Interim Results Press Release

ASTRAL PROVES RESILIENCE IN THE FACE OF WORST MARKET CONDITIONS ON RECORD

- Revenue decreased by 1% to R5.79 billion (March 2016: R5.82 billion)
- Operating profit down by 51% to R212 million (March 2016: R429 million)
- HEPS decreased by 54% to 356 cents (March 2016: 774 cents)
- Interim dividend declared of 180 cents per share (March 2016: 390 cents)

15 May 2017: **Astral Foods Limited** (Astral), a leading Southern African integrated poultry producer, reported a set of interim results for the six months ended 31 March 2017 that reflects a significant decrease in profitability against the comparable period. "These results are predominantly attributable to the inability to fully recover record high feed prices and a loss in sales volumes in both divisions under extremely difficult market conditions. The implementation of the new brining regulation resulted in the period not being directly comparable to the prior period's results," said Chris Schutte, CEO of Astral.

Group revenue for the reporting period decreased by 1% to R5.79 billion from R5.82 billion (March 2016) mainly on the back of decreased feed and poultry sales volumes, the latter mainly due to the new brining legislation, partially offset by an increase in average IQF sales realisations. The Group's operating profit decreased by 51% to R212 million from R429 million on the back of record high feed prices resulting from the severe drought. The inability to recover these high feed prices was largely negated by improved poultry production efficiencies following the implementation of an enhanced poultry feeding programme. The Group's operating profit margin dropped to 3.7% from 7.4% (March 2016).

The **Poultry division** reported an increase of 0.4% in revenue to R4.46 billion (March 2016: R4.44 billion). Revenue was impacted by lower sales volumes due to a combination of less meat sold and reduced brining levels. Average sales realisations were impacted when Astral discontinued the lower priced IQF range with a brine uptake of 30%, which was replaced by a higher cost offering with a brine uptake of 15% that conforms to the new legislation. Broiler feed prices increased by 16.8% over the period due to the spike in raw material prices and an increased cost associated with the revised poultry feed specifications. Accordingly, operating profit decreased by 88.5% to R22 million (March 2016: R194 million).

Schutte commented: "Total poultry imports remained at high levels despite EU poultry imports decreasing because of Avian Influenza outbreaks in certain countries. Total poultry imports equate to an average 8,2 million birds per week for the six months ending March 2017, notwithstanding all efforts to curb poultry dumping. A record inflow of total poultry imports was recorded in March 2017 at 66 658 tonnes, with a high US poultry component coming into play."

Revenue for the **Feed division** was down by 0.4% to R3.45 billion (March 2016: R3.46 billion) on the back of an 8.0% decrease in feed sales volumes driven by lower internal sales resulting from broiler production cutbacks. The Feed division also experienced lower external demand for feed as all livestock sectors battled to recover from the drought and related high feeding costs. Operating profit decreased to R184 million (March 2016: R233 million) resulting in the operating margin decreasing to 5.3% from 6.7% in the prior period.

The contribution from **Other Africa** operations improved however is still relatively low and reflects the ongoing difficult trading conditions in those regions.

Daan Ferreira, Astral's CFO, said: "Despite these results, impacted by factors not always within our control, we remain cash positive due to the strict management of our working capital. Astral has a commendable net debt to equity ratio of 6.6% given that the ratio at 30 September 2016 was 10.1%. An interim dividend of 180 cents per share was declared, well within the Group's liquidity capability."

Schutte concluded: "The results are reflective of the many and varied challenges Astral faced over the past 18 months. From record poultry imports, to the most devastating drought seen in over 60 years which resulted in record maize and feed prices, the implementation of the new capped regulated brining levels during the reporting period, the Eskom debacle in Standerton which was settled, with costs, in the High Court on 3 May 2017, to name a few. The industry has seen a contraction in local production, with cutbacks, resizing and closures, which although negative for the economy, does improve the balance between supply and demand in the poultry industry. Astral's strategy of being the best cost integrated poultry producer in selected African countries remains resolute and the outlook is looking more favourable given the record current local maize crop."

Contact:	**Astral Foods Limited** Chris Schutte (CEO), or Daan Ferreira (CFO) Tel: (012) 667 5468
Issued and released by:	**Keyter Rech Investor Solutions** Marlize Keyter 083 701 2021
Issue date:	15 May 2017
JSE code:	ARL
Web-site:	www.astralfoods.com

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