



Interim Results Press Release

ASTRAL'S INTERIM RESULTS REFLECT TOUGH CONDITIONS

- Revenue increased by 1% to R5,82 billion (March 2015: R5,76 billion)
- Operating profit down by 22% to R429 million (March 2015: R550 million)
- HEPS decreased by 23% to 774 cents (March 2015: 1 001 cents)
- Dividend cover maintained – interim dividend 390 cents per share

16 May 2016: Astral Foods Limited (Astral), a leading Southern African integrated poultry producer, reported a set of interim results for the six months ended 31 March 2016 that reflect the tough conditions the Group and poultry industry faced over this period. Chris Schutte, CEO of Astral, said: "At our final results presentation in November 2015 we cautioned the market that trading conditions were going to be challenging given the outlook for an El Niño weather phenomenon and the continued high level of poultry imports. This came to fruition, and together with weaker consumer demand and an inability to recover high input costs, culminated in the weaker half year results."

Group revenue for the reporting period increased by 1% to R5,82 billion from R5,76 billion (March 2015) despite a decrease in poultry sales volumes and flat poultry selling prices. The Group's operating profit decreased by 22% to R429 million from R550 million in the comparable period as a result of high feed prices increasing live bird cost, the depreciation of the Rand against the US Dollar and the other African currency depreciation negatively impacting those operations. The Group's operating profit margin dropped to 7.4% from 9.6% (March 2015).

The **Poultry division** reported a decrease of 1.5% in revenue to R4,44 billion (March 2015: R4,50 billion) being impacted by lower sales volumes for the period under review. Weaker demand and the high level of Brazilian and EU poultry imports led to a build-up in poultry stock levels which resulted in subsequent broiler production cutbacks. The median food price increase across all categories year-on-year was 12.1% whilst the average poultry industry selling price achieved a negligible 2.0% increase. Poultry feed prices increased by an average of 13.9% over the comparable period which led to an increase in the live bird production cost. The above factors contributed to the operating profit decreasing to R194 million (March 2015: R351 million). Poultry's product mix shifted by 2% towards fresh and value-added sales volumes from IQF.

The **Feed division** increased revenue by 16.8% to R3,46 billion (March 2015: R2,96 billion) on the back of a 16.2% increase in the average feed selling price. For the period under review, the Standerton feed mill ran at 70% capacity and the operational efficiencies contributed to the good results. Operating profit increased to R233 million (March 2015: R186 million) resulting in the operating margin increasing to 6.7% from 6.3% in the prior period. Rand per ton margins increased over the comparable period in the prior year, supported by the successful management of other operating costs below inflationary levels.

The **Other Africa** operations reported revenue growth of 0.8% to R258 million (March 2015: R256 million) driven largely by higher feed selling prices in Zambia. The operating profit decreased to R1 million (March 2015: R14 million) mainly due to the severe impact of the currency exchange movements and economic downturn in Mozambique on the profitability of

the feed and day-old chick operations. The Zambia operations were negatively impacted by on-going power outages in Zambia due to the drought situation.

Daan Ferreira, Astral's Group Financial Director, commented: "The stock build in both the Poultry and Feed divisions was the primary reason for the net working capital outflow of R353 million ending with a net debt balance of R242 million, a net debt to equity ratio of 9.8% (30 September 2015: 2.4%). This ratio is still at an acceptable level. The Board has maintained a 2.0 times dividend cover and declared an interim dividend of 390 cents per share."

Schutte stated: "Although we believe that our strategy of being a low cost integrated poultry producer will benefit our stakeholders, our outlook for the foreseeable future remains austere. A weakening of the El Niño weather event could favour better planting conditions for maize in the coming season as normal rainfall is predicted, but there are other factors that will counter this. One of the factors is that in March 2016 the first US poultry imports arrived in South Africa following the AGOA renewal and this, together with the already high level of poultry imports may exacerbate the imbalance in supply and demand. The impact of the continued Rand weakness on imports of poultry genetics, maize and soya, the weak consumer demand, continued high maize and feed prices until at least rainfall patterns normalise and high poultry stock levels have necessitated us cutting back on our broiler production."

"The anticipated brining regulations announced by DAFF at the end of April 2016 to be implemented over the next six months, will be legally challenged by SAPA based on certain flaws in the promulgated regulations. We remain of the opinion that the consumer will be negatively impacted as IQF product prices will have to increase. These regulations will lead to lower production volumes which in turn will result in further job losses in the poultry industry. We will continue to optimally and effectively manage the factors within our control," concluded Schutte.

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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
- Meadow Feeds
- Tiger Animal Feeds (Zambia)

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