

Astral Foods Limited
("Astral Foods")
Registration number: 1978/003194/06
JSE Code: ARL ISIN: ZAE000029757

General Operational Update

Introduction

The prospects contained in the interim results for the six months to end March 2016 which were 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.

Environment / operating context

During the third quarter ended 30 June 2016, the abovementioned factors have had a detrimental effect on the results of the group, with the impact more severe than originally anticipated.

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.

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 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.

Group strategy

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.

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.

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.

No guidance of the impact of the above on the results for the year can be given at this point in time.

Pretoria
20 July 2016

Sponsor
JP Morgan Equities South Africa (Pty) Limited