



## Press Release

### **ASTRAL SECURES EMERGENCY ARRANGEMENT WITH THE LEKWA MUNICIPALITY IN THE MIDST OF AN ONGOING WATER SUPPLY CRISIS**

**24 June 2019: Astral Foods Limited** (Astral), South Africa's leading integrated poultry producer previously released a SENS announcement on 28 May 2019 providing a general update on the deterioration of the municipal infrastructure of the Lekwa (Standerton) municipality, that led to water supply interruptions at Astral's poultry processing plant in this region, costing the company at least R85 million up until the end of June. This Standerton processing facility, the largest in Southern Africa, requires 5.5 Mega Litres of water per day to process 2 000 000 broilers weekly. The under supply of water escalated to the point where the municipality could not even supply the 4.0 Mega Litres per day secured by means of a mutually agreed court order, and with extremely limited communication from Lekwa in this regard. At the peak of the crisis absolutely no water was supplied for a seven day period leading to a significant negative impact on the integrated agricultural supply chain. The company's Goldi processing facility was forced to reduce production to 50% of the scheduled capacity, with a concurrent negative impact on workers employed at the plant, suppliers and the greater Lekwa community.

Astral has only recently, with the assistance of a number of national government departments, secured an emergency arrangement with the Lekwa municipality as an interim measure to stave off the current water crisis. Under this agreement the municipality has "undertaken" to deliver a minimum of 2.0 Mega Litres of treated water per day to the Goldi processing plant via the municipal infrastructure. Furthermore, the municipality has now "appointed" Astral as an emergency "service provider", and agreed to cede 3.5 Mega Litres per day of their raw water allocation from the Vaal River system to Astral for a period of 24 months.

Following this development, Astral installed infrastructure on one of its poultry farms alongside the Vaal River in the vicinity of Standerton, enabling the company to extract raw water. This water is pumped from the river and then transported by road to a filtration plant that has been established at the company's premises in Standerton alongside the processing plant. This emergency arrangement is currently in operation whilst the parties are co-operating to secure a more suitable extraction point at the municipality's water treatment works. Andy Crocker, Managing Director of Astral's Commercial Division, stated that "this arrangement means that we should have access to sufficient water to run our processing operations at the scheduled capacity in the short term, albeit at a significantly higher cost, pending a more permanent solution to this crisis. This will allow the staff at the abattoir to return to normal working hours and shift patterns as soon as possible."

In accordance with a High Court order previously secured by Astral, the municipality is obliged to submit a longer term plan indicating how and when it intends repairing and improving the municipal water supply infrastructure. The company has over many years actively assisted the municipality to repair and maintain the town's water infrastructure to the benefit of the greater Standerton community, most recently replacing the essential backwash pump at the water treatment works within 24 hours of this pump failing. Astral has, further to the costs already incurred as a result of this crisis, pledged support in the form of equipment,

expertise and labour to the value of R10 million to assist with the plan, which will be to the benefit all water users.

A frustrated Chris Schutte, Chief Executive Officer of Astral, commented: "I am flabbergasted that government structures are fixated with the concepts of a fourth industrial revolution, and now bullet trains and mega-cities, whilst they are unable to provide basic services to existing companies such as Astral, and many other established and successful businesses. To heed the president's call to buy locally produced products, we need to be able to consistently produce locally in a conducive and reliable municipal environment. We are continuously bombarded with rhetoric about global competitiveness, the need for growth in rural agro-processing, creating jobs in rural communities and ensuring food security, whilst Astral, the largest producer of affordable chicken in South Africa, is left to fend for itself with little more than a "bucket system" supply of water." Schutte further stated: "Unfortunately the legal route seems to be the only avenue to determine which tier of government; local, provincial or national is ultimately accountable for the upkeep of municipal infrastructure. Although some plans have been forthcoming to resolve this water situation on a longer term basis, Astral will not rest until it has been clearly determined who is ultimately responsible to execute such plans."

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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
- Mountain Valley
- Supa Star
- Ross Poultry Breeders
- National Chicks
- Meadow Feeds
- Tiger Animal Feeds
- Tiger Chicks
- Mozpintos
- CAL Labs