

Astral Foods Limited
 Incorporated in the Republic of South Africa
 Registration number 1978/003194/06
 Share code: ARL
 ISIN: ZAE000029757

Unaudited Interim Results
 for the six months ended
 31 March 2019

Financial highlights

Revenue Up 3%

Operating profit Down 51%

Earnings per share Down 52%

Headline earnings per share Down 52%

Interim dividend R4.75 per share

Financial Statements

Condensed consolidated statement of comprehensive income

	Unaudited 6 months ended 31 March 2019	Unaudited 6 months ended 31 March 2018 (restated)	% change	Audited 12 months ended 30 Sept 2018
	R'000	R'000		R'000
Revenue	6 775 389	6 600 507	3	12 978 561
Cost of sales	(5 395 325)	(4 660 738)		(9 304 535)
Gross profit	1 380 064	1 939 769	(29)	3 674 026
Administrative expenses	(356 093)	(450 489)		(817 013)
Distribution costs	(423 008)	(360 956)		(733 738)
Marketing expenditure	(98 608)	(93 117)		(185 404)
Other net income and gains	705	837		3 690
Profit before interest and tax (note 5)	503 060	1 036 044	(51)	1 941 561
Finance costs - net	17 667	21 960		52 527
Finance income	23 830	26 569		62 903
Finance costs	(6 163)	(4 609)		(10 376)
Profit before income tax	520 727	1 058 004	(51)	1 994 088
Tax expense	(150 662)	(297 305)		(559 738)
Profit for the period	370 065	760 699	(51)	1 434 350
Other comprehensive income				
Items that will not be reclassified to profit or loss:				
Remeasurement of post-employment benefit obligations (net of deferred tax)				2 598
Items that may be subsequently reclassified to profit or loss:				
Foreign currency (loss)/gain on investment loans to foreign subsidiaries	(585)	526		5
Foreign currency translation adjustments	2 861	(12 014)		(13 439)
Total comprehensive income for the period	372 341	749 211	(50)	1 423 514
Profit attributable to:				
Equity holders of the holding company	367 723	758 980	(52)	1 431 076
Non-controlling interests	2 342	1 719	36	3 274
	370 065	760 699	(51)	1 434 350
Comprehensive income attributable to:				
Equity holders of the holding company	369 999	747 492	(51)	1 420 240
Non-controlling interests	2 342	1 719	36	3 274
	372 341	749 211	(50)	1 423 514
Earnings per share (Rand)				
- basic	R 9.48	R 19.58	(52)	R 36.91
- diluted	R 9.47	R 19.56	(52)	R 36.87

Condensed consolidated balance sheet

	Unaudited 6 months ended 31 March 2019 R'000	Unaudited 6 months ended 31 March 2018 (restated) R'000	Audited 12 months ended 30 Sept 2018 R'000
Assets			
Non-current assets	2 507 239	2 301 542	2 409 499
Property, plant and equipment	2 311 150	2 103 837	2 212 205
Intangible assets	59 954	61 570	61 159
Goodwill	136 135	136 135	136 135
Current assets	3 506 857	3 580 376	3 764 715
Biological assets	779 089	759 316	770 461
Inventories	736 293	593 618	836 690
Trade and other receivables	1 517 909	1 226 851	1 328 418
Current tax asset	19 656	30 579	7 303
Cash and cash equivalents	453 910	970 012	821 843
Total assets	6 014 096	5 881 918	6 174 214
Equity			
Capital and reserves attributable to equity holders of the parent company	3 689 815	3 438 883	3 726 922
Issued capital	87 065	83 727	86 751
Treasury shares	(204 435)	(204 435)	(204 435)
Reserves	3 807 185	3 559 591	3 844 606
Non-controlling interest	11 188	12 241	10 496
Total equity	3 701 003	3 451 124	3 737 418
Liabilities			
Non-current liabilities	656 794	597 500	649 979
Deferred tax liability	519 385	453 738	481 732
Employment benefit obligations	137 409	143 762	168 247
Current liabilities	1 656 299	1 833 294	1 786 817
Trade and other liabilities	1 399 497	1 393 173	1 360 469
Employment benefit obligations	220 428	341 225	373 195
Current tax liabilities	11 197	61 213	17 480
Borrowings (note 7)	22 496	35 556	33 277
Shareholders for dividend	2 681	2 127	2 396
Total liabilities	2 313 093	2 430 794	2 436 796
Total equity and liabilities	6 014 096	5 881 918	6 174 214

Condensed consolidated statement of cash flows

	Unaudited 6 months ended 31 March 2019 R'000	Unaudited 6 months ended 31 March 2018 (restated) R'000	Audited 12 months ended 30 Sept 2018 R'000
Cash operating profit	407 384	1 094 040	2 156 086
Changes in working capital	100 196	(41 661)	(425 201)
Cash generated from operating activities	507 580	1 052 379	1 730 885
Income tax paid	(131 881)	(258 974)	(516 236)
Cash flows from operating activities	375 699	793 405	1 214 649
Cash used in investing activities	(321 200)	(69 031)	(254 708)
Purchases of property, plant and equipment	(343 224)	(127 003)	(346 551)
Costs incurred on intangibles	(1 829)	(8 645)	(11 391)
Proceeds on disposal of property, plant and equipment	23	48	331
Finance income	23 830	26 569	62 903
Payment received on investment sold during previous year		40 000	40 000
Cash flows to financing activities	(411 633)	(338 701)	(729 577)
Dividends paid	(408 784)	(338 988)	(729 752)
Proceeds from shares issued	314	2 264	5 288
Finance expense	(3 163)	(1 977)	(5 113)

Net movement in cash and cash equivalents	(357 134)	385 673	230 364
Effects of exchange rate changes	(18)	(3 792)	5 627
Cash and cash equivalent balances at beginning of year	788 566	552 575	552 575
Cash and cash equivalent balances at end of period (note 8)	431 414	934 456	788 566

Condensed consolidated statement of changes in equity

	Unaudited 6 months ended 31 March 2019 R'000	Unaudited 6 months ended 31 March 2018 (restated) R'000	Audited 12 months ended 30 Sept 2018 R'000
Balance beginning of year	3 737 418	3 038 832	3 038 832
Profit for the period	370 065	760 699	1 434 350
Other comprehensive income/(loss) for the period, net of tax	2 276	(11 488)	(10 836)
Dividends to shareholders	(409 069)	(339 183)	(730 216)
Proceeds on shares issued	313	2 264	5 288
Balance at end of period	3 701 003	3 451 124	3 737 418

Condensed consolidated segmental analysis

	Unaudited 6 months ended 31 March 2019 R'000	Unaudited 6 months ended 31 March 2018 R'000	% change	Audited 12 months ended 30 Sept 2018 R'000
Revenue				
Poultry	5 471 655	5 415 014	1	10 603 727
Feed	3 303 235	3 096 521	7	6 198 202
Other Africa	223 063	184 519	21	410 787
Inter-group	(2 222 564)	(2 095 547)		(4 234 155)
	6 775 389	6 600 507	3	12 978 561
Operating profit				
Poultry	257 706	827 698	(69)	1 452 762
Feed	238 595	191 479	25	456 622
Other Africa	6 759	16 867	(60)	32 177
	503 060	1 036 044	(51)	1 941 561

Additional information

	Unaudited 6 months ended 31 March 2019 R'000	Unaudited 6 months ended 31 March 2018 (restated) R'000	% change	Audited 12 months ended 30 Sept 2018 R'000
Headline earnings (R'000) - (note 6)	368 033	759 489	(52)	1 439 236
Headline earnings per share (Rand)				
- basic	R 9.49	R 19.59	(52)	R 37.12
- diluted	R 9.48	R 19.57	(52)	R 37.08
Dividends per share (Rand) - declared out of earnings for the period				
- Interim dividend	R 4.75	R 10.00	(53)	R 10.00
- Final dividend				R 10.50
- Total dividend				R 20.50
Number of ordinary shares				
- Issued net of treasury shares	38 801 808	38 773 208		38 798 808
- Weighted-average	38 800 638	38 762 630		38 774 025
- Diluted weighted-average	38 814 198	38 806 822		38 809 443
Cash and cash equivalents (R'000)	431 414	934 456		788 566
Net asset value per share (Rand)	R 95.09	R 88.69		R 96.06

Notes

1. Nature of business

Astral is a leading South African integrated poultry producer. Key activities consist of manufacturing of animal feeds, broiler genetics, production and sale of day-old chicks and hatching eggs, integrated breeder and broiler production operations, abattoirs and sale and distribution of various key poultry brands.

2. Basis of preparation

The condensed interim financial statements for the six months ended 31 March 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34 - Interim Financial Reporting, the Listings Requirements of the JSE Limited and the South African Companies Act (2008). These condensed interim financial statements have been prepared under the supervision of the financial director, DD Ferreira CA(SA).

These condensed interim financial statements have not been reviewed or audited by the group's auditors.

3. Accounting policies

The accounting policies applied in these condensed interim financial statements comply with IFRS and are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 30 September 2018, except for the adoption of IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers. Neither of these two new standards had any material impact on the reported results.

4. Restatement of comparative amounts for prior periods

Following a re-assessment of management's judgement of the nature of certain sales transactions during 2018 it was concluded that the risks and rewards of certain goods delivered during September 2017 have passed on to a customer who thereby acted as a principal as opposed to an agent. The revenue related to these transactions should have been recognised in the 2017 financial year, and not during the first half of the 2018 financial year.

Revenue, cost of sales and tax have been restated with the corresponding adjustments to the opening balance of equity.

Details of the impact on prior period disclosure is as per note 10.

	Unaudited 6 months ended 31 March 2019 R'000	Unaudited 6 months ended 31 March 2018 (restated) R'000	Audited 12 months ended 30 Sept 2018 R'000
5. Profit before interest and tax			
The following items have been accounted for in the profit before interest and tax:			
Biological assets - fair value (loss)/gain	(1 514)	996	5 149
Amortisation of intangible assets	3 044	2 911	6 048
Depreciation on property, plant and equipment	84 881	75 459	145 714
Loss on sale of property, plant and equipment	434	705	417
Foreign exchange losses	60	1 885	
Assets scrapped			10 891
Insurance recoveries	3 776		1 324
6. Reconciliation to headline earnings			
Net profit attributable to shareholders	367 723	758 980	1 431 076
Loss on sale of property, plant and equipment (net of tax)	310	509	301
Loss on assets scrapped (net of tax)			7 859
Headline earnings for the period	368 033	759 489	1 439 236
	Unaudited 6 months ended 31 March 2019 R'000	Unaudited 6 months ended 31 March 2018 (restated) R'000	Audited 12 months ended 30 Sept 2018 R'000
7. Borrowings			
Current - Bank overdrafts	22 496	35 556	33 277
8. Cash and cash equivalents per cash flow statement			
Bank overdrafts (included in current borrowings)	(22 496)	(35 556)	(33 277)
Cash at bank and in hand	453 910	970 012	821 843
Cash and cash equivalents per cash flow statement	431 414	934 456	788 566
9. Commitments			

Capital expenditure approved not contracted	515 258	21 920	1 267 807
Capital expenditure contracted not recognised in financial statements	581 885	122 070	127 012
Cost on intangibles contracted not recognised in financial statements			6 252
Raw material contracted amounts not recognised in the statement of financial position	1 371 734	1 522 389	1 090 415

10. Effect of re-assessment of certain sales transactions

Decrease in revenue		65 824	
Decrease on cost of sales		57 707	
Decrease in gross profit and operating profit		8 117	
Decrease in tax expense		2 273	
Decrease in profit after tax, earnings and headline earnings		5 844	
Increase in the opening balance of equity		5 844	
Decrease in earnings per share and headline earnings per share - cents per share		15	
Impact on cash generated from operations		nil	

Financial overview

The external revenue increased by 2.6% to R6.8 billion (1H2018: R6.6 billion), whilst revenue from the Poultry segment, the major contributor to the group's external revenue, only increased by 1.0%.

The group's lower operating profit at R503 million (1H2018: R1 036 million) was as a result of a R570 million decline in poultry profitability to R258 million. Feed price and production cost increases could not be recovered by increasing sales realisations, due to the consumer market not being able to absorb price increases.

The cash inflow from operating activities of R375 million, included an inflow of R100 million from lower working capital, mainly as a result of lower poultry finished goods stock compared to the prior financial year ending stocks (30 September 2018). Capital expenditure incurred of R343 million, includes payments totalling R253 million in respect of the expansion project at the Festive processing plant and the Meadow Feeds Standerton silo complex.

A net cash outflow of R357 million for the first half was reported, following the payment of the final 2018 dividend of R408 million. The cash and cash equivalents at 31 March 2019 were, however, in a surplus of R431 million.

The board declared an interim dividend of R4.75 per share which was well within the liquidity capabilities of the group.

Operational overview

Poultry Division

The broiler operations reported a decline in revenue as both broiler selling prices and sales volumes decreased for the period under review. However, revenue for the division increased by 1.0% to R5.5 billion (1H2018: R5.4 billion) supported by a marked increase in revenue from the group's breeding operations.

Broiler sales volumes were marginally down by 1.1% (2 538 tons), despite sales realisations decreasing by 3.4% on the comparable period. Consumer demand was subdued, resulting in deeper promotional activity to better balance supply and demand.

Broiler feed prices increased 9.2% due to higher raw material costs for the reporting period. Feed conversion efficiency improved further, slightly offsetting the higher feeding cost per broiler produced.

Profitability for the poultry division decreased by 68.9% to R258 million (1H2018: R828 million), driven largely by the higher feed input costs and lower sales realisations. The under recovery of increased input costs, as well as the influence of extraordinary expenses, negatively impacted profitability for this division. The newly legislated minimum wage, the impact of load-shedding nationally, water supply interruptions in Standerton, and costs associated with industrial action in KwaZulu-Natal, all contributed to a higher base cost of production. The net profit margin decreased to 4.7%, compared to historically one of the highest reported profit margins of 15.4% achieved in the prior period.

Total poultry imports remained high, with the average monthly total poultry imports for the period under review equalling approximately 38% of local production, or an average of 41 771 tons per month.

Feed Division

Revenue increased by 6.7% to R3.3 billion (1H2018: R3.1 billion) as a direct result of higher feed selling prices on the back of increases in raw material costs. Safex yellow maize prices increased to an average of R2 579 per ton for the period under review (1H2018: R1 981).

Feed sales volumes in the division decreased marginally by 0.9% as the internal requirement for broiler feed decreased (0.6%), on an improved broiler feed conversion rate. Lower external sales volumes (1.3%) were reported as all livestock sectors came under pressure on the back of higher feed costs.

The operating profit for this division increased by 24.6% to R239 million (1H2018: R191 million), with an improvement in the operating profit margin to 7.2% (1H2018: 6.2%). The division benefitted from well controlled expenses and effective raw material cost recovery.

Other Africa Division

This division, consisting of both feed and poultry operations in three countries namely; Zambia, Mozambique and Swaziland, reported an increase in revenue of 20.9% to R223 million (1H2018: R185 million), due largely to higher selling prices on the back of an increase in raw material input costs. Sales volumes increased by 11.7% driven largely by higher feed sales in Zambia. However, the operating profit decreased to R7 million (1H2018: R17 million) impacted by a provision for the doubtful recovery from the Mozambican government of VAT on imported raw materials, as well as margin pressure in Zambia as feed selling prices could not be increased sufficiently to fully recover higher input costs.

Outlook

Astral's view on the near-term prospects can be regarded as a mixed bag of both negative and positive factors, each of which could potentially have an influence on its business performance.

- Raw material price increases, will negatively impact Astral's largest input cost, namely feed, which makes up 66% of broiler live cost.
- Traditionally slower trading conditions for the second half of Astral's financial year, exacerbated by continued high levels of unemployment.
- The negative impact of high fuel prices on consumer disposable income, leading to continued pressure on poultry selling prices.
- Higher local poultry production levels together with imports from Brazil and the USA, will negatively impact the supply and demand balance in the short term.
- The newly legislated minimum wage will continue to impact poultry production costs.
- Municipal infrastructure deterioration in Standerton, leading to water supply interruptions at a cost to the business.
- Sufficient international coarse grain stocks with good prevailing planting conditions in the USA and South America.
- Maize imports into the Western Cape at a discount to local Safex pricing, will contribute positively to feed input costs in that region.
- Local maize stocks together with maize imports will meet demand, despite early season SA maize crop concerns.
- Recent late rainfall received in the maize growing areas of the country, will benefit soil moisture conditions for the new planting season.
- Supply and distribution of the Ross poultry genetics in South Africa, has been secured for a further 10-year period with the conclusion of a renewed supply agreement with Aviagen.

Astral remains committed to its strategy of being the best cost integrated poultry producer, and embarked on identified capital projects that will support its stated strategy.

Declaration of ordinary dividend No 36

The board has approved an interim dividend of R4.75 per ordinary share (gross) in respect of the six months ended 31 March 2019.

The dividend will be subject to Dividends Tax that was introduced with effect from 1 April 2012. In accordance with paragraphs 11.17 (a) (i) to (x) and 11.17 (c) of the JSE Listings Requirements the following information is disclosed:

- The dividend has been declared out of income reserves;
- The local Dividend Tax is 20% (twenty per centum);
- The gross local dividend is R4.75 per ordinary share for shareholders exempt from the Dividend Tax;
- The net local dividend is R3.80 per ordinary share for shareholders liable to pay Dividend Tax;
- Astral Foods Limited has currently 42 890 385 ordinary shares in issue (which includes 4 088 577 treasury shares held by a subsidiary); and
- Astral Foods Limited's income tax reference number is 9125190711.

Shareholders are advised of the following dates in respect of the final dividend:

Last date to trade cum-dividend	Tuesday, 4 June 2019
Shares commence trading ex-dividend	Wednesday, 5 June 2019
Record date	Friday, 7 June 2019
Payment of dividend	Monday, 10 June 2019

Share certificates may not be dematerialised or rematerialised between Wednesday, 5 June 2019 and Friday, 7 June 2019, both days inclusive.

On behalf of the board

T Eloff
Chairman

C E Schutte
Chief Executive Officer

Pretoria
7 May 2019

Sponsor Nedbank Corporate and Investing Banking,
a division of Nedbank Limited

135 Rivonia Campus Rivonia Road
Sandown, 2196
Tel +27 (0) 294 4444

www.astralfoods.com