Revenue

3.3%

Profit before interest and tax

96.5%

Headline earnings per share

96.8%

Final dividend of

875c

per share

ASTRAL

A leading Southern African integrated poultry producer

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

AUDITED SUMMARY CONSOLIDATED RESULTS AND DIVIDEND DECLARATION

for the year ended 30 September 2017

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Audited 12 months ended 30 Sept 2017 R'000	Audited 12 months ended 30 Sept 2016 R'000	% change
Revenue	**12 351 125**	11 953 870	3.3
Cost of sales	**(9 780 667)**	(10 085 108)	
Gross profit	**2 570 458**	1 868 762	37.5
Administrative expenses	**(714 222)**	(509 706)	
Distribution costs	**(673 805)**	(651 405)	
Marketing expenditure	**(168 944)**	(174 663)	
Other income	**61 788**	23 079	
Other gains/(losses)	**3 186**	(7 217)	
Profit before interest and tax (note 5)	**1 078 461**	548 850	96.5
Finance income	**5 088**	5 219	
Finance costs	**(19 927)**	(27 214)	
Share of loss from associate		(642)	
Profit before income tax	**1 063 622**	526 213	102.1
Tax expense	**(308 709)**	(154 046)	
Profit for the year	**754 913**	372 167	102.8
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement of post-employment benefit obligations (net of deferred tax)	**3 742**	651	
Items that may be subsequently reclassified to profit and loss			
Foreign currency gain/(loss) on investment loans to foreign subsidiaries	**5 747**	(9 688)	
Foreign currency translation adjustments	**(3 080)**	9 091	
Total comprehensive income for the year	**761 322**	372 221	104.5
Profit attributable to:			
Equity holders of the holding company	**754 405**	372 972	102.3
Non-controlling interests	**508**	(805)	(163.1)
	754 913	372 167	102.8
Comprehensive income attributable to:			
Equity holders of the holding company	**760 792**	373 257	103.8
Non-controlling interests	**530**	(1 036)	(151.2)
	761 322	372 221	104.5
Earnings per share (cents)			
– basic	**1 948**	964	102.1
– diluted	**1 947**	964	102.0

SUMMARY CONSOLIDATED BALANCE SHEET

	Audited 12 months ended 30 Sept 2017 R'000	Audited 12 months ended 30 Sept 2016 R'000
ASSETS		
Non-current assets	**2 228 052**	2 229 776
Property, plant and equipment	**2 036 033**	2 052 284
Intangible assets	**55 884**	38 613
Goodwill	**136 135**	136 135
Investments and loans		2 744
Current assets	**3 128 210**	2 724 533
Biological assets	**658 047**	734 958
Inventories	**551 278**	716 851
Trade and other receivables	**1 221 039**	1 103 569
Current tax asset	**30 579**	32 754
Cash and cash equivalents	**667 267**	136 401
Assets held for sale		24 826
Total assets	**5 356 262**	4 979 135
EQUITY		
Capital and reserves attributable to equity holders of the parent company	**3 022 466**	2 362 542
Issued capital	**81 463**	73 957
Treasury shares	**(204 435)**	(204 435)
Reserves	**3 145 438**	2 493 020
Non-controlling interests	**10 522**	9 992
Total equity	**3 032 988**	2 372 534
LIABILITIES		
Non-current liabilities	**609 699**	645 531
Deferred tax liabilities	**433 469**	473 572
Employment benefit obligations	**176 230**	171 959
Current liabilities	**1 713 575**	1 961 070
Trade and other liabilities	**1 248 050**	1 439 526
Employment benefit obligations	**306 511**	138 652
Current tax liabilities	**42 390**	4 541
Borrowings (note 7)	**114 692**	376 431
Shareholders for dividend	**1 932**	1 920
Total liabilities	**2 323 274**	2 606 601
Total equity and liabilities	**5 356 262**	4 979 135

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

	Audited 12 months ended 30 Sept 2017 R'000	Audited 12 months ended 30 Sept 2016 R'000
Cash operating profit	**1 428 219**	546 544
Changes in working capital	**(63 512)**	(46 103)
Cash generated from operations	**1 364 707**	500 441
Tax paid	**(310 259)**	(122 251)
Cash generated from operating activities	**1 054 448**	378 190
Cash used in investing activities	**(145 256)**	(160 748)
Purchases of property, plant and equipment	**(157 606)**	(145 410)
Costs incurred on intangibles	**(22 492)**	(28 585)
Proceeds on disposal of property, plant and equipment	**1 510**	8 028
Cost incurred with disposal of investment	**(624)**	
Government grant received	**28 868**	
Finance income	**5 088**	5 219
Cash flows from financing activities	**(152 349)**	(447 008)
Dividends paid	**(108 429)**	(373 143)
Proceeds from shares issued	**7 506**	1 600
Finance expense	**(16 140)**	(26 449)
Repayment in borrowings	**(35 286)**	(49 016)
Net inflow/(outflow) of cash and cash equivalents	**756 843**	(229 566)
Effects of exchange rate changes	**476**	(1 763)
Cash and cash equivalent balances at beginning of year	**(204 744)**	26 585
Cash and cash equivalent balances at end of year (note 8)	**552 575**	(204 744)

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Audited 12 months ended 30 Sept 2017 R'000	Audited 12 months ended 30 Sept 2016 R'000
Balance beginning of year	**2 372 534**	2 371 580
Profit for the year	**754 913**	372 167
Other comprehensive income for the year, net of tax	**6 409**	54
Dividends to the company's shareholders	**(108 441)**	(373 316)
Dividends to non-controlling interest reversed		314
Proceeds on shares issued	**7 506**	1 600
Option value of share options granted	**67**	135
Balance at end of period	**3 032 988**	2 372 534

SUMMARY CONSOLIDATED SEGMENTAL ANALYSIS

	Audited 12 months ended 30 Sept 2017 R'000	Audited 12 months ended 30 Sept 2016 R'000	% change
Revenue			
Poultry	**9 850 348**	9 128 645	7.9
Feed	**6 583 184**	7 189 614	(8.4)
Other Africa	**426 530**	515 346	(17.2)
Inter-group	**(4 508 937)**	(4 879 735)	
Feed	**(4 330 843)**	(4 700 315)	
Poultry	**(178 094)**	(179 420)	
	12 351 125	11 953 870	3.3
Operating profit			
Poultry	**629 760**	58 900	969.2
Feed	**391 376**	484 967	(19.3)
Other Africa	**26 775**	4 983	437.3
Profit on sale of investment	**30 550**		
	1 078 461	548 850	96.5
Capital expenditure			
Poultry	**132 481**	139 092	(4.8)
Feed	**15 860**	27 018	(41.3)
Other Africa	**1 949**	2 837	(31.3)
Corporate office	**18**	432	(95.8)
	150 308	169 379	(11.3)
Depreciation, amortisation and impairment			
Poultry	**120 483**	112 852	6.8
Feed	**22 325**	23 918	(6.7)
Other Africa	**5 702**	6 630	(14.0)
Corporate office	**223**	287	(22.3)
	148 733	143 687	3.5
Inventory			
Poultry	**316 125**	313 825	0.7
Feed	**185 498**	361 612	(48.7)
Other Africa	**49 655**	41 414	19.9
	551 278	716 851	(23.1)
Trade receivables			
Poultry	**827 723**	751 652	10.1
Feed	**202 850**	225 258	(9.9)
Other Africa	**18 954**	21 159	(10.4)
	1 049 527	998 069	5.2

ADDITIONAL INFORMATION

	Audited 12 months ended 30 Sept 2017	Audited 12 months ended 30 Sept 2016	% change
Headline earnings (R'000) – (note 6)	**735 323**	373 305	97.0
Headline earnings per share (cents)			
– basic	**1 899**	965	96.8
– diluted	**1 897**	964	96.7
Dividends per share (cents) – declared out of earnings for the year			
– Interim dividend for the year	**180**	390	(53.8)
– Final dividend for the year	**875**	100	775.0
– Total dividend for the year	**1 055**	490	115.3
Number of ordinary shares			
– Issued net of treasury shares	**38 752 208**	38 687 308	
– Weighted-average	**38 724 902**	38 683 748	
– Diluted weighted-average	**38 753 283**	38 705 090	
Net cash/(debt) – borrowings less cash and cash equivalents (R'000)	**552 575**	(240 030)	
Net asset value per share (Rand) – (net of treasury shares)	**77.99**	61.07	

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 summary consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, and the requirements of the Companies Act applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS) and the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 *Interim Financial Reporting*.

The financial statements have been prepared by the Chief Financial Officer, DD Ferreira CA(SA), and were approved by the board on 15 November 2017.

3. **Accounting policies**

The accounting policies applied in these summary consolidated financial statement 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 2016.

4. **Independent audit by the auditors**

These summary consolidated financial statements for the year ended 30 September 2017 have been audited by PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon. The auditor also expressed an unmodified opinion on the annual financial statements from which these summary consolidated financial statements were derived.

A copy of the auditor's report on the summary consolidated financial statements and of the auditor's report on the annual consolidated financial statements are available for inspection at the company's registered office, together with the financial statements identified in the respective auditor's reports.

The auditor's report does not necessarily report on all of the information contained in this announcement/financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from the issuer's registered office.

		Audited 12 months ended 30 Sept 2017 R'000	Audited 12 months ended 30 Sept 2016 R'000
5.	**Profit before interest and tax**		
	The following items have been accounted for in the profit before interest and tax:		
	Directors' remuneration	**61 256**	36 478
	Biological assets – fair value gain/(loss)	**2 856**	(7 190)
	Amortisation of intangible assets	**5 243**	4 401
	Depreciation on property, plant and equipment	**143 490**	139 286
	Profit on sale of property, plant and equipment	**753**	2 034
	Assets scrapped	**3 572**	2 505
	Foreign exchange gains/(losses)	**3 681**	(6 746)
	Insurance recoveries	**13 476**	9 152
	Breeding and egg stock written off	**53 512**	
	Profit on sale of investment	**30 550**	
6.	**Reconciliation to headline earnings**		
	Net profit attributable to shareholders	**754 405**	372 972
	Profit on sale of property, plant and equipment (net of tax)	**(549)**	(1 475)
	Loss on assets scrapped (net of tax)	**2 575**	1 808
	Profit on sale of investment (net of tax)	**(20 627)**	
	Insurance payments received in respect of assets wriiten off (net of tax)	**(481)**	
	Headline earnings for the period	**735 323**	373 305
7.	**Borrowings**		
	Current		
	Bank overdrafts	**114 692**	341 145
	Portion of non-current secured loans payable within 12 months		35 286
		114 692	376 431
8.	**Cash and cash equivalents per cash flow statement**		
	Bank overdrafts (included in current borrowings)	**(114 692)**	(341 145)
	Cash at bank and in hand	**667 267**	136 401
	Cash and cash equivalents per cash flow statement	**552 575**	(204 744)
9.	**Capital commitments**		
	Capital expenditure approved not contracted	**30 101**	37 967
	Capital expenditure contracted not recognised in financial statements	**117 764**	36 317
	Cost on intangibles contracted not recognised in financial statements	**426**	30 496
	Raw material contracted amounts not recognised in the statement of financial position	**1 254 312**	1 804 973
10.	**Related party transactions**		
	Purchases of goods	**232 563**	262 770
	Outstanding receivables	**3 346**	2 932
	Outstanding payables	**26 250**	27 341

FINANCIAL OVERVIEW

The increase in headline earnings per share of 96.8% to 1 899 cents per share (2016: 965 cents per share) can be ascribed to the recovery in poultry profits during the second half of the financial year.

Revenue at R12 351 million is an increase of 3.3% on the previous year, however, lower external feed volumes as well as lower feed selling prices as a result of a reduction in raw material prices during the second half of the year had a negative impact on the group's revenue. Feed's contribution to external revenue at R2 252 million was 9.5% down on the previous year. External revenue from Poultry increased by 8.1% to R9 672 million which was mainly driven by increased selling prices.

Stable prices for poultry products during the winter months together with materially lower feed raw material costs in the second half of the financial year were the main drivers for the profits for the year, with a contribution of R630 million (2016: R59 million) from Poultry to the group's profit. Feed's contribution of R391 million was lower than the previous year's R485 million as result of the lower volumes and lower profit margins. Profit contribution from the Other Africa businesses at R27 million is an improvement on the previous year's R5 million, however, the Mozambican businesses still performed unsatisfactorily. The improved group profits resulted in increased provisions for bonuses calculated in terms of the group's remuneration policy on annual incentive bonuses. Incentive bonuses provided for the executive directors amount to R21 million (2016: Rnil), whilst an amount of R152 million (2016: R17 million) has been provided in respect of other employees in the group.

The profit before interest and tax of R1 079 million, includes R31 million profit on sale of an investment, previously disclosed as assets held for sale.

Net finance costs at R15 million were down on the previous year following the positive cash position during the second half of the financial year.

The investment in a new enterprise resource planning information system continued during the year with a further R22 million expenditure. Costs incurred on other capital expenditure items of R158 million are marginally higher than the previous year's R145 million and represent normal ongoing replacement and improvement items.

Feed raw material stock holding normalised after Astral maintained a strategic stockpile during the year as a pre-cautionary measure against a possible physical maize shortage as result of the drought experienced. A decrease of R190 million in inventories and biological assets is reported. Trade receivables were higher at year-end due to higher sales during the month of September 2017 compared to sales for the comparable month in the previous year. Trade payables were lower following lower raw material costs compared to the previous year-end.

The improved cash operating profit of R1 428 million (2016: R547 million), working capital outflow of R64 million and relative low dividend payments of R108 million, resulted in a strong positive cash inflow for the year. Total capital expenditure amounted to R180 million and Tax paid of R310 million was higher than the previous year, following the increased profits. Long-term structured debt was repaid in full and the net cash and cash equivalent balance at the end of the year ended in a surplus of R553 million.

The Board has declared a final dividend of 875 cents per share. The distribution will be financed from surplus cash.

OPERATIONAL OVERVIEW

Poultry Division

Revenue increased by 7.9% to R9.9 billion (2016: R9.1 billion) 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 higher cost product offering with a maximum brine uptake of 15%.

Sales volumes were down by 8.6% (41 325 tons) due to lower brining levels, with a negligible amount ascribed to planned poultry production cutbacks of 3 million birds in the first half of the reporting period. 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 of specific product lines.

Broiler feed prices increased marginally year-on-year despite lower raw material costs in the second half of the reporting period. In an effort to support Astral's best cost strategy, an enhanced nutritional programme (albeit at a higher feed cost per ton) was fed through the year resulting in an improved broiler performance. Feed conversion efficiency improved markedly, contributing to the division's profitability which more than offset the higher feed costs.

Profitability for the poultry division improved to R630 million (2016: R59 million) as the improvement in sales realisations secured the recovery of feed, brine adjustment and other inflationary cost contributors. A significant contribution to profitability for the year was supported by materially lower feed prices in the second half of the reporting period. Non-feed expenses in the division increased year-on-year by 6.3%, with a net profit margin improvement to 6.4% (2016: 0.6%).

Total poultry imports into the country continued unabated. Poultry imports from the EU reduced considerably due to the outbreak of highly pathogenic bird flu in those exporting countries; with a swing in imports towards Brazil and the USA. On average the monthly total poultry imports for the period under review equalled approximately 44% of local production or 46 000 tons per month, which is on par with the prior year.

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

Feed Division

Revenue declined by 8.4% to R6.6 billion (2016: R7.2 billion) as a direct result of lower sales volumes (down by 4.8%), which were negatively affected by lower inter-group volumes largely due to an improved feed conversion efficiency and planned poultry production cut-backs. Lower external sales volumes (4.7%) were experienced on the back of a general contraction in the commercial animal feed market.

Despite lower volumes, expense increases were contained to a sub-inflationary 4.4% year-on-year across all feed mills. Efficiencies from the Standerton feed mill again supported the group's focus and efforts towards continuous poultry live cost improvement.

Operating profit decreased by 19.3% to R391 million (2016: R485 million) with a drop in operating profit margin to 5.9% (2016: 6.7%). Rand per ton margins were down on the prior year, impacted by a lower recovery of fixed costs due to the reduced sales volumes. 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.

Other Africa Division

Revenue for the division decreased by 17.2% to R427 million (2016: R515 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.

OUTLOOK

- The negative political landscape and policy uncertainty has contributed to a weak economic environment that could lead to a further downgrade by the credit rating agencies. Record unemployment levels and lower levels of disposable income are unlikely to improve due to a poor economic outlook for the foreseeable future.
- Continued high level of poultry imports with weak tariff protection, has allowed foreign produced poultry to become further entrenched in the local market leading to a contraction in production amongst South African producers.
- On a positive note and key to local protein production, both global and local coarse grains (maize and soybeans) exhibit healthy stock-to-use ratios. Current consensus points towards the promise of another year where at least average local grain production is predicted.
- Numerous supply constraints influenced by the past drought, production cutbacks and the devastating bird flu could result in further inflation in the food basket.
- Further unlocking the inherent genetic potential of the Ross broiler breed through optimised broiler nutrition, and the cementing of Astral's best cost strategy.
- The threat of further spread of the highly pathogenic bird flu virus (H5N8) is a major contributor towards uncertainty around the sustainability of certain sectors of the local poultry industry. The role of vaccination of high value breeding stock as a preventative measure, together with the concept of compensation for losses incurred is paramount to managing this highly virulent avian disease.

DECLARATION OF ORDINARY DIVIDEND No 33

The board has approved a final dividend of 875 cents per ordinary share (gross) in respect of the year ended 30 September 2017.

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 rate is 20% (twenty per centum).
- The gross local dividend is 875 cents per ordinary share for shareholders exempt from the Dividend Tax.
- The net local dividend is 700 cents per ordinary share for shareholders liable to pay Dividend Tax.
- Astral Foods Limited has currently 42 840 785 ordinary shares in issue (which includes 4 088 577 treasury shares held by a subsidiary).
- 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, 16 January 2018
Shares commence trading *ex*-dividend	Wednesday, 17 January 2018
Record date	Friday, 19 January 2018
Payment of dividend	Monday, 22 January 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 17 January 2018 and Friday, 19 January 2018, both days inclusive.

On behalf of the board

T Eloff
Chairman

CE Schutte
Chief Executive Officer

Pretoria
15 November 2017

Goldi Chicken • Meadow – More than just feed • Festive • Tiger Animal Feeds – More than just feed • County Fair • CAL Labs • Mountain Valley • TIGERChicks • ROSS • MOZPINTOS • NationalChicks

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