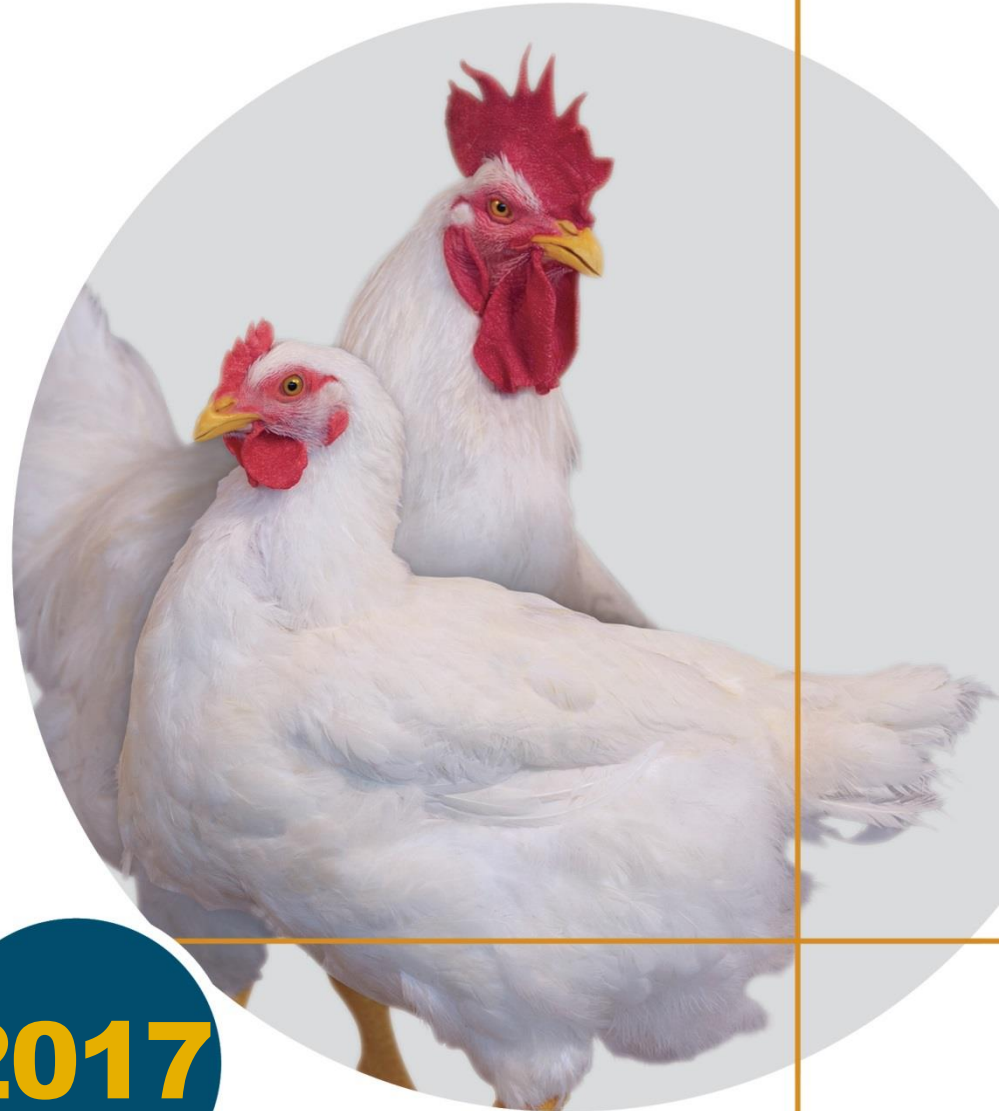




# interim results presentation

for the six months ended 31 March 2017



**2017**

- **Business Overview** [# 03]
- **Industry Trends** [# 21]
- **Financial Overview** [# 29]
- **Industry Matters** [# 40]
- **Outlook** [# 42]
- **Additional Information** [# 46]

# business overview

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**2017**



*“The period under review includes a number of factors that distort year-on-year comparisons and trends”*

- **Impact of brining legislation**
  - **Sales volume / tonnage**
  - **Average sales realisation and product mix**
  - **IQF cost (15% brine cap)**
  
- **Impact of revised poultry feeding program**
  - **Feed cost**
  - **Feed conversion efficiency**
  - **Live cost focus**
  
- **Lower feed volumes**
  - **Planned poultry production cutbacks**
  - **Marked improvement in feed conversion**
  - **External market contraction**

## Financial Indicators

▪ Revenue

1%

▪ Operating profit

51%

▪ Earnings per share

55%

▪ Headline earnings per share

54%

**Poultry**

- Volumes down
- Average realisations up
- Record high feed costs
- Planned production cutbacks
- Enhanced feeding program
- Improved poultry efficiencies

**Feed**

- Volumes down
- Market contraction
- Smallest maize crop on record
- Maize import program
- Old / New season crop swing
- Rand per ton margin down

**Other Africa**

- Improvement in profitability but contribution relatively low



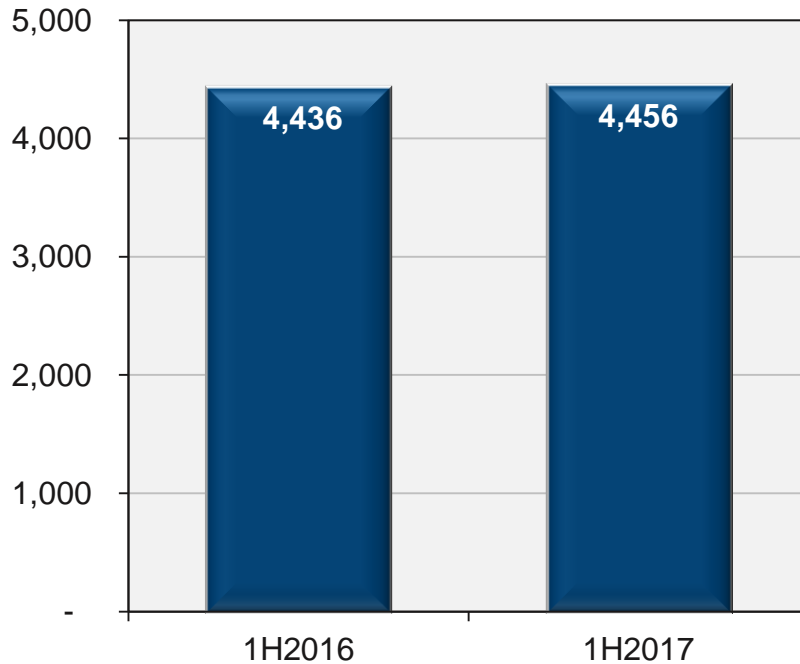
# poultry division

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**2017**

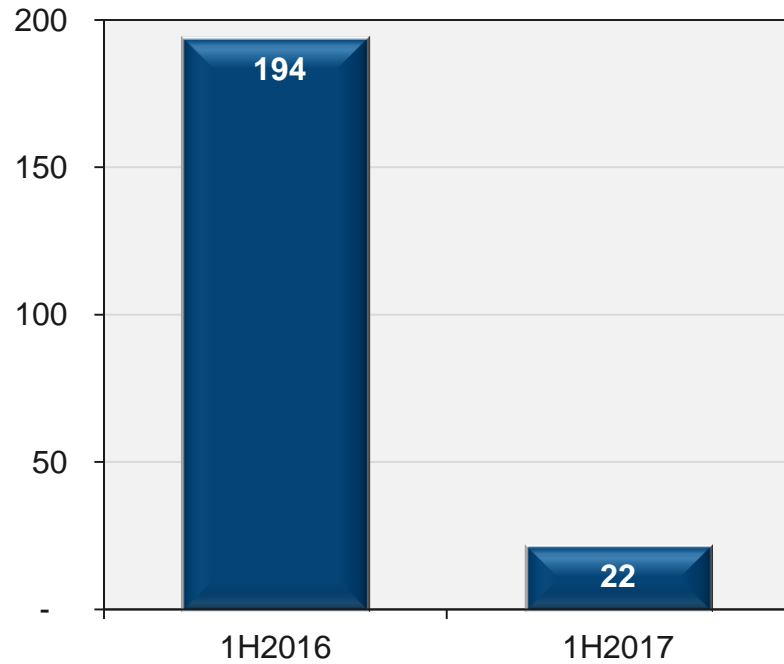


Revenue - R million



- Revenue up 0.4%
  - Broiler volumes down 10.5%
  - Avg. broiler realisations up 15.1%
  - IQF brine & mix distortion

Operating profit - R million

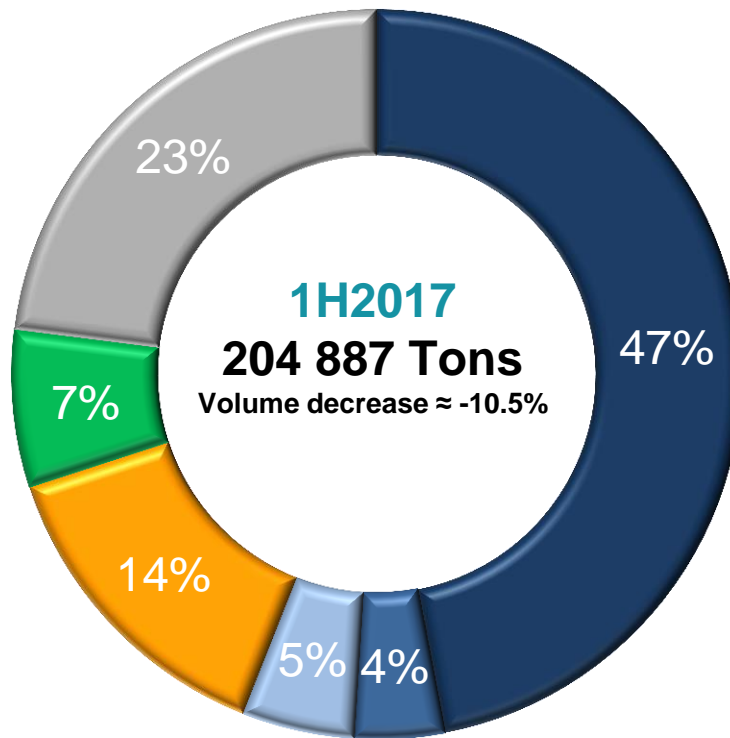
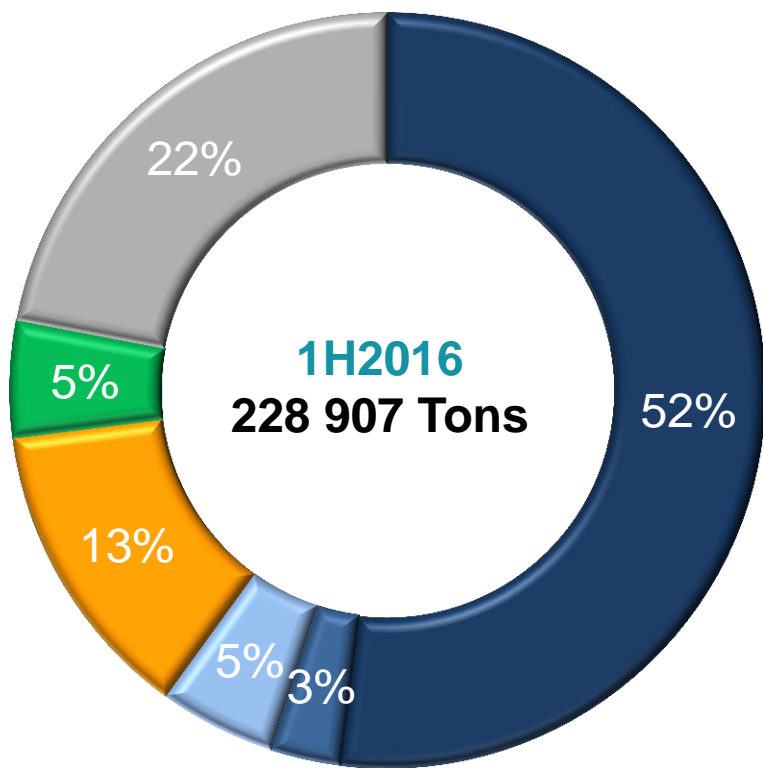


- Operating profit down 88.5%
  - Net margin 0.5% 1H2016: 4.4%
  - Feed costs up 16.8%; where
  - Feed program cost 4.9%



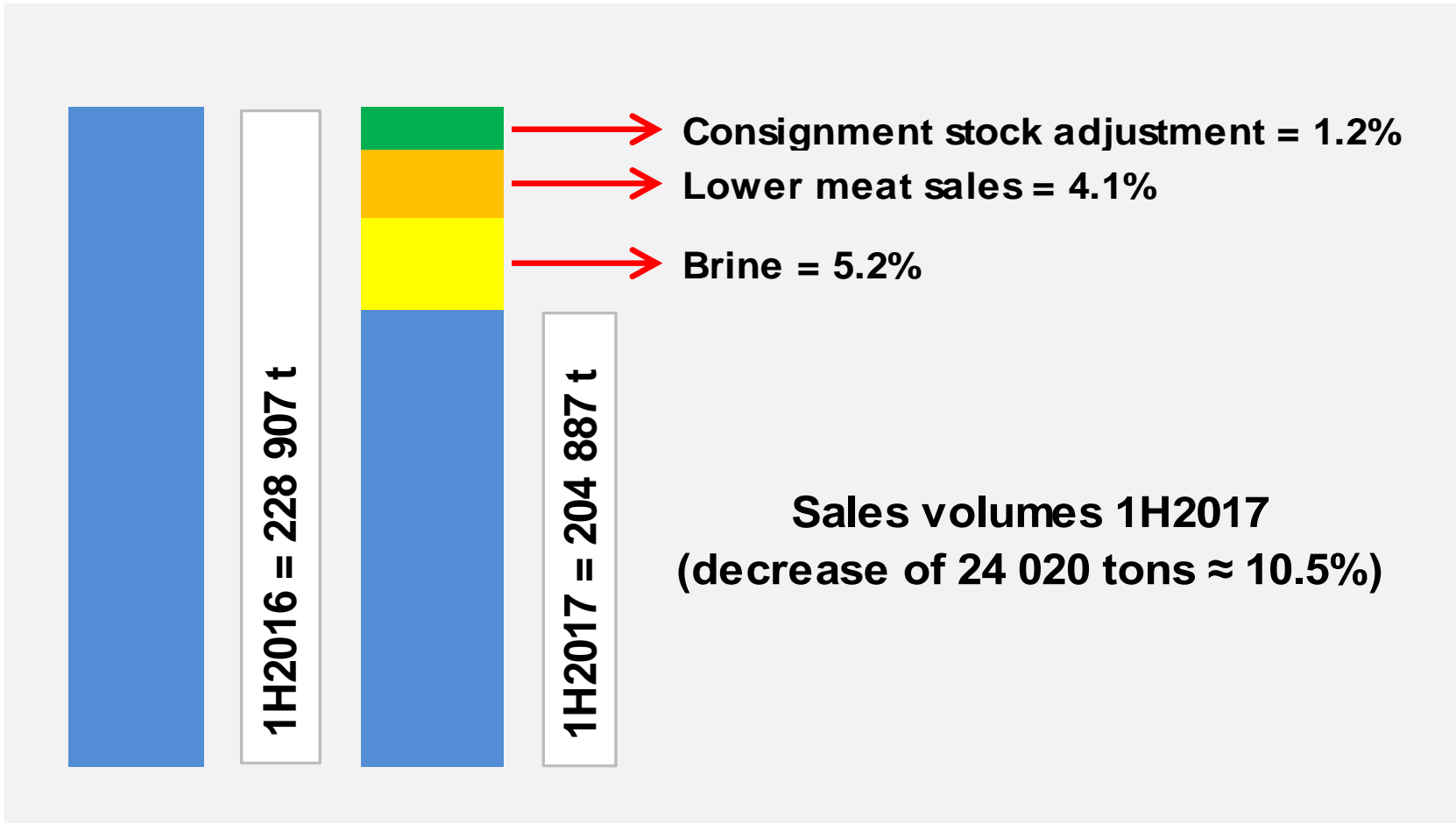
- **Broiler sales volumes decreased** by 10.5% ( $\approx$  24 000 tons) mainly on the back of the new brine regulations
- **Broiler production cutbacks** equalling 4,6 million birds over the period
- **Broiler selling prices increased** in an effort to recover higher feed and inflationary costs
- **IQF realisations were higher** as the lower priced 30% IQF was discontinued and replaced with IQF brined at 15% with a higher cost
- **Continued high level of total poultry imports** – avg. 8,2 million bpw for the six months ended March 2017  $\approx$  45% of local production
- **Broiler feed prices increased** by 16.8% for the period on the back of higher raw material costs (11.9%) and a feed specification change (4.9%)
- **Improved broiler production efficiencies** – FCR improvements partially offset increased feeding costs (live cost up 9.1%)

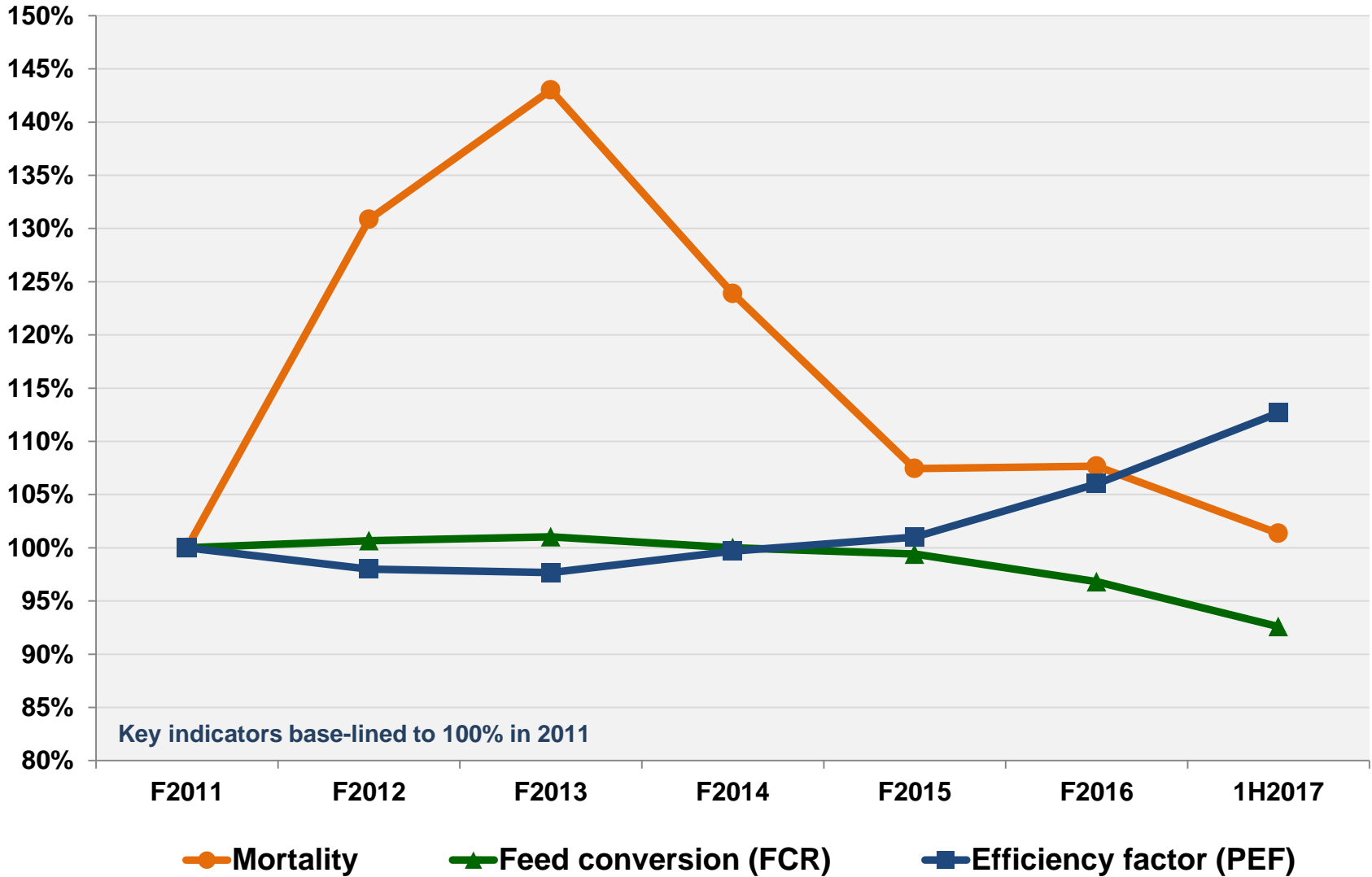
## Product Mix

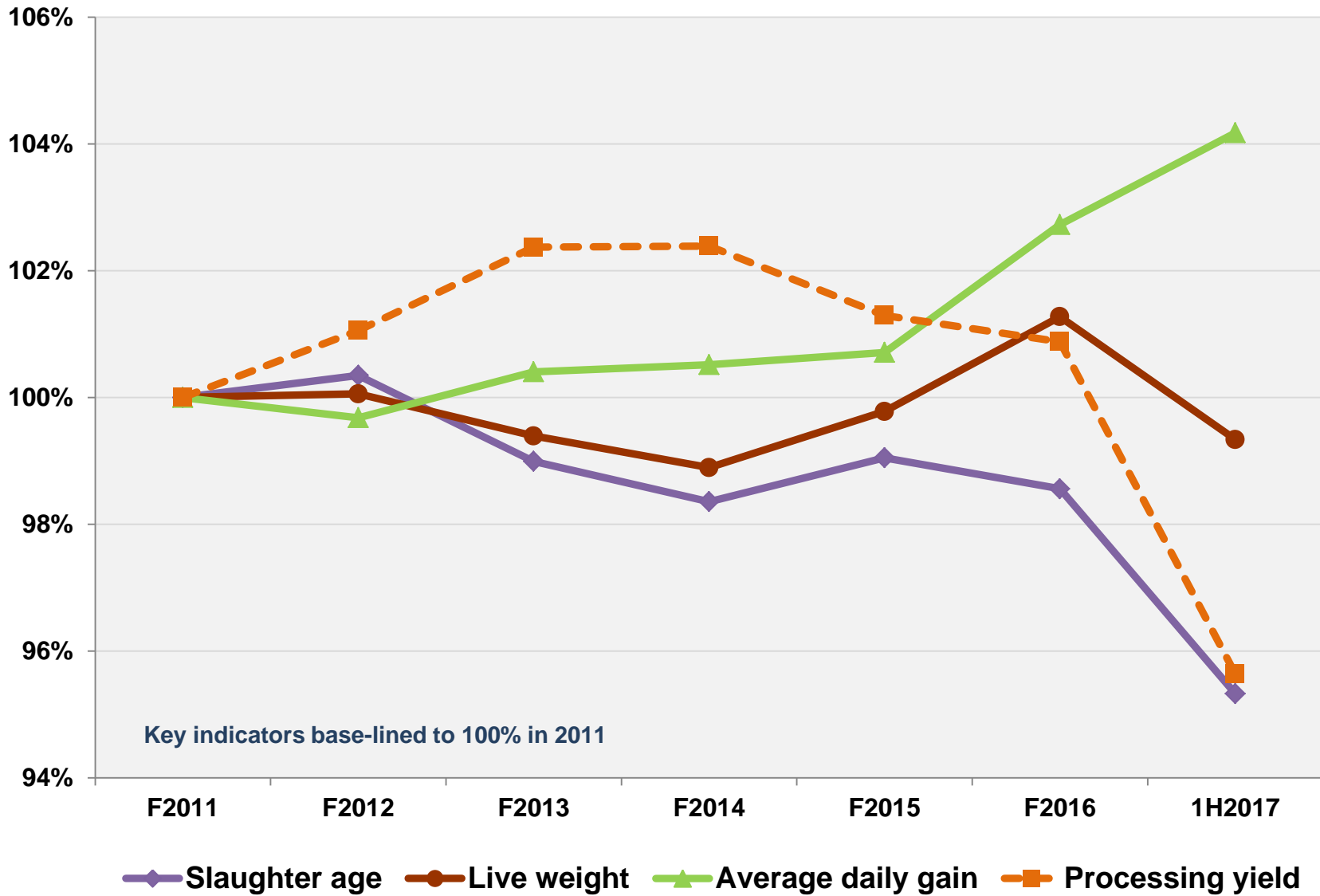


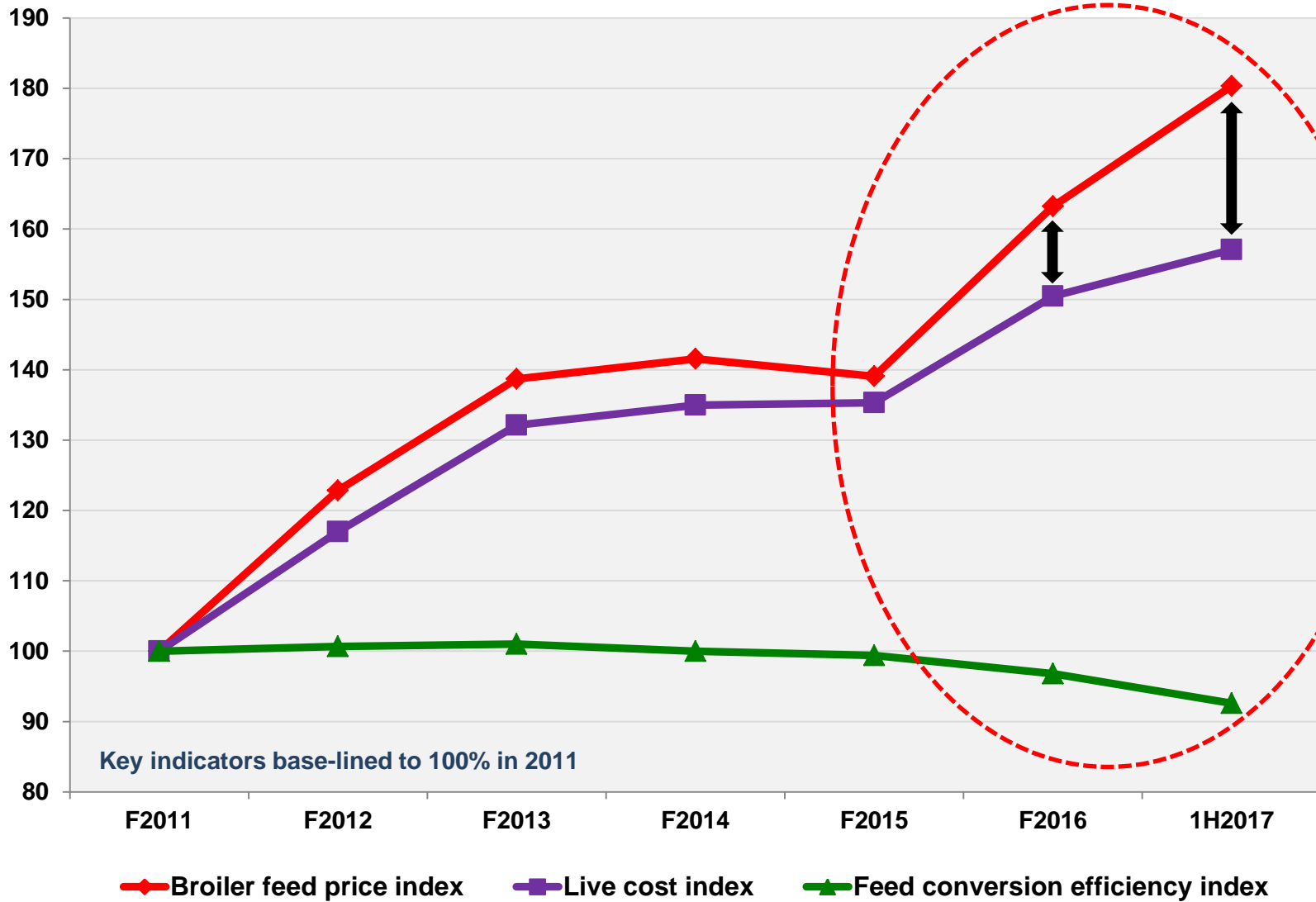
- IQF Mixed Portions    ■ IQF Single Portions    ■ Other Frozen
- Fresh                    ■ Value Added            ■ Tertiary

## Poultry Sales Volume Variance Reconciliation











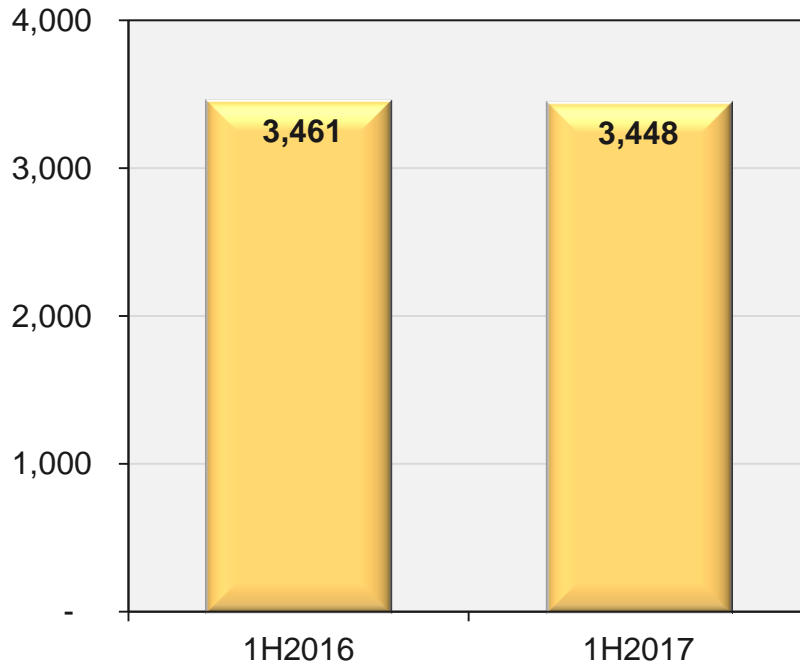
# feed division

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2017

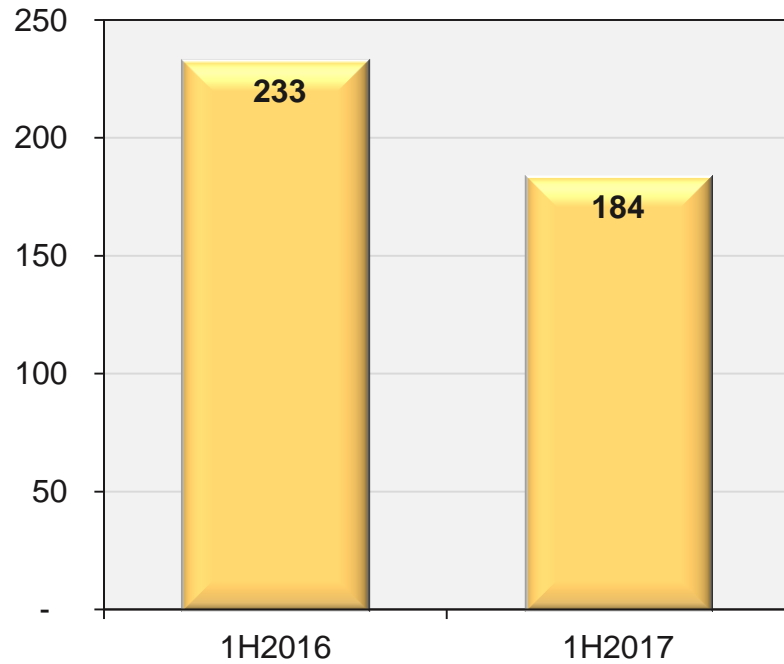


Revenue - R million



- Revenue down 0.4%
  - Sales volumes down 8.0%
  - Average selling prices up 10.4%

Operating profit - R million

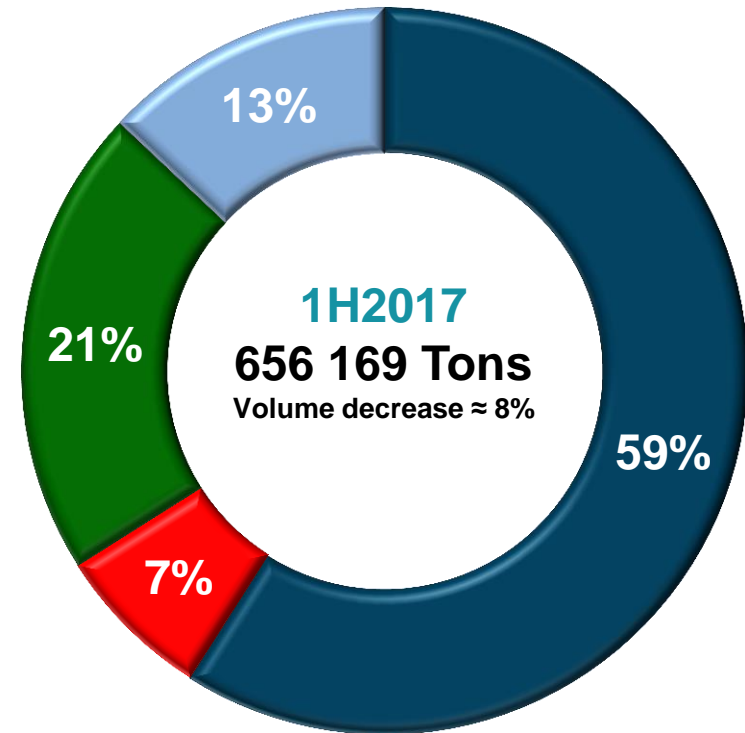
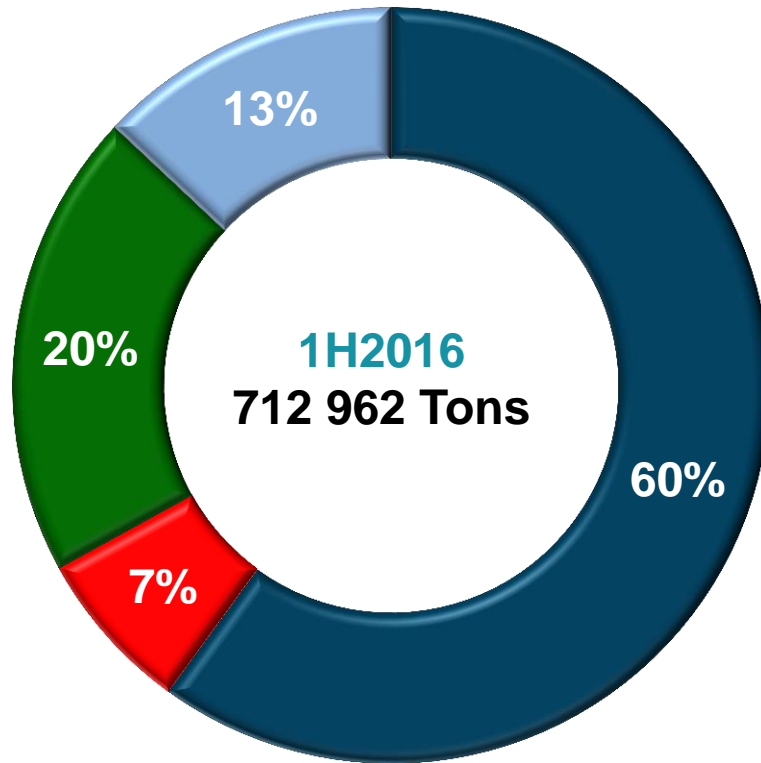


- Operating profit down 21.0%
  - Net margin 5.3% 1H2016: 6.7%
  - Difficult trading conditions



- **Feed volumes decreased** due to internal poultry production cutbacks and a drought affected external feed market
- **Broiler feed conversion** efficiency improvements in the poultry division further contributed to the lower internal feed sales
- **Record high feed prices** on back of raw material positions due to limited procurement opportunities on worst maize crop on record (7,7 million tons)
- The increase in raw material costs were **partially recovered** in the selling price of animal feed
- **Total expenses** were well contained however the lower volumes negatively impacted margin contribution

## Meadow Feeds - Sales Mix



■ Poultry Integrated   
 ■ Poultry External   
 ■ Dairy   
 ■ Other



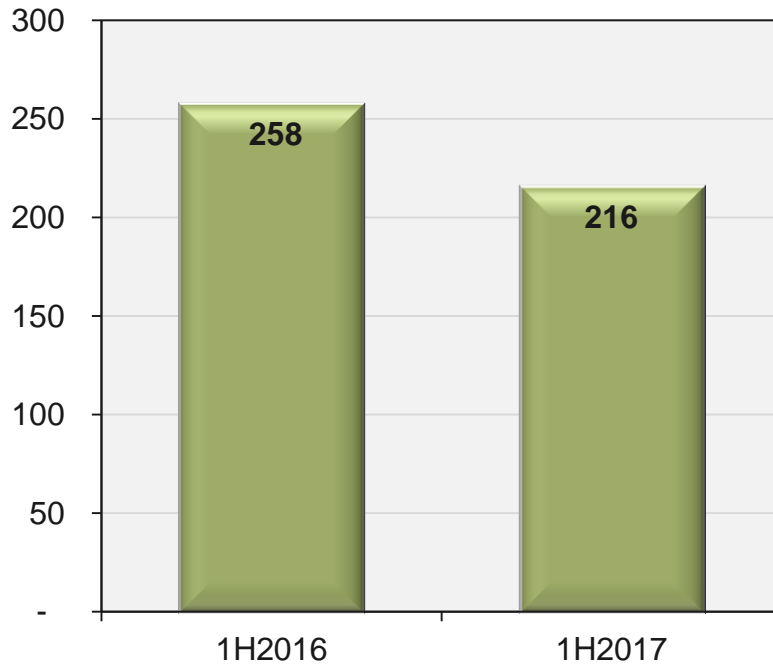
## other africa division

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2017

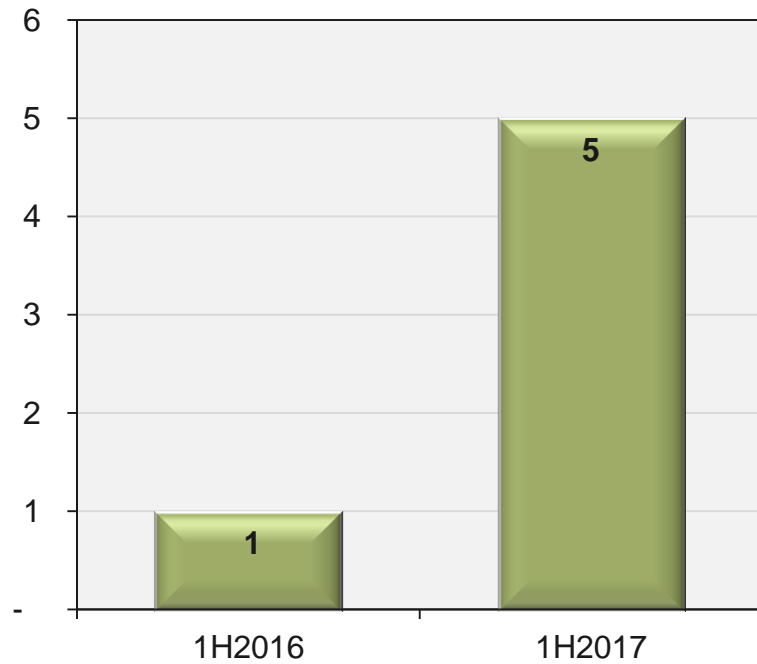


Revenue - R million

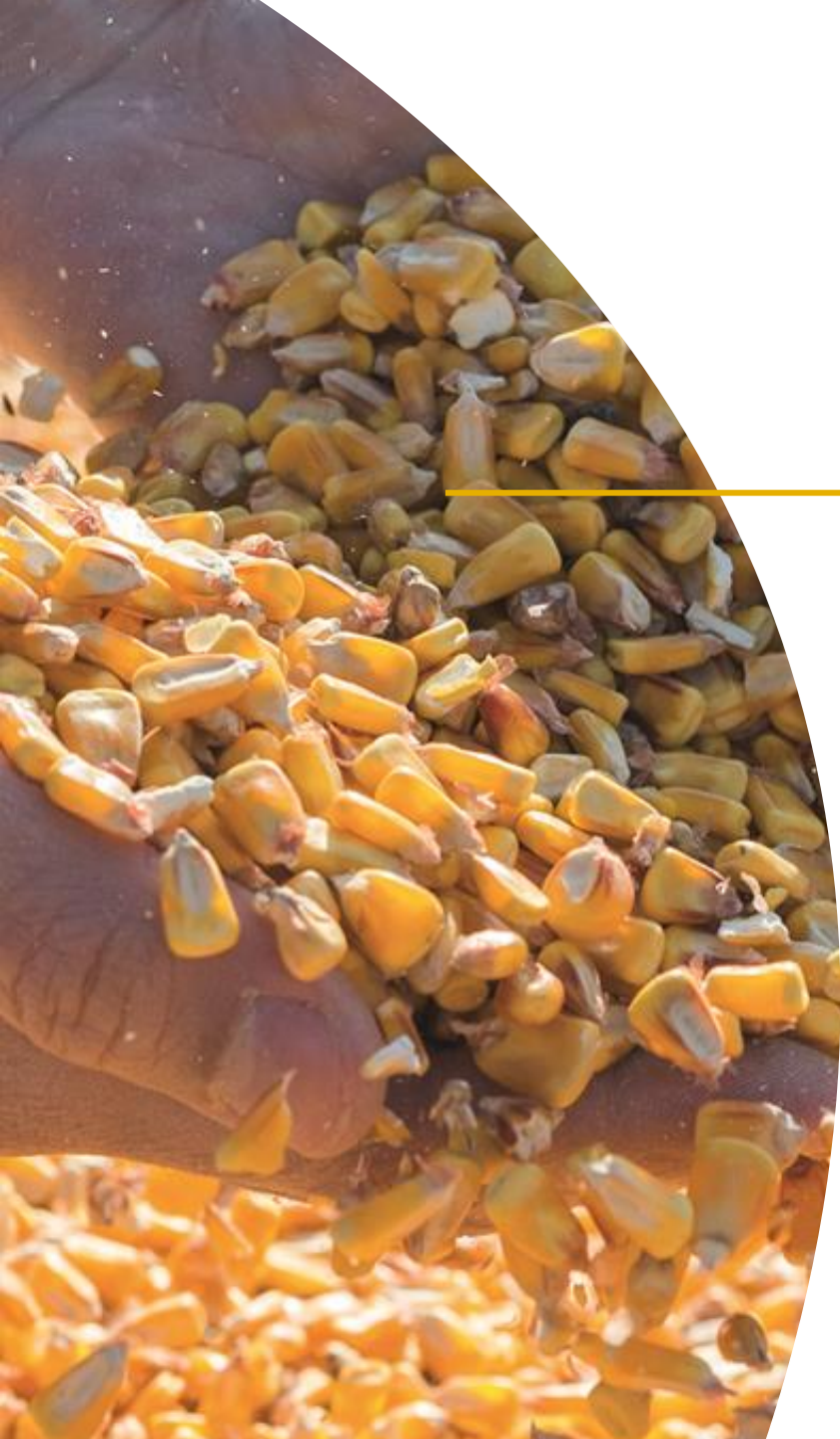


- Revenue down 16.5%
  - Sales volumes down 15.5%
  - Average selling prices down 1.3%

Operating profit - R million



- Operating profit up 284%
  - Net margin 2.4% 1H016: 0.5%
  - Zambia improved performance
  - Mozambique country risk

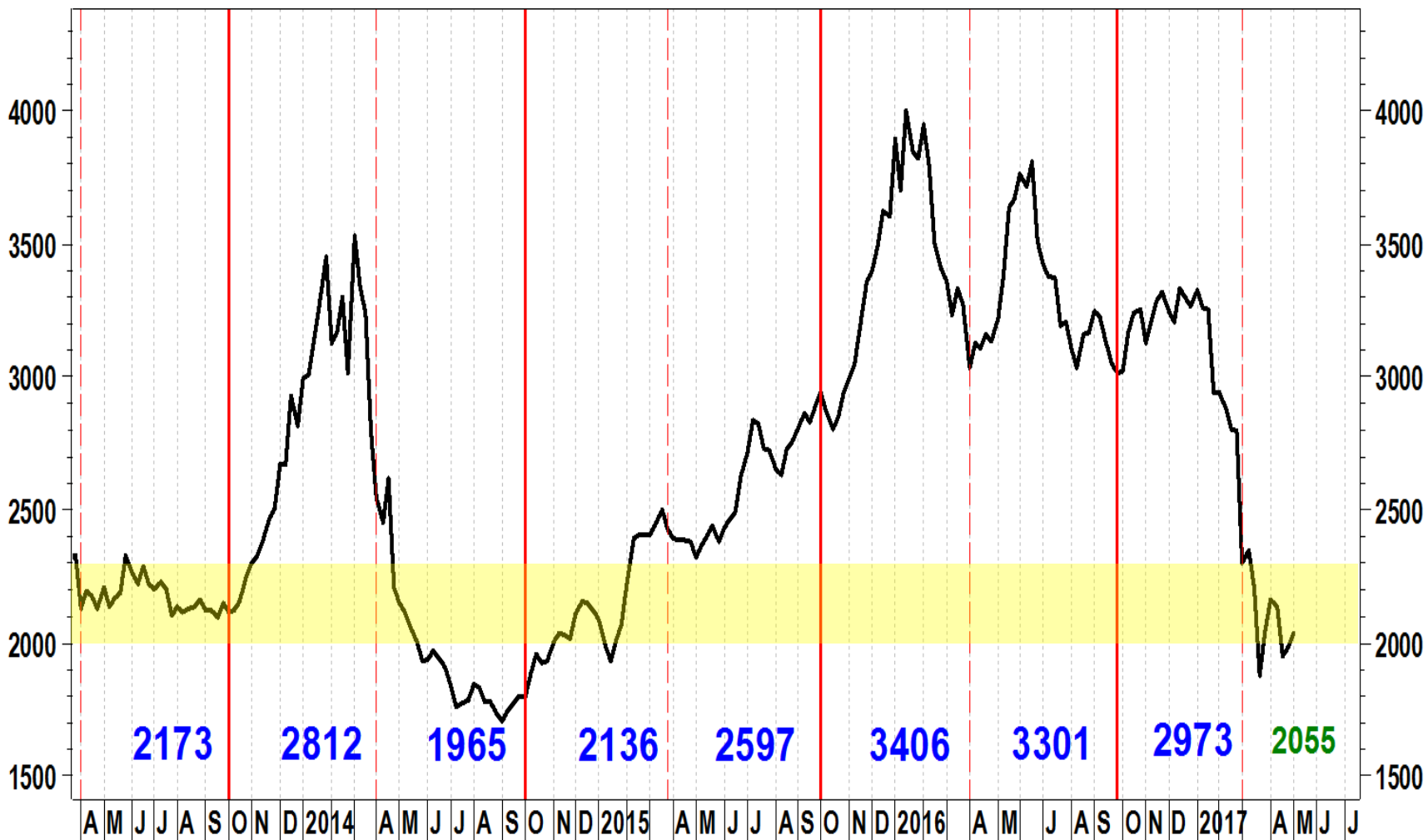


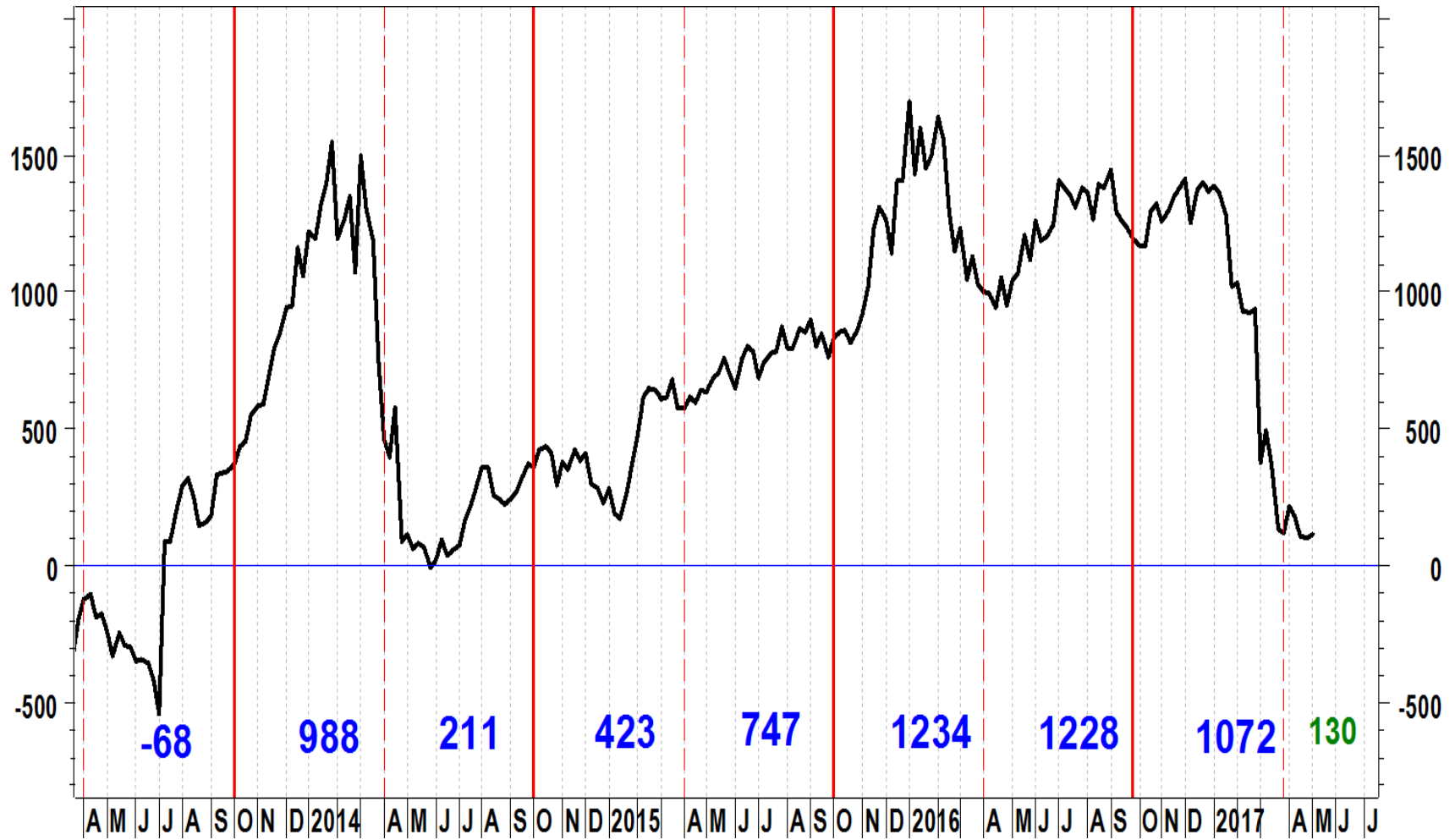
# industry trends

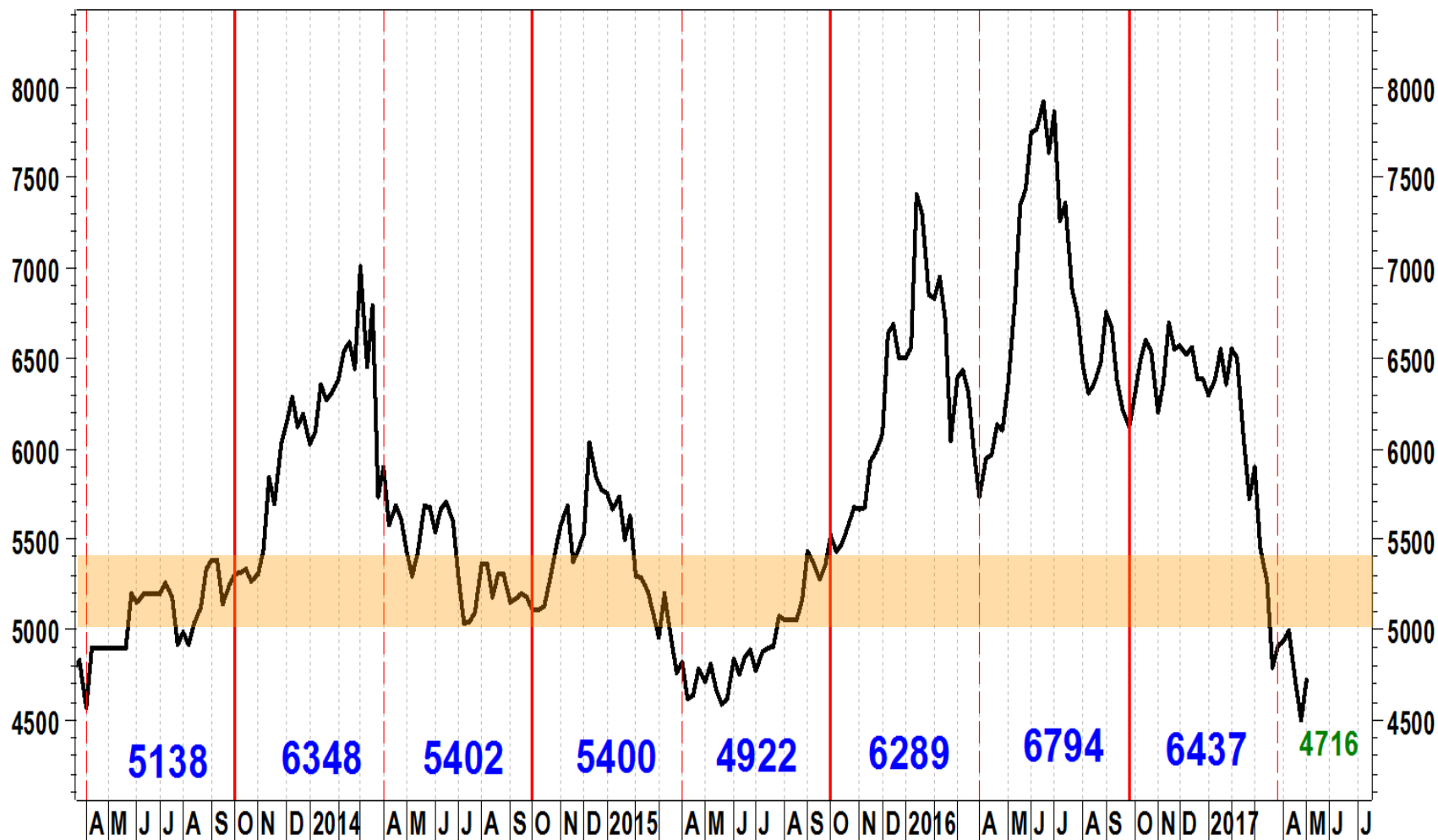
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**2017**

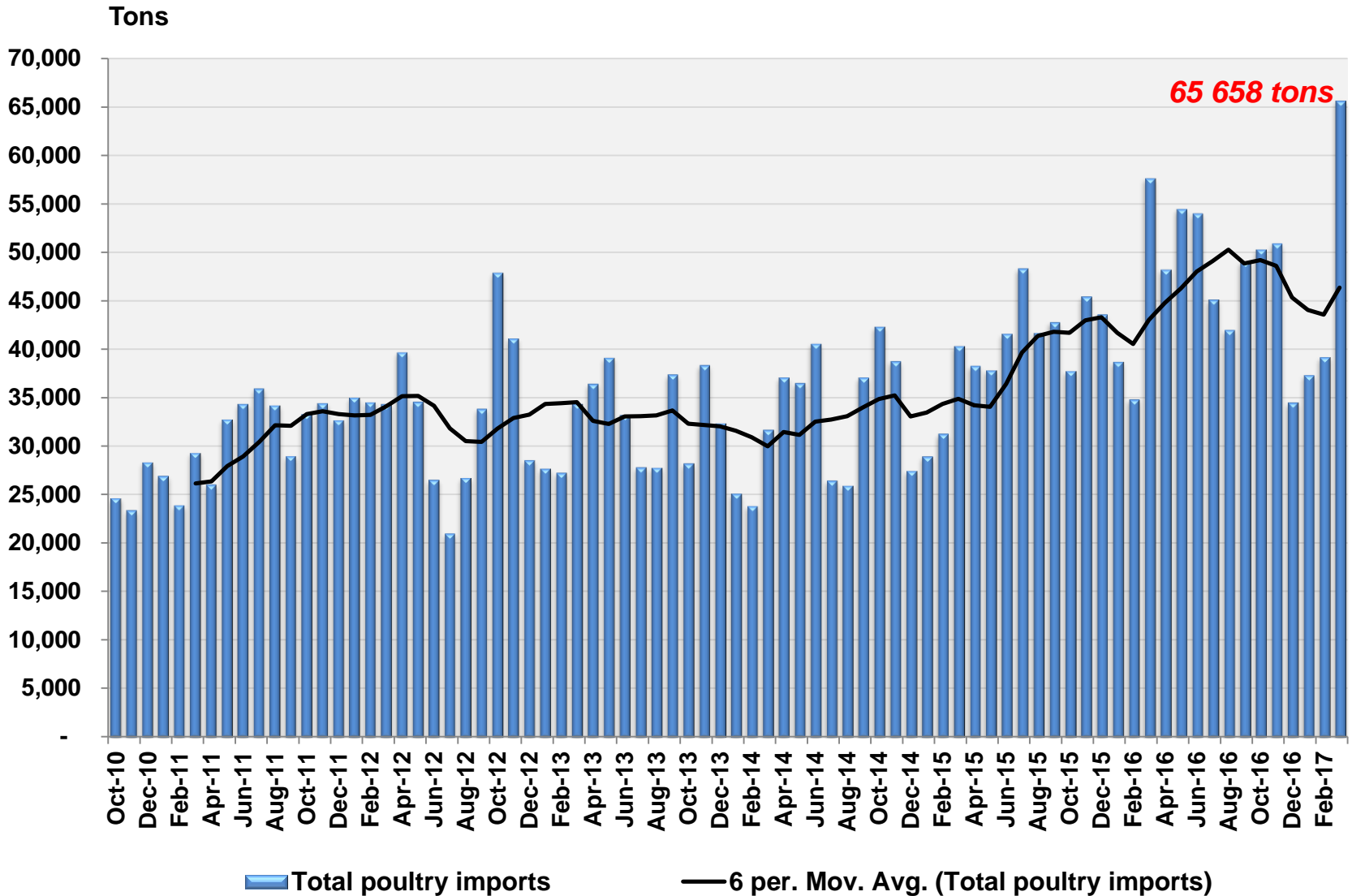




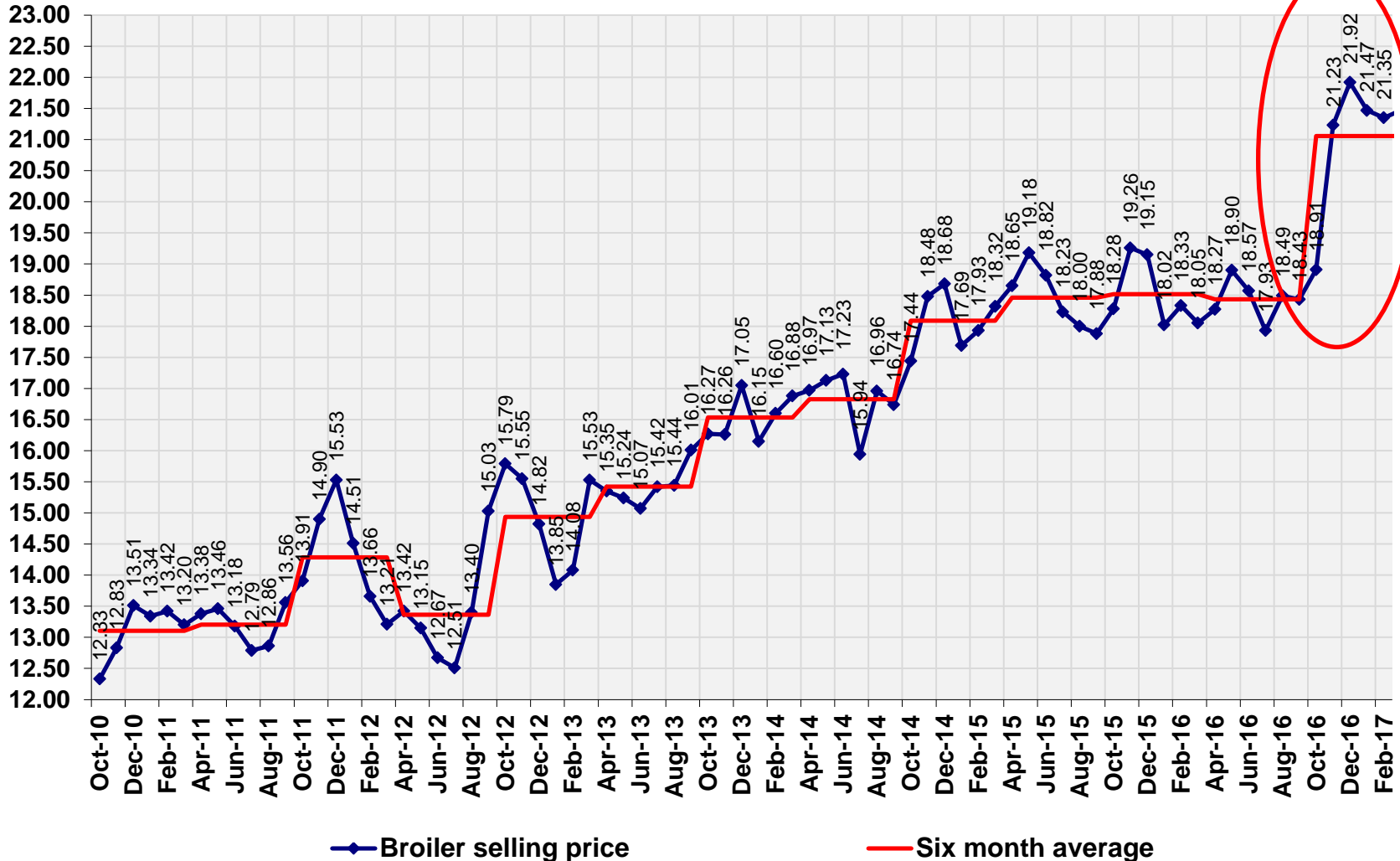


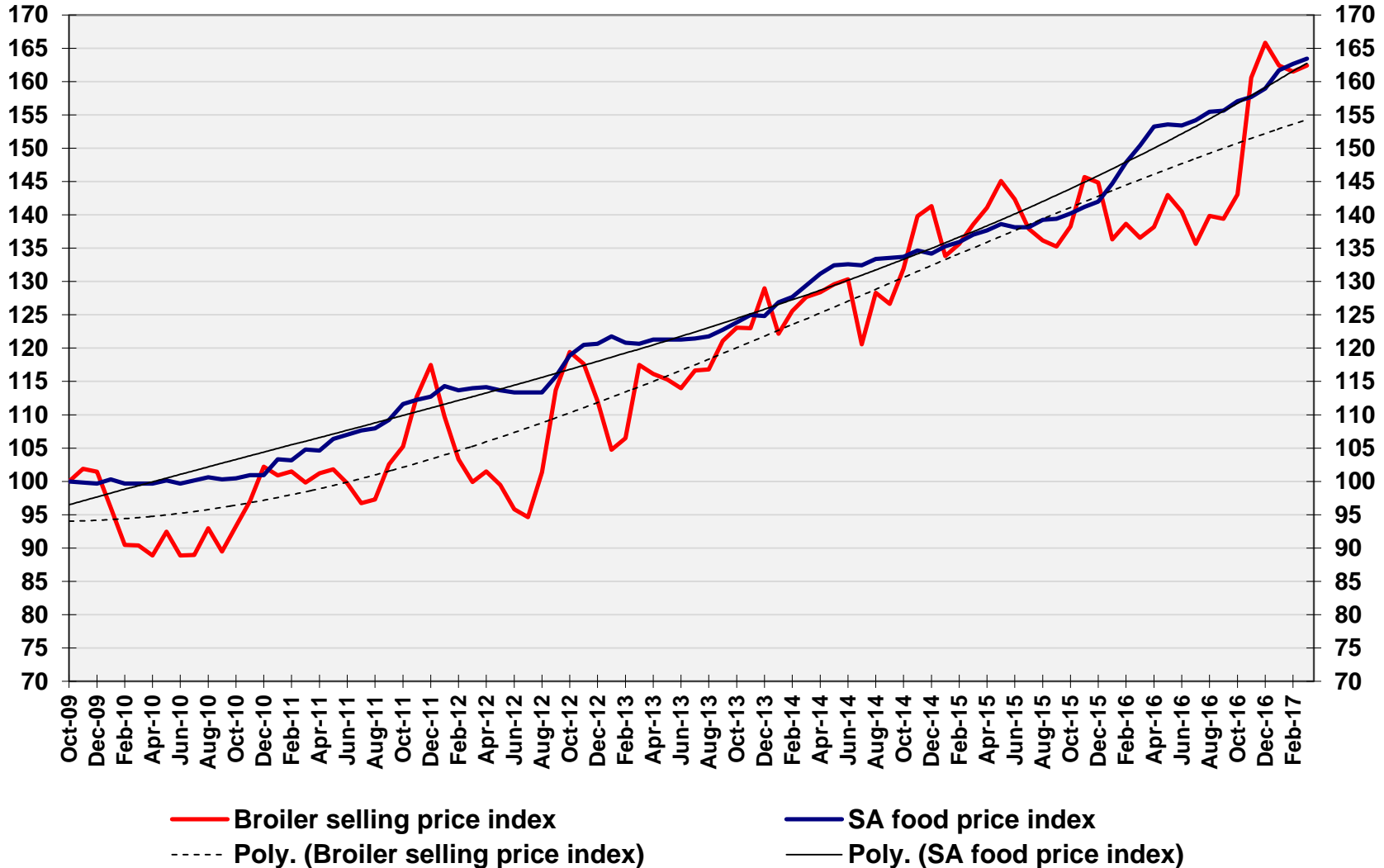


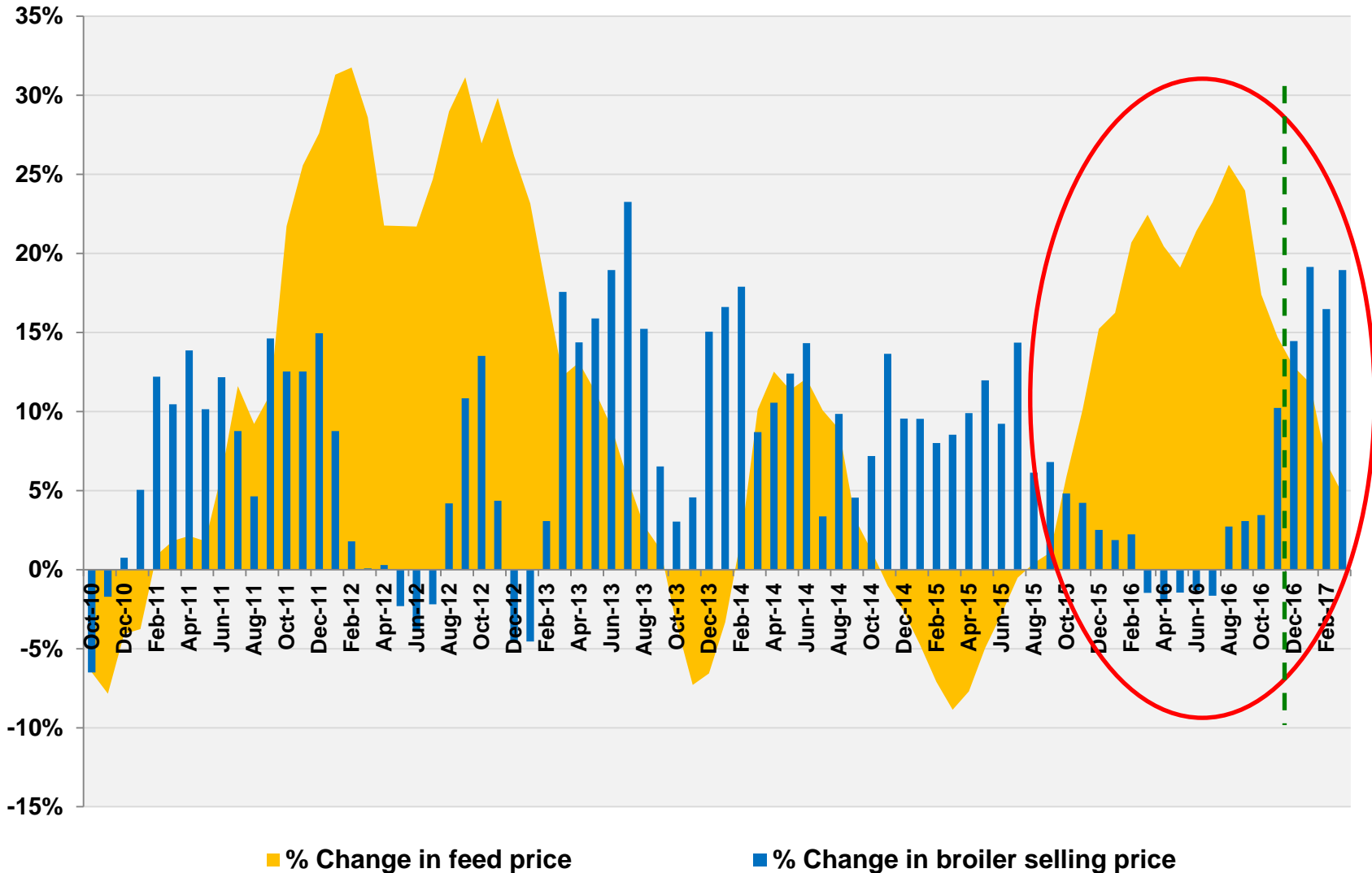




Rand per kilogram










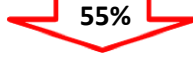

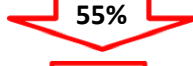



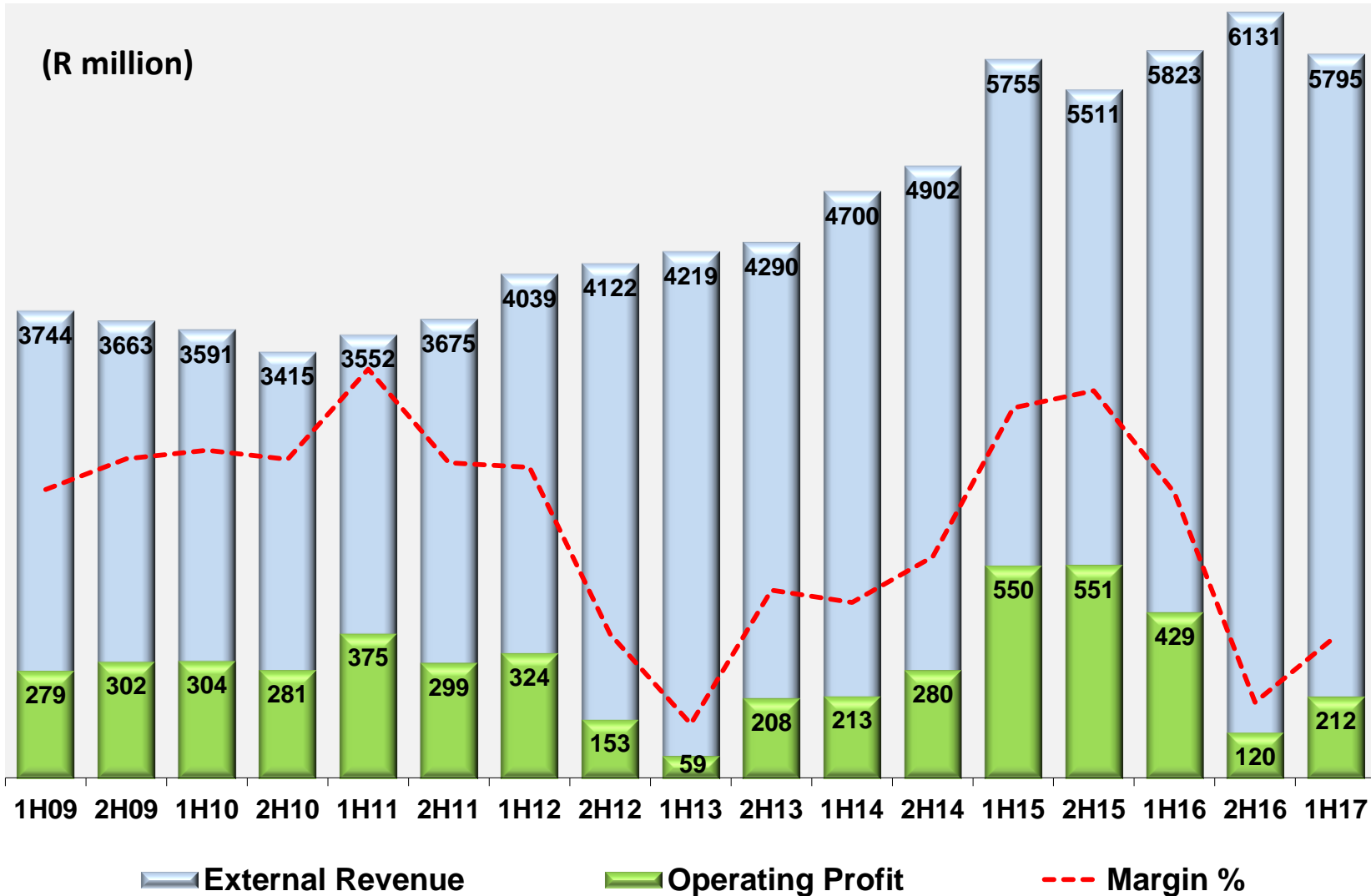
# financial overview

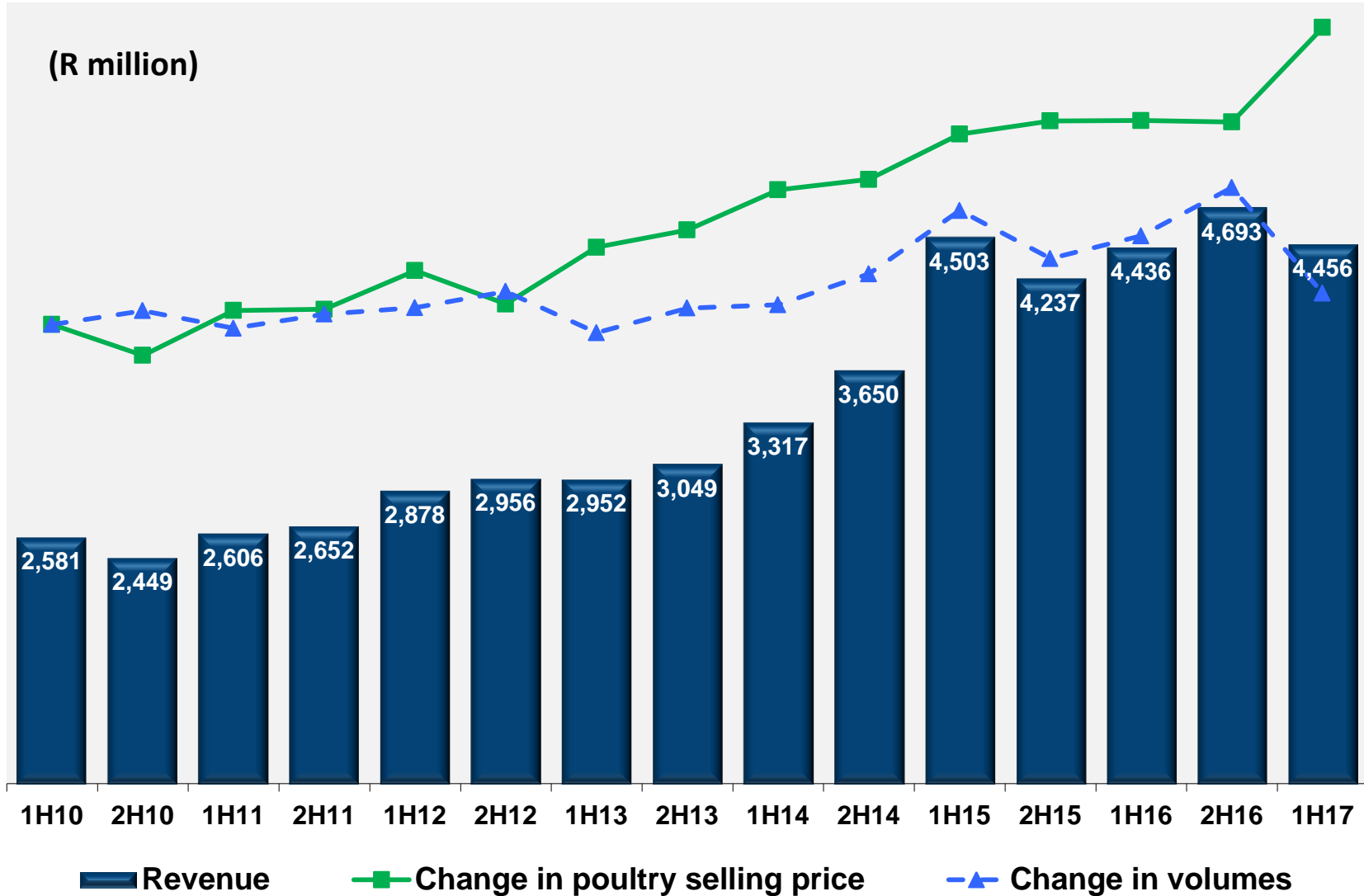
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**2017**

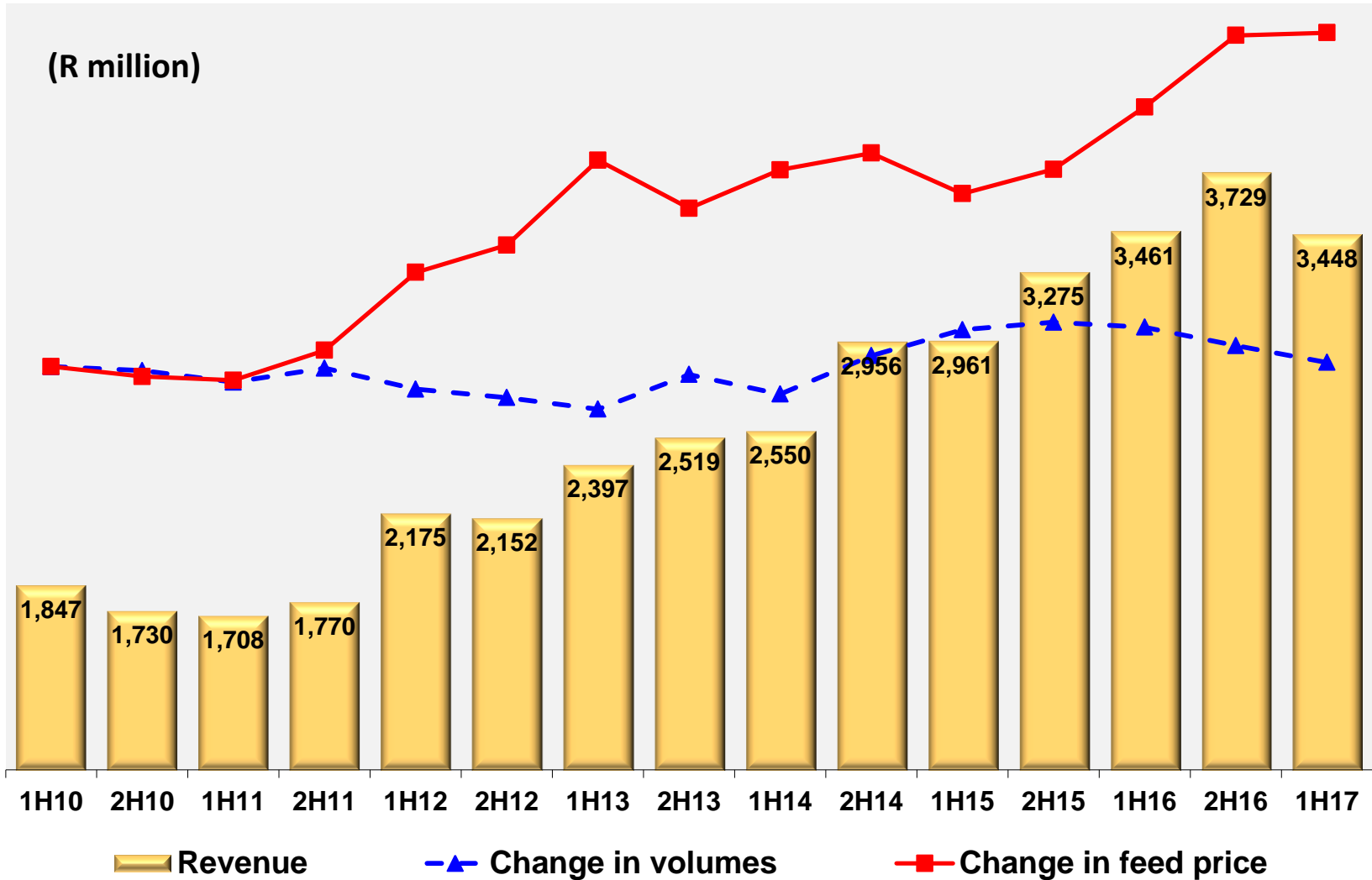


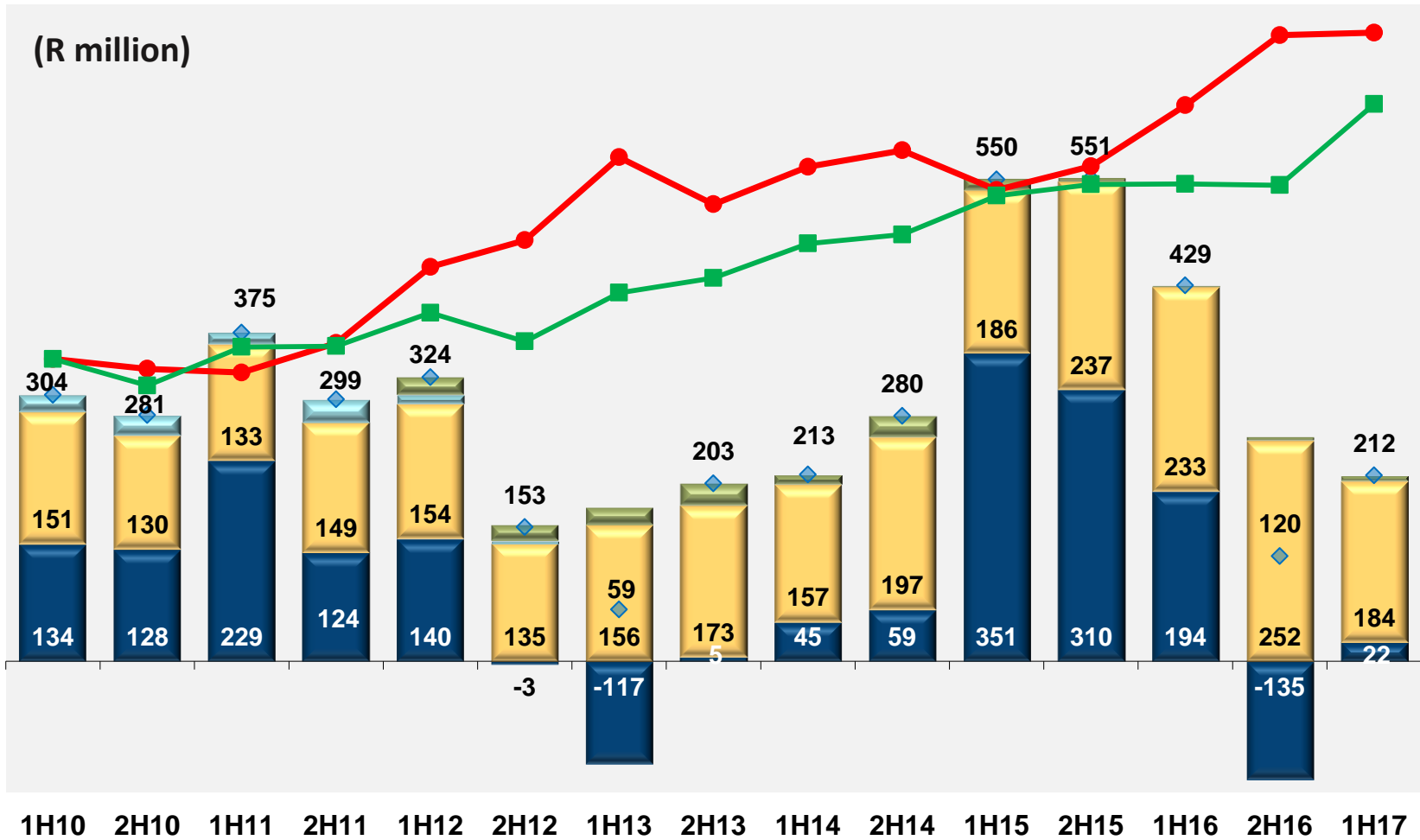
Six months ended 31 March	2017 R million	2016 R million	
Revenue	5 795	5 823	 1%
Operating profit	212	429	 51%
<i>Operating profit margin</i>	3.7%	7.4%	
Net finance costs	(16)	(4)	
Profit before tax	196	425	 54%
Tax	(60)	(124)	
Profit for the period	136	301	 55%
Headline earnings	138	299	 54%
EPS – Cents	353	777	 55%
HEPS – Cents	356	774	 54%







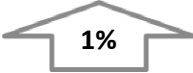


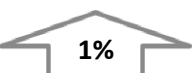








■ Poultry 
 ■ Feed 
 ■ Other Africa 
 ● Change in feed price 
 ■ Change in poultry selling price

	March 2017 R million	September 2016 R million	% change
Non-current assets	2 221	2 230	
Assets held for sale	25	25	
Net working capital	1 025	1 003	 2%
Current assets (excl. cash)	2 574	2 588	
Current liabilities (excl. borrowings)	(1 549)	(1 585)	 2%
Non-current liabilities (excl. borrowings)	(631)	(646)	 2%
Net assets	2 640	2 612	 1%
Net debt	163	240	 32%
▪ <i>Loans</i>	12	35	
▪ <i>Cash and cash equivalents</i>	151	205	
Equity	2 477	2 372	 4%
Total	2 640	2 612	 1%

	March 2017 R million	September 2016 R million	Variance R million
<b>Current assets</b>	<b>2 574</b>	<b>2 588</b>	<b>(14)</b>
<b>Biological assets</b>	<b>719</b>	<b>735</b>	<b>(16)</b>
<b>Inventory - Poultry</b>	<b>401</b>	<b>314</b>	<b>87</b>
<b>- Feed</b>	<b>409</b>	<b>362</b>	<b>47</b>
<b>- Other Africa</b>	<b>23</b>	<b>41</b>	<b>(18)</b>
<b>Trade receivables</b>	<b>886</b>	<b>998</b>	<b>(112)</b>
<b>Other</b>	<b>136</b>	<b>138</b>	<b>(2)</b>
<b>Current liabilities</b>	<b>(1 549)</b>	<b>(1 585)</b>	<b>36</b>
<b>Net working capital</b>	<b>1 025</b>	<b>1 003</b>	<b>22</b>

For the six months ended 31 March	2017 R million	2016 R million
Cash operating profit	282	559
Working capital movement	(39)	(353)
	243	206
Tax paid	(50)	(100)
Net interest paid	(14)	(3)
Capital expenditure	(69)	(73)
	110	30
Dividends paid	(39)	(222)
Other cash flow items	6	8
	77	(184)
Loans (repaid) / received	(23)	(24)
Movement in cash equivalents	54	(208)
Effect of exchange rate changes	-	(1)
Opening balance	(205)	26
Closing balance	(151)	(183)

<b>Six months ended 31 March</b>	<b>2017 R million</b>	<b>2016 R million</b>
<b>Depreciation</b>	<b>73</b>	<b>75</b>
<b>Total capex</b>	<b>69</b>	<b>73</b>
<b>Commitments</b>	<b>108</b>	
<b>Total spend and committed</b>	<b>177</b>	

- **Profits significantly down** in both divisions
- 1H2017 profitability **improved over 2H2016**
- **Cash flow positive** due to limited working capital increase
- **Net debt to equity** ratio 6.6% (30 Sep 2016: Net debt to equity 10.1%)
- **Interim dividend of 180 cps**, within the Group's liquidity capability



# industry matters

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**2017**





- **DTI, DAFF and industry working group** **[# 65]**
  
- **Poultry imports** **[# 66]**
  
- **Impact of new brining regulations** **[# 67]**
  
- **Industry consolidation and contraction** **[# 68]**



**outlook**

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**2017**



- The **weakened state of consumer spending** is unlikely to improve due to poor economic growth and higher unemployment.
- The current **safeguard duty** recommended by ITAC against the EU is not expected to significantly curb poultry import levels (March 2017 USA spike).
- The **new brining regulations** will continue to negatively impact total kilograms sold at the revised brining level of 15% on IQF product.
- The risk of permanent **power cuts by Eskom** to Astral's operations in Standerton has been negated through an order of the High Court.
- **Record local maize crop** is expected for the current harvest season at 14,5 million tons which historically is the largest change in the crop size year-on-year (2016: 7,7 million tons).
- **Poultry production efficiencies are** expected to remain intact on the back of superior nutrition optimising the genetic potential of the Ross 308 breed.



**FEED**

**MICHAEL SCHMITZ**

**30 YEARS**



**AGRICULTURE**

**GARY ARNOLD**

**20 YEARS**



**COMMERCIAL**

**ANDY CROCKER**

**19 YEARS**



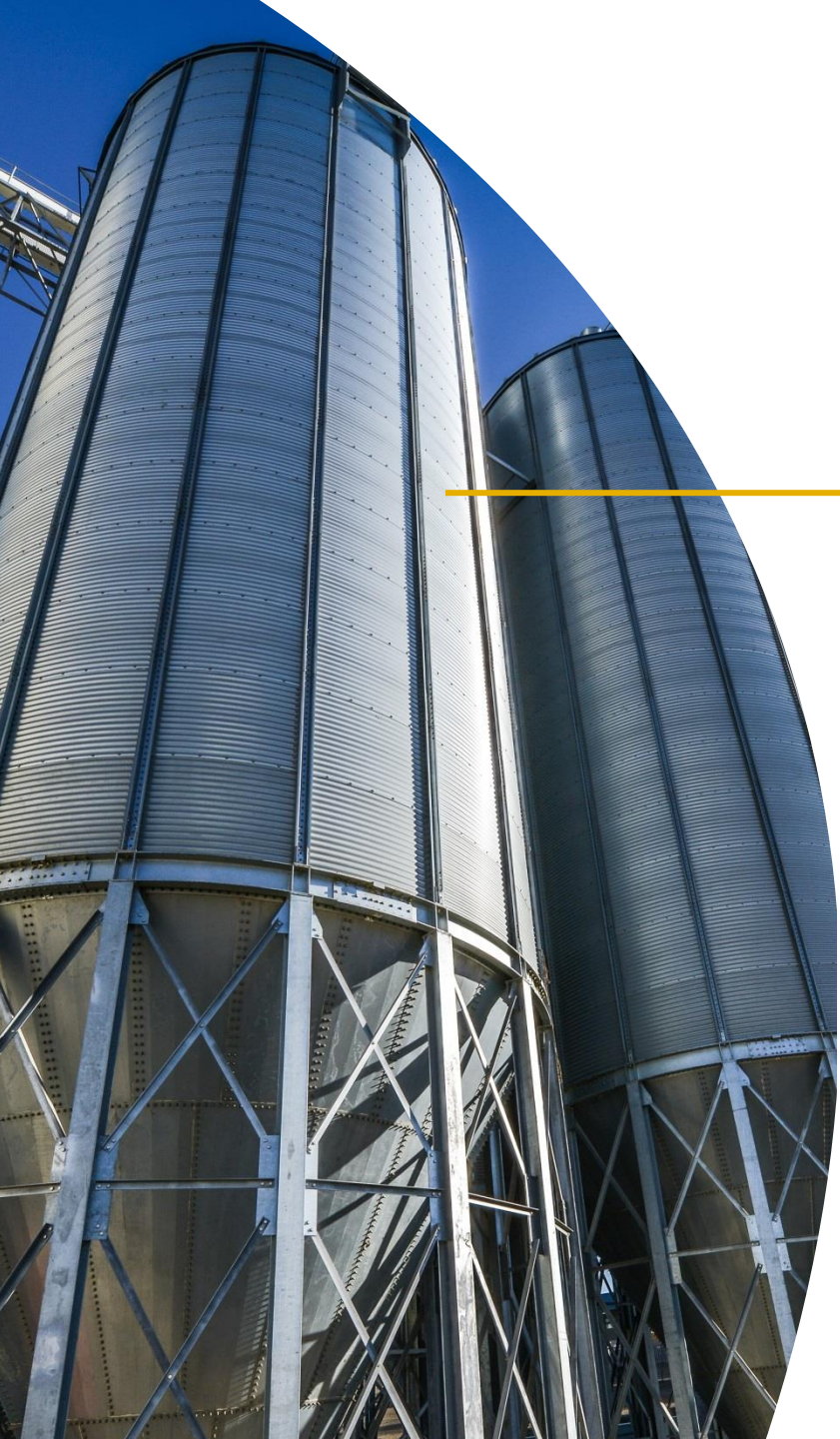
**“Astral’s strategy is to  
be the best cost  
integrated poultry  
producer in selected  
African countries”**

April 2017

**Thank you**







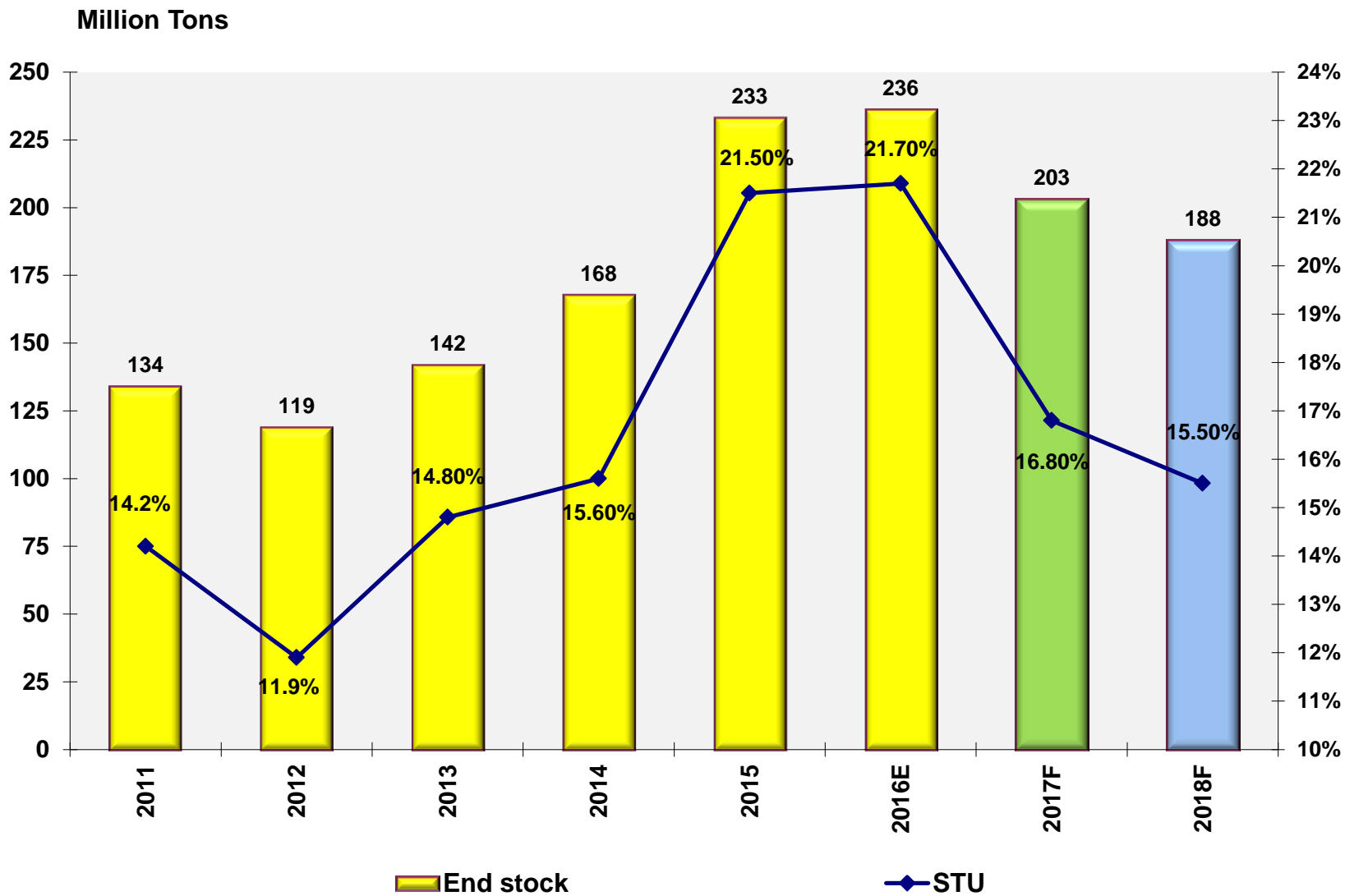
# additional information

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**2017**

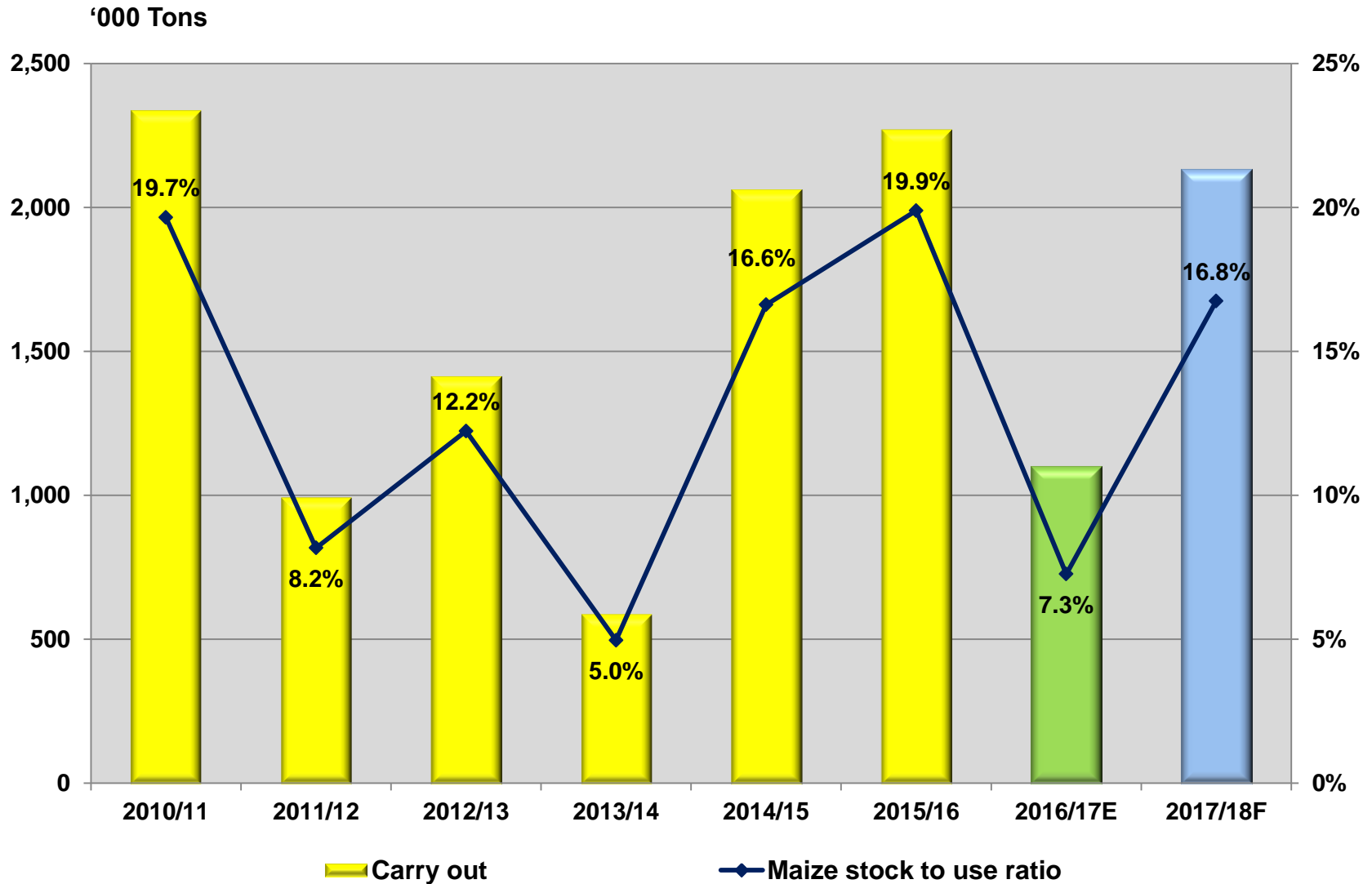


- The **weakened state of consumer spending** is unlikely to improve due to poor economic growth and higher unemployment which will continue to constrain an increase in the per capita consumption of poultry. ✓
- The **new brining regulations** will negatively impact total kilograms sold at the revised brining level of 15% on IQF product. ✓
- **High maize and feed prices** will continue for at least the first half of 2017 on the back of the severe drought. ✓
- The **safeguard duty** recommended by ITAC against the EU is not expected to significantly curb poultry import levels. ✓
- The consensus amongst weather forecasters is that **normal rainfall** can be expected over the next South African maize growing season, which should lead to **lower SAFEX maize prices** from May 2017. ✓
- **Poultry production efficiencies** are expected to remain good on the back of the inherent genetic potential of the Ross 308 breed. ✓
- **Contraction in local production** due to cutbacks, resizing and closures could result in an improved balance between supply and demand. ✓

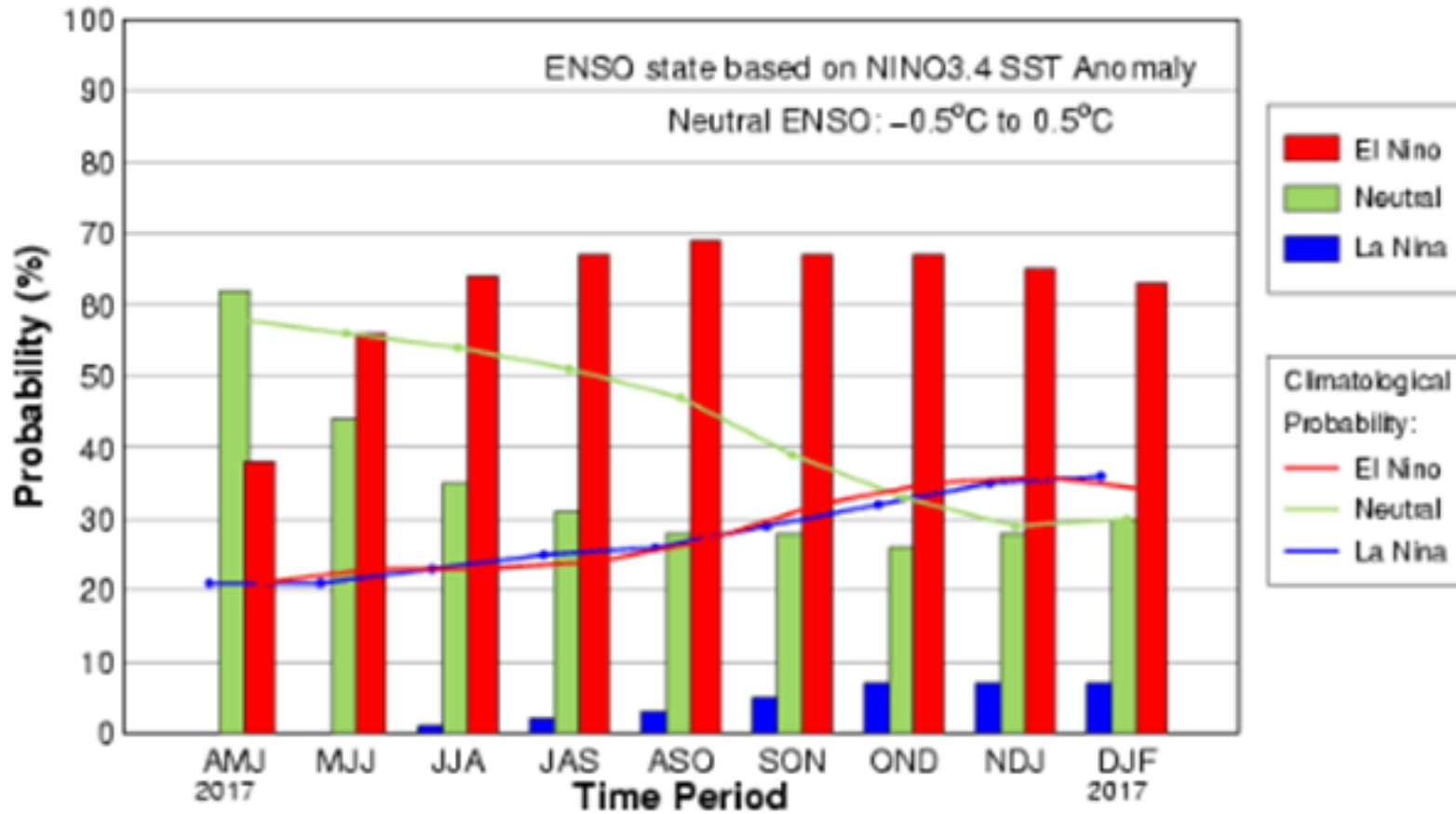




<i>Marketing year (May to April)</i>	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17E	2017/18F
<i>'000 tons</i>	Actual	Actual	Actual	Actual	Actual	Estimate	Forecast
<b>Carry In (1 May)</b>	2,336	991	1,414	589	2,074	2,270	1,102
<b>Crop Estimate</b>	10,360	12,121	11,811	14,250	9,955	7,765	14,536
<b>Retentions</b>				433	330	328	775
<b>Sagis Delivery</b>	10,394	11,972	11,072	13,817	9,625	7,438	13,761
<b>Minus early deliveries</b>	0	0	0	0	0	740	0
<b>Imports</b>	421	11	80	65	1,968	2,531	0
<b>Total Supply</b>	13,151	12,973	12,566	14,471	13,685	11,498	14,862
<b>Domestic Usage Food</b>	4,512	4,499	4,583	4,840	4,695	4,850	4,860
<b>Domestic Usage Feed</b>	4,362	4,378	4,715	5,041	5,520	5,182	5,220
<b>Gristing, withdrawn &amp; released</b>	693	674	480	376	319	296	390
<b>Total Domestic Usage</b>	9,567	9,551	9,777	10,257	10,535	10,327	10,470
<b>Exports &amp; Sundries</b>	2,590	2,008	2,122	2,153	880	811	2,260
<b>Plus early deliveries</b>	0	0	0	0	0	740	0
<b>Carry Out (30 Apr)</b>	994	1,414	590	2,062	2,270	1,100	2,132
<b>No of days usage</b>	38	54	25	73	79	39	74
<b>STU</b>	8.17%	12.23%	4.96%	16.62%	19.89%	7.26%	16.75%



Mid-Apr IRI/CPC Model-Based Probabilistic ENSO Forecast

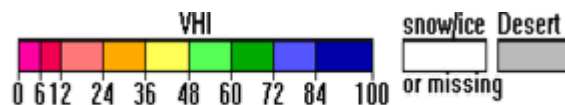
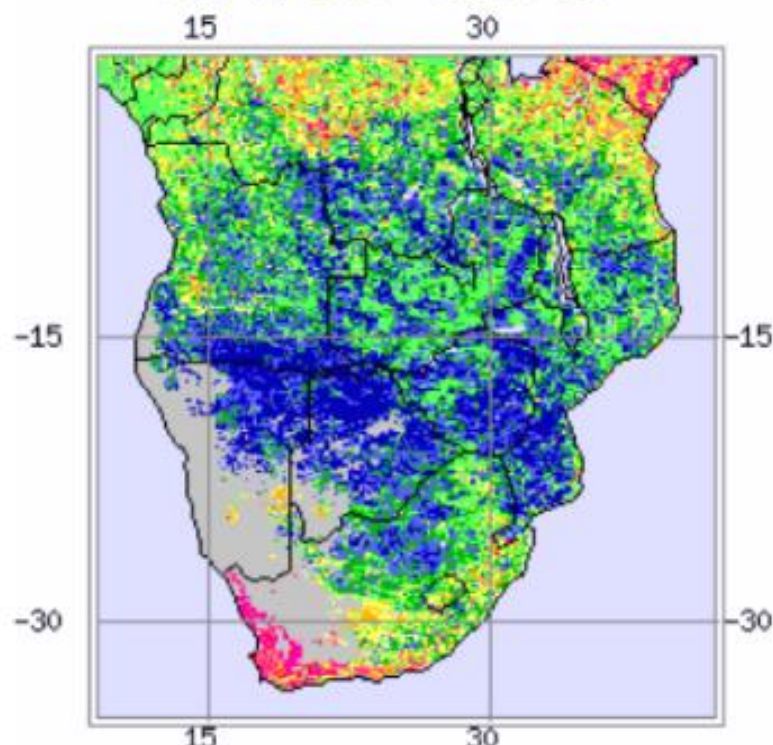
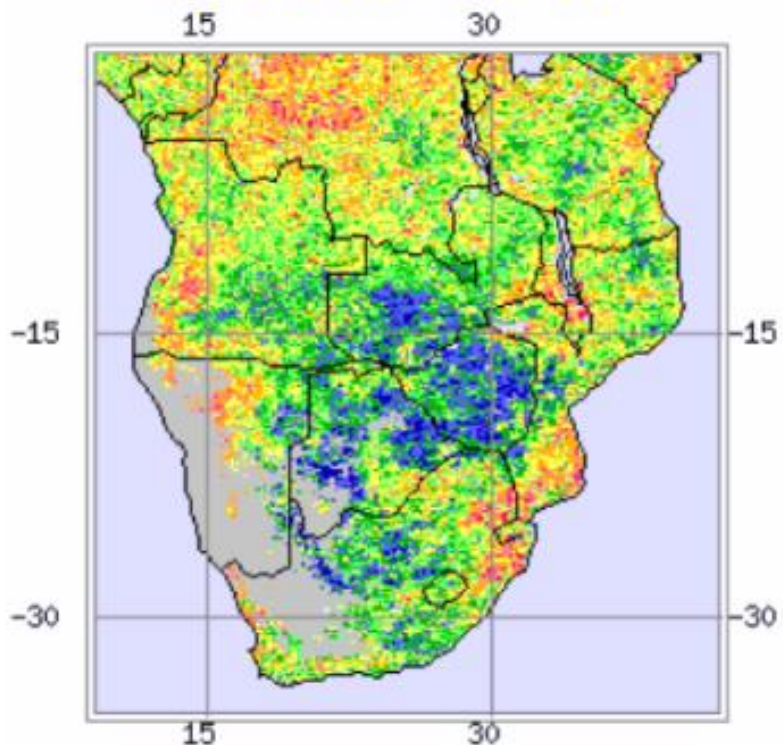


## VHI of previous year

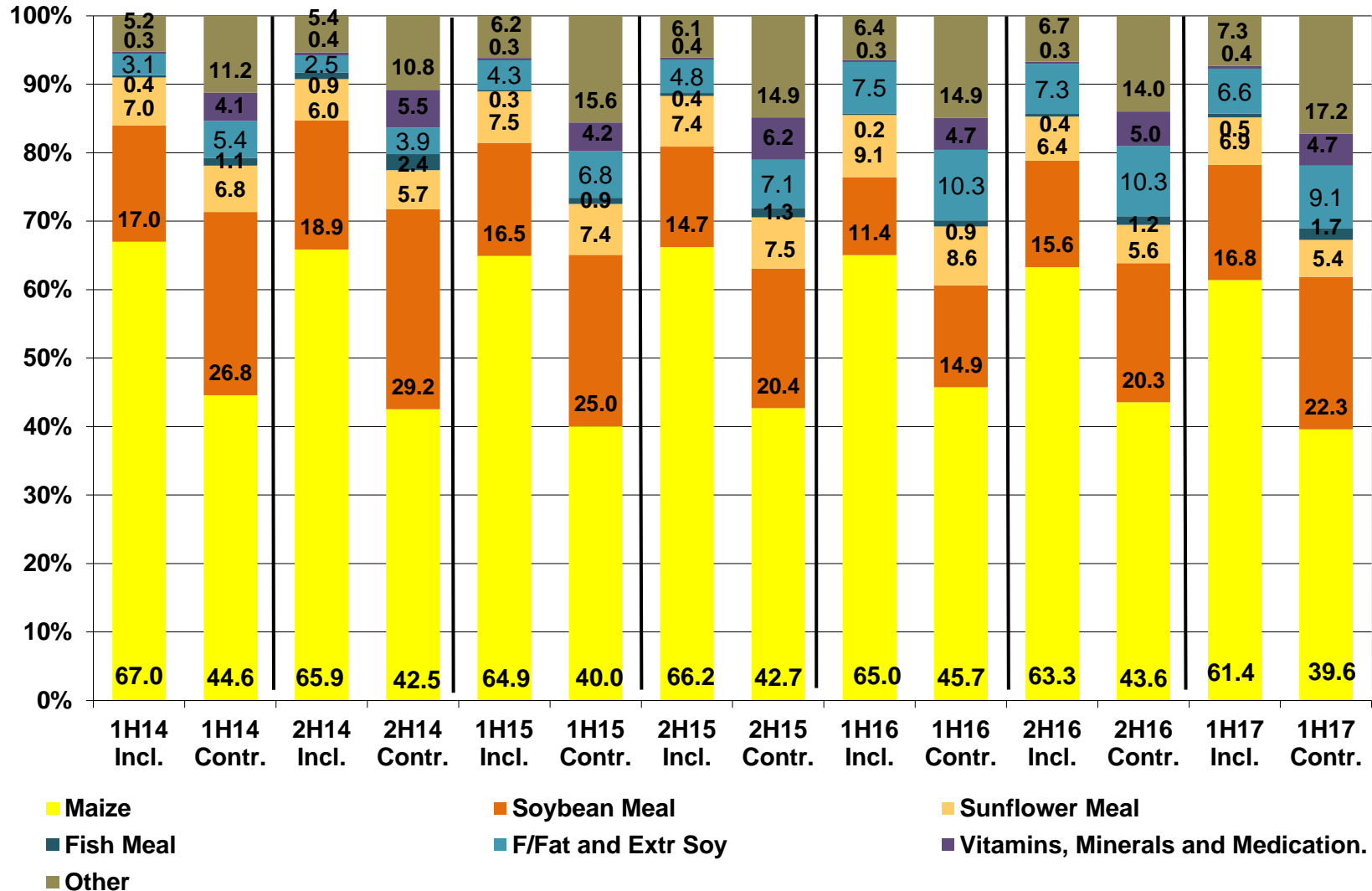
## VHI of current year

May 5, 2016 (week 18)

May 6, 2017 (week 18)



# BROILER FEED INGREDIENT INCLUSION & COST CONTRIBUTION



<b>Ex BRAZIL – May 2017</b>					
<b>FROZEN LEG QUARTERS BULK PACKED</b>					
<b>CIF DBN US\$ per ton</b>	<b>TON</b>	<b>1 200.00</b>	<b>1 200.00</b>	<b>1 100.00</b>	<b>SA COST</b>
R/\$ exchange rate	R\$	13.30	13.50	13.80	
Rand per ton	TON	15 960.00	16 200.00	16 560.00	23 720.00
Rand per kg	KG	15.96	16.20	16.56	23.72
Duty per kg	KG	37%	37%	37%	-
Clearance costs	KG	0.65	0.65	0.65	-
<b>COST INTO STORAGE</b>	<b>KG</b>	<b>22.52</b>	<b>22.84</b>	<b>23.34</b>	<b>23.72</b>
Storage	KG	0.50	0.50	0.50	-
Distribution	KG	0.70	0.70	0.70	0.87
Marketing, Administration, Finance	KG	0.80	0.80	0.80	0.89
<b>TOTAL COST</b>	<b>KG</b>	<b>24.52</b>	<b>24.84</b>	<b>25.34</b>	<b>25.48</b>
<b>EUROPE Ex NETHERLANDS – May 2017</b>					
<b>FROZEN LEG QUARTERS BULK PACKED</b>					
<b>CIF DBN US\$ per ton</b>	<b>TON</b>				<b>SA COST</b>
R/\$ exchange rate	R\$	<i>Closed due to Avian Influenza</i>			
Rand per ton	TON				23 720.00
Rand per kg	KG				23.72
Duty per kg	KG				-
Clearance costs	KG				-
<b>COST INTO STORAGE</b>	<b>KG</b>				<b>23.72</b>
Storage	KG				-
Distribution	KG				0.87
Marketing, Administration, Finance	KG				0.89
<b>TOTAL COST</b>	<b>KG</b>				<b>25.48</b>

## EUROPE Ex Belgium, Denmark with Safeguard Duty @ 13.9% – May 2017

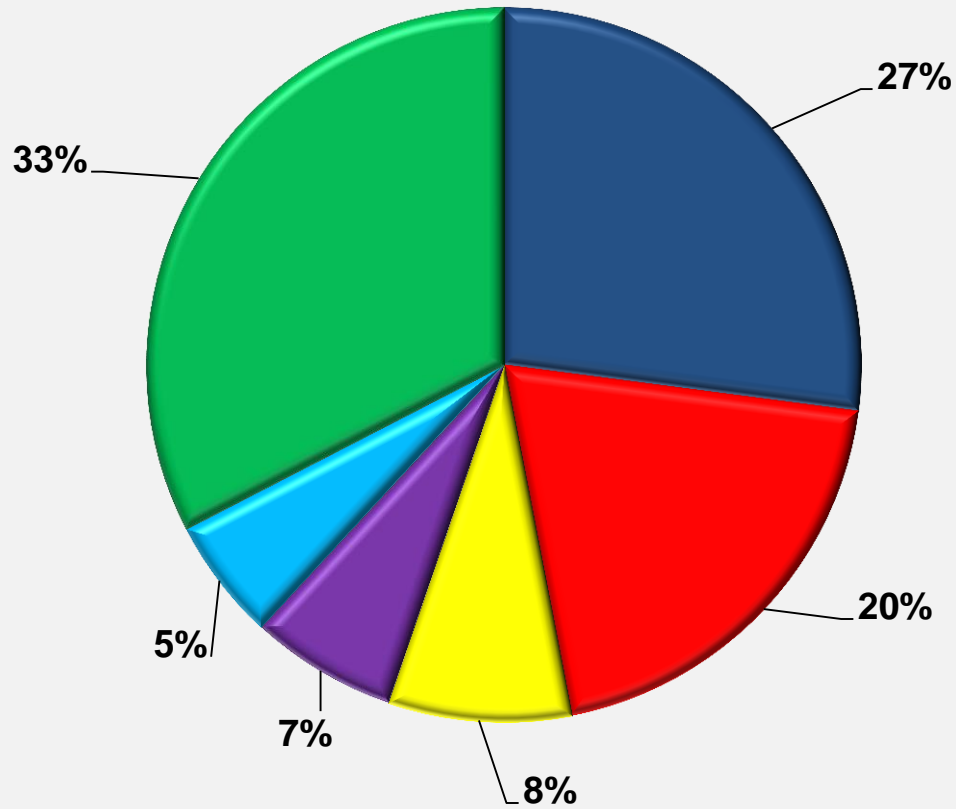
### FROZEN LEG QUARTERS BULK PACKED

CIF DBN US\$ per ton	TON	1 400.00	1 400.00	1 400.00	SA COST
R/\$ exchange rate	R\$	13.30	13.50	13.80	
Rand per ton	TON	18 620.00	18 900.00	19 320.00	23 720.00
Rand per kg	KG	18.62	18.90	19.32	23.72
Duty per kg	KG	13.90%	13.90%	13.90%	-
Clearance costs	KG	2.16	2.16	2.16	-
<b>COST INTO STORAGE</b>	<b>KG</b>	<b>23.37</b>	<b>23.69</b>	<b>24.17</b>	<b>23.72</b>
Storage	KG	0.50	0.50	0.50	-
Distribution	KG	0.70	0.70	0.70	0.87
Marketing, Administration, Finance	KG	0.80	0.80	0.80	0.89
<b>TOTAL COST</b>	<b>KG</b>	<b>25.37</b>	<b>25.69</b>	<b>26.17</b>	<b>25.48</b>

## Ex USA – May 2017

### FROZEN LEG QUARTERS BULK PACKED

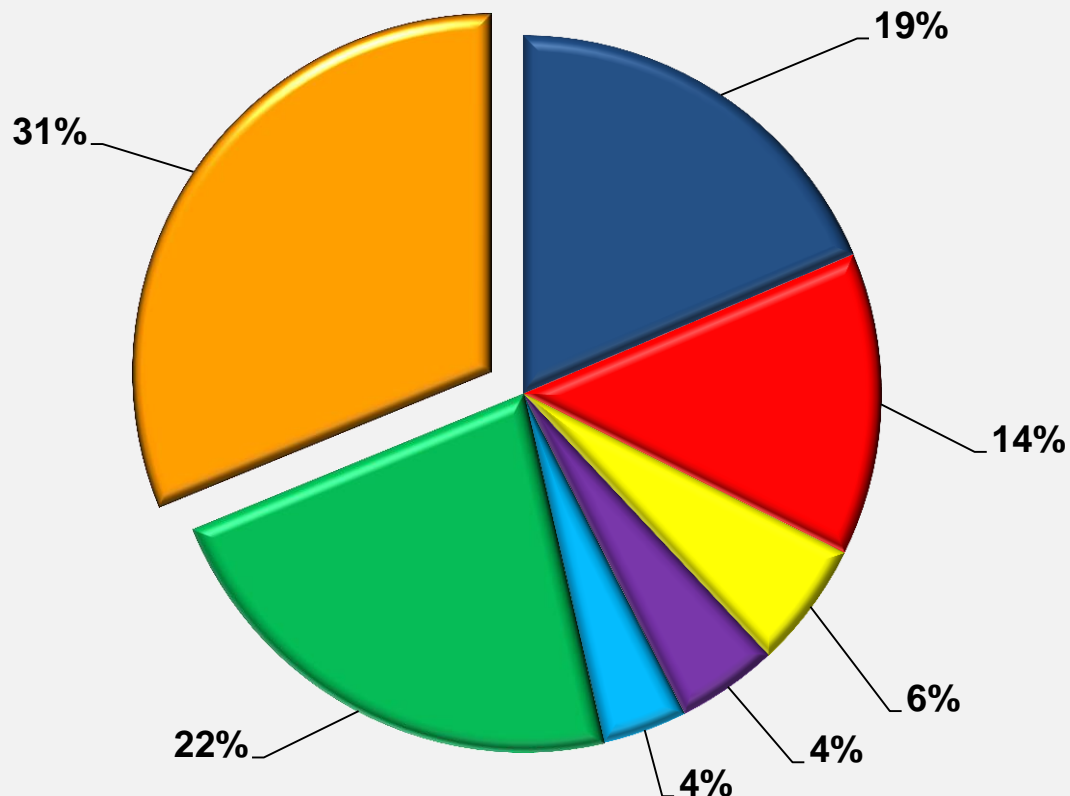
CIF DBN US\$ per ton	TON	950.00	950.00	950.00	SA COST
R/\$ exchange rate	R\$	13.30	13.50	13.80	
Rand per ton	TON	12 635.00	12 825.00	13 110.00	23 720.00
Rand per kg	KG	12.64	12.83	13.11	23.72
Duty per kg	KG	37.00%	37.00%	37.00%	-
Clearance costs	KG	0.65	0.65	0.65	-
<b>COST INTO STORAGE</b>	<b>KG</b>	<b>17.96</b>	<b>18.22</b>	<b>18.61</b>	<b>23.72</b>
Storage	KG	0.50	0.50	0.50	-
Distribution	KG	0.70	0.70	0.70	0.87
Marketing, Administration, Finance	KG	0.80	0.80	0.80	0.89
<b>TOTAL COST</b>	<b>KG</b>	<b>19.96</b>	<b>20.22</b>	<b>20.61</b>	<b>25.48</b>



■ Astral   
 ■ RCL   
 ■ Country Bird   
 ■ Daybreak   
 ■ Sovereign   
 ■ Other

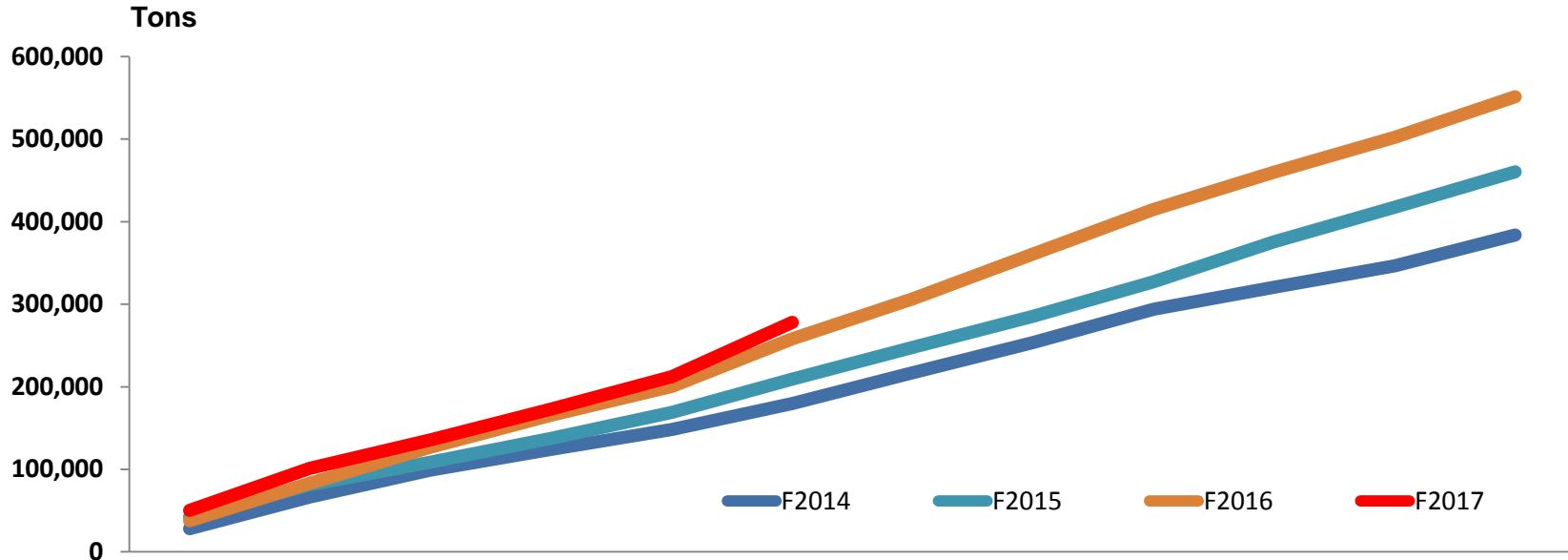
**Local broiler production ≈ 18.1 million birds per week**





■ Astral   
 ■ RCL   
 ■ Country Bird   
 ■ Daybreak   
 ■ Sovereign   
 ■ Other   
 ■ Imports

**Avg. poultry imports ≈ 8,2 million birds per week (6 months ending March 2017)**



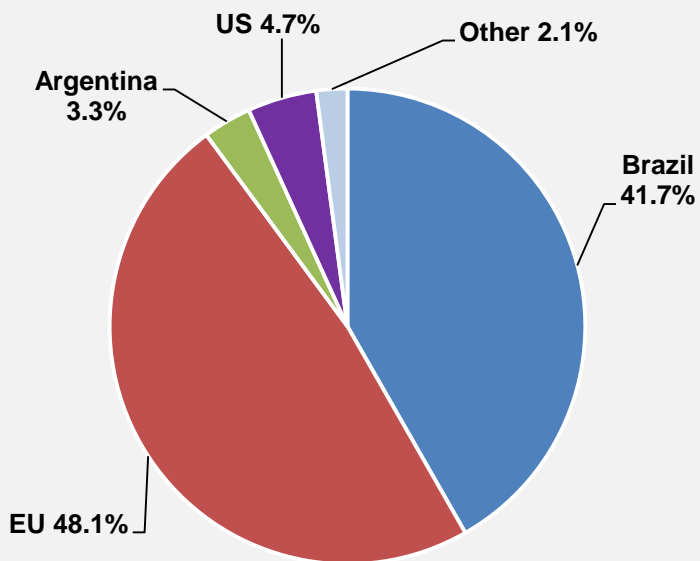
	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
F2014	28,250	66,647	99,050	124,194	148,092	179,811	216,947	253,490	294,102	320,603	346,582	383,710
F2015	42,363	81,170	108,674	137,660	168,965	209,337	247,672	285,532	327,180	375,717	417,427	460,255
F2016	37,789	83,258	126,866	165,602	200,461	258,134	306,385	360,899	414,947	460,098	502,138	551,209
F2017	50,324	101,279	135,812	173,187	212,399	278,057						

F2016	37,789	45,469	43,608	38,736	34,859	57,673	48,251	54,514	54,048	45,151	42,040	49,071
F2017	50,324	50,955	34,533	37,375	39,212	65,658						
% Var	33.2	12.1	-20.8	-3.5	12.5	13.8						
bpw*	8,9	9,1	6,1	6,6	7,0	11,7						

\*bpw ≈ million birds per week

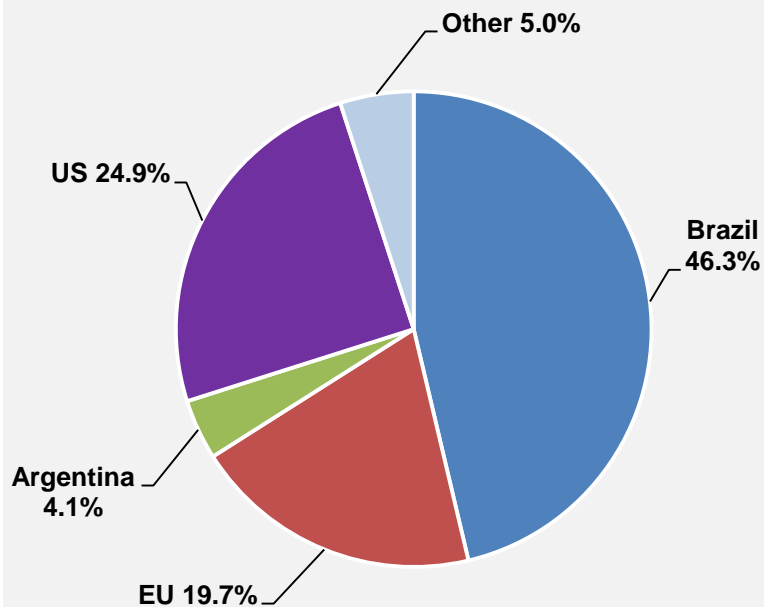
Source: SAPA

### Country of origin for poultry imports - 2016



**560 155 tons**

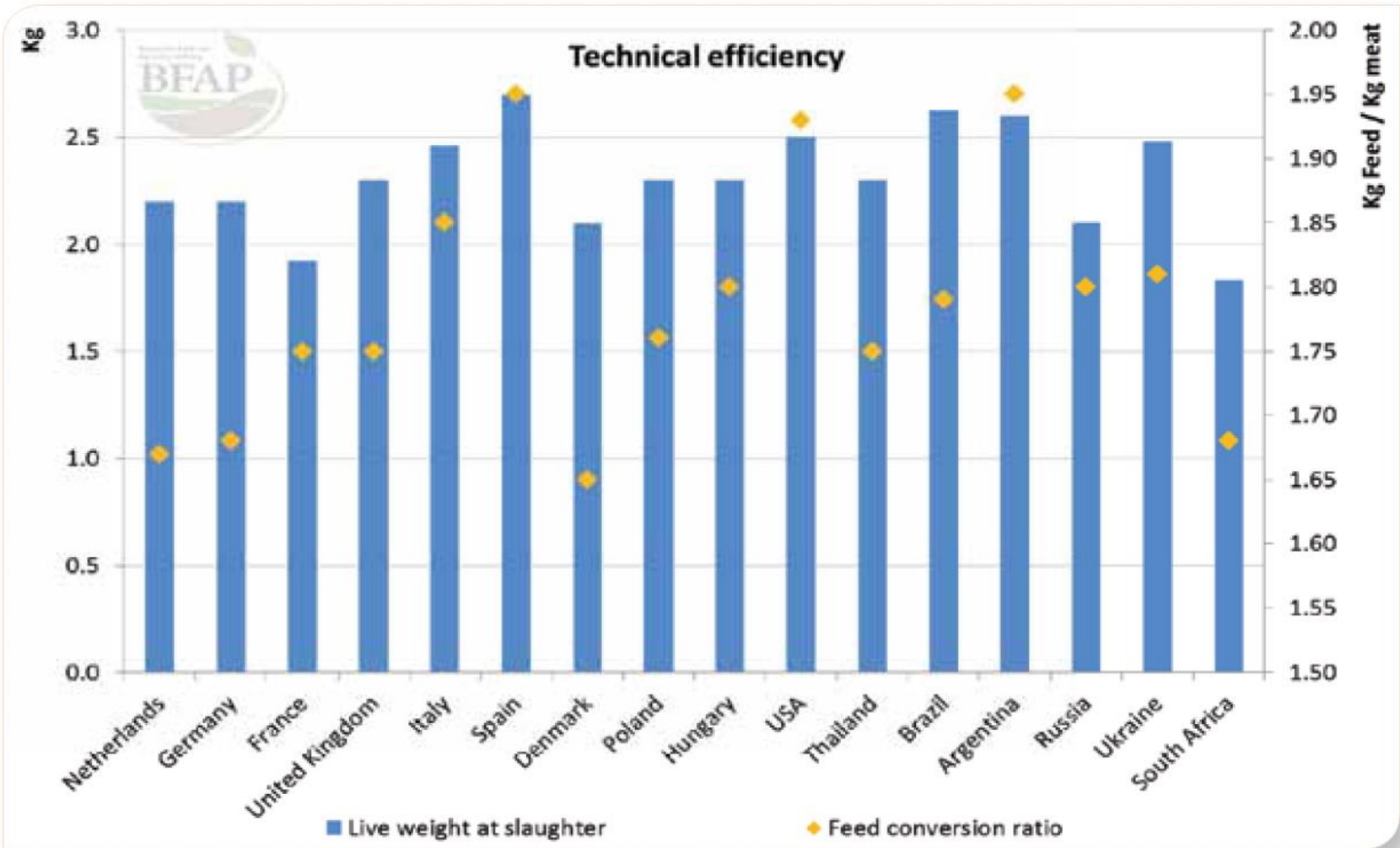
### Country of origin for poultry imports - March 2017 YTD

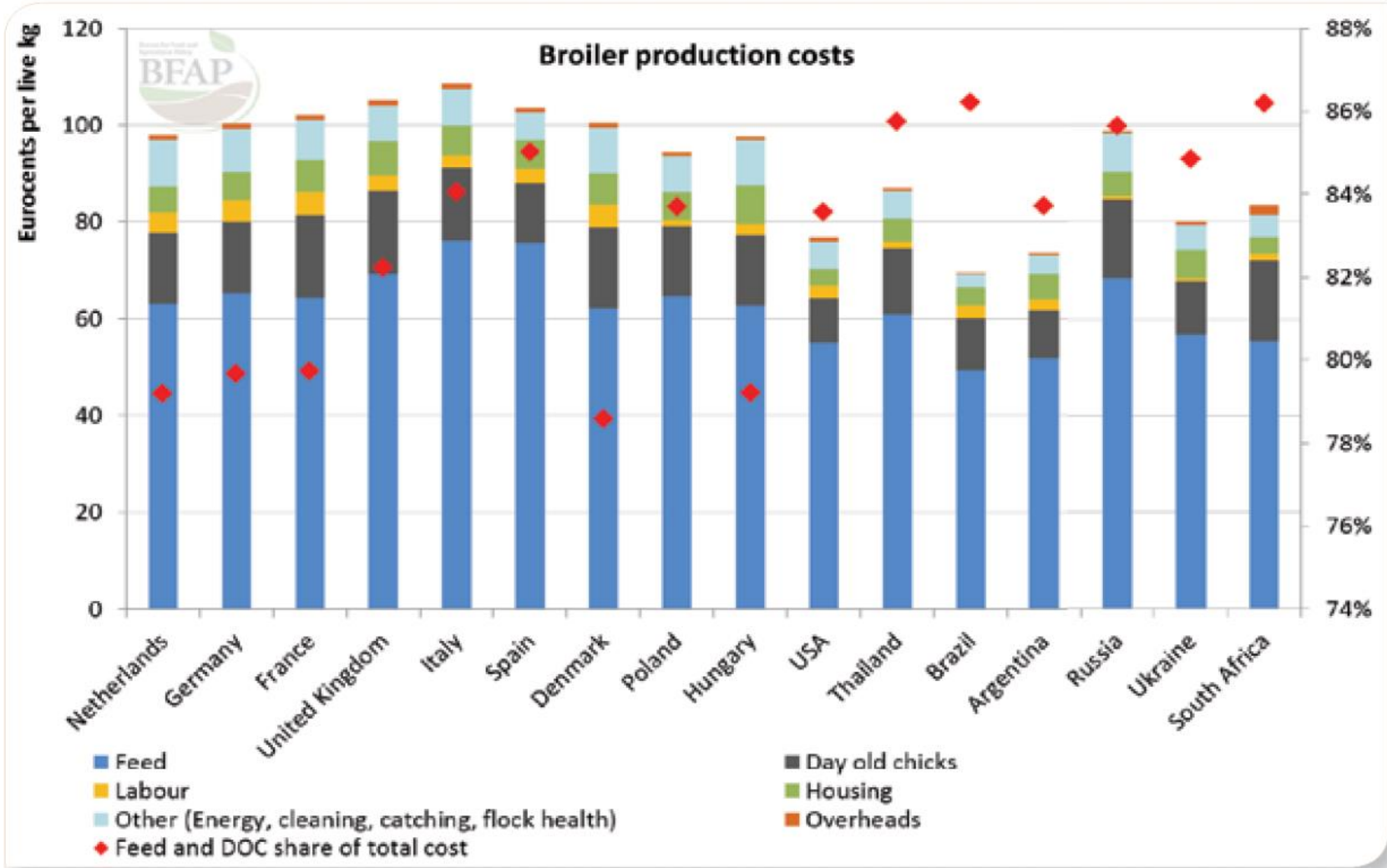


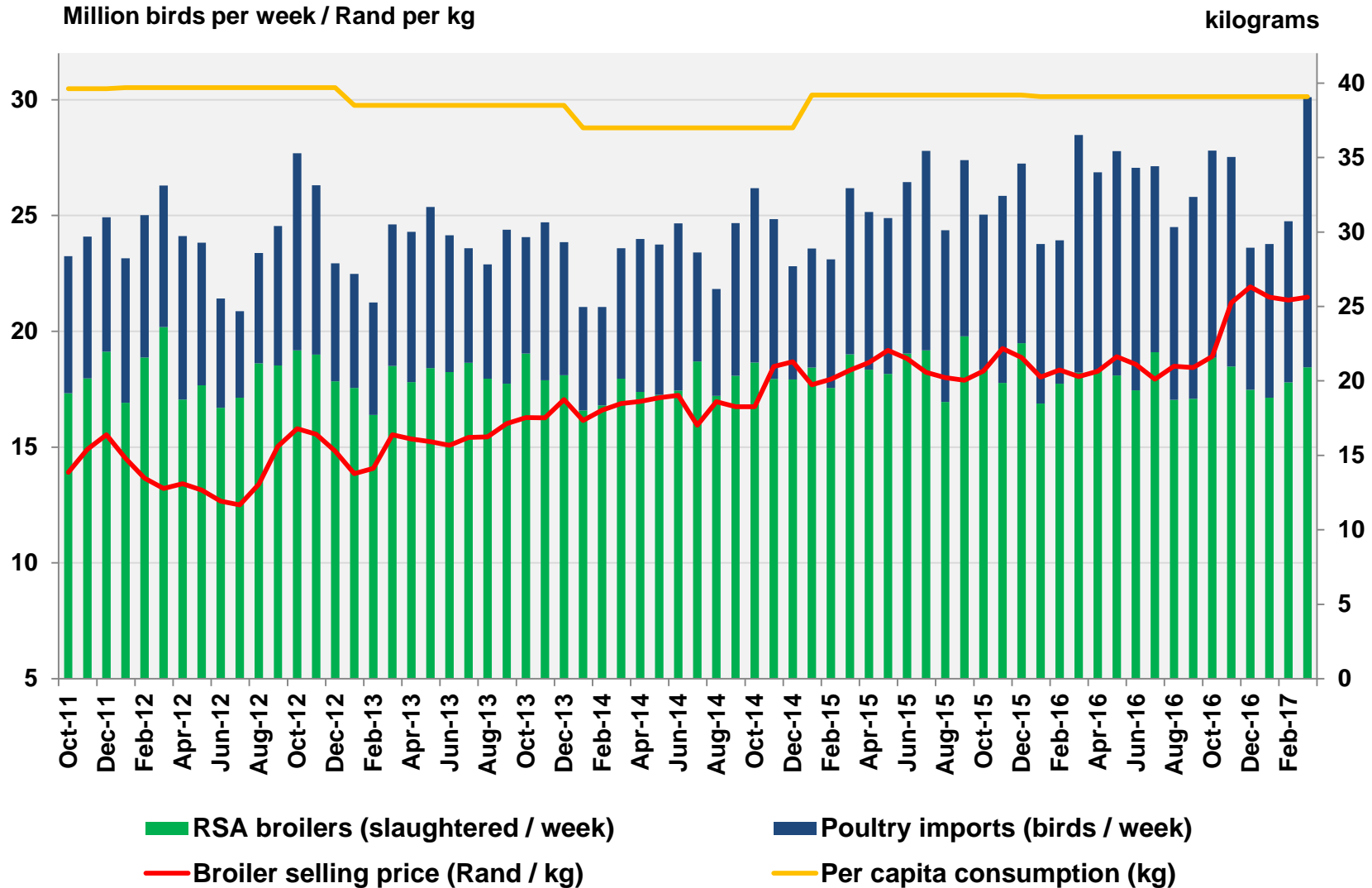
**142 425 tons**

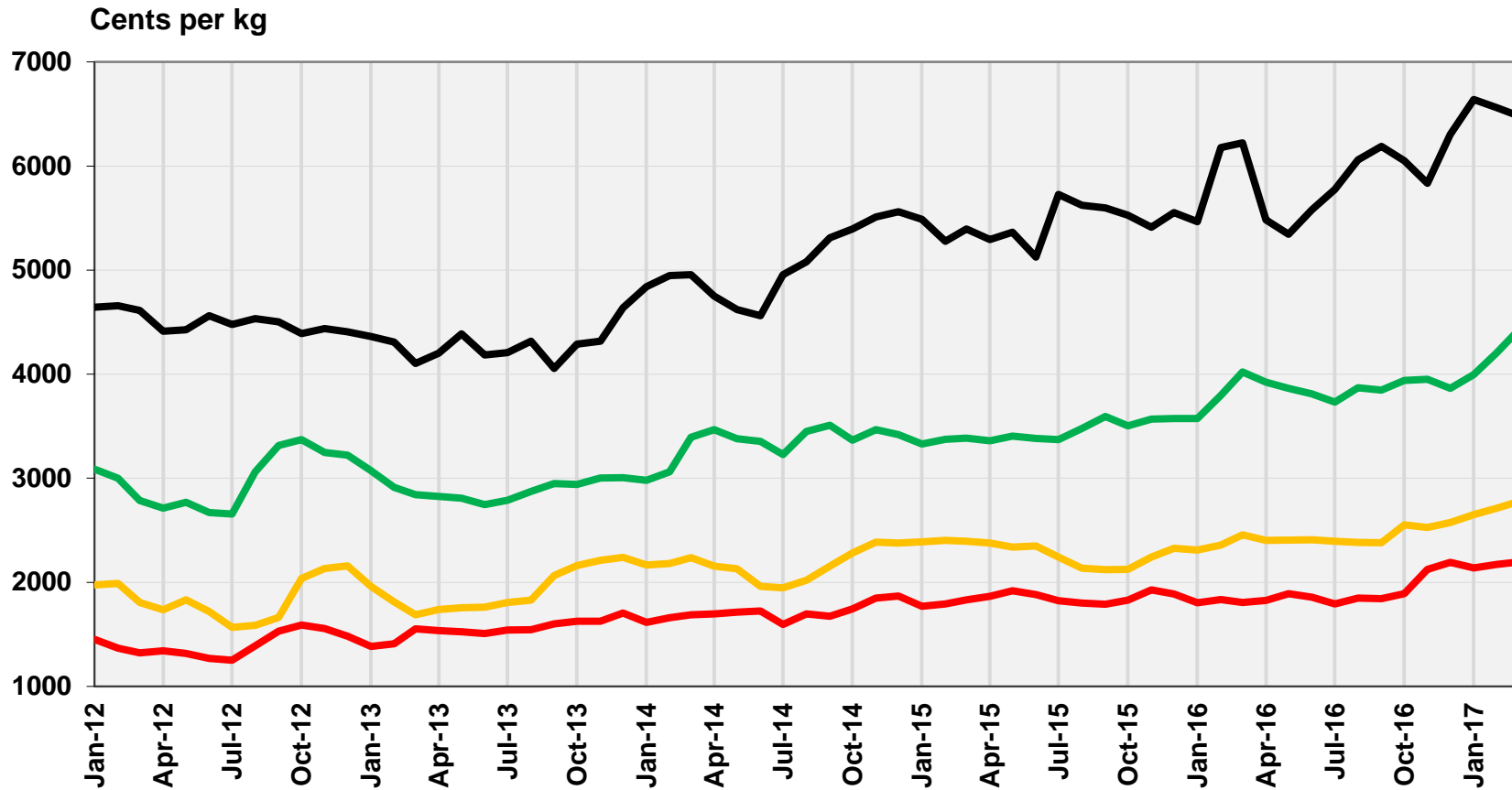
## Poultry imports according to main country of origin for 2014 to 2016 and 2017 YTD

Country	Imports (tonnes)			
	2014	2015	2016	2017 YTD
Brazil	168 666	241 180	233 787	65 860
Netherlands	73 987	61 995	110 344	0
United Kingdom	43 009	15 985	45 647	1 248
Spain	10 356	27 090	39 620	11 036
United States	5 022	331	26 573	35 290
Belgium	11 994	35 613	24 256	10 157
Argentina	21 586	27 718	18 713	5 830
Ireland	8 286	13 336	15 556	5 335
Hungary	7 758	10 547	13 174	0
Denmark	6 133	9 508	9 779	65
Canada	5 255	131	8 884	5 058
Germany	21 821	554	6 073	0
Poland	-	-	4 773	72
Thailand	347	7 616	2 078	1 392
Chile	928	408	360	24
Australia	43	264	254	622
France	7 294	24 895	105	1









**Chicken**

**Pork**

**Beef**

**Mutton**

**Feed Conversion Rate**

1.6

2.2

5.5

5.0

**Per Capita Consumption**

39.1 kg

4.7 kg

19.5 kg

3.4 kg



- On the back of the **crisis in the industry** and resultant job losses a task team was set up to deal with the critical issues at hand
- The **brief from Government** was to determine / implement steps and actions to **stabilise the industry** over the short term; and
- Determine / implement steps and actions to **revitalise the industry** over the medium to long term
- Min. Rob Davies is on record having said that Government is going to **defend the industry and jobs** using all tools at its disposal
- The first practical measure is expected before end May when ITAC will pronounce on the **permanent EU safeguard duty**
- The task team is currently engaged with **various measures and initiatives** by which it hopes to “revitalise” the industry
- The **next meeting** of the task team is **16 May 2017**

- The investigation for safeguard measures in terms of Article 16 of the TDCA against the EU **was initiated by ITAC on 19 February 2016**
- These measures take the form of a **safeguard duty on EU** imports which are zero rated besides the anti-dumping duties against 3 EU countries
- ITAC presented their decision in this matter to **Min. Rob Davies for his approval or further action**
- A **provisional measure** was implemented during December 2016 at 13,9% which would apply to all frozen bone-in portions from the EU
- **Avian Influenza** outbreaks caused temporary trade bans with some EU countries and with this a spike in US imports was recorded in March 2017
- A record level of total poultry imports at **65 658 tons** ( $\approx$  11,7 million bpw) and equivalent to 65% of local production was reported for March 2017

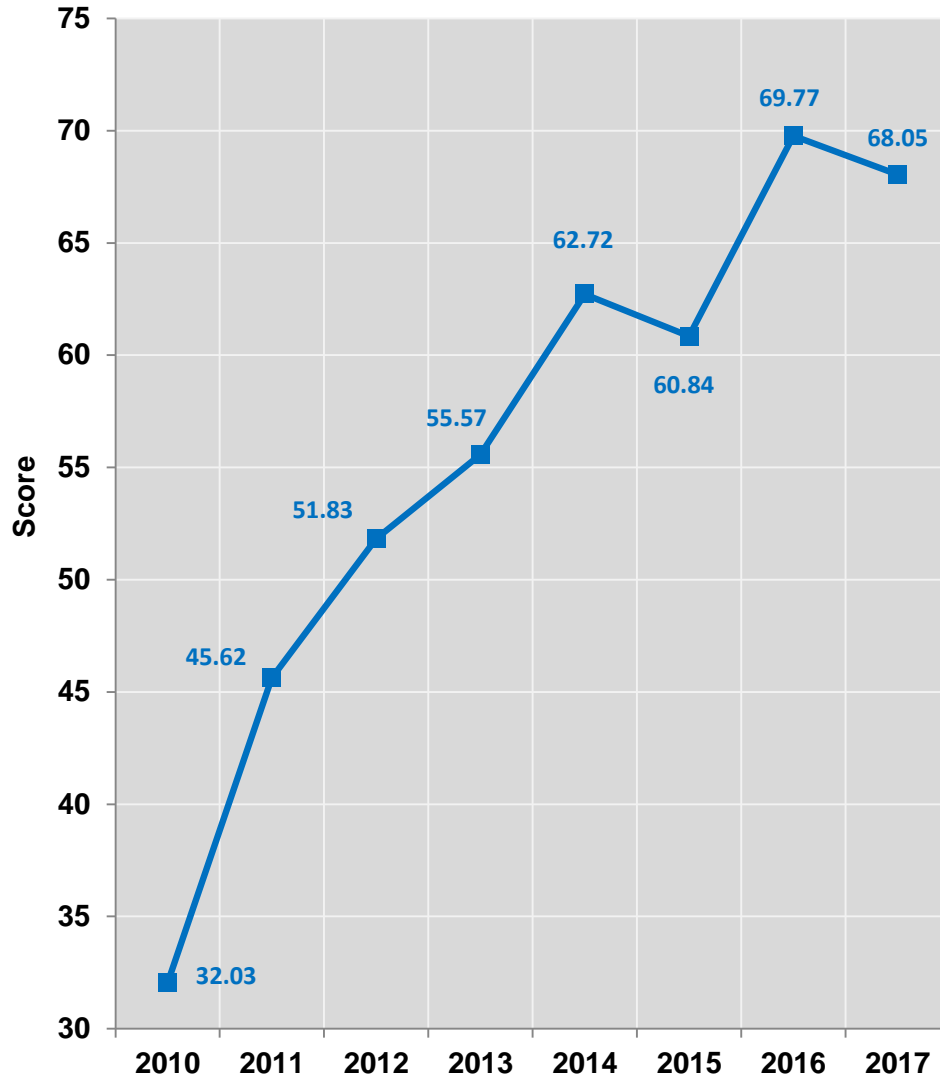
- The **new brining regulations set at 85 : 15** for IQF portions was effective on 22 October 2016
- Astral was granted a **dispensation to clear all product** brined at 70 : 30 by the end of January 2017
- Based on the new brining percentages **sales volumes** will continue to be negatively impacted in this financial year
- **Selling price levels** for the traditional 2 kg and 5 kg IQF pack sizes have been adjusted to compensate for the higher cost of these products
- New IQF pack sizes have also been introduced at **1,7 kg [replacing 2 kg]** and **4,2 kg [replacing 5 kg]** with the same price point

- **Intentional short term cutbacks** during 1H2017 due to an imbalance in supply and demand
- **RCL introduced permanent cutbacks** from March 2017 which saw the company shedding approximately 1 500 jobs and reducing production by some 700 000 bpw in their Hammarsdale operation (KZN)
- **Mike's Chickens (Polokwane) closed** in July 2016 shedding  $\approx$  600 jobs
- **Country Bird Holdings hold a 34.1% stake in Sovereign Foods** and the Takeover Regulations Panel has ruled that CBH cannot make any further offers in their takeover bid until September 2017
- Some contract broiler producers **converted broiler sheds to house laying hens** producing table eggs
- Astral will **consider consolidation and synergistic opportunities** as they present themselves

**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. In order to obtain the desired growth and weight targets, a perfect combination of superior genetics, scientific nutrition and best farming practices are ethically applied. Be assured, eating our chicken products is perfectly safe for you!



Generic Agricultural Sector Code B-BBEE Verification Certificate

**Astral Operations Limited**  
 Incorporating the following Subsidiaries:  
 Meadow Feeds Standerton (Pty) Ltd - 2003/021462/07  
 Meadow Feeds Eastern Cape (Pty) Ltd - 2003/021458/07

Registration Number: 1947/027433/06  
 Address: 92 Koromo Avenue, Doringkloof, Centurion, 0140

**Level Four Contributor**

Element/Initiative	Actual Score	Target Score	Analysis	Results
Ownership	9.00	10.00	Procurement Recognition Level	100.00%
Management	3.00	10.00	Black Ownership	14.29%
Employment Equity	8.00	10.00	Black Women Ownership	0.48%
Skills Development	17.00	30.00	187 Number	6331168%
Industrial Procurement	17.71	30.00	Value Adding Categories	No
Enterprise Development	10.00	10.00	Issue Date	08 February 2017
South Economic Development	10.00	10.00	Expiry Date	10 February 2018
<b>Total Score</b>	<b>68.05</b>	<b>100.00</b>	<b>Re Issue Date</b>	<b>08 February 2017</b>

for EMPOWERDEX Northern Region (Pty) Ltd  
 Date: 2017-02-28

This verification certificate and the verification report are based on information provided to Empowerdex and represent an independent opinion based on the verification and analysis completed by Empowerdex. The calculation of the scores has been undertaken in accordance with the Agricultural Sector Code as Defined on 28 December 2012.

Empowerdex Northern Region (Pty) Ltd, Reg. 2008/028431/07  
 Director: R. O'Brien, J. Goussard, I. Robinson, J. Bredius

AG17P0001A BSA 101

AG17P0001A AG17P0001A

Certificate

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*Chief Executive Officer*

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*Chief Financial Officer*

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