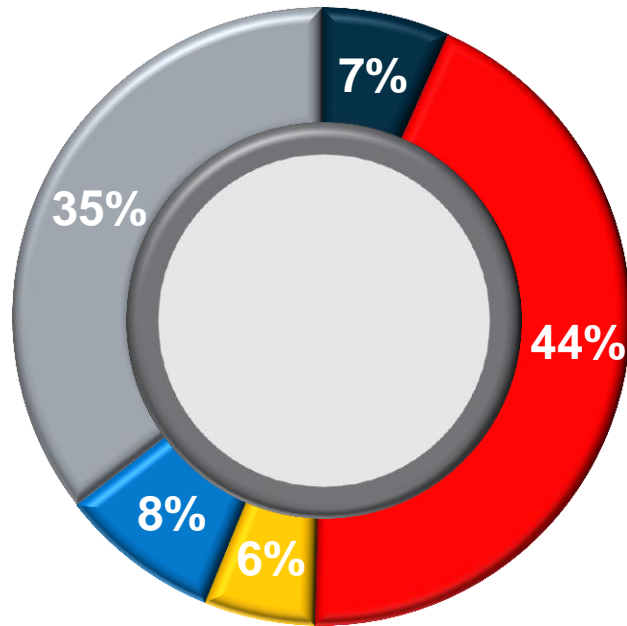


- Brazil
- Argentina
- Netherlands
- UK
- Germany
- Other

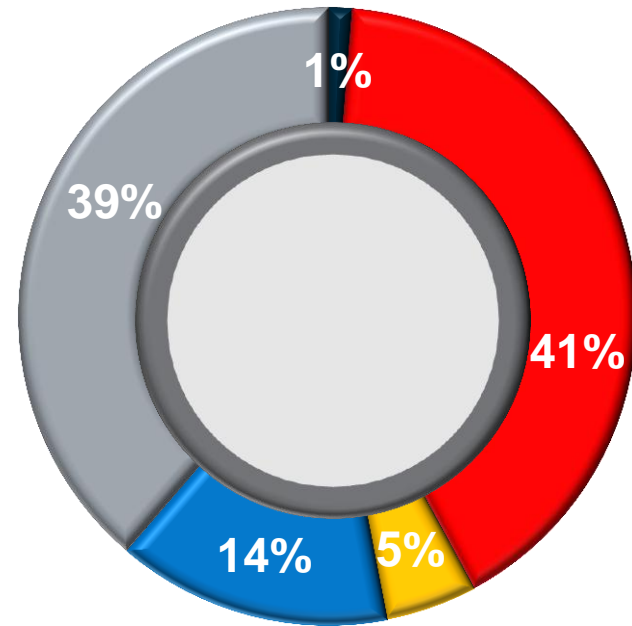
# TOTAL POULTRY IMPORTS – PRODUCT SPLIT



2012



2013 YTD

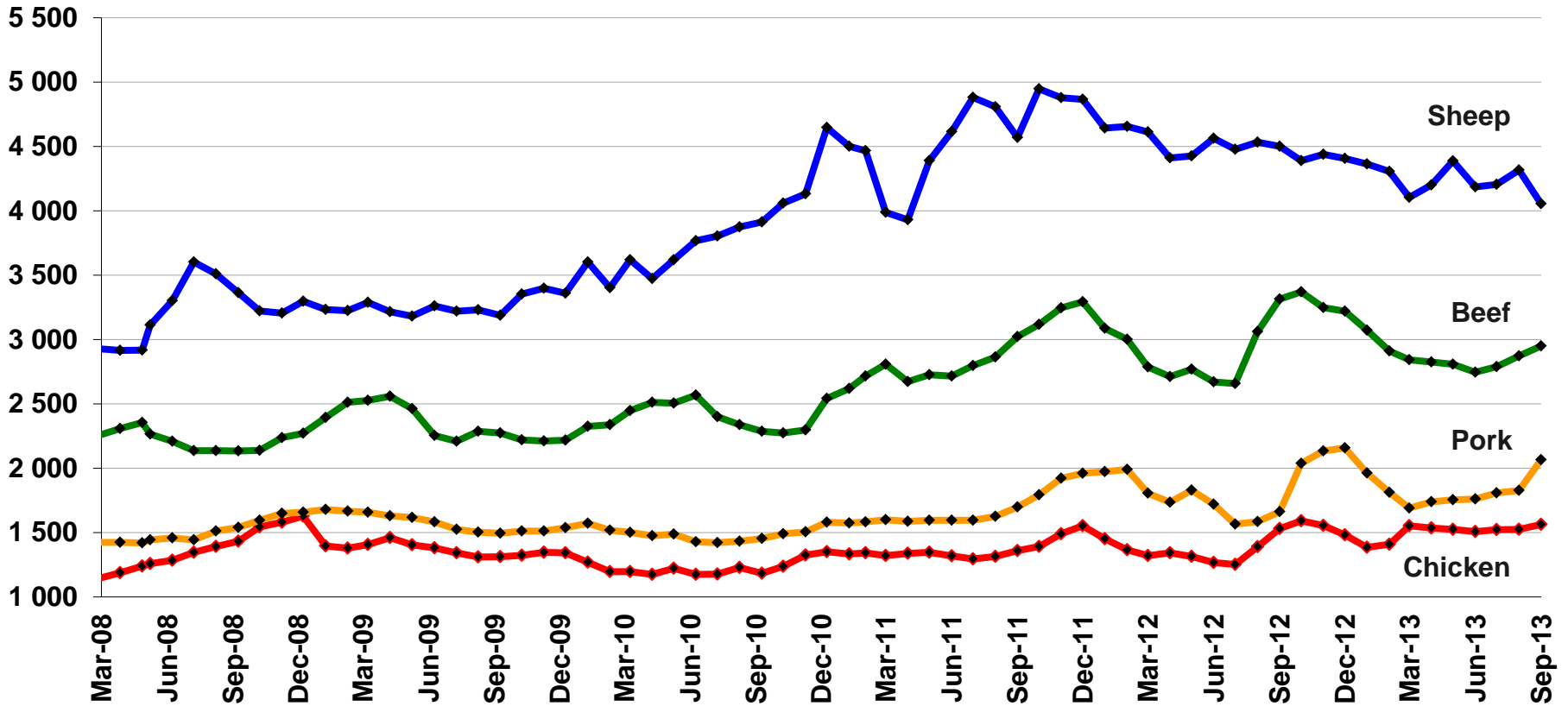


- Whole chicken
- Leg quarters
- Chicken fillets
- Chicken offal
- MDM

# PRODUCER PRICE COMPARISON – SA PROTEIN



Cents per kg



	Chicken	Pork	Beef	Sheep
Feed Conversion Rate	1.7	2.2	5.5	5.0
Per Capita Consumption	<b>2013 Est. 39 kg</b>	2012 Act. 4.6kg	2012 Act. 16.5kg	2012 Act. 2.8kg



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