



**Interim Results Presentation**  
for the six months ended 31 March 2014



- **Business Overview**
- **Poultry Industry Trends**
- **Financial Overview**
- **Industry Matters**
- **Prospects**
- **Q & A**







## ***Business Overview***

*Poultry Industry Trends*

*Financial Overview*

*Industry Matters*

*Prospects*

*Q & A*

## THE PERIOD IN PERSPECTIVE



- The past six months to end March 2014 reflects an improved performance compared to one of the worst trading periods experienced by the poultry industry in the prior year

### Financial Indicators

- Revenue
- Operating profit
- Headline earnings
- Interim dividend of 200 cps

11%

260%

308%

- Key factors that impacted the business:
  - Continued **high total poultry imports**, increasingly from Europe (October 2013 to March 2014  $\approx$  5.1 million birds per week which equals approximately 26% of local production – refer slides 31 and 32)
  - **Record high local maize prices** in February, March and April 2014 **not in line** with CBOT corn prices (refer slide 52)
  - **Record high local soya bean prices** for February, March and April 2014 (refer slide 27)
  - The **Rand remained weak** against the US Dollar negating any benefits of lower CBOT corn prices during 1H2014

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## THE PERIOD IN PERSPECTIVE



- A solid performance from the **Feed** division and an improved performance from the **Poultry** division have contributed positively to the Group's earnings
- The Group's integrated **best cost business model** proved its value with the business remaining profitable versus an industry that has in general struggled over the same period
- Further **contraction in the poultry industry** has been experienced with the closure of small-sized producers followed by consolidation of distressed assets
- Astral's balance sheet remains healthy with a **net debt to equity ratio** of 12.5% (30 September 2013: 15.5%)



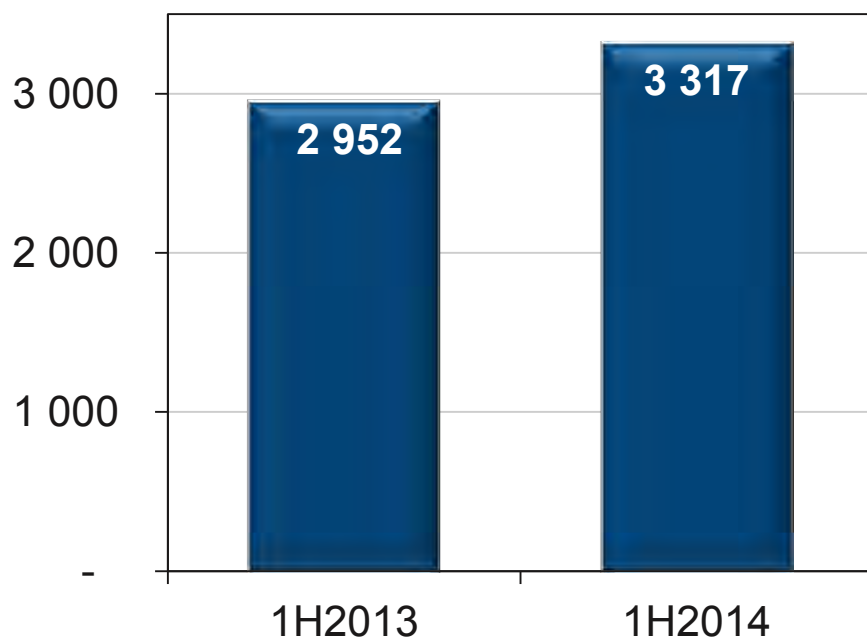


## ***Poultry Division***

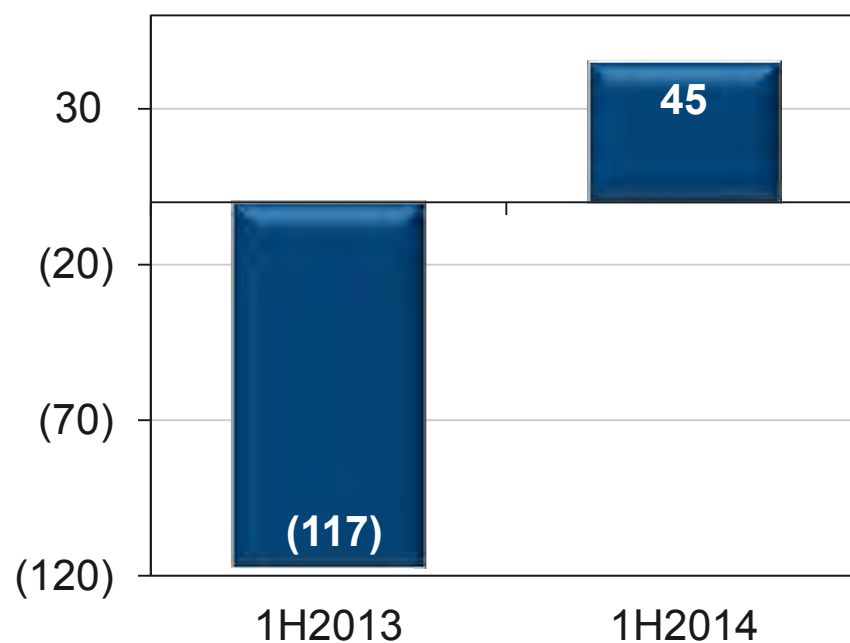
# POULTRY DIVISION - OVERVIEW



(Revenue - R million)



(Operating profit - R million)



- Revenue up 12%
  - ✦ Broiler volumes up 6.2%
  - ✦ Broiler realisations up 5.9%

- Operating profit up
  - ✦ Profit margin 1.4%
  - ✦ Feed costs down 3.2%



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## POULTRY DIVISION - OVERVIEW

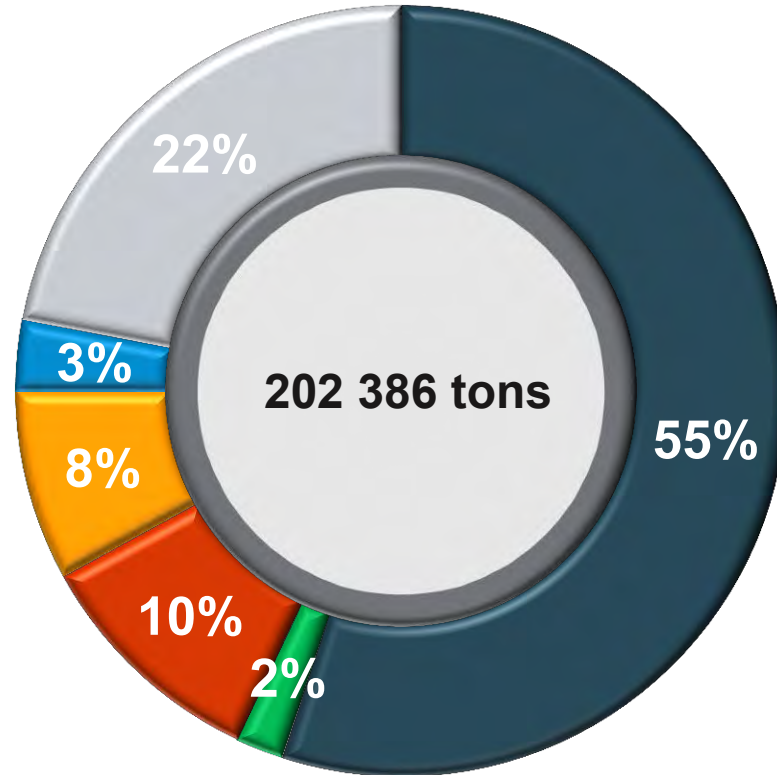


- Average broiler feed prices decreased by R150 per ton (down 3.2% vs 1H2013)
- Broiler sales volumes increased on the comparable period by 6.2%
- Broiler selling prices increased on the comparable period by 5.9%
- High total poultry imports during the period  $\approx$  5.1 million birds per week
- Improved broiler production performances (refer slides 11 and 12)
- Improvement in product mix with our exposure to IQF decreasing by 2% (slide 10)
- No industrial / strike related action impacting the division

# POULTRY DIVISION – SALES

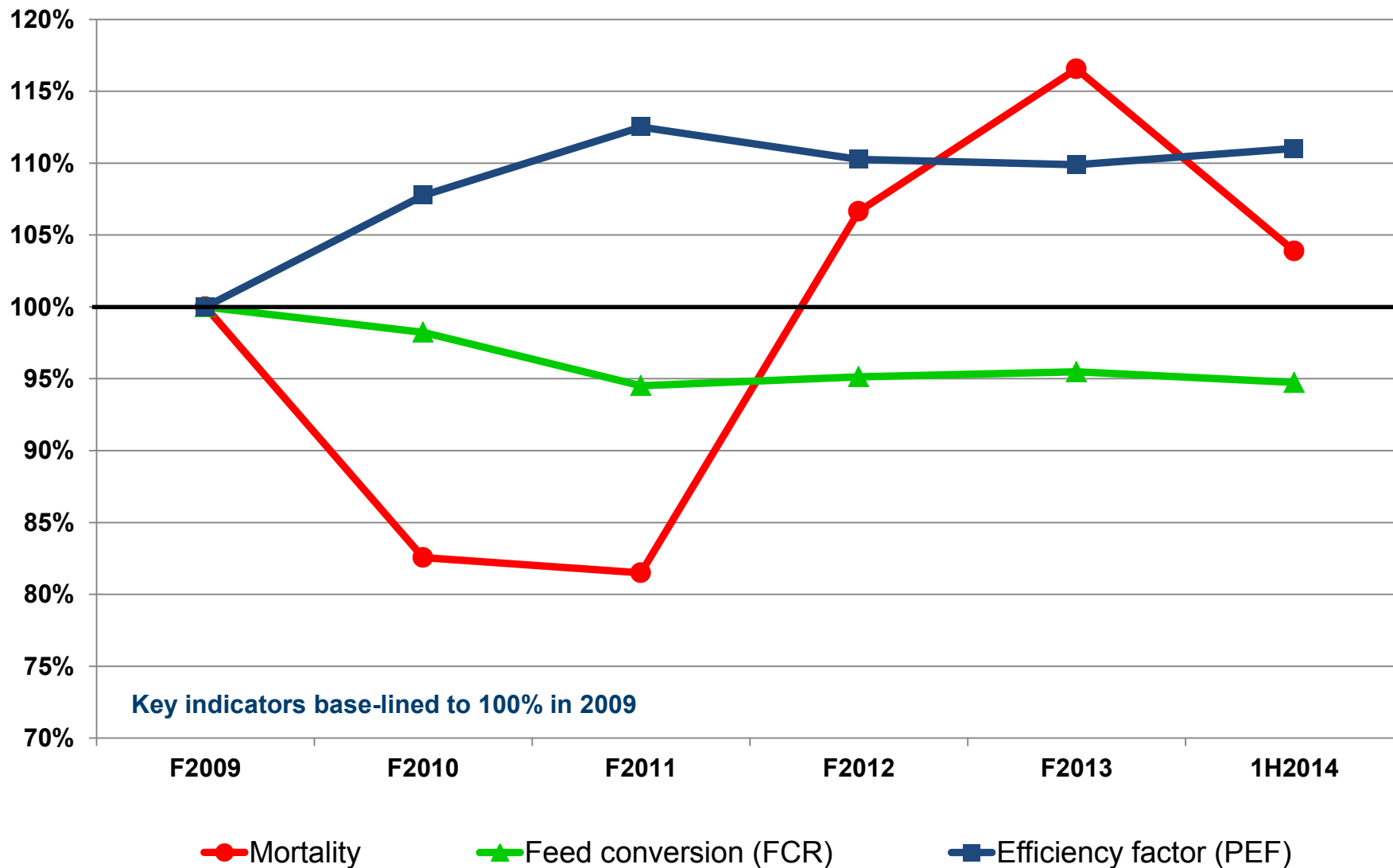


## Product Mix



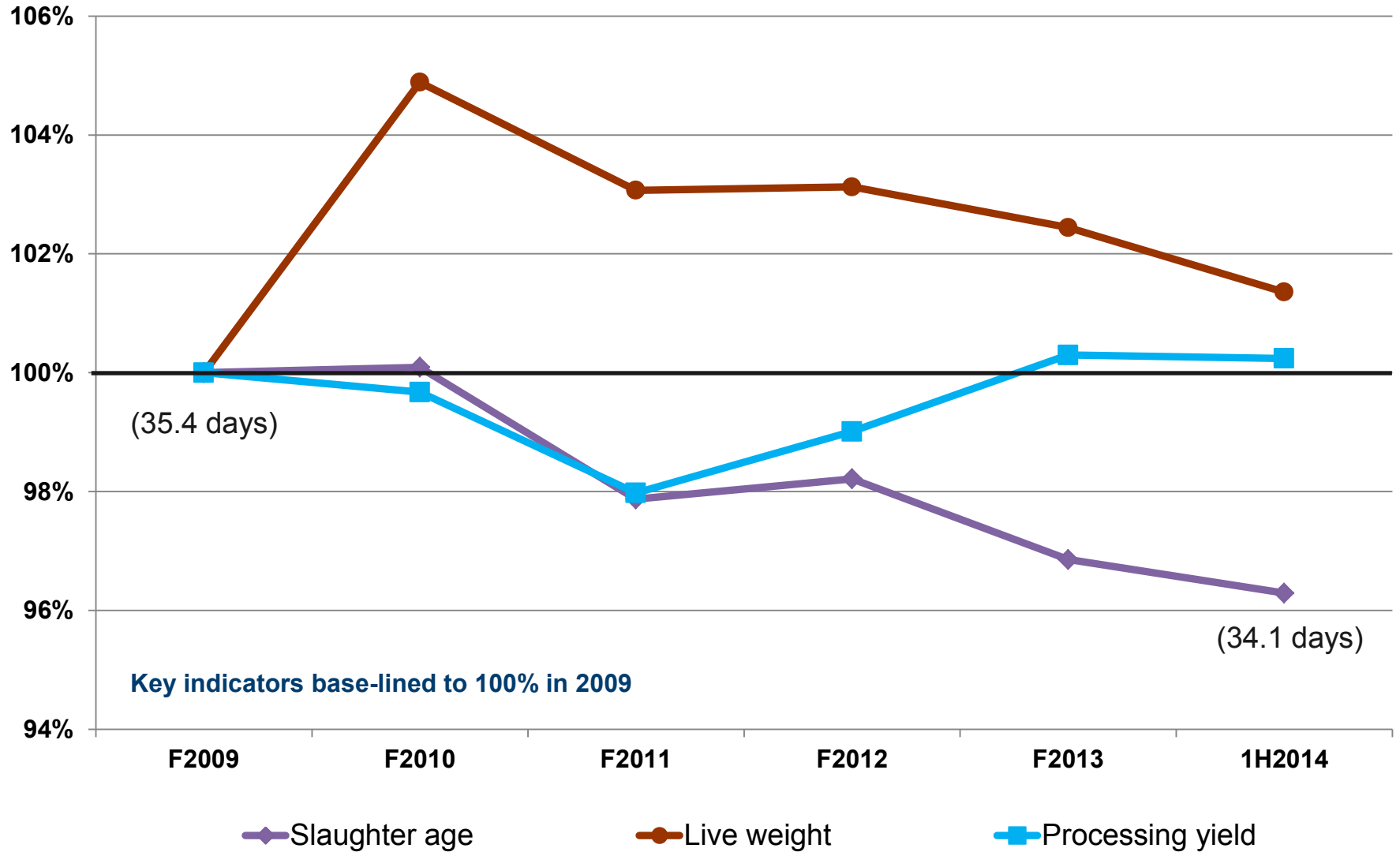
- IQF Mixed Portions
- IQF Single Portions
- Fresh
- Value Added
- Frozen
- Tertiary

# BROILER PRODUCTION PERFORMANCES





# BROILER PRODUCTION PERFORMANCES

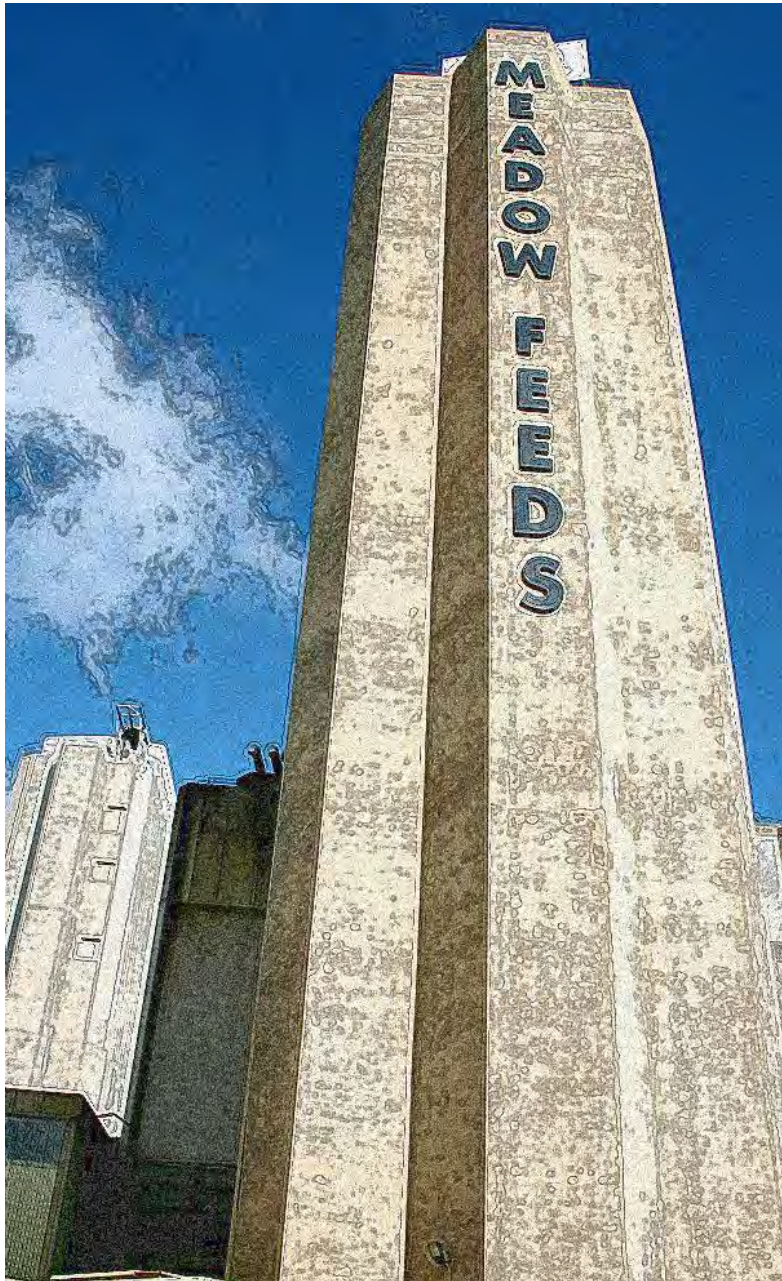


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## POULTRY DIVISION - PROSPECTS



- Projected **lower feed costs** into 2H2014 (versus 1H2014)
- Continued **realignment** of poultry production capacity to reduce costs
- Reduced heating / energy costs at County Fair with **LPG replacement project**
- **Bedding down** of major capital expenditure and **acquisitions** (KZN & WC)
- **Provisional anti-dumping duties** against EU expected in June / July 2014
- **County Fair / Tydstroom agreement** will enhance Astral's Western Cape footprint



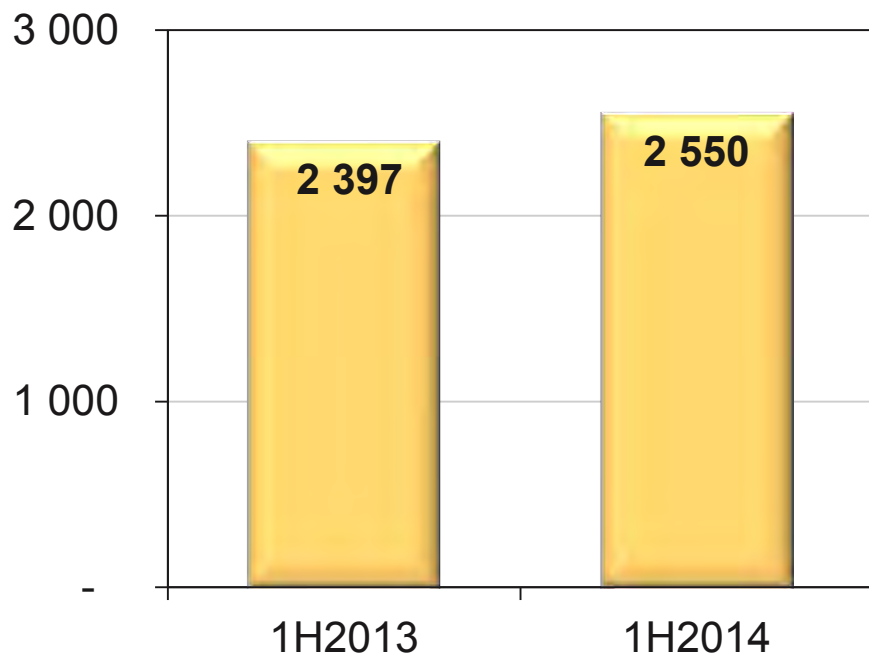
## *Feed Division*



# FEED DIVISION - OVERVIEW

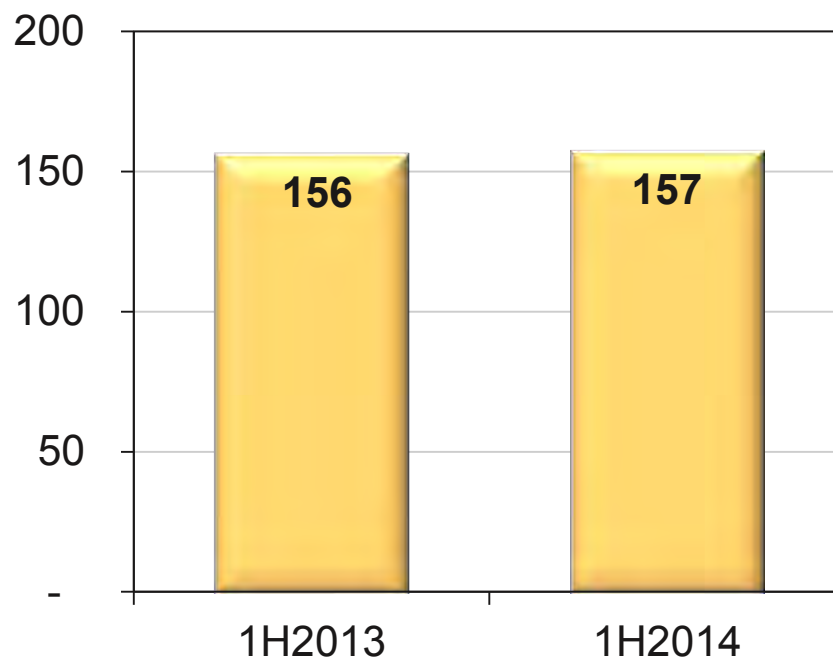


(Revenue - R million)



- Revenue up 6%
- ✦ Volumes up 4.1%
- ✦ Avg. realisations up 2.3%

(Operating profit - R million)



- Operating profit unchanged
- ✦ Profit margin at 6.2%
- ✦ Good Rand / ton margin

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## FEED DIVISION - OVERVIEW

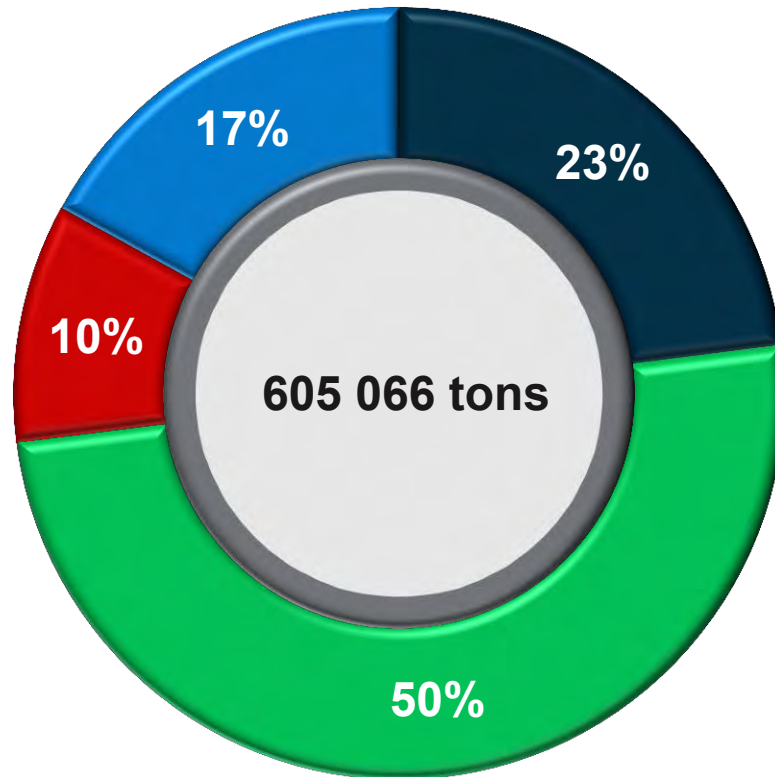


- Higher in-house feed volumes (up 7%) due to higher broiler placements
- External feed volumes increased by 1%
- Positive improvement in sales mix with higher Dairy and Pig feed sales
- Maintained good Rand per ton margin despite a competitive landscape
- Maintained cost increases in line with inflation
- Closure of non-performing Welkom feed mill

# FEED DIVISION – SALES



## Meadow Feeds - Sales Mix



■ Dairy   ■ Poultry Integrated   ■ Poultry External   ■ Other



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## FEED DIVISION - PROSPECTS



- **Increased acreage and good rainfall** should lead to crop in excess of 13 mil tons
- **Lower local price** for current **maize** harvest will benefit feed prices
- **International maize** balance sheet remains healthy
- Continued **focus** to implement new **cost saving technologies**
- Focus on **Rand per ton margins** to continue
- **New Standerton feed mill** margin contribution in Q4 of F2014

# NEW STANDERTON FEED MILL



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## NEW STANDERTON FEED MILL



- Delays in the commissioning of the feed mill have been experienced due to rain (8 weeks) experienced over the project duration
- Recent unforeseen late equipment deliveries have impacted the commissioning
- Commissioning process scheduled for June 2014
- Forecast total project costs are in line with approved budget of R200 million
- Broiler feed volumes of 15 208 tons per month will fully accrue in Q4 of F2014
- Official opening ceremony set for **17 July 2014**



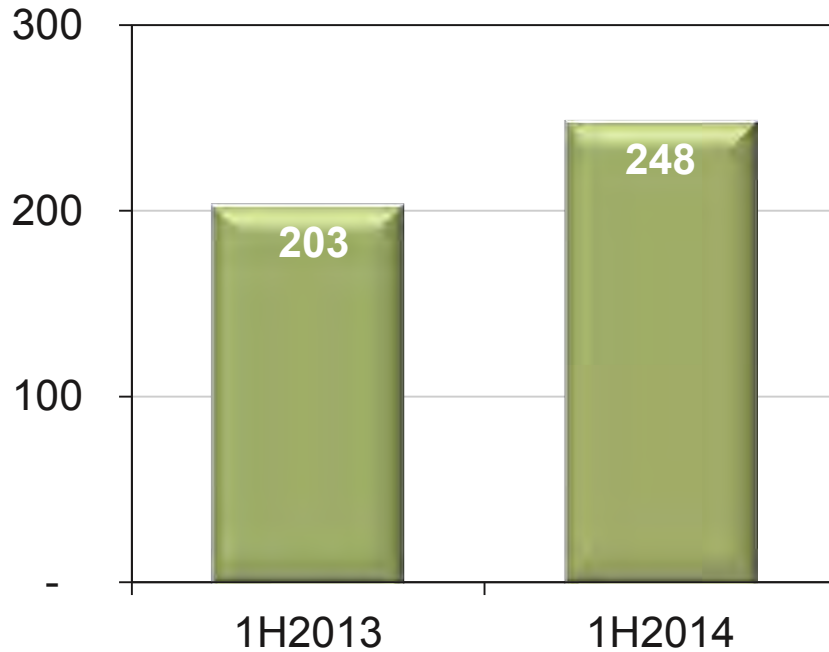
## *Other Africa Division*



# OTHER AFRICA DIVISION - OVERVIEW

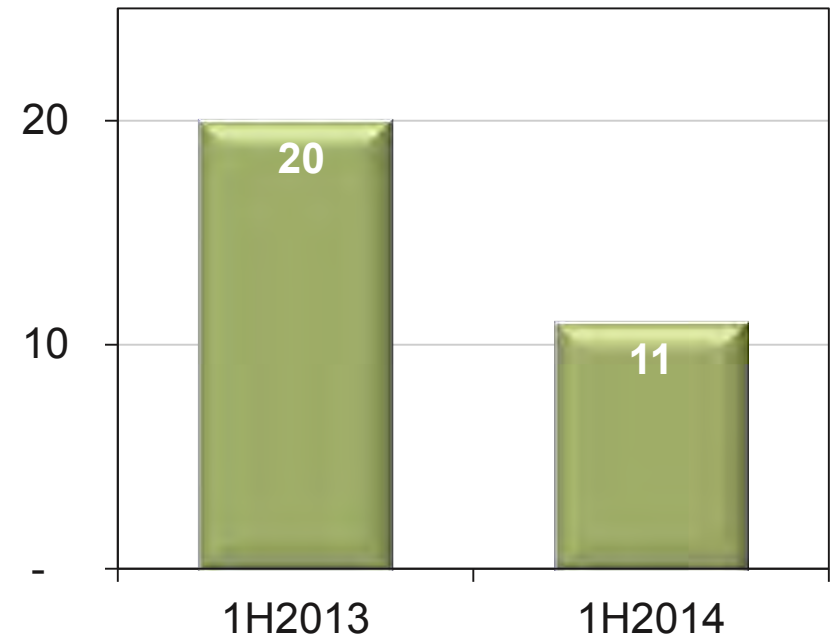


(Revenue - R million)



- Revenue up 22%
- ✦ Feed volumes unchanged
- ✦ Hatchery volumes up 18%

(Operating profit - R million)



- Operating profit down 44%
- ✦ Zambian performance down
- ✦ Moz operations performed well



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## OTHER AFRICA DIVISION - OVERVIEW



### Zambia

- Feed sales from Tiger Animal Feeds decreased 8% for the period due to increased market competition
- Profitability at Tiger Animal Feeds impacted negatively by unfavourable raw material positions and stock mismanagement
- The double up of the Tiger Chicks broiler breeder and hatchery operation has been successfully concluded and producing up to 200 000 DOC in March 2014

### Mozambique

- Feed sales increased by 43% and profitability by 70% following improved market penetration
- The first *Indian River* broiler breeders were placed in January 2014 at Mozpintos, with the hatchery increasing capacity from 65 000 to 152 000 DOC per week by July 2014

### Zambia

- Current harvest **maize and soya prices are lower** with Tiger Animal Feeds well positioned to take advantage of these
- **Increased sales of day old chicks** from the double up of the hatchery and broiler breeder operation
- The continued expansion of feed and day old chick outlets will improve product availability and **competitive feed prices** direct to farm

### Mozambique

- The **production of hatching eggs** in Mozambique at a lower cost than imported hatching eggs will improve profitability
- Expanding into further feed and day old chick outlets will further **improve market penetration and sales** of both DOC and feed



*Business Overview*

***Poultry Industry Trends***

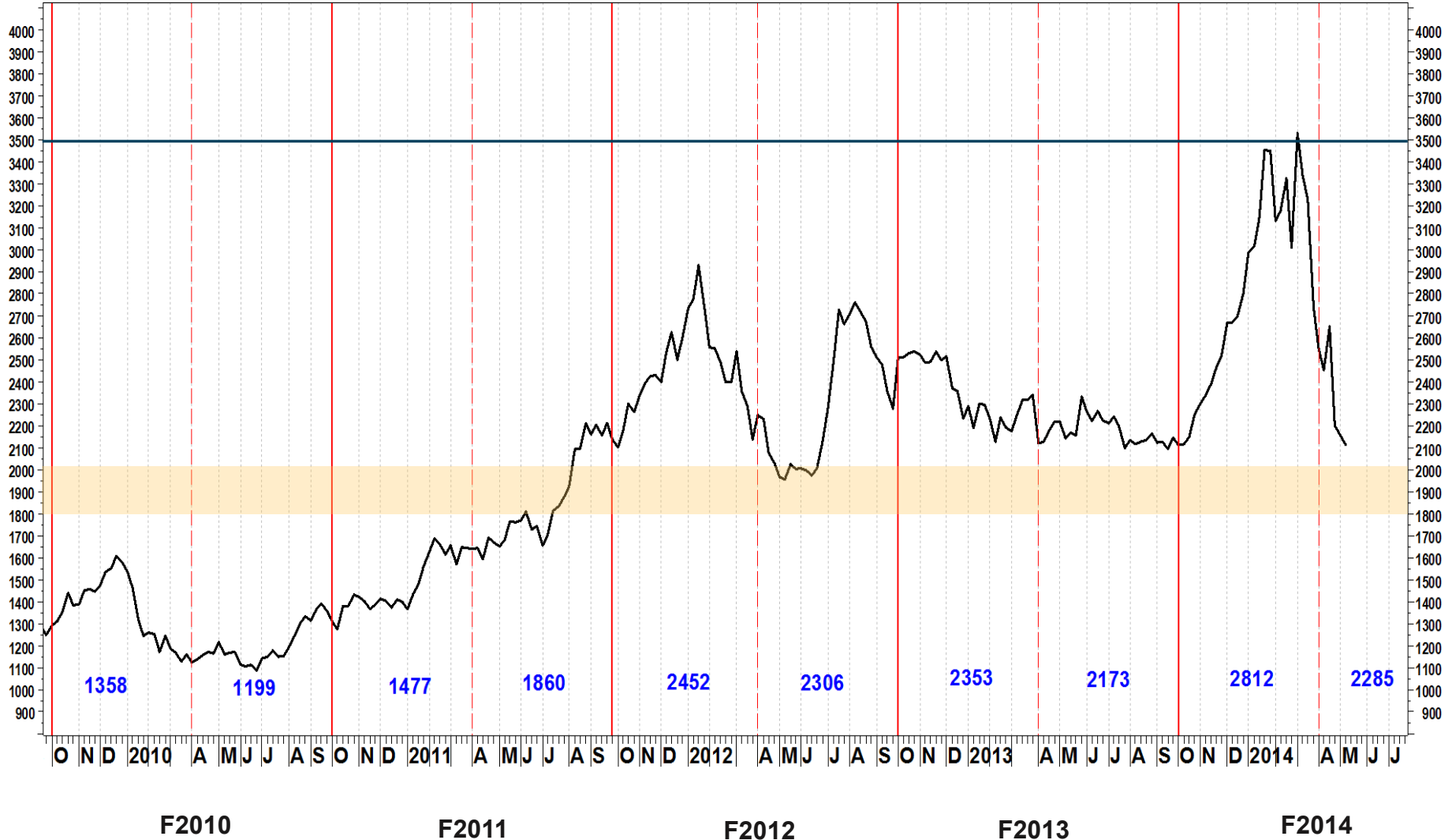
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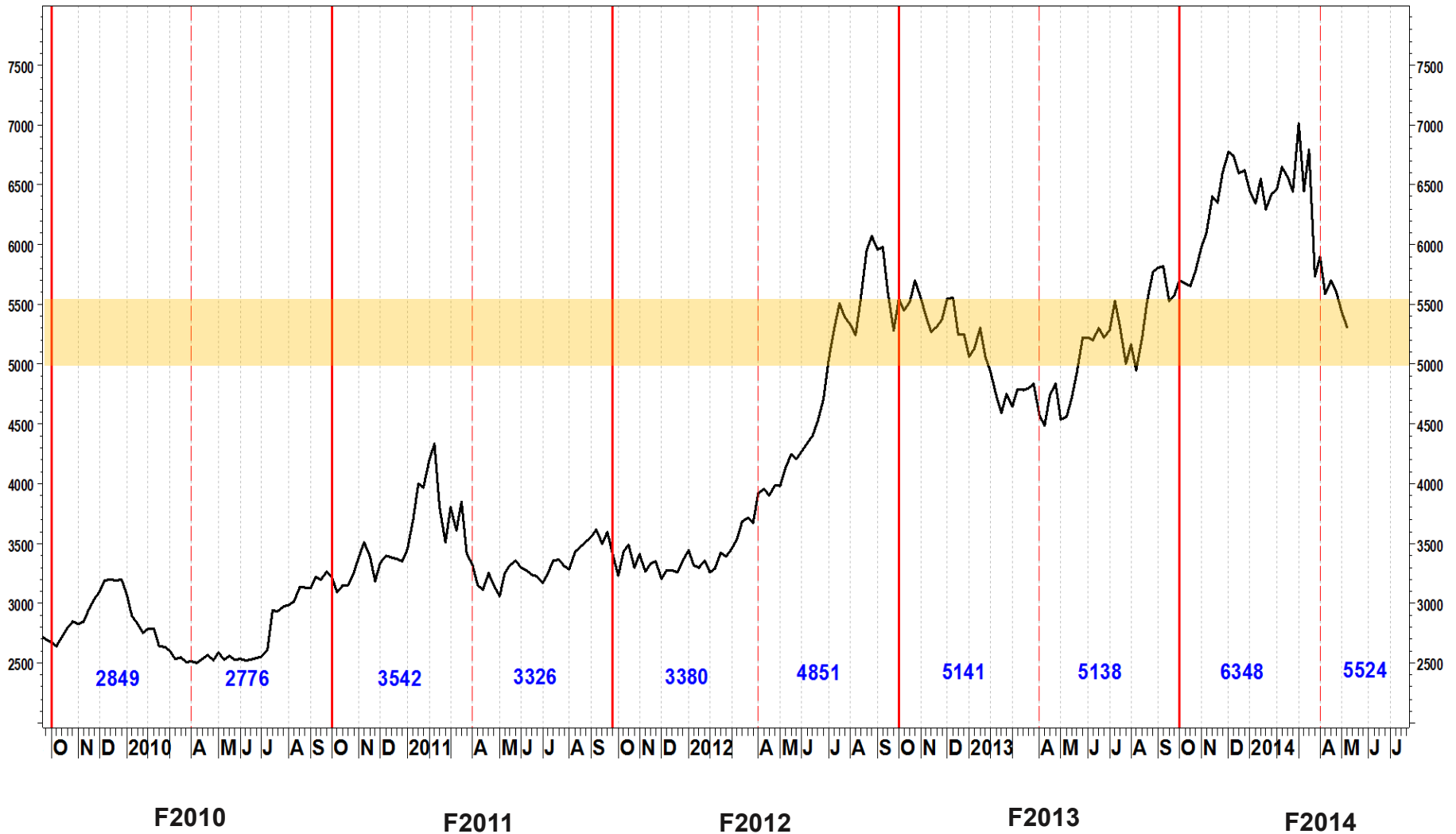
**Q & A**

# SAFEX YELLOW MAIZE PRICE



Source: CJA Strategic Risk Brokers

# SAFEX SOYA BEANS PRICE



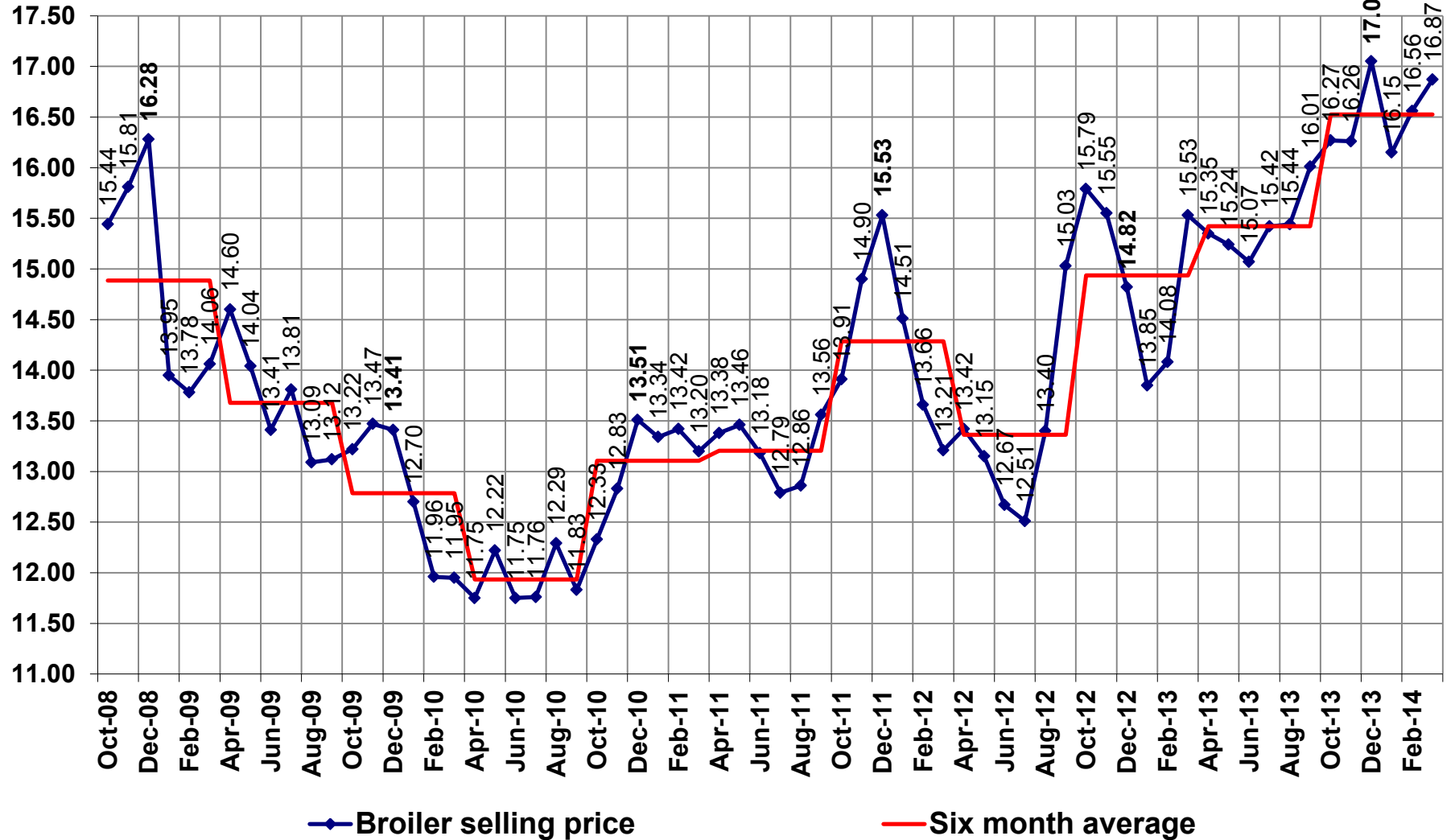
Source: CJA Strategic Risk Brokers



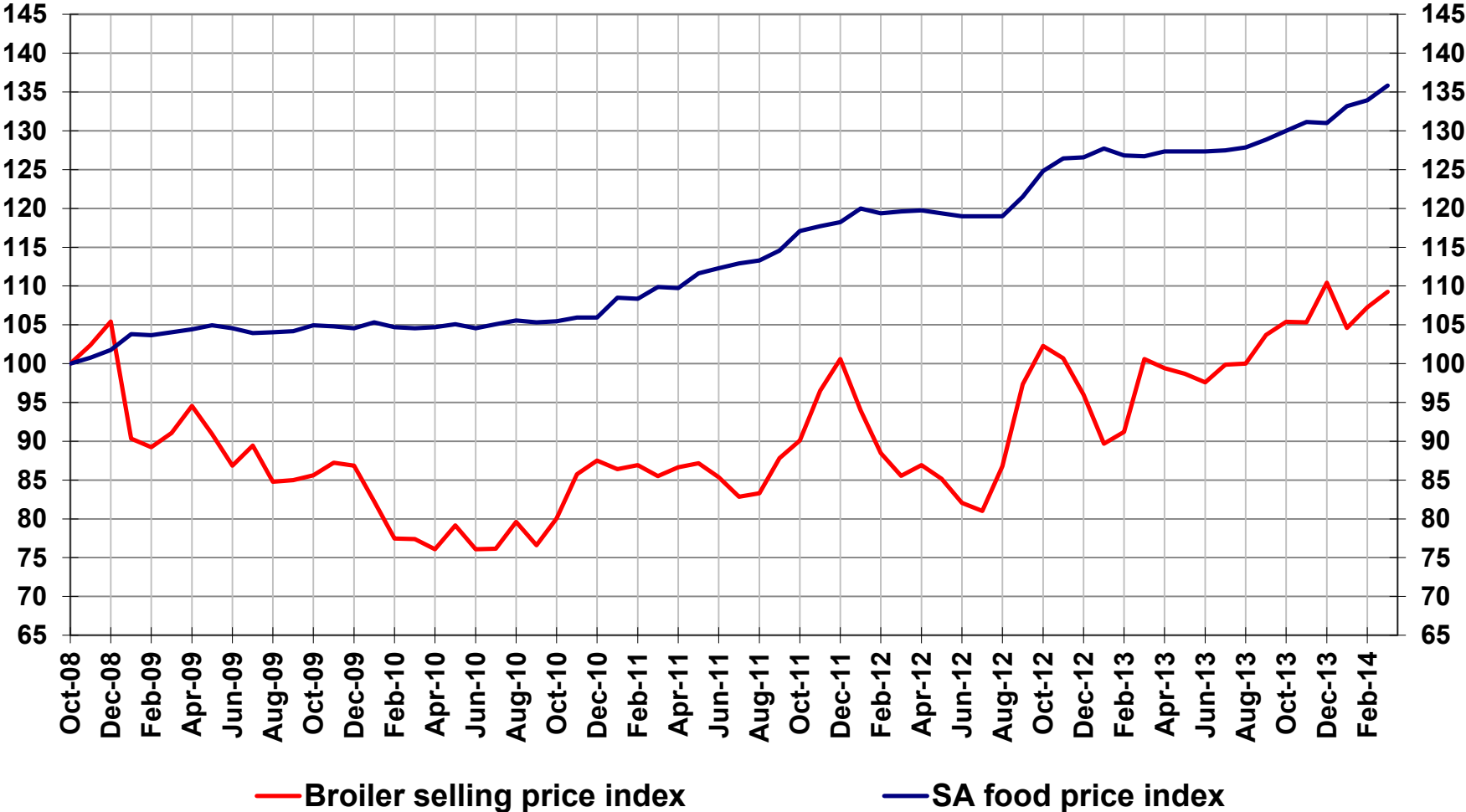
# INDUSTRY BROILER SELLING PRICES



Rand per kilogram

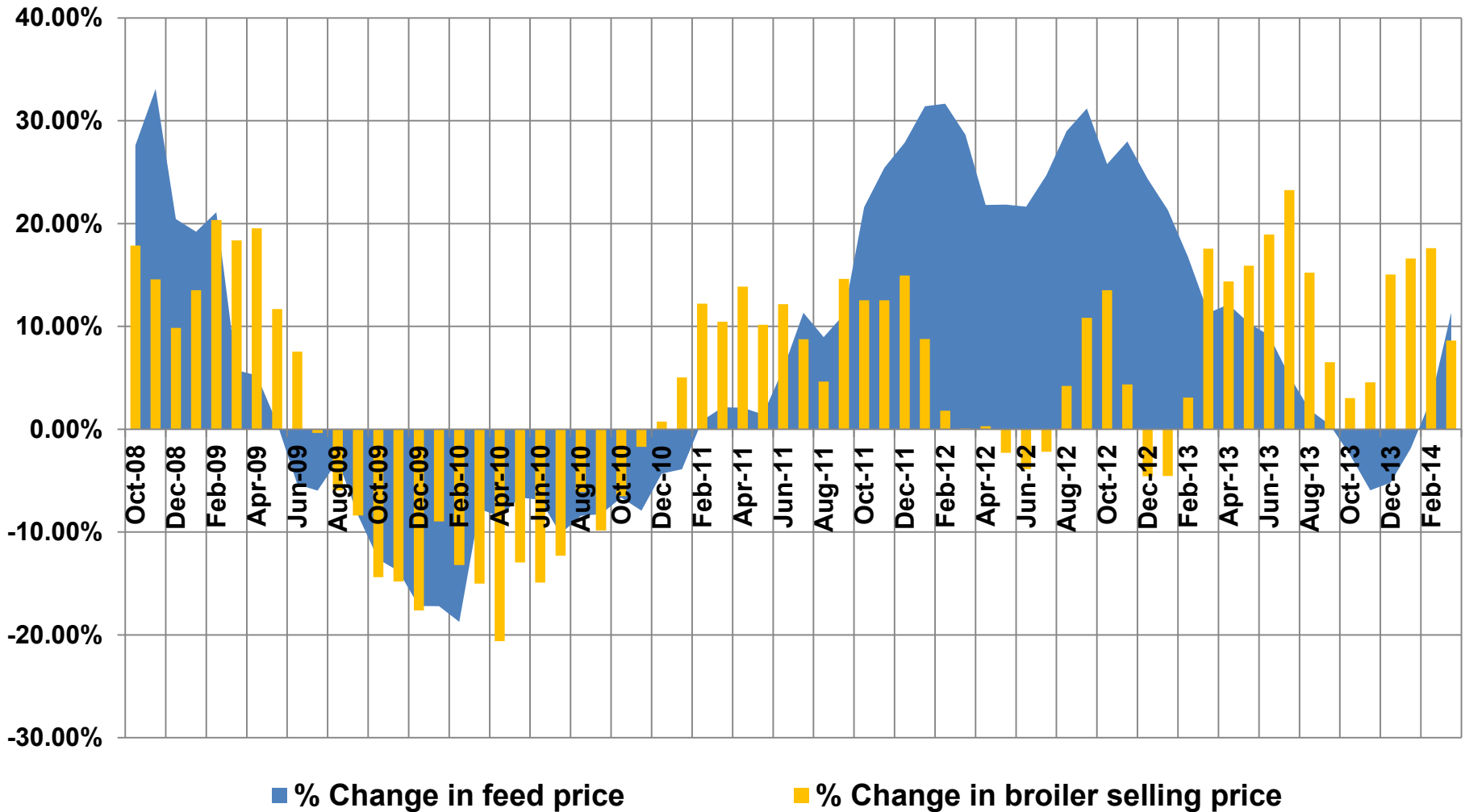


# BROILER PRICE vs. FOOD PRICE INFLATION



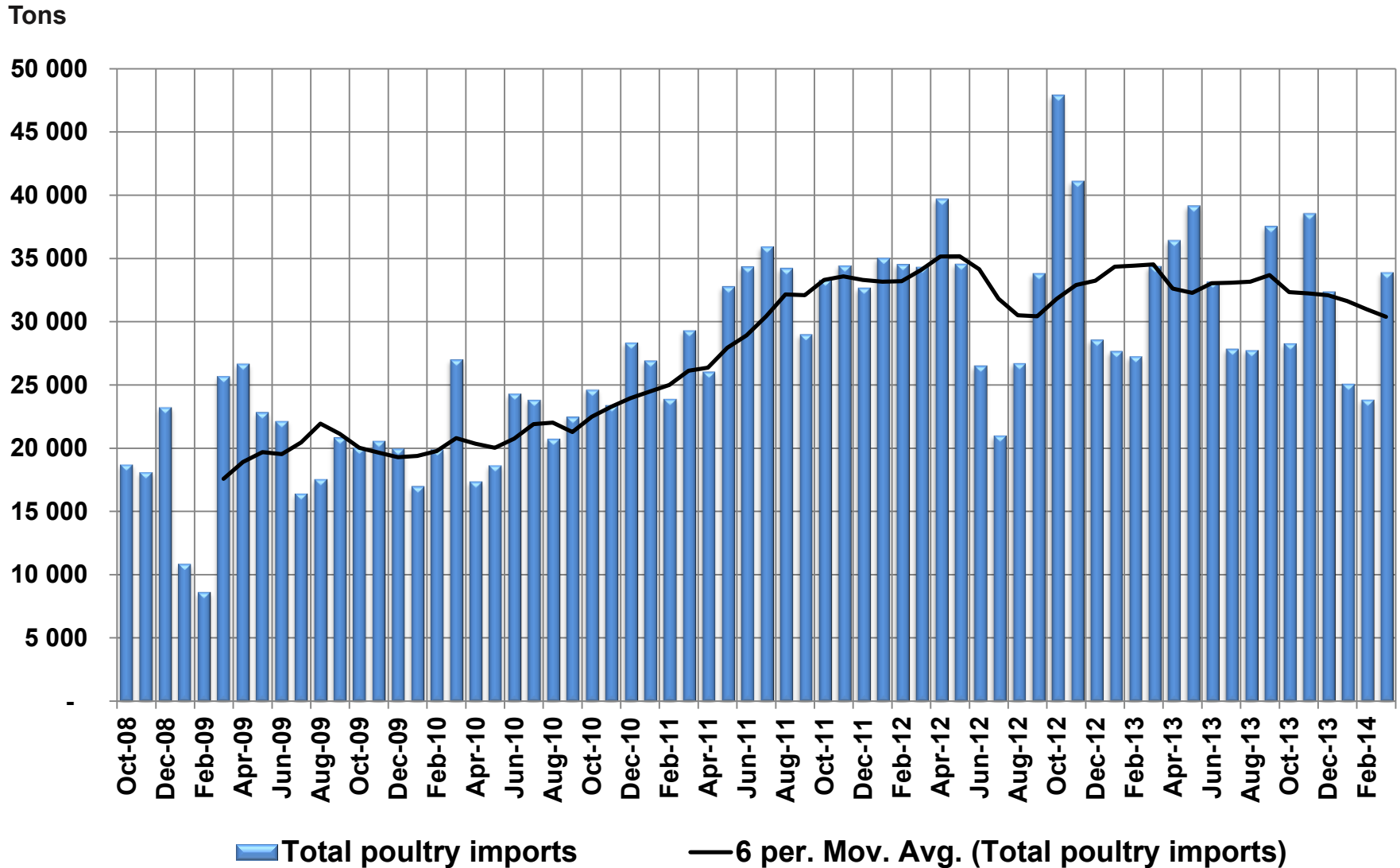
Source: SAPA & CJA Strategic Risk Brokers

# CHANGE IN BROILER SELLING PRICE VS. FEED PRICE



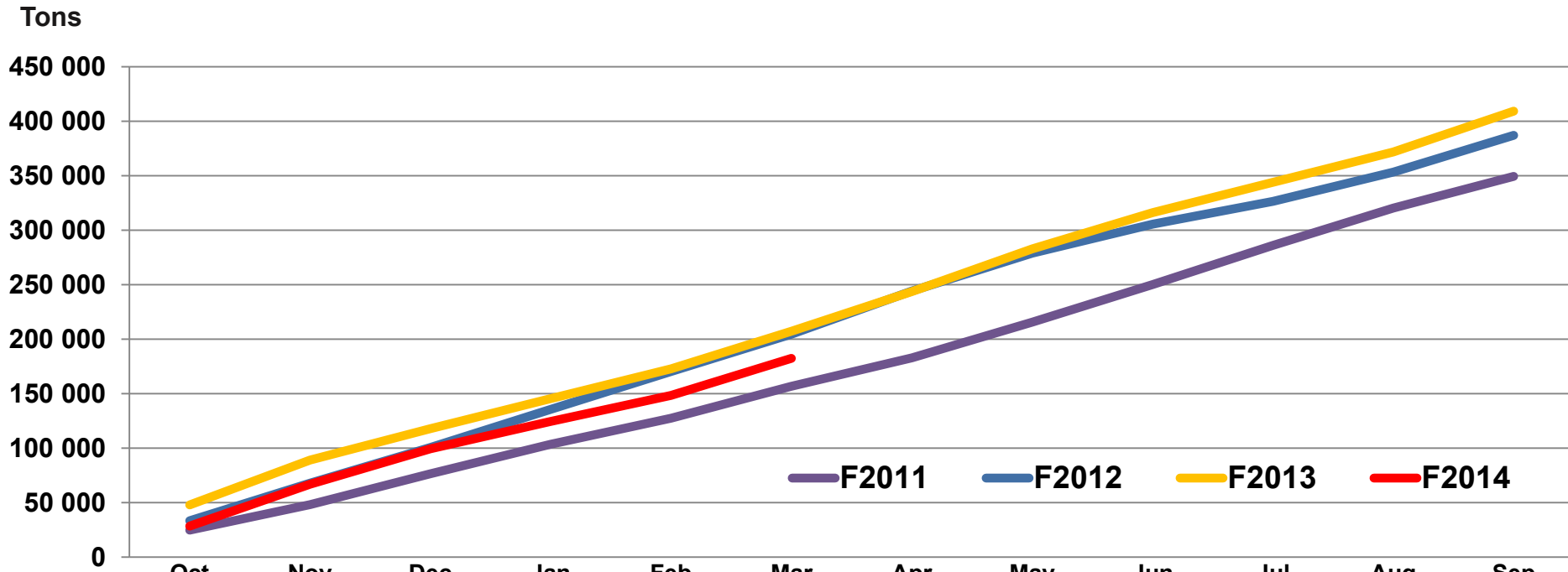
Source: SAPA & Own Data

# TOTAL POULTRY IMPORTS PER MONTH



Source: SAPA

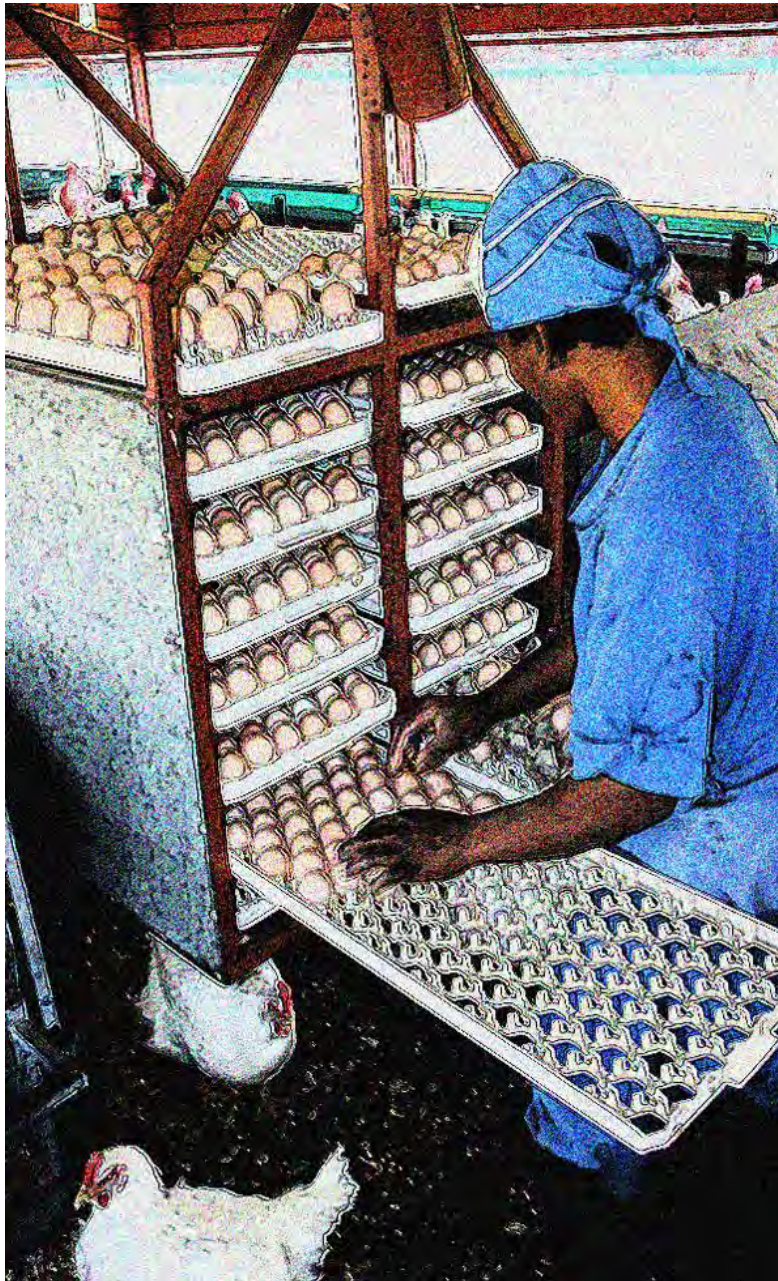
# TOTAL POULTRY IMPORTS (CHICKEN, TURKEY, MDM)



	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
F2011	24 684	48 108	76 511	103 474	127 429	156 795	182 871	215 684	250 081	286 051	320 321	349 364
F2012	33 348	67 819	100 540	135 614	170 194	204 560	244 296	278 914	305 472	326 520	353 296	387 173
F2013	47 942	89 095	117 712	145 426	172 727	207 148	243 623	282 813	316 007	343 903	371 703	409 286
F2014	28 334	66 922	99 325	124 469	148 367	182 309						
F2013	47 492	41 153	28 617	27 714	27 301	34 421	36 475	39 190	33 194	27 896	27 962	37 518
F2014	28 334	38 588	32 403	25 144	23 898	33 942						
% Var	-40.3	-6.2	13.2	-9.3	-12.5	-1.4						
bpw*	4,7	6,4	5,4	4,2	4,0	5,6						

\*bpw ≈ million birds per week





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# ABRIDGED STATEMENT OF COMPREHENSIVE INCOME

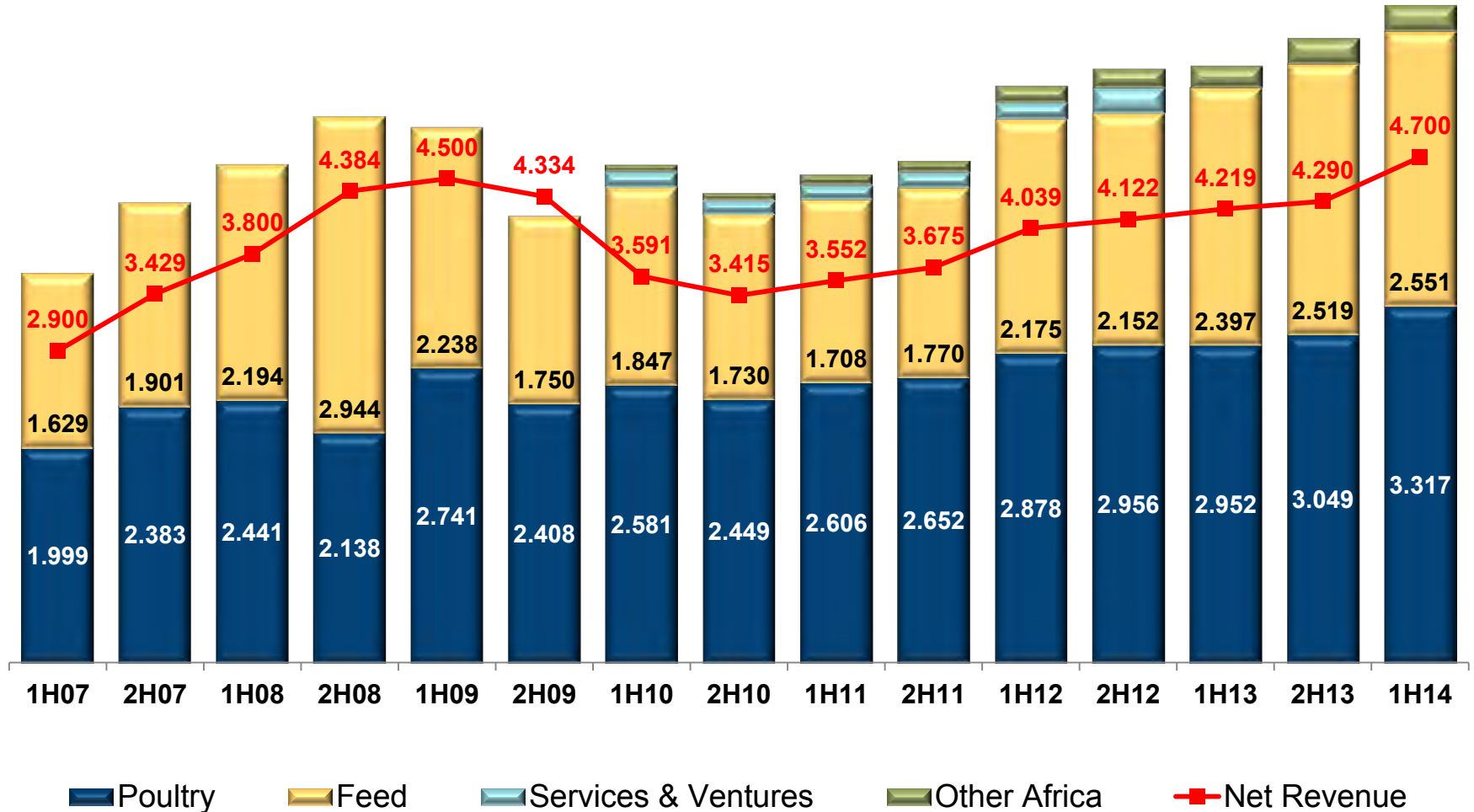


Six months ended 31 March	2014 R million	2013 R million	% change
Revenue	4 700	4 219	11%
Operating profit	213	59	260%
<i>Operating profit margin</i>	<b>4.5%</b>	1.4%	
Profit on sale of interest in associate	-	47	
Profit before interest and tax	213	106	101%
Net finance costs	(12)	(12)	
Share of profit of associates	2	5	
Profit before tax	203	99	105%
Tax	(58)	(25)	
Profit for the period	145	74	95%
<i>(Profit for the period : previously reported)</i>	-	107	35%
EPS – Cents (restated)	376	192	96%
<i>(EPS – Cents: previously reported)</i>	-	278	35%
HEPS – Cents	386	94	308%

# GROUP SIX MONTHLY REVENUE



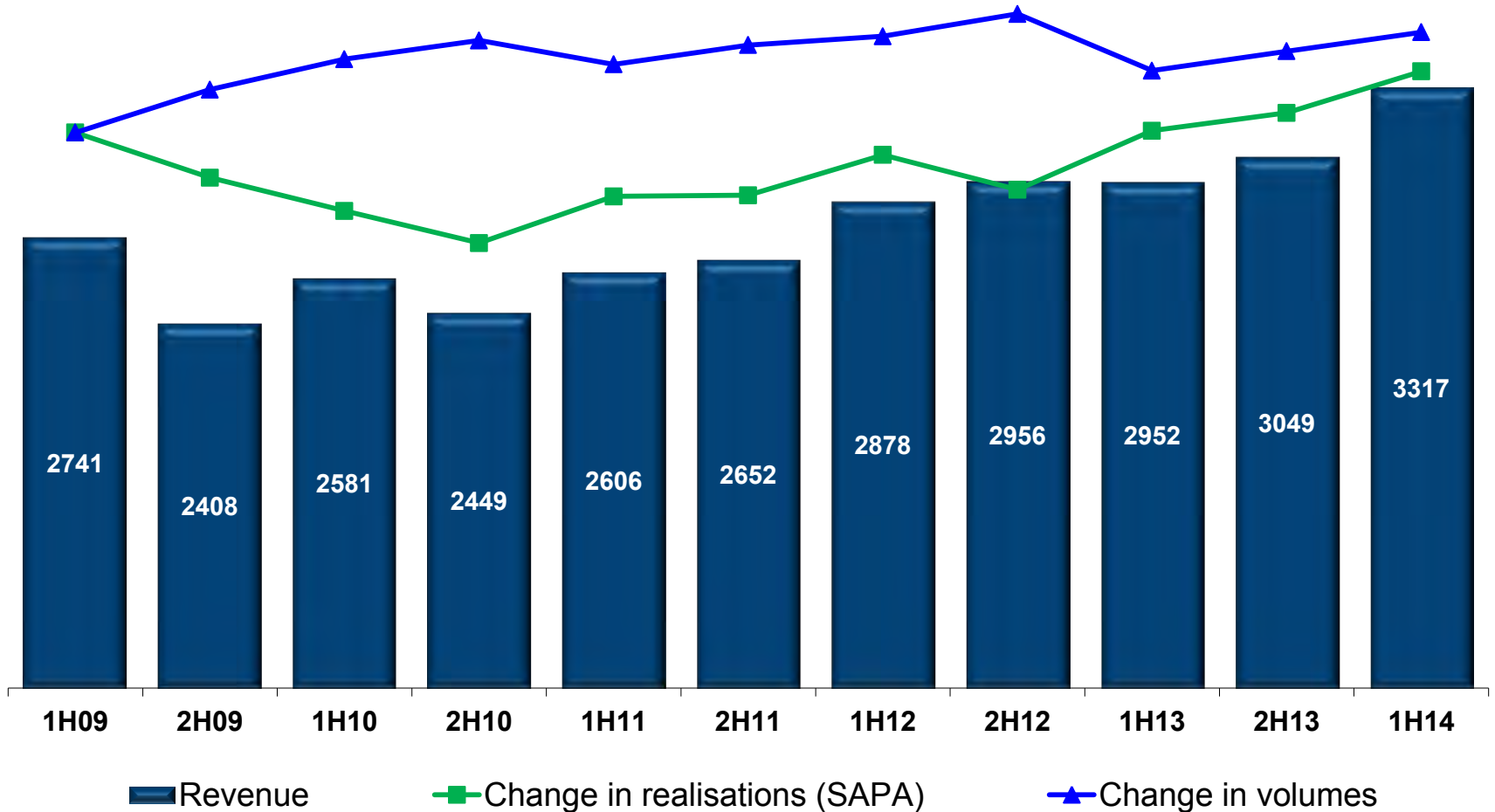
(R billion)



# POULTRY – SIX MONTHLY REVENUE



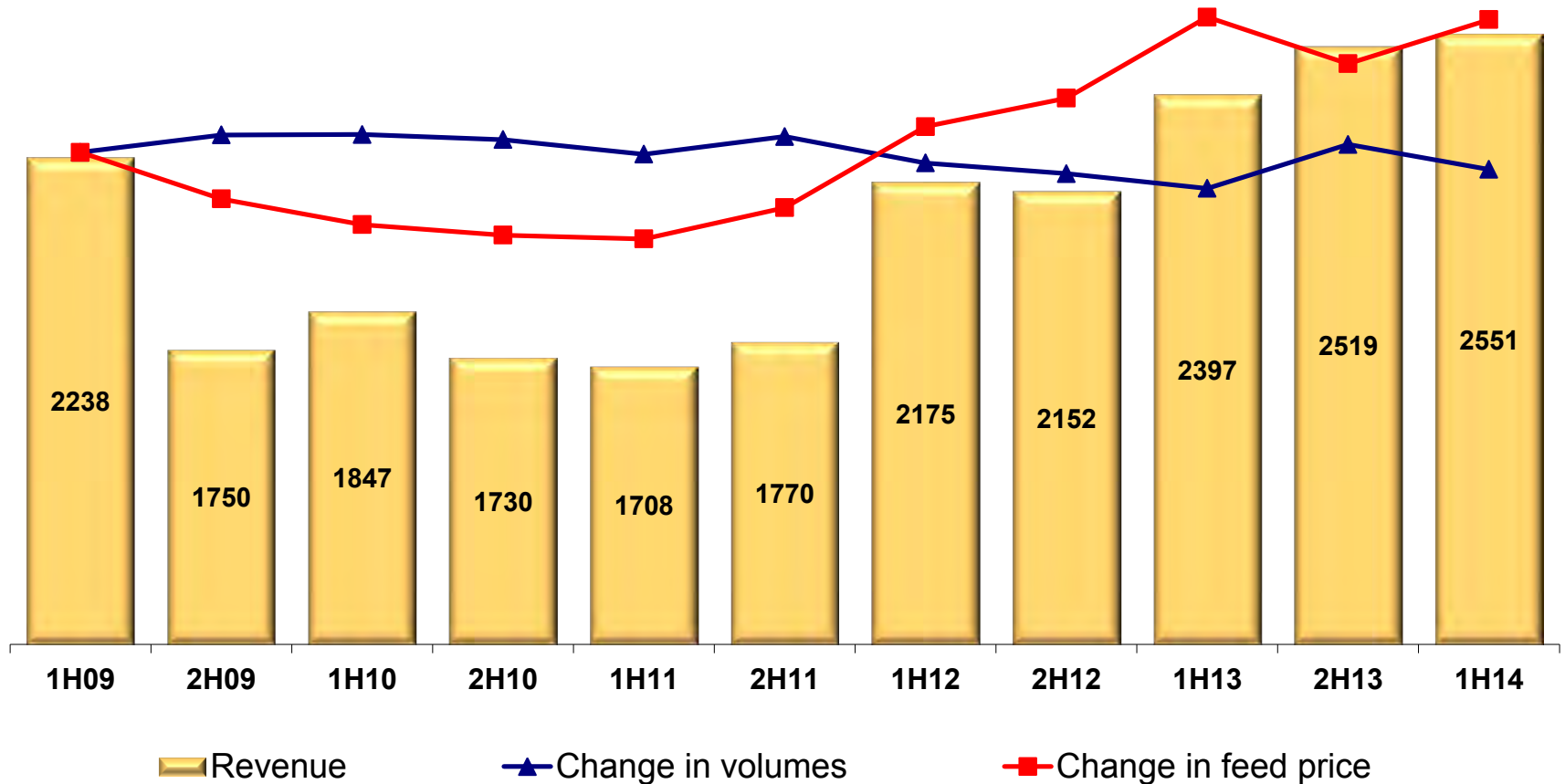
(R million)



# FEED – SIX MONTHLY REVENUE



(R million)

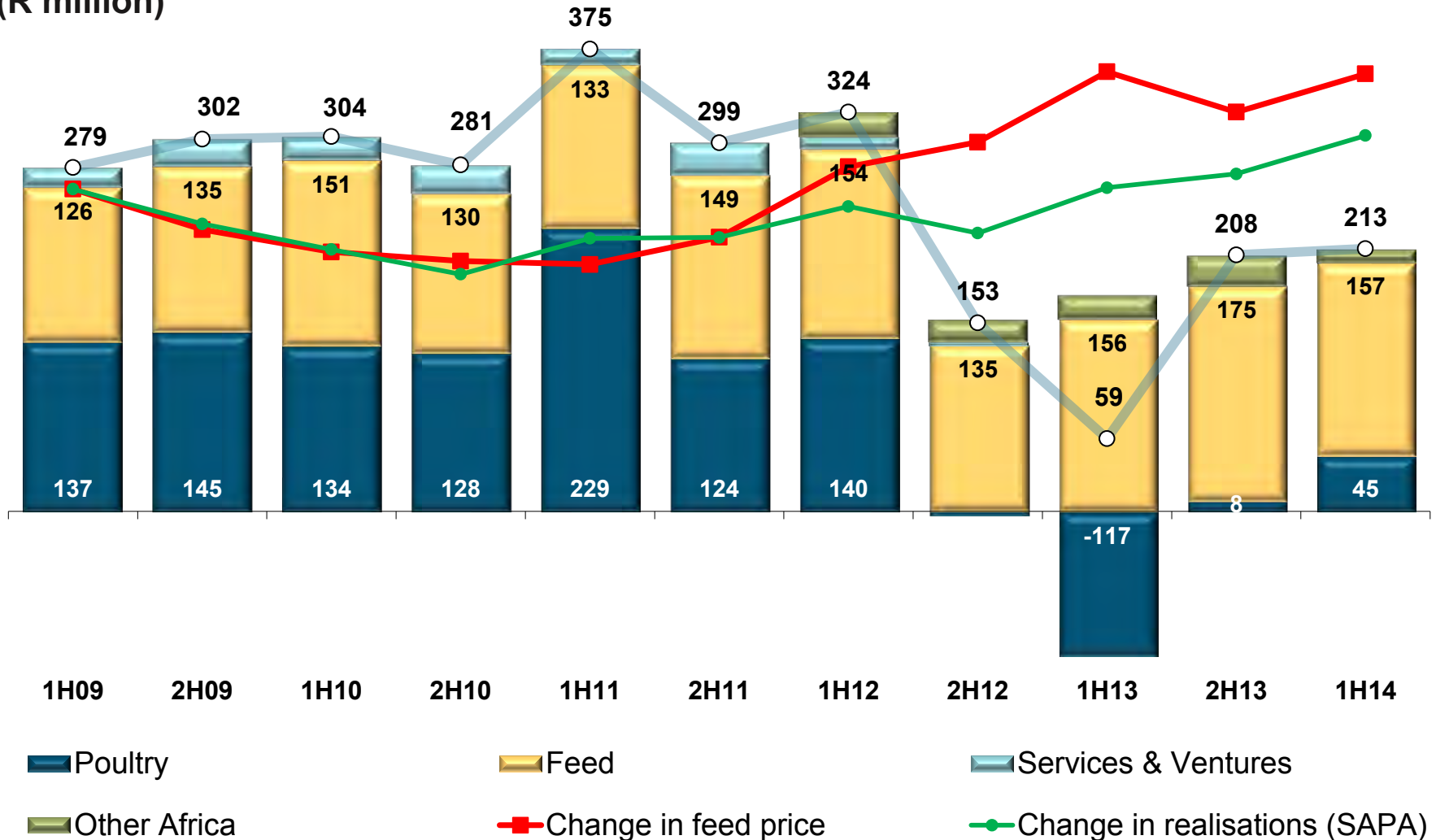




# GROUP SIX MONTHLY OPERATING PROFIT



(R million)







# ABRIDGED STATEMENT OF FINANCIAL POSITION



	Mar 2014 R million	Sep 2013 R million	% change
Non-current assets (Sep 2013 restated: previously R2 016 million)	2 060	1 983	↑ 4%
Net working capital	427	486	↓ 12%
Current assets (excl. cash)	1 996	1845	↑ 8%
Current liabilities (excl. borrowings)	(1 569)	(1 359)	↑ 15%
Non-current liabilities (excl. borrowings)	(520)	(511)	↑ 2%
Net assets	1 967	1 958	↑ 0.5%
Net debt	218	263	↓ 17%
▪ Structured debt	234	185	
▪ Cash and cash equivalents	(16)	78	
Equity (Sep 2013 restated: previously R1 725 million)	1 749	1 695	↑ 3%
Total	1 967	1 958	↑ 0.5%

# CASH FLOW



For the six months ended 31 March	2014 R million	2013 R million	
Cash operating profit	287	122	
Working capital requirement	58	(89)	
	345	33	
Tax paid	(52)	(15)	
Net interest paid	(19)	(15)	
Capital expenditure	(150)	(104)	
Finance received - loans	49	85	
Other cash flow items	5	-	
Cash flow before financing activities	178	(16)	
Dividends paid	(85)	(128)	
Movement in cash equivalents	93	(144)	
Disposals (PPE and investments)	1	67	
Opening balance	(78)	(77)	
Closing balance	16	(154)	

# CAPITAL EXPENDITURE



Six months ended 31 March	2014 R million	2013 R million
Depreciation	69	60
<ul style="list-style-type: none"> <li>▪ Replacement capex</li> <li>▪ Expansion capex - other                             <ul style="list-style-type: none"> <li>- new feed mill</li> </ul> </li> </ul>	74 41 41	36 14 58
Total capex spent	156	108
Commitments <ul style="list-style-type: none"> <li>- other</li> <li>- County Fair expansion</li> <li>- new feed mill</li> </ul>	148 81 31	
Total spent and committed	416	

- Improvement in Poultry division performance continued
- Cash flow for the period positive
- Net debt to equity ratio of 12,5% (30 September 2013: 15,5%)
- Substantial reinvestment in business for future benefit (R1,2 billion over past three years including commitments)
- Interim dividend of 200 cents per share declared





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- Market contraction continued with the closure of further small sized poultry producers
- Liquidation sales of distressed assets has resulted in consolidation
- Astral supports the requirement for regulatory control around brining, however the 15% brining level should be debated
- Provisional EU anti-dumping measures are expected in June / July 2014
- Approval has been granted by DAFF for the importation of maize from Argentina as an alternative source during local shortages





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The **slowing level of growth in the economy** and **higher unemployment** levels will continue to **depress consumer spending**. This, coupled with other factors like **industrial action in the mining sector**, will continue to **impact profit margins** in the industry.

There will be **a good maize crop** in South Africa with an expected **softening in grain prices in the coming six months** off the highs of the past reporting period. This will benefit feed prices and broiler production costs.

If the **SAPA application to ITAC for anti-dumping duties against the EU** is successful, this will go some way to **improving the imbalance** in the **supply and demand of chicken**.



**“Astral’s strategy is to be the best cost integrated poultry producer in selected African countries”**







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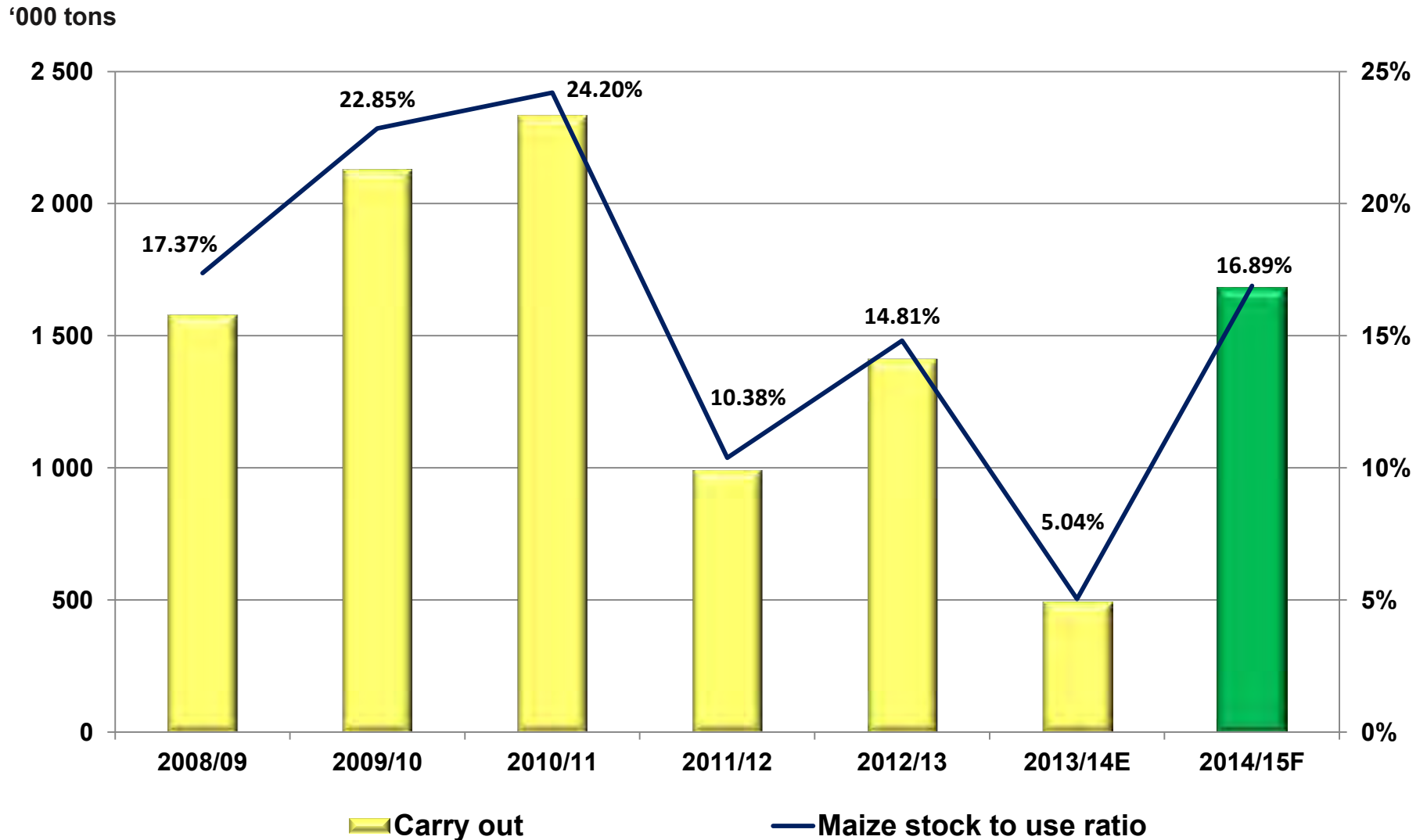
## *Additional Information*

# SOUTH AFRICA - TOTAL MAIZE SUPPLY & DEMAND

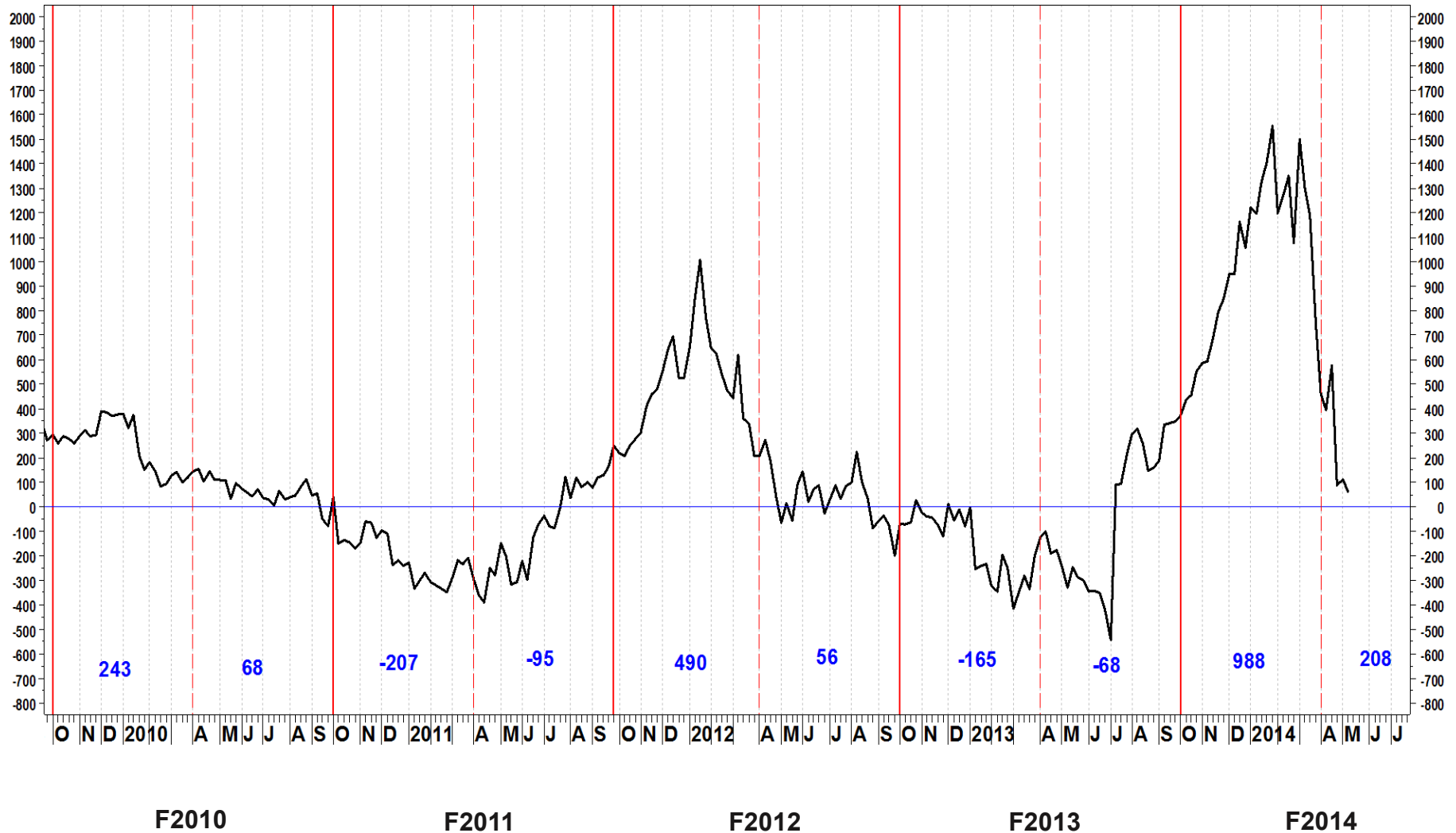


<i>Marketing year (May to April)</i>	<b>2008/09</b>	<b>2009/10</b>	<b>2010/11</b>	<b>2011/12</b>	<b>2012/13</b>	<b>2013/14E</b>	<b>2014/15F</b>
<i>'000 tons</i>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Estimate</b>	<b>Forecast</b>
<b>Carry In (1 May)</b>	<b>1 049</b>	<b>1 581</b>	<b>2 131</b>	<b>2 336</b>	<b>991</b>	<b>1 414</b>	<b>496</b>
<b>Crop Estimate</b>	<b>12 700</b>	<b>12 050</b>	<b>12 815</b>	<b>10 360</b>	<b>12 121</b>	<b>11 811</b>	<b>13 545</b>
<b>Sagis Delivery</b>	<b>11 929</b>	<b>11 697</b>	<b>12 092</b>	<b>10 394</b>	<b>11 972</b>	<b>11 353</b>	<b>12 988</b>
<b>Minus early deliveries</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-842</b>	<b>-530</b>
<b>Imports</b>	<b>27</b>	<b>27</b>	<b>0</b>	<b>421</b>	<b>11</b>	<b>80</b>	<b>0</b>
<b>Total Supply</b>	<b>13 005</b>	<b>13 305</b>	<b>14 224</b>	<b>13 151</b>	<b>12 973</b>	<b>12 005</b>	<b>12 953</b>
<b>Domestic Usage Food</b>	<b>4 524</b>	<b>4 471</b>	<b>4 513</b>	<b>4 512</b>	<b>4 499</b>	<b>4 615</b>	<b>4 700</b>
<b>Domestic Usage Feed</b>	<b>4 020</b>	<b>4 101</b>	<b>4 271</b>	<b>4 362</b>	<b>4 378</b>	<b>4 550</b>	<b>4 600</b>
<b>Gristing, withdrawn &amp; released</b>	<b>562</b>	<b>755</b>	<b>866</b>	<b>693</b>	<b>674</b>	<b>672</b>	<b>664</b>
<b>Total Domestic Usage</b>	<b>9 106</b>	<b>9 327</b>	<b>9 650</b>	<b>9 567</b>	<b>9 551</b>	<b>9 837</b>	<b>9 964</b>
<b>Exports &amp; Sundries</b>	<b>2 318</b>	<b>1 847</b>	<b>2 238</b>	<b>2 590</b>	<b>2 008</b>	<b>2 203</b>	<b>1 886</b>
<b>Plus early deliveries</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>530</b>	<b>580</b>
<b>Carry Out (30 Apr)</b>	<b>1 581</b>	<b>2 131</b>	<b>2 336</b>	<b>994</b>	<b>1 414</b>	<b>496</b>	<b>1 683</b>
<b>No of days usage</b>	<b>63</b>	<b>83</b>	<b>88</b>	<b>38</b>	<b>54</b>	<b>18</b>	<b>62</b>
<b>STU</b>	<b>17.37%</b>	<b>22.85%</b>	<b>24.20%</b>	<b>10.38%</b>	<b>14.81%</b>	<b>5.04%</b>	<b>16.89%</b>

# RSA MAIZE CARRY OUT AND STOCK TO USE RATIO



# SAFEX YELLOW MAIZE vs. CBOT CORN IN RAND TERMS



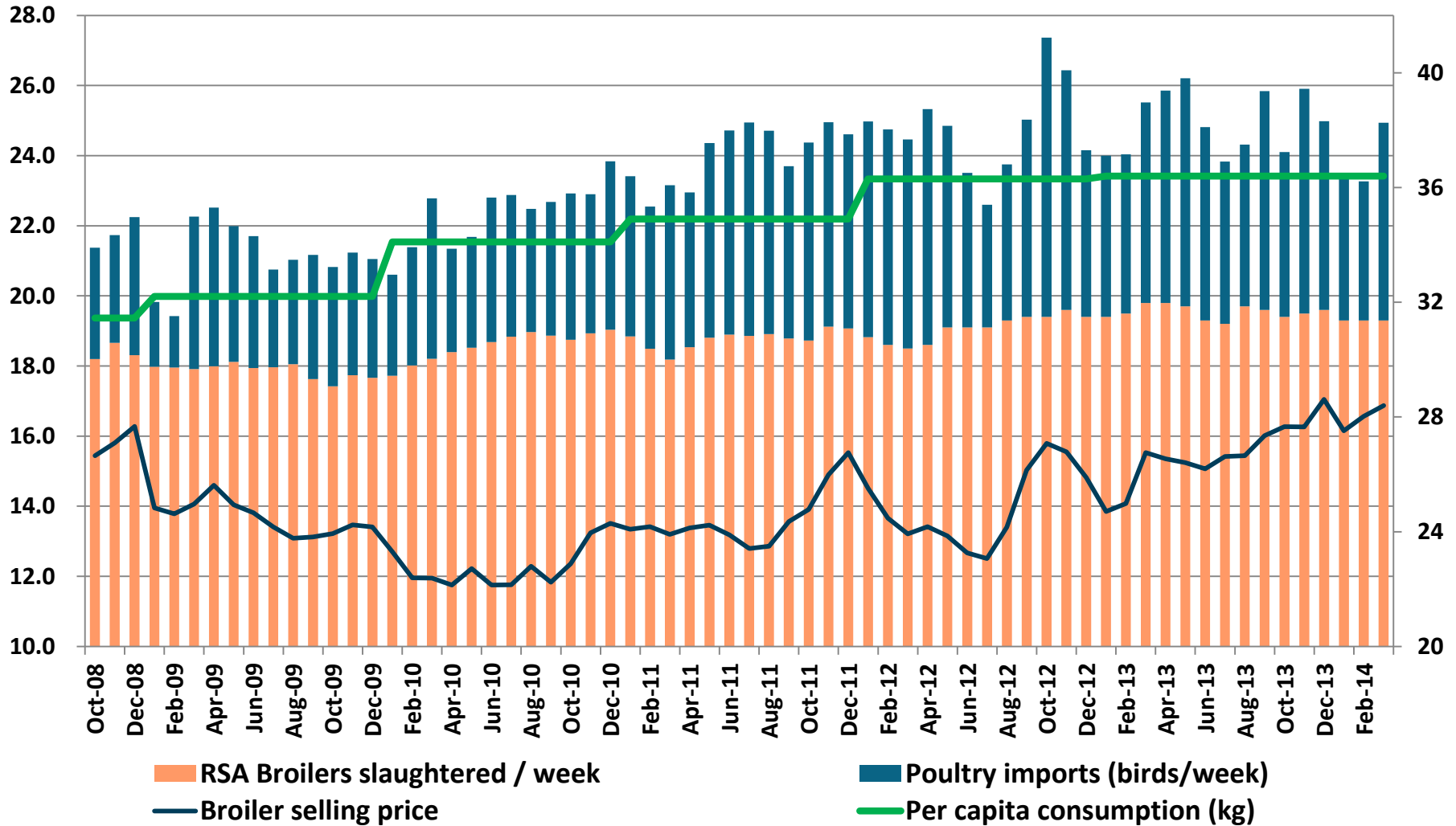
Source: CJA Strategic Risk Brokers

# LOCAL BROILER PRODUCTION, IMPORTS & PER CAPITA CONSUMPTION



Million birds per week / Rand per kg

kg



Source: SAPA

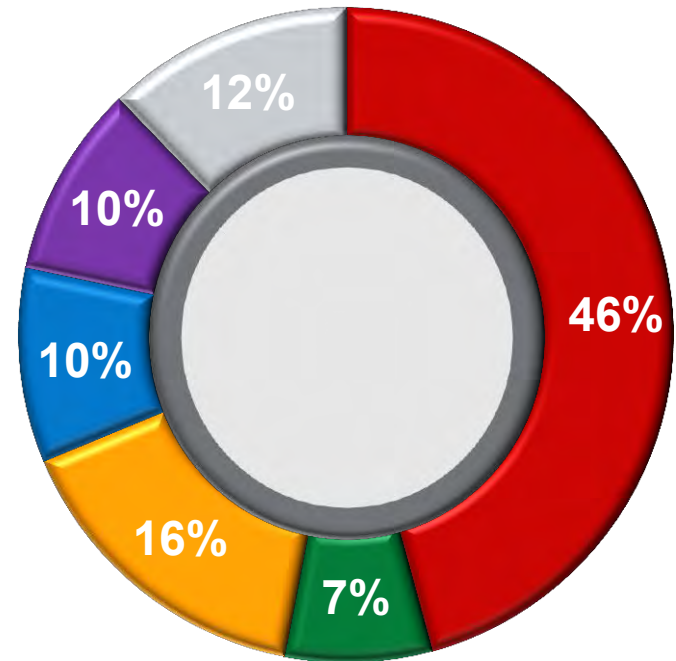
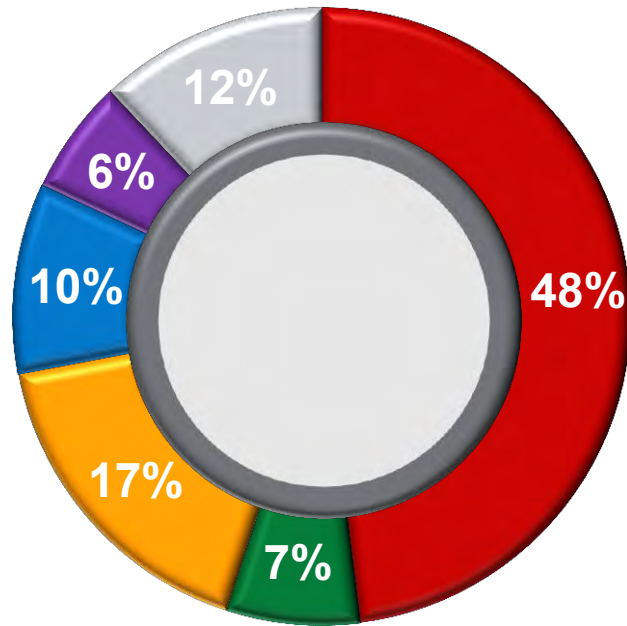


# TOTAL POULTRY IMPORTS – COUNTRY SPLIT



2013

2014 YTD (March)

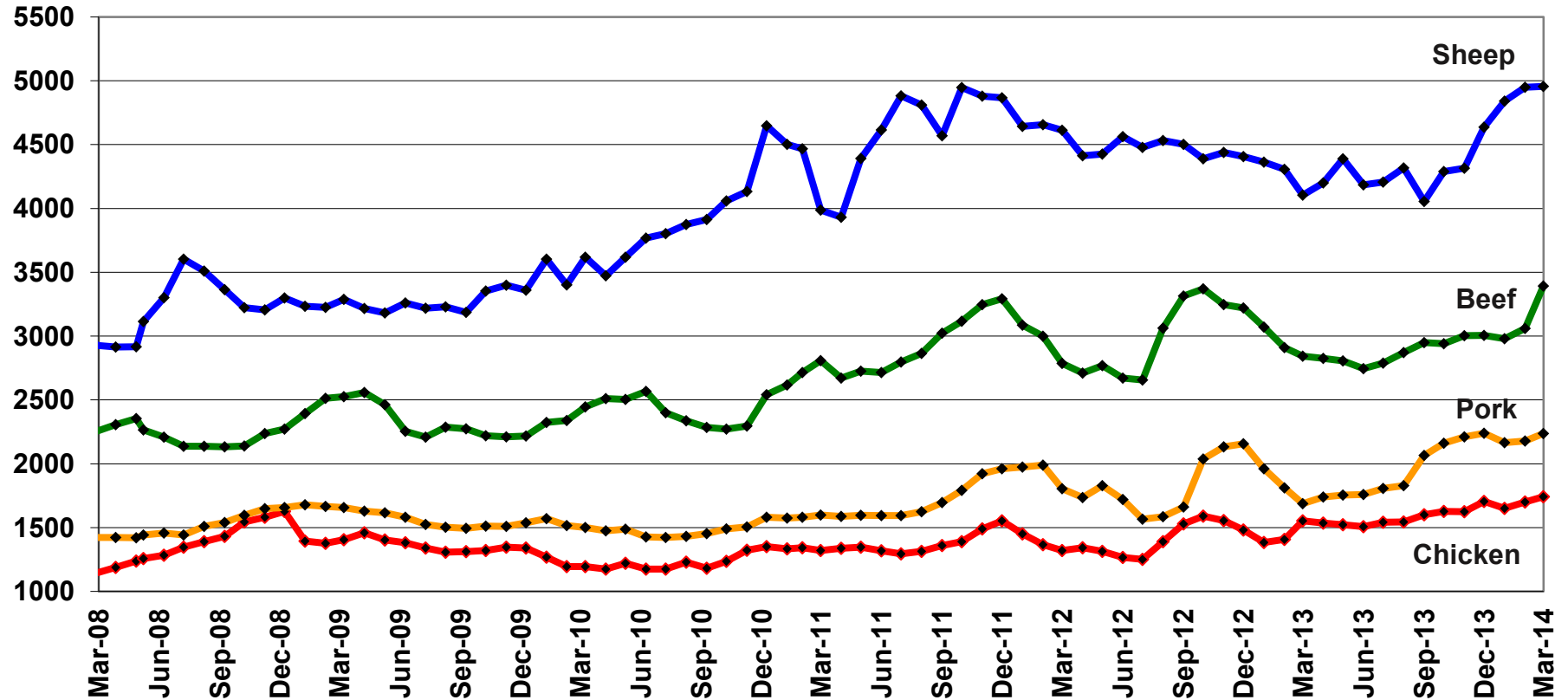


- Brazil
- Argentina
- Netherlands
- UK
- Germany
- Other

# PRODUCER PRICE COMPARISON – RSA PROTEIN



Cents per kg



	Chicken	Pork	Beef	Sheep
Feed Conversion Rate	1.7	2.2	5.5	5.0
Per Capita Consumption	36.4 kg	4.6 kg	17.2 kg	3.2 kg

# DRAFT BRINING LEGISLATION



- Draft Brining Regulations – impact on consumer if we do nothing

Unit Size 2 kg

70:30

R40.00 / 2 kg

185g / piece

10.8 pieces

Live Mass 1.784 kg

Age 34.1 days



Unit Size 2 kg

85:15

R47.24 / 2 kg

153g / piece

13.1 pieces

Live Mass 1.784 kg

Age 34.1 days

# CONTACTS



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