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**Final Results Press Release**

**ASTRAL DELIVERS SOLID PERFORMANCE**

* Revenue increased by 3% to R12.4 billion (Sep 2016: R12.0 billion)
* Operating profit increased by 97% to R1.1 billion (Sep 2016: R549 million)
* HEPS increased by 97% to 1 899 cents (Sep 2016: 965 cents)
* Total dividend up 115% to 1 055 cents (Sep 2016: 490 cents)
* Net cash generation strong in 2H2017 – R703 million

***20 November 2017:* Astral Foods Limited** (Astral), South Africa’s leading integrated poultry producer, reported its final results for the year ended 30 September 2017 today. “The year under review could be divided into two distinct halves with the first half experiencing record high feed prices as a result of the drought and subdued market conditions, whereas the second half saw substantially lower feed costs, together with higher poultry sales realisations. Broiler performance efficiencies contributed significantly to the results for the year,” stated Chris Schutte, CEO of Astral.

He further said that the flood of poultry imports into the country continued unabated. Although imports from the EU reduced considerably due to the outbreak of the avian influenza (HPAI), the group has seen imports swing towards product from Brazil and the USA. On average, the monthly total poultry imports for the year under review equalled approximately 44% of local production or 46 000 tons per month, which is on par with the prior year.

The highly pathogenic HPAI outbreak in South Africa has caused significant damage to the local poultry industry following the rapid spread of the H5N8 strain. The impact on Astral resulted in a write-off of R54 million in broiler breeding birds which were culled to limit the spread of the disease. Through Astral’s contingency plans, the group was able to avert a short supply of broiler hatching eggs and day old chicks to maintain broiler slaughter volumes at approximately 5 million birds per week.

Group revenue for the year increased by 3.3% to R12.4 billion from R12.0 billion (2016), driven by the improved sales by the Poultry division. The group’s operating profit increased by 96.5% to R1 078 million from R549 million in the comparable period, predominantly because of the significant improvement in the Poultry division’s profitability. Included in this year’s profit is R31 million attributable to the sale of a minority stake in a feed premix plant. The group’s operating profit margin strengthened from 4.6% (2016) to 8.7%.

The **Poultry division** reported a 7.9% increase in revenue to R9.9 billion (2016: R9.1 billion) mainly impacted by a shift in the product offering where average sales realisations increased as Astral discontinued the lower priced Individually Quick Frozen (IQF) range with a brine uptake of 30%, and replaced this with a 15% brined IQF at a higher cost. This, together with the planned poultry production cutbacks of a negligible 3 million birds in the first half of the reporting period, resulted in sales volumes being down by 8.6% (41 325 tons). Sales realisations increased by 20.6% of which more than half relates to the necessary price adjustment to offset the legislated change in brine levels.

Operating profit increased significantly to R630 million (2016: R59 million) as the improvement in sales realisations secured the recovery of feed, brine adjustment and other inflationary cost contributors. Operating margin for the division increased to 6.4% from 0.6% (2016). Broiler feed prices increased marginally year-on-year, despite lower raw material costs in the second half of the reporting period, with non-feed expenses increasing by 6.3%. In an effort to support Astral’s best cost strategy, an enhanced nutritional programme (albeit at a higher feed cost per ton) was implemented during the year, resulting in an improved broiler performance. Feed conversion efficiency improved noticeably, contributing to the division’s profitability more than offsetting the higher feed costs.

Revenue for the **Feed division** declined by 8.4% from R7.2 billion to R6.6 billion as a direct result of lower sales volumes, down 4.8%, due to lower inter-group volumes largely attributable to the improved feed conversion efficiency and planned poultry cutbacks in the Poultry division. Lower external sales volumes, down 4.7%, were experienced on the back of a general contraction in the commercial animal feed market.

Operating profit declined by 19.3% to R391 million (2016: R485 million), with a drop in operating profit margin to 5.9% (2016: 6.7%). This was because rand per ton margins were down on the prior year, impacted by a lower recovery of fixed costs due to the reduced sales volumes. Despite lower sales volumes and together with efficiencies from the Standerton feed mill, the Feed division managed to restrict its increase in expenses to a sub-inflationary 4.4%. Competitive intensity in the commercial feed market increased on surplus capacity available in the industry.

The local maize crop for the 2017/18 marketing year is a record 16.7 million tons, which is a substantial swing on the 2016/17 crop of 7.8 million tons, being the smallest crop in the past decade. The record crop for the recent harvest resulted in a significant decrease in feed prices for the second half of the reporting period.

The **Other Africa** operations’ revenue decreased by 17.2% from R515 million to   
R427 million, due to lower volumes largely attributable to a significant decrease in feed sales volumes in Mozambique. Operating profit increased to R27 million (2016: R5 million) driven by a good performance from Tiger Animal Feeds in Zambia and a turnaround in the profits of the Mozambican poultry business, albeit a small contribution to group profitability.

Daan Ferreira, Astral’s Chief Financial Officer said: “Capital expenditure at R180 million was marginally higher than the previous year. However, cash generation was very strong towards the end of the financial year. The group repaid its long-term structured debt and ended the financial year with a R553 million surplus. The total dividend for the year is R10.55 per share, an increase of 115.3%, equates to a 1.8 dividend cover ratio.”

Looking to the near future, there are certain positive conditions Astral can benefit from. The global and local grain stock levels are healthy and consensus for the new local maize crop is expected to be, at least, an average crop. Due to numerous supply constraints influenced by the past drought, production cutbacks and the devastating bird flu this could result in further inflation in the food basket. In addition, Astral continues to benefit from inherent genetic developments and optimised broiler nutrition programmes.

The state of consumer spending continues to deteriorate given poor economic growth and high unemployment levels, which constrains the per capita consumption of poultry. This was exacerbated by the continued high level of poultry imports highlighting the weak tariff protection provided by government. The threat of the highly pathogenic bird flu further spreading across South Africa remains a concern and risk to Astral and the poultry industry.

“Astral’s strategy of being the best cost integrated poultry producer in selected African countries has shown its mettle. We have been able to weather the various industry and macro-economic challenges faced by the group over the past couple of years and at the same time, substantially strengthening our financial and market position. We will continue to invest in efficiency enhancing technologies to support our strategy,” concluded Schutte.

**Ends**

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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:

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| * County Fair | * National Chicks |
| * Festive | * Meadow Feeds |
| * Goldi | * Tiger Animal Feeds |
| * Mountain Valley | * Tiger Chicks |
| * Supa Star | * Mozpintos |
| * Ross Poultry Breeders | * CAL Labs |