



Press Release

POULTRY MARKET CONDITIONS WORSE THAN ANTICIPATED

20 July 2016: Astral Foods Limited (Astral), a leading Southern African integrated poultry producer, released a general operational update on poultry market conditions today. Chris Schutte, CEO of Astral, said: "The prospects contained in the interim results for the six months ended 31 March 2016, which we published on 16 May 2016, alerted shareholders to the negative impact that high feed costs, poultry imports and the weak consumer market would have on the results of the group for the year ending 30 September 2016. During the third quarter ended 30 June 2016, these factors have had a detrimental effect on the results of the group, with the impact more severe than originally anticipated. As a result of the ongoing uncertainty pertaining to these key factors, Astral cannot give guidance of the impact on the results for the year at this point in time, but felt that the market should be made aware of the general trading conditions in which the group is operating."

Feed costs have continued to escalate following the impact that the drought had on the local maize crop. This is expected to continue into 2017 until projections of a better maize crop for the new 2016/2017 planting season materialise. The group has implemented an import programme for maize to mitigate the risk of physical shortages of the commodity as well as to counter the continuous cost increases of local maize with the cost of this maize at import parity.

During this period there were also record levels of poultry imports which added to the existing surplus of poultry stock in the country. This, together with a consumer market that is under pressure, resulted in downward pressure on selling prices in order to sell the ongoing production of chicken. The group is also forced to introduce further and more severe cut-backs in the poultry production chain going forward, in order to have stock at manageable levels and to address the oversupply situation. The impact of the planned production cutbacks will unfortunately negatively impact on the labour force due to the reduction in hours to be worked.

The abovementioned trading conditions have resulted in a number of mid- to large-sized independent poultry producers having severe financial distress and are either currently in the process of closing down their businesses, or are going into business rescue.

Schutte concluded: "If no relief is forthcoming from the key contributors to the current devastating circumstances being experienced by the poultry industry, more permanent downsizing of production will have to be considered in order to adapt to the current market circumstances. We will strive to optimally and effectively manage the factors within our control."

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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