Interim Results Press Release

STARS ALIGN BOOSTING ASTRAL'S RESULTS

- Revenue increased by 15% to R6.7 billion (March 2017: R5.8 billion)
- Operating profit increased by 393% to R1 044 million (March 2017: R212 million)
- Headline earnings per share increased by 455% to R19.74 (March 2017: R3.56)
- Interim dividend per share declared of R10.00 (March 2017: R1.80)

14 May 2018: **Astral Foods Limited** (Astral), a leading Southern African integrated poultry producer, reported a strong set of interim results for the six months ended 31 March 2018. Chris Schutte, CEO of Astral, commented: "Astral benefitted significantly from the favourable trading conditions during this reporting period, in comparison to a period that saw one of lowest profits in Astral's history. Higher sales volumes and poultry selling prices, lower raw material costs and good on-farm bird performances, all aligned to contribute to an improvement in Astral's performance."

Group revenue for the reporting period increased by 15.0% from R5.8 billion (March 2017) to R6.7 billion mainly on the back of improved poultry supply and demand balance which gave both volume and price support. Operating profit increased by 392.6% from R212 million (March 2017) to R1 044 million predominantly because of the significant improvement in the Poultry division's profitability. The Group's operating profit margin increased considerably from 3.7% (March 2017) to 15.7%.

The **Poultry** segment reported an increase of 23.0% in revenue to R5.5 billion (March 2017: R4.5 billion). Sales realisations increased by 11.2%, of which a portion relates to the necessary price adjustment to offset the legislated change in brine levels of specific product lines in the prior period. The higher broiler production numbers (9 million birds), together with the industry cutbacks resulted in a 12.6% increase in sales volumes (25 823 tonnes).

Operating profit increased to R836 million (March 2017: R22 million), which translated into an operating profit margin of 15.2% compared to 0.5% achieved in the prior comparable period. Broiler feed prices decreased by 11.2% due to significantly lower raw material costs in the reporting period versus the prior year. In addition, an enhanced nutritional programme further improved the broiler performance and positively contributed to a reduced feeding cost per broiler.

Poultry imports continued unabated, with imports from the European Union (EU) reducing considerably due to the outbreak of bird flu in those exporting countries. There has been a major swing in imports from Brazil and the United States of America (USA). On average, the monthly total poultry imports for the period under review equalled to approximately 44% of local production or an average of 46 850 tonnes per month.

The outbreak of highly pathogenic bird flu during the prior calendar year, and Astral's contingency plans, allowed the division to avert a short supply of broilers, with the result that the Group was able to maintain broiler slaughter volumes at approximately 5.1 million birds per week (March 2017: 4.9 million birds per week). No further incidents of bird flu and related costs were experienced during this reporting period. Astral’s broiler breeding flock has recovered to almost full capacity.

Revenue for the **Feed** segment was down by 10.2% to R3.1 billion (March 2017: R3.5 billion) as a direct result of lower feed selling prices on the back of the markedly lower maize prices following the record local maize crop for the 2017/2018 marketing year. Sales volumes increased by 7.3%, due to higher external sales and a higher internal feed requirement, up 7.4% and 7.2% respectively, due to a recovery in the commercial animal livestock markets following the 2016 drought. Operating profit increased to R192 million (March 2017: R184 million) with an operating profit margin at 6.2% (March 2017: 5.3%).

Although the contribution from **Other Africa** operations remains relatively small, operating profit increased to R17 million from R5 million (March 2017) driven by improved performances across all countries and the turnaround in the Mozambican operations. This, despite revenue decreasing by 14.4% to R185 million from R216 million (March 2017) due to lower feed prices on the back of a decrease in raw material costs, and a 5% decrease in sales volumes.

Daan Ferreira, Astral’s CFO, said: “Astral remained cash positive throughout the period, and with a closing cash balance of R934 million is well positioned for investment in future growth. An increased interim dividend of R10.00 per share (March 2017: R1.80 per share) was declared in line with the increase in earnings.”

Schutte stated that Astral is confident regarding the outlook for the remainder of the financial year ending 30 September 2018, due to stable feed pricing based on an expected above average local maize crop and healthy global coarse grain stocks. Good broiler farm performances are expected to continue contributing to an optimised feeding cost.

“Although the Avian Influenza strain appears to be under control, the winter season could see the disease resurface and Astral continues to monitor the situation. We are experiencing higher levels of competitiveness as producers have expanded their broiler production numbers and the pork industry is currently selling product at very competitive prices. The continued high levels of poultry imports, especially from the USA and Brazil, remain of grave concern;” Schutte cautioned.

Despite the more optimistic views regarding the South African economy since mid-December 2017, Astral has not seen a marked change in consumer spending. We believe the Value-Added Tax (VAT) increase of 1% to 15%, effective 1 April 2018, will constrain consumer spend. Astral expressed a view in a press statement during March 2018, that it is an appropriate time for Government to review the basket of basic foodstuffs zero-rated for VAT, and include chicken as the preferred source of meat protein in South Africa, with per capita consumption well ahead of other meat sources.

Astral remains committed to its strategy of being the best cost integrated poultry producer, and will embark on various identified capital projects that will support its stated strategy, as well as organic growth and efficiency improvement opportunities.

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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